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Review of David Paulson, *Family Firms in Postwar Britain and Germany:  
Competing Approaches to Business*

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DAVID PAULSON, *Family Firms in Postwar Britain and Germany: Competing Approaches to Business* (Woodbridge: The Boydell Press, 2023), 362 pp. ISBN 978 1 783 27758 2. £24.99

David Paulson's monograph is a historical study of small and medium-sized enterprises (SMEs).<sup>1</sup> The book's focus, both comparatively and from a transnational perspective, is an analysis of the 'ecosystem', that is, the socio-economic structures in which SMEs were embedded during this period. As Professor of Practice in Management and Leadership at Queen's University Belfast, Paulson is an expert in the field of transnational business research. Prior to his academic career, Paulson completed his doctorate in business history at Cambridge University and was himself active in leading positions in various British SMEs, experiences from which the monograph benefits considerably.

In his study, Paulson analyses six SMEs, three each in the Federal Republic of Germany and Great Britain. The book covers the decades after the Second World War, from 1945 to the late 1970s. Within this time frame, Paulson focuses on the southern German state of Baden-Württemberg and the West Midlands of England. The English SMEs are all located in West Bromwich, while the German companies are located in various towns in Baden-Württemberg. This research design suggests that the regions are comparable. Paulson also focuses on three regional sectors—the paper, steel, and automotive industries—and compares one German and one English company from each of these in turn: Chr. Wandel KG in Reutlingen and Kenrick & Jefferson Ltd (paper); Julius Schneider GmbH & Co. KG in Ludwigsburg and Braithwaite & Co. Ltd (steel); and RECARO GmbH & Co. in Stuttgart and Jensen Motors Ltd (automotive).

Translated by Marielle Sutherland (GHIL).

<sup>1</sup> In Germany, SMEs are usually abbreviated as KMUs (*kleine und mittlere Unternehmen*). Classification as a micro, small, or medium-sized enterprise in Germany today is based on the European Commission in accordance with EU Recommendation 2003/361/EC, whereas in the UK it is defined by the British government. The definition can vary depending on the context and purpose, but it is usually based on the number of employees (under 250 in both countries) and the annual turnover or balance sheet total.

The concept of the *Mittelstand* is fundamental to Paulson's analysis of the 'ecosystem' of these companies, especially the German case studies. The term originally referred to a 'middle class' of entrepreneurs and business owners, but it now means the privately owned small and medium-sized firms that form the backbone of the German economy. The *Mittelstand* emerged in the post-war period as a result of the economic and political upheavals that accompanied the 'economic miracle'. The decentralization of the economy associated with the *Mittelstand* and the democratization of business in the Federal Republic after 1945 contributed to the development of a diverse landscape of SMEs. At the time, these companies were seen as playing an important role in the Federal Republic's economic upturn, which is why they received state support in the form of tax breaks, loans, and other financial incentives.<sup>2</sup>

Paulson's study is therefore based on the similarities in corporate culture that are often ascribed to German SMEs: the emotional connection to a family that founded, runs, and owns the company; the patriarchal culture within the family business; an identification with, and rootedness in, the surrounding region; an independent mindset; and the development of high-quality, specialized products. First, Paulson asks whether these principles still hold true today, and whether they were actually applied even back then. Second, he asks how German SMEs differed from British SMEs, as no comparable *Mittelstand* emerged in Britain. He concludes that although the potential for a British *Mittelstand* existed, British companies were generally less well managed, and operated in a less supportive external environment (pp. 290–302).

Paulson bases his arguments on a wide range of qualitative and quantitative primary sources: these include the internal minutes of the SMEs, company training programmes for employees, German and British university enrolments, and documents relating to 'master craftsman' training in the Federal Republic. In a nuanced and differentiated analysis, Paulson weaves the primary sources into the chapters, which is particularly useful in the case studies. It must be emphasized that limitations in the source base are due more to accessibility

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<sup>2</sup> On the *Mittelstand*, see Hartmut Berghoff, 'The End of Family Business? The *Mittelstand* and German Capitalism in Transition, 1949–2000', *Business History Review*, 80/2 (2006), 263–95. On the 'economic miracle', see Axel Schildt, *Die Sozialgeschichte der Bundesrepublik Deutschland bis 1989/90* (Munich, 2007).

problems than to inadequate research by the author. Paulson states, for example: 'Unfortunately, no company's archive contains much material on bank relationships, but it is evident that all the companies got access to some finance' (p. 59). Such difficulties are not uncommon in historical corporate research. The fact that the author addresses these limitations shows that he is at pains not to conceal any blind spots, thereby making his arguments more persuasive.

The source material is integrated into the argument in a structured way. The study is divided into two parts, with the first setting out the methodological and theoretical framework and the second comprising the case studies. The conclusion of the book, which refers to both parts, concentrates on various themes and questions, such as 'inter-firm' and 'industrial relations', employee relations, management logic in the individual companies, the role of the founding families, and the significance of the German '*Mittelstand* model' in today's world.

Part one is divided into chapters on 'Culture, Community, and Continuity', 'Banking', and 'Recruitment and Training'. This structure follows the main themes, the aim being to compare the two countries' 'ecosystems'. The individual chapters are dedicated in turn to West Germany and Great Britain, highlighting national differences and similarities. After an overview of the regions at the beginning of the period under investigation (1945), the chapters show how the SMEs reflected political and cultural specificities of the respective regions. In each case, these factors influenced the management logic, the employees, and the corporate culture. The book benefits from the lucidly structured historical context of the first part, which offers a clear categorization of the relevant processes of change. In particular, readers who are engaging with issues in European corporate history in the post-war period for the first time will find the introduction very helpful.

The findings from part one are applied to the case studies in part two, continuing the argument clearly and logically for the reader. In six chapters, one for each case study, Paulson analyses the corporate cultures of the SMEs. Due to the varied quantity, quality, and scope of the available sources, the chapters are not always exact parallels of each other, but are rather based on the specific developments at the individual companies. The structure of each chapter therefore differs depending on the source material, but the individual chapters all share

the same basic structure. Paulson begins each chapter with an examination of the company's development since its foundation, then refers to its financial performance and management culture up to the 1970s, and usually concludes with a nod towards what came next, often up to the 1990s. At the same time, he not only includes the social backgrounds of the founding families and employees, but also shows how they were intertwined with other, larger companies, such as Porsche or Volvo.

Running through the individual chapters (in both parts of the book), and substantiated by the sources, is a continuous narrative: German and English SMEs have different 'ecosystems', leading to different corporate cultures. Paulson tries to avoid 'Made in Germany' stereotypes which imply that German companies are inherently higher quality. Nevertheless, he concludes that SMEs in Germany were more strongly supported by external influences, while those in the UK had to contend with less favourable conditions. In Baden-Württemberg, SMEs were supported by local, regional, and national institutions. In particular, the education system and the network of regional *Sparkassen* (savings banks) provided an infrastructure that enabled long-term financing and growth. The German SMEs therefore took a more long-term, socially responsible approach to business. In contrast, the SMEs in West Bromwich received less institutional support until the late 1970s and had access to fewer qualified staff overall. The British SMEs were therefore more focused on short-term profits.

Paulson also analyses various other aspects, such as the importance of family ownership for SMEs. He argues, for example, that family ownership can be a 'driver of long-term commitment and creativity' in both nations, but is not absolutely necessary (p. 298). However, the emotional connection between business owner and company is more characteristic of German firms than British ones.

Finally, Paulson identifies the essential difference between the business cultures of the two countries as one of long-term versus short-term thinking in Germany and Britain respectively, which is reflected, for example, in significantly later than average flotations of German companies on the stock market.<sup>3</sup> Paulson identifies 'two Varieties of

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<sup>3</sup> Paulson points out that German companies only went public after fifty-five years on average (p. 41).

Capitalism' in the two nations (p. 290). In so doing, he aligns with the arguments made by Peter A. Hall and David Soskice, according to which the UK and the USA have a 'liberal market economy', which favours markets and hierarchies, while Germany has a 'coordinated market economy', which strives for non-market, longer-term relationships.<sup>4</sup> According to Paulson, this external context leads to systematic differences in company strategies and behaviour.

Although Paulson's study has a coherent structure and skilfully integrates the source material, the transnational framing is not as convincing. The necessity of a German-British comparison is not sufficiently justified against the background of the overarching research question. The author's attempted explanations, which cite, for example, British political and business voices striving for a 'British *Mittelstand*' (pp. 3-4),<sup>5</sup> do not go far enough. In addition, although Paulson refers to older comparative research, such as that of Alfred D. Chandler, it would be useful to explain in detail why the comparison specifically between German and British regions is historically instructive.<sup>6</sup> Paulson portrays the regions of Baden-Württemberg and the West Midlands as economically similar, only to then present their different 'ecosystems' as a distinguishing factor. Would the results of the study be different if one of these regions were replaced with another? Would studies of other industries in the same regions lead to the same results in terms of national 'ecosystems'? Apart from the author's biographical connection to the Midlands, it remains unclear why these specific regions and industries were chosen. Whether or not the study's findings can be taken as exemplary of wider trends therefore remains up for debate.

Nevertheless, Paulson's book is a significant contribution to German-British business historiography. Not only are its thorough research and detailed analysis impressive, but its arguments are

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<sup>4</sup> Peter A. Hall and David Soskice, 'An Introduction to Varieties of Capitalism', in Peter A. Hall and David Soskice (eds.), *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage* (New York, 2001), 1-68.

<sup>5</sup> One example Paulson cites (p. 47) is Helen Power, 'Britain's Forgotten Army of Firms Must March like Germans, Says Cridland', *The Times*, 24 Oct. 2011.

<sup>6</sup> Alfred D. Chandler, *Scale and Scope: The Dynamics of Industrial Capitalism* (Cambridge, MA, 1994). Chandler conducted a comparative analysis of modern (post-1970) companies in Germany, Great Britain, and the USA.

mostly convincing and it distinguishes clearly between the national specifics of the SMEs. In this sense, the book benefits noticeably from its author's theoretical knowledge and practical experience. By using SMEs as a basis for analysing socio-economic processes of change from 1945 to the late 1970s, Paulson succeeds in demonstrating that corporate cultures may differ nationally, and are not static but change over time in response to structural conditions.

All in all, *Family Firms in Postwar Britain and Germany* is an interesting reference work for scholars and students in the fields of twentieth-century economic and social history, management studies, and economics. The transnational comparison encourages further discussion between, and research on, European companies, and emphasizes the uniqueness of German SMEs as the backbone of the country's economy in the decades after the Second World War, even if the wider applicability of the study is debatable. The book highlights the continuous contribution of SMEs to the economic prosperity of the Federal Republic, as well as their influence on international discourse (p. 300). Especially against the background of today's international networks, business history studies that look beyond national borders play an important role in providing interpretations relevant to the present, and a historical understanding of how differences evolved between the cultures of economic actors.

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