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Trans-generational renewal as managerial succession: The Behn Meyer story (1840–2000)

Shakila Yacob*

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Built on a unique partnership principally among three families spanning more than 160 years and four generations, Behn Meyer provides fascinating insights for the study of corporate governance and managerial succession. The company was founded in Singapore in 1840 by two young men from Hamburg, a city renowned for its tradition of merchant houses and entrepreneurship. During both world wars, the British colonial administration in Malaya and Singapore imposed severe restrictions on German-owned concerns. Yet Behn Meyer’s ‘resurrection’ after both world wars demonstrates the remarkable resilience of the company and the adaptability of its management practices and culture. Trans-generational continuity in managerial succession remains a major factor in the long-run survival of a firm and this case study of a family enterprise that overcame significant business and political risks provides an informed comparative analysis of managerial succession and entrepreneurship.

Keywords: family business; trans-generational renewal; managerial succession; entrepreneurship; political risks; corporate governance; Behn Meyer

1. Introduction

Behn Meyer was founded on 1 November 1840 in Singapore by two enterprising young Germans from Hamburg, Theodor August Behn (Jr.) and Valentin Lorenz Meyer. The German parent company, Arnold Otto Meyer, was only established in 1857. A business built on the basis of a unique partnership principally revolving around three families and spanning more than 160 years with four generations of successors, Behn Meyer provides fascinating insights for the study of managerial succession in family firms aligned to trans-generational renewal which also becomes the basis for the firm’s continued entrepreneurship.¹

Behn Meyer’s humble beginnings in Malaya and Singapore were as an exporter of tropical produce and an importer of manufactured goods from Europe.² By World War I, the company had expanded into import/export, insurance and shipping activities. It could be argued that the three defining moments in its history were the traumatic upheavals and massive disruptions of the world wars and the decolonisation process which thereafter led to economic nationalism in Malaysia (in
the form of the New Economic Policy [NEP], 1971), in which the firm demonstrated its ability to adapt to the prevalent circumstances. With the adoption of the Alien Enemies Act 1914 by the British colonial government in Malaya, Behn Meyer had all its properties including plantations and valuable real estate liquidated and lost its strong position in the shipping business. Yet Behn Meyer managed to rebound vigorously when trading restrictions were lifted, diversifying into chemicals, dyestuffs and industrial goods that were in high demand in the aftermath of World War I. During World War II, Behn Meyer faced similar political risks which severely restricted its ability to trade in the region but was again able to survive.

Arnold Otto Meyer re-established Behn, Meyer & Co. in Singapore in 1955 and in the Federated Malay States (Kuala Lumpur and Penang) by 1958. Behn Meyer’s excellent networking with compatriot firms provided further impetus for expansion. These German multinationals included the world’s unrivalled chemical giants BASF and Hoechst, and later Bayer. Other ‘principals’ such as Rollei Werke, Olympia-Werkenow and AEG-Telefunken, also contributed to Behn Meyer’s continued success both in the region and worldwide, displaying what Chandler characterised as ‘the cooperative rather than competitive spirit’ in German managerial capitalism.

Unlike other trading firms in the region, mainly British, Behn Meyer had taken the initiative to integrate forward into manufacturing in the Peninsular. In the 1960s and 1970s, to match Malaysia’s industrial demands, the company diversified further into the manufacturing and services sectors. Moving in tandem with the world economic conditions in the new millennium, the core business areas of Behn Meyer Group (chemical manufacturing, polymers, fertiliser, general trading and paper and board) are very much in demand by both emerging and developed economies. A strategic move in June 2000 led to a change in the corporate name from Arnold Otto Meyer to Behn Meyer (D) Holding AG & Co. KG, thereby ensuring the holding company was known by a uniform name worldwide.

This paper is unique because it presents a comprehensive account of a family enterprise that managed to survive in a hostile environment when similarly styled British business groups had given up. Behn Meyer’s story in defiance of the odds and expectations is rather unparalleled in the emerging economies of Southeast Asia (particularly Malay(a)isia). Thus, this paper aims to assess the management succession and investigate the issues of (a) sustainability – how Behn Meyer as a family firm sustained generational change; (b) longevity – how did Behn Meyer survive the four to five generations? (c) adaptability – how did the company respond to internal and external circumstances? The study of Behn Meyer shows a firm that was sensitive to rapid developments in the environment, and correspondingly shifted its resources to exploit opportunities and to overcome adverse externalities to finally re-establish its market position through innovation, reinvention or adaptation. Indeed, Howorth, Rose and Hamilton have highlighted that ‘very small family firms’ have often proved to be ‘important sources of innovation, flexibility and competitive advantage’. The authors also add quite succinctly that ‘intergenerational succession lies at the very heart of the family firm’.

Indeed, it is argued that the ‘future prosperity of any family business…is inextricably linked to the succession process…[therefore], the decisions to innovate and change, made by [succeeding] generations, are every bit as entrepreneurial as the original…business’. Precisely what makes Behn Meyer even more interesting is that it classically exemplifies both the ‘existential paradox’ of continuity and discontinuity inherent in ‘interpreneurship’ (inter-generational entrepreneurship) as
a trans-generational partnership system revolving around the three entrepreneurial German families whose existence were sustained in colonial Malaya and post-colonial Malaysia as well as in Hamburg, Germany. Yet another unique feature of the firm, unlike the mainly free-standing firms of the British plantation and mining companies in colonial Malaya and Singapore, is the business conducted by the Hamburg parent firm in Europe. This paper therefore contributes to the family business literature that seems to focus only on European and the Americans with some works on Japanese, Korean and Chinese family businesses. This study on the other hand focuses on how a German family firm – with origins in Hamburg – survived and flourished in a geographically distant economy like Malaysia.

There are varied opinions and perspectives on what constitutes a family firm. Chandler identified family firms or personal capitalism as ‘owners managed and managers owned’ and suggested that these firms failed to compete with much more successful firms that adopted ‘managerial capitalism’. Yet a large amount of literature has shown that family-managed firms in both the developed and developing economies did outperform their professional counterparts such as the British business groups, the Japanese zaibatsus and the South Korean chaebols which are equally capable of building and sustaining competitive advantage in international markets.

Other models have identified family firms with control management, mainly by owners, and the need for family-held majority shares. Yet certain models require at least two or three generations (cross-generational) of family control as a precondition for categorisation. Scholars such as Zahra link innovation with the number of generations actively involved in the family business firms, and argue that these are better positioned to generate innovation and change – in other words, promoting entrepreneurship as in the case of Behn Meyer. This is also supported by Miller and Le Breton-Miller, who argue that appropriate checks and balances in place in the ownership of the firm provide conditions conducive for ‘attitudes of stewardship’ as epitomised by values of loyalty, dedication and commitment which again is found in the entrepreneurial culture of Behn Meyer.

In addition to ownership, the family business literature points to the importance of other key research issues such as governance, succession and human resources. Scholars have also begun to link family businesses and entrepreneurship. Recent literature has explored trans-generational continuity of family business as a catalyst for entrepreneurship renewal. This factor is experienced particularly in families with a strong culture and tradition of entrepreneurship.

In qualifying as a trans-generational family business with strong entrepreneurial motivation and tendencies, Behn Meyer’s managing partners of the firm comprised mainly, though not exclusively, of members of the three families over four to five generations (1840–2000), the core being the Lorenz-Meyer family as well as the Schoenberg and Kellinghusen families. From 1900 until 1978, the company actually had four families as managing partners and shareholders, including the Witthoefft family, which finally sold its shares in 1978. Partners from outside these families were also appointed over the years. Behn Meyer’s chairmen have also been appointed from within and outside the families. Another set of key managerial figures of the firm were the board of directors, who were appointed from both within and outside the families.

Over the years, these sets of three managerial parties (managing partners, chairmen and directors) from within and outside the families have played a major
role in guiding the firm towards the next level of development. These managing partners together with the directors were the driving force behind change, supporting Chandler’s view of the need for ‘managerial capitalism’, namely the separation of ownership from control. Behn Meyer adopted both ‘personal’ and ‘managerial’ strategies, which questions the validity of the Chandlerian model that argues for the superiority of managerial capitalism over personal capitalism and that family firms must be distinct from non-family firms. Behaviouralism, the case of Behn Meyer refutes Chandler’s argument on personal capitalism because it survived the ‘age of merchant capitalism’. Behn Meyer’s ability to evolve and survive the challenging political and socio-economic environment clearly demonstrates the adaptability of its management systems. Thus, the line of inquiry proceeds along the nature of ownership base of the company, its managerial continuity and how internal succession was organised and maintained.

This paper begins with a brief background of the founding family and origins of Behn Meyer in Malaya. Section three discusses the challenges faced by the firm from World War I to the end of the twentieth century while giving due attention to the management competences of the firm followed by how family business governance and strategies contributed to the sustainability, longevity and adaptability of the firm over time in section four. Section five concludes.

2. The founding family and origins of Behn Meyer, 1840–1914

Germany, as one of the first movers in the rise of big business in Western Europe, played an important role in the Malayan economy. The Germans were mainly interested in the import/export business and setting up agencies for shipping lines. German merchant firms in Singapore began to increase in number, rising from three firms before 1860 to 15 in the 1860s. Among the most prominent merchant houses representing German interests was Behn, Meyer & Co.

Theodor August Behn (Jr.) and Valentin Lorenz Meyer met at a private boarding school and became lifelong friends. They shared the same Hamburg tradition of entrepreneurship characterised by resilience, perseverance, foresight and business acumen. The commercial education propounded in Germany provided the managerial competence needed to exploit both the locational and ownership advantages. Behn’s apprenticeship at a commercial agency house, for example, began when he left school in 1833 and after four years his appointment as a clerk with the company allowed him access to its German and English communication. Behn then went to Singapore, which was considered as the first free trade port in Southeast Asia. British liberal trade policies induced him to choose Singapore as the first base of operations, although doubts were raised as to the future of Singapore when Hong Kong was acquired and China became open to trade. Meyer joined him soon afterwards, and 1 November 1840 saw the official commencement of Behn, Meyer & Co. Thus, the first German-owned merchant firm in Southeast Asia was born.

In 1845, the younger brother of Valentin Lorenz Meyer, Arnold Otto Meyer, joined the firm. He became one of the key players of the firm. By 31 December 1851, a new partnership was formed between Friedrich Albert Schreiber (who joined the firm as a clerk in 1841), Arnold Otto Meyer and August Behn. However, Behn left the firm at the end of 1856 and a new partner, Herr Johannes Mooyer, joined on 1 January 1857. On 22 February 1857, Arnold Otto Meyer left Singapore for Hamburg and within four months founded the parent firm Arnold Otto Meyer.

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Between 1857 and 1899, the firm went through a series of partnership changes but the founding family remained the major stakeholder of the firm. A few key figures (who stood out as Behn Meyer’s strongmen) were responsible for much progress within the firm (see Table 1). Arnold Otto Meyer steered the firm through several crises, while Adolf Lapse and Franz Heinrich Witthoefft, who joined the firm in 1893 and 1896 respectively, led it on another path of growth and expansion.24

Behn, Meyer & Co. was incorporated on 11 December 1905 under the laws of the Straits Settlements, where it had its registered office and domicile.25 The principal shareholders were Lapse, Witthoefft and Lorenz-Meyer from Hamburg holding 3253 preference shares and 6418 ordinary shares each.26 Arnold Otto Meyer, the younger brother of Meyer, became the principal shareholder of the Behn Meyer group of companies in Southeast Asia from 1906 onwards when the control of the company shifted from Singapore to Hamburg.

In 1906, a limited company, headquartered in Singapore, was formed as a subsidiary of Arnold Otto Meyer, Hamburg. The share capital increased to $3 million straits dollars and the controlling shares were held by Eduard Lorenz Meyer, Arnold Otto Meyer, Adolf Lapse and Franz Heinrich Witthoefft, while the first board of directors comprised Hans Becker, Ad. Asmus, A.G. Faber, F. Katenkamp and H. Riege.27

Behn Meyer expanded quickly owing to the resourcefulness and business acumen of its owners as well as the strategic location of Singapore (and later Penang when they set up a branch in 1891). In addition, employees with experience at the parent firm and other affiliates were appointed to handle business in Singapore and Penang. For example, Ulrich Eugen Engler, a Swiss national, who worked with the company in Singapore in 1883 was put in charge of the office established in Penang which managed imports only but later on was to handle commodities, in particular tin. This was when, in 1890, Behn, Meyer & Co. took over a German tin smelting firm, Friedrich & Co. Another Hamburg-trained member of staff, Heinrich Jessen, joined this Penang branch in 1901 and was later appointed export manager in 1905. These examples demonstrate how the close connection between the parent firm and its affiliates and the practice of moving employees around between the parent company and the network of affiliates contributed to the success of the business in the region.

Table 1. Behn Meyer & Co.’s partners (1863–1905).

<table>
<thead>
<tr>
<th>Name</th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Theodor August Behn (Jr.)</td>
<td>1840–56</td>
</tr>
<tr>
<td>Valentin Lorenz Meyer</td>
<td>1840–49</td>
</tr>
<tr>
<td>Arnold Otto Meyer (younger brother of Valentin Lorenz Meyer)</td>
<td>1845–99</td>
</tr>
<tr>
<td>Ferdinand von der Heyde</td>
<td>1863–69</td>
</tr>
<tr>
<td>Oscar Mooyer</td>
<td>1868–72</td>
</tr>
<tr>
<td>Caspar Glinz (Swiss)</td>
<td>1870–80</td>
</tr>
<tr>
<td>Julius Brussel</td>
<td>1873–81</td>
</tr>
<tr>
<td>Johannes Lutjens</td>
<td>1882–87</td>
</tr>
<tr>
<td>Otto Muhry</td>
<td>1885–91</td>
</tr>
<tr>
<td>Eduard Lorenz Meyer (co-owner of Arnold Otto Meyer in Hamburg)</td>
<td>1885–91</td>
</tr>
<tr>
<td>Walter Edelmann (Swiss)</td>
<td>1890–95</td>
</tr>
<tr>
<td>Alexander von Roessing</td>
<td>1902–05</td>
</tr>
</tbody>
</table>

The company expanded into the Philippines, forming a branch in Manila in 1900, Sandakan, North Borneo, Indonesia (Batavia) in 1901 and Thailand (Bangkok) in 1907. The locational advantages enjoyed by the firm allowed it to become one of the largest import/export firms on the Europe–Far East trade route. In 1886, the firm secured the agencies of several renowned shipping lines: Norddeutscher Lloyd (or North German Lloyd, a heavily subsidised German shipping line that in 1899 bought the Ocean Steamship Company that was operating in Southeast Asia), the Hamburg–America Line, the two principal shipping companies operating in Germany and the German Australian Steamship Company.\(^{28}\) By 1895, for instance, Behn, Meyer & Co. had secured the agencies of 14 shipping firms, 27 insurance firms and two agencies for ship classifications.\(^{29}\) The Norddeutscher Lloyd began to ply the Singapore–Bangkok and Singapore–Hong Kong routes, making it the world’s second largest steamship company in 1907 when it acquired steamers from the East Indian Ocean Steamship Company and Scottish Oriental Steamship Company.\(^{30}\)

The founding Meyer family clearly plays a major role in the early years, with three members of the family, Valentin Lorenz Meyer, Arnold Otto Meyer and Eduard Lorenz Meyer, taking the lead in promoting growth and expansion within the firm. Arnold Otto Meyer served as a partner of the firm for 44 years (1857–99), ensuring the continuity of the firm during these early critical years of growth and expansion. By 1906 the Witthoefft family joined the firm, with Franz Heinrich Witthoefft playing active role in dealing with the upheavals of World War 1.

By 1914 the two founding families together with their non-family partners worked closely together to transform the business of the firm from merely serving as a trading firm in the import–export business to include insurance and shipping agencies. Behn Meyer had 11 branches throughout Southeast Asia and the Far East, including Hong Kong and China (Canton and Shanghai).\(^{31}\) The firm had also spread to India (Calcutta). It is important to note that the tradition of appointing non-family members as managing partners for the firm continued from this period onwards. The longevity of this family firm may be attributed to this continuous effort of creating a pool of successors and talented managers from both family and non-family members.


There were three pivotal moments (crises) which had threatened to critically overshadow the firm, and raising the spectre of its end, at least as far as the region was concerned. These were the two world wars and economic nationalism which had accompanied the process of decolonisation in Malaysia. Yet these trials and tribulations demonstrated Behn Meyer’s ability to overcome adversity and shape its own destiny instead of being shaped by negative external conditions. In the third instance, Behn Meyer, unlike the other, mainly British, firms, had chosen to submit to the diktats of the state without much fuss and ironically, in thus doing so, managed to secure and preserve its own interests (continuity) in the country. This was expressed in an absence of mistrust and lack of friction with the government. Hence, Behn Meyer was able to steer a path between outright capitulation and refusal to comply, which would mean either leaving the country altogether or losing its identity and independence. As such, the environment of economic nationalism was unlike the previous two historic phases that were disruptive to the firm’s
continued existence. Rather the NEP provided a stable environment in which the firm could expand its operations in the country and enhance the diversification of its portfolios. That many of the current core business activities and industrial competencies are derived from the period of economic nationalism demonstrate how far Behn Meyer had come from its original status as a trading firm.

This development could only be attributed to the firm’s innovative business skills in adapting to the external environment at each successive critical stage in its history as represented by each generation of entrepreneurial spirit and drive. Behn Meyer’s adaptability was clearly demonstrated when it modified its existing core capacities to meet new challenges and over time what was inherently both a gradual and disruptive transformation was taking place to manage the new environment. Throughout its transformation, Behn Meyer kept alive the vision and outlook of the original founders. Behn Meyer’s adaptability could be attributed to its single-minded pursuit of its regional focus. Hence, the new management was able to pass on the strategic thinking and visionary focus of the previous generation and preserve continuity in this respect amidst the discontinuity of external circumstances.

By World War I, Behn Meyer had become one of the largest trading companies throughout Southeast Asia with interests in insurance, shipping, plantations and tin. When World War I erupted, the British were quick to enact the Alien Enemies Ordinance (1914) whereby all German or German-linked businesses were expropriated, and consequently eliminated from the competition. Behn Meyer was considered only nominally of British nationality (as the company was incorporated in the crown colonies of the Straits Settlements) and the majority share capital was held and controlled by German nationals on behalf of Arnold Otto Meyer of Hamburg.

In January 1915, liquidators were appointed to wind up the business activities of Behn, Meyer & Co. As such, Behn Meyer’s properties in Malaya and Singapore were auctioned off with proceeds going into the British crown’s coffers. The total loss suffered by Behn Meyer in British-held or co-belligerent territories amounted to 12 million gold marks. In the same year, it was expelled from the Penang Chamber of Commerce. By 1915, all Germans in Malaya were either interned or put on parole.

During the Indian Mutiny on 15 February 1915 in Singapore some, including Behn Meyer’s staff, managed to flee to Sumatra. Behn Meyer was undaunted by the impact of the war and resolved to re-establish itself despite receiving little compensation after the war. In 1919, Arnold Otto Meyer established an office in Amsterdam (because of Dutch neutrality during World War I) to replace the one in London. In line with the company’s visionary focus and sensitivity to market trends, it took over agencies for chemicals and dyestuffs from IG Farben Industries. Shipping and insurance activities were also scaled down. Like other German firms in the Straits Settlements, Behn Meyer & Co. was blocked from operating in the region. Thus, it formed new partnerships and re-established itself in the neighbouring ‘neutral’ Dutch East Indies to continue its trade with Singapore. In 1915, it set up a joint stock company, Straits Java Trading Co., NV, incorporated in Batavia with a Dutch director, a subsidiary of Behn Meyer & Co. By 1922, branches were set up in Singapore and Penang.

The company recovered most of its business except in the shipping sector where it lost most of its pre-war shipping agencies. However, Straits Java Trading Co. Penang managed to secure shipping agencies for the Hamburg–America line and the German–Australia line. Other agencies secured were from German manufacturers, who supplied much-needed goods for post-war rehabilitation, such as AEG
(generating sets, motors and insulation materials); Humboldt-Deutz Motoren AG (diesel engines, cargo winches, locomotives and stone crushers); Demag AG (cranes and excavators); Beiersdorf Ltd. (plasters) and I.G. Farben (Behring Sera & Vaccines, chemicals and dyestuffs). Other agencies included Agfa photo materials, Agfa synthetic perfumes and Bayer pharmaceutical products. 39

To ensure continuity and to preserve Behn Meyer’s past reputation, in 1936 the directors of Behn Meyer & Co. made representations to the colonial government in Singapore to replace the name of the Straits Java Trading Company with the original name in the Straits Settlements Registrar of Companies.40 The company hoped to use its former name for the impending centennial celebrations in 1940.41

By the outbreak of World War II, Behn Meyer had once again re-established its operations in Malaya, Singapore, the Dutch East Indies, the Philippines and China. This time, however, the Netherlands was not a neutral observer of the war but on the side of the Allies. Again, Behn Meyer’s properties and businesses were liquidated in Malaya and Singapore. As such, throughout World War II only the Hamburg company remained in Behn Meyer’s hands. The British had offered to pay compensation for the losses incurred in World War I in the the form of government bonds which were never repaid because of the Japanese occupation (1942–45), which coincided with the maturity period.42

After the end of World War II, the British imposed a 10-year ban on German companies resuming business in Malaya and Singapore. However, Behn Meyer managed to retain the firm’s pre-war agencies in Singapore and Malaya by negotiating an agreement in London with a well-established British agency house, Paterson, Simons & Co., which had been a member of the same shipping conference in Singapore in the late 1890s. By 1948, the latter began running the agencies of both Behn Meyer and Straits Java Trading Co. and paid Behn Meyer a commission on the business generated.

When German companies were allowed to re-enter Malaya and Singapore in 1955, Behn Meyer re-established itself in Singapore under its own name with Georg von Daggenhausen as managing director. Daggenhausen, who in 1949 was posted to the Paterson, Simons & Co. office in Singapore, played an important role in Behn Meyer’s growth and survival pre- and post-World War II. He was an assistant in the Singapore branch of the Straits Java Trading Company before the war, but took charge of these agencies and remained with Behn Meyer until 1967. All pre-war agencies were transferred back, and Paterson, Simons & Co. was paid a commission for double the number of years the company had handled the Behn Meyer pre-war agencies.43 Knowledge and experience of the region allowed Behn Meyer to exploit local competencies and resources, which became an important factor in the firms’ survival.

Branches of the firm registered in Singapore in 1955 were opened in Penang and Kuala Lumpur and by 1958 Behn Meyer had regained its former status as the leading German trading house in the region. It quickly responded to the post-colonial era by diversifying its range of activities into fertilisers, agrochemicals, polymers, industrial chemicals, paper and machinery. Behn Meyer & Co. (M) Sdn. Bhd. was incorporated in December 1959, taking over the business of Behn Meyer & Co. Ltd. set up in 1955 in Singapore. As such key experienced personnel was posted from Hamburg in the 1950s and 1960s mainly to re-establish the firm in Singapore and Malay(a)zia. Amongst them were Manfred G. Schwencke, Heinz H. Waetcke, Alfred Peter Otto Thomas and Juergen Herbert Friele. With the exception of Friele, who attended the School of Commerce in Oberhausen, the other three attended the
School of Commerce in Hamburg. They were all posted from Hamburg to Singapore or Malaysia and served between 30 to 40 years in various capacities until they retired. All four played an instrumental role in building the firm’s capabilities and resources as well as the development of new branches throughout the Malay Peninsula. By the early 1960s, Behn Meyer had 300 employees in seven different branches and sales offices throughout the Malay Peninsula (Penang and Johor Bahru) and East Malaysia (Kuching, Bintulu, Lahad Datu, Tawau and Sandakan).

From the 1950s to the 1960s, the environment in which Behn Meyer operated became more competitive, the colonies became independent and there was a period of great organisational change in response to competitive pressure. From 1957 onwards, the challenge to the company shifted from the British to the Malaysian government. State intervention in the economy was minimal and the focus was on the mining and agricultural sectors. As such Behn Meyer’s specialised products were in demand, in particular fertiliser, although it had to contend with ICI’s strong position in the fertiliser market in Malaysia. Yet Behn Meyer continued to contribute substantially to the agricultural sector of the newly independent country.

The rapid industrial development of Malaysia and Singapore as independent nations during the late 1960s was matched by the growth of manufacturing and servicing activities of the Behn Meyer group of companies in the region. This was in contrast to British trading and plantation firms which never expressed an interest in the manufacturing sector. These engineering activities had grown to such a size that it became necessary to reorganise the manufacturing and service activities in Malaysia and Singapore by the formation of Behn, Meyer & Co. (M) Industries Sdn Bhd in Kuala Lumpur and Behn, Meyer & Co. Industries (Pte) Ltd. in Singapore in 1969. The two new companies quickly extended into local manufacturing, assembly and servicing of engineering goods. These companies maintained large and well-equipped after-sales facilities for the engineering, office equipment, domestic appliances and photographic departments of the Behn Meyer Group.

By 1970, Malaysia introduced the NEP, a 20-year plan that inaugurated a new era for doing business, in particular for foreign firms such as Behn Meyer. The efforts of the Malaysian government in restructuring the economy were sometimes known as ‘localisation’ or ‘Malayanisation’ and later ‘Malaysianisation’. Although the policy promulgation did not come as a complete shock, it did ruffle feathers among foreign firms, especially British ones. Many found it difficult to come to terms with the new climate wrought by politics and ideology rather than what was considered to be – from their perspective – ‘investor friendly’ policies. Hence, the expectations of these foreign firms, in particular the old names, were shaken. Although British firms were resistant to complying with the requirements of the NEP and thereby potentially losing control over strategic business decisions, Behn Meyer accommodated the NEP targets.

Behn Meyer cooperated with Malaysian public agencies to meet the NEP objectives. Several joint ventures were formed with Malaysian public agencies (Table 2) and efforts were made to hire and train local staff, in particular Bumiputeras, at the executive and technical levels. At the same time, Behn Meyer branched out into many states, and strengthened its presence in East Malaysia.

By the early 1970s, Behn, Meyer & Co. in both Malaysia and Singapore had grown substantially in a competitive and sophisticated environment and the management structure of Behn Meyer reflected the change. A new group
management structure with a centralisation of operations was implemented in contrast to the decentralised system practised earlier. The different areas of business such as fertilisers, dyestuffs, chemicals, office equipment and engineering were grouped according to regional categorisations. Behn Meyer was then organised on a divisional basis with 11 different divisions.49 This modern management structure, recommended by a management consultant hired by Behn Meyer in 1973, resulted in effective company operations. It is important to note that with the adoption of this new management structure, Behn, Meyer & Co. was miles ahead in effective operations compared with most of its competitors, which did not see the necessity to engage management consultants.50

Behn Meyer went further in its restructuring by hiring graduates to serve its expanding clienteles, and this approach gave Behn Meyer a competitive advantage over other, old-fashioned, colonial companies which had not yet read the signs of change.51 Behn Meyer overheads increased substantially with this policy approach and yet served both Behn Meyer’s and the state’s interest by fulfilling the other objective of ‘Malaysianisation’ aimed at mandating foreign firms to hire Bumiputeras to hold positions at all levels, in particular decision making and managerial levels. However, one of the most common complaints by foreign firms was the lack of qualified Bumiputera professionals.52 In addition, by the 1970s the

<table>
<thead>
<tr>
<th>Name of company</th>
<th>Shareholders</th>
<th>% shareholding (1976)</th>
<th>Shareholders (2000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Behn Meyer &amp; Co. (M) Sdn. Bhd.</td>
<td>Arnold Otto Meyer</td>
<td>100</td>
<td>60% Arnold Otto Meyer 30% Felda 10% Behn Meyer Foundation</td>
</tr>
<tr>
<td>FPM Sdn. Bhd.</td>
<td>Felda</td>
<td>50</td>
<td>50%</td>
</tr>
<tr>
<td></td>
<td>Bank Pertanian</td>
<td>20</td>
<td>20%</td>
</tr>
<tr>
<td></td>
<td>Behn Meyer</td>
<td>30</td>
<td>30%</td>
</tr>
</tbody>
</table>

Notes: 4This joint venture mooted by Arnold Otto Meyer and Behn Meyer, BM Engineering Sdn. Bhd., was formed between Arnold Otto Meyer in Hamburg, Pernas Engineering Sdn. Bhd. and Munck International of Norway in April 1972 to manufacture a wide range of cranes, hoists and other material handling equipments for the markets of Malaysia, Singapore, Indonesia, Thailand and other Southeast Asian markets. 5Behn Meyer ventured into the agricultural sector and formed Pertanian Meyer Majubumi Sdn. Bhd. with a focus on mixing and blending fertilisers. This was a joint venture with KPM Niaga, a trading subsidiary of Bank Pertanian. 6Another joint venture was formed with Felda in 1980. FPM Sdn. Bhd.

cost of hiring expatriate managers had increased tremendously following the political circumstances in the region. In an attempt to overcome this lack of qualified Bumiputera personnel, Behn Meyer introduced a Bumiputera Executive Development Programme in the late 1970s. A number (the exact figure is not known) of Bumiputeras was hired at the mid-level as trainee executives and put on a two-year intensive training programme at Behn Meyer. Thus there was knowledge transfer from the parent to subsidiary and vice versa. These vibrant and continuous knowledge flows between the parent firm and its subsidiaries served as another source of competitive advantage for the firm.

Behn Meyer Engineering Sdn. Bhd., set up in 1972, remained focused on the supply, installation and after-sales service of cranes and hoists, sewing machinery, processing machinery and equipment for special applications. The engineering group and Behn, Meyer & Co. Industries continued with the supply and installation of processing machinery. However, by the mid-1980s, due to the crowded market and stiff competition, Behn Meyer made a difficult decision to close its engineering division despite its long establishment and huge initial capital outlay. This is one example of how the company managed change and quickly adapted to new and challenging business environments.

From the 1970s to 1980s, products sourced in Germany were much sought after in Southeast Asia, including Malaysia. Behn Meyer was selective with the products offered by principals, choosing and changing only to those that had a strong demand in Southeast Asian markets. Over time, the firm made difficult but important decisions to stop distributing products that could not compete with new and cheaper products in the market. For example, it stopped distributing household appliances when the market was flooded with cheaper goods from Japan, Korea and eventually local manufacturers. When the Japanese took over the photographic equipment and supplies market in the 1980s and 1990s, Behn Meyer ceased to distribute more expensive products from German manufacturers. Again, this example demonstrates the adaptability of the firm, which contributed to its sustainability and longevity.

In 1993, Behn Meyer had restructured its business to diversify into a number of manufacturing activities. New companies were formed to reflect its specialisation in key areas of business such as Behn Meyer Kimia Sdn. Bhd. specialising in chemical, techno-chemical and process machinery products and Behn Meyer International Trading for paper and boards as well as the export business. By 1996, Behn Meyer had adopted what was known as the ‘regional concept’ for its ASEAN investments, treating ASEAN nations as one big country without borders. As Behn Meyer’s regional headquarters the Malaysian subsidiary remained the biggest setup, followed by the subsidiaries in Singapore, Thailand, Indonesia, Vietnam and Myanmar. Last but not least, was the parent firm in Hamburg. In 1999, leveraging on Malaysia’s position as the world’s largest oil palm producer, Behn Meyer established Performance Additives Sdn. Bhd. to produce chemicals from palm oil derivatives for the world’s rubber and plastic industries.

In June 2000, a change in corporate name from Arnold Otto Meyer to Behn Meyer (D) Holding AG & Co. KG took place, thereby ensuring the holding company was known by a uniform name worldwide. At the same time Behn Meyer Holding AG was appointed as its management company. This visionary move ensured the survival of the firm in the changing context of the new millennium. The evolution of the partnership system embraced by the Hamburg parent over time led to the sustainability of the Behn Meyer Group.
4. Behn Meyer and trans-generational renewal

The entrepreneurial legacy of Behn Meyer provided the foundation for future generations to build on when shared culture and attitudes were embedded within the family and the firm. Howorth, Rose and Hamilton stressed that the boundaries of the family firm lie ‘within a large group with shared culture and values’.\textsuperscript{61} For Behn Meyer these shared values include both family and non-family members. The key factors that contributed to the sustainability and longevity of Behn Meyer are the unique partnership system, extensive apprenticeship of heirs coupled with a rigorous selection process. The apprenticeship and long training periods also include non-family members. In addition, a high level of commitment from family and non-family members was clearly demonstrated when dealing with the upheavals of the two world wars and economic decolonisation. Other critical factors include sound knowledge management of the region leveraging on its network with local employees and trading networks. While in Europe, Behn Meyer capitalised on its German principals.

One of the factors that led to the sustainability of Behn Meyer is the unique partnership system embraced by the Hamburg parent. The company consists of partners who are personally fully liable without limits while the shareholders are liable with paid-in capital. This company law is peculiar to Germany and does not exist under English law. This unique partnership system has served as a source of competitive advantage for the firm. The setting up of a holding company, Behn Meyer (D) Holding AG & Co. KG, in 2000 greatly facilitated the global marketing activities of the firm while reducing the risks for the company and shareholders as no one person was now required to act as a partner. And in the event that the partners were rendered incapacitated or chose to retire, the company would still be in a position to be managed by the external managers.\textsuperscript{62}

Four major families formed the partnership system. However, partners from outside the families were also appointed when necessary (Figure 1). The founder family, Lorenz-Meyer, survived four generations of the partnership system followed by three generations of the Witthoeft family (which ceased to be partners and shareholders in 1978) and the Schoenberg family and two generations of the Kellinghusen family. The Schoenberg family remained as partners throughout, while for both the Lorenz-Meyer and Kellinghusen families there were certain periods when their family members were not appointed partners due to the lack of a male heir (Figure 1).

The bias toward male successors by family firms has been pointed out by the various family business literature on generational transition. This research suggests that female successors lack encouragement regardless of their qualifications.\textsuperscript{63} For example, between 1972 and 1984, the Kellinghusen family was not represented as a partner because of the lack of a male heir.\textsuperscript{64} The fifth generation of the founding family, Dr Dirk Lorenz-Meyer, has served the company holding different positions at various levels of management and with different affiliates but is yet to be appointed as a partner of the firm. His sister, Dr Dagmar Lorenz-Meyer, holds a PhD from the London School of Economics but is not attached to the family business. It is important to note that a male heir does not guarantee automatic appointment as a partner in Behn Meyer.

As such, the organisational structure of Behn Meyer is self-consciously and overtly patriarchal. Given that German apprentices are required to perform overseas assignments, sometimes for long periods, it was deemed logical at the time that only
male personnel had the mental aptitude and physical attributes necessary to endure such tough and challenging scenarios. Yet this conservatism has not proven an obstacle to Behn Meyer’s business success as the lack of a male heir has never
disrupted the succession plan of Behn Meyer, not least because the firm is not run by a single family.

A tradition of an elaborate succession plan undoubtedly contributed to the survival of the Behn Meyer family business. Although such a succession plan was not formally instituted, the tradition of extensive apprenticeship of potential heirs could be seen throughout the history of Behn Meyer. Over the years, family members have held positions as partners and shareholders, as well as directors and chairmen of the supervisory board on occasions. The appointment of a partner calls for a rigorous process and only the best qualified are appointed regardless of whether they are family members. Furthermore, for a family member to be appointed as a partner, they must prove their leadership qualities and rich experience of working across various positions in the company. Family members also have to prove their mettle before the existing partners meet and discuss their possible appointment as partners of the firm. However, they can remain shareholders of the company.65

Over the years, the partners have played a major role in overseeing the operations of the group by travelling from Hamburg to the affiliates in Southeast Asia three to four times a year. Behn Meyer quickly adjusted to the new political circumstances in the region through regular visits by the partners from Hamburg. They not only represent the shareholders but also discuss relevant business matters, company transformation and restructuring as well as improve the flow of information between the parent and affiliates. By adopting such a strict managerial system, the firm has managed to avoid the common pitfalls of family firms, such as nepotism and succession failures. This partnership system clearly separates the rights of the owners from those of management, which has ensured the long-term sustainability of the firm.66

Another source of competitive advantage was the appointment of the supervisory board, which is a requirement for a German AG company.67 The chairmen of this board were often appointed from the three families. One such example is Dieter Lorenz-Meyer, a shareholder of the company who was appointed a member of the board in 1997 upon his retirement and became its chairman in 2005. He had a long and illustrious career in the company since 1957. In 1966, he was appointed the managing partner of Arnold Otto Meyer, subsequently handling the company’s activities in Malaysia and Singapore.68 The members of the supervisory board are elected by the shareholders from outside the company and they include retired bankers and auditors.69 Their role is mainly to control the function of the company and supervise (including hiring and terminating) the members of the board of directors.70

At the apex of the management structure is the board of directors, which consists of the dominant family shareholders but not necessarily the partners and local management members appointed from within. The board runs the daily affairs of the company. Decision making is heavily concentrated at this level and board members make strategic decisions. Board meetings are chaired by the group chairman. The latter play an important role because of their specialist knowledge of the region as well as the company’s product specialisations. Group chairmen typically held their positions for a long time, usually for life. For example Georg von Daggenhausen was chairman from 1955 to 1967, followed by Heinz Horst Waetcke from 1974 to 1985.71 Manfred G. Schwencke served from 1985 to 1999.72 The same could be said of deputy chairmen. Alfred Peter Otto Thomas served as deputy chairman for the Behn Meyer Group in Singapore and Malaysia from 1974 until 1985. All three attended
the School of Commerce in Hamburg before serving a commercial apprenticeship with Arnold Otto Meyer in Hamburg for between 24 and 30 months.

Like their British counterparts, German trading firms, Behn Meyer included, hired mainly Germans (with one or two European) managers, assistants and engineers. Those who served the Hamburg parent company came to serve different affiliates and were exclusively Germans, with the exception of one or two Swiss nationals. Recruitment was carried out mainly from within, and this particularly applied to the managing director of the firm. Managerial competences were carefully built up after years of service in different branches within or outside the countries before a staff member could be appointed a director. Manfred G. Schwencke, for example, joined Behn Meyer & Co. Ltd. in June 1955 and worked in the pharmaceutical department for two years and then in the fertiliser department in Singapore and Malaysia. He was appointed the director of the Singapore affiliate in 1967, and in Malaysia in 1974. From 1974 to 1985 he served as executive director of Sales and Marketing for the Behn Meyer Group in Singapore and Malaysia. He was then appointed as chairman of the Behn Meyer Group from 1985 until 1999. He became chairman of the Supervisory Board from March 1999 until the present. Schwencke served Behn Meyer for a total of 50 years in various capacities from his apprenticeship with Arnold Otto Meyer from 1953. This high level of commitment and long exposure to the firm and the region contributed to the careful and sound knowledge management of these managers which in turn led to the sustainability and longevity of the business.

In addition, long-serving local employees were hired as managers in the subsidiaries in Southeast Asia, such as Malaysia, Singapore, Thailand and Indonesia, where they served on the board of directors, thereby actively participating in the decision-making process. It was typical for British trading companies to distinguish between home and overseas staff. However, this was not the case for Behn Meyer. Behn Meyer adopted a more inclusive and open attitude towards locals, which was lacking in the business cultures of many British firms. Since its beginnings this German company had always used the locals to advance its activities and encouraged its employees to ‘mix’ with the locals.

Another critical factor that led to the longevity of the firm was its good relations with British partners that were forged and fostered from the end of the nineteenth century and enabled it to maintain its presence in the region post-World War II. This was unlike the conservatism portrayed by British companies in the country. Behn Meyer reached out to the grass-roots consumers, building a team of marketers – including at times the executive director – visiting the ‘kampungs’ to provide expert advice whilst selling its products to the villagers.

Like other German firms, Behn Meyer had adopted the practice of providing credit terms to all customers. This required in-depth knowledge of the respective customers, risk taking and a delicate control between collecting outstanding accounts and providing new supplies. Behn Meyer had good business relations with the Indian traders. Like other German firms, Behn Meyer had adopted the practice of providing long-term credit not only to the Indian but also to Chinese traders. In addition, the close customer relations and the trust Behn Meyer had with the local Chinese could be seen when they were hired to serve as sales executives and salesmen. Unlike the British practice of hiring debt collectors, Behn Meyer maintained a good rapport by using these Chinese salesmen to collect outstanding accounts. They played an important role in forging commercial ties between German companies and local trading networks.
5. Conclusion

Behn Meyer, an excellent case study of a family firm that has survived four to five generations in a sometimes highly hostile environment, is testimony to the firm’s perseverance and ability to transform itself and makes for a highly informative comparative study of managerial succession and company performance. A well-defined system of governance allowed for the appointment of seriously committed partners who ‘live and breathe’ the firm. These ‘stewards’ were carefully chosen via a rigorous selection procedure. A key factor that contributed to the sustainability and longevity of the firm is the grooming process when a long period of apprenticeship training allows for the appointment of the most capable successors.

Over the years, long-serving managers have joined the board of directors, and these individuals have played an important role in the decision-making process of the company because of their local knowledge and perspectives. Consistent with a good managerial succession system, the firm managed change carefully, helping its longevity and sustainability. These Schumpeterian entrepreneurs were alert to changes in the industry, including the demand and supply of its markets, and most importantly followed country-specific industries closely in order to cater to their demands.

Behn Meyer demonstrates the importance of a close working relationship between family and non-family members. By enlarging its pool of potential successors, Behn Meyer created and negotiated a sustainable and robust succession plan that was at the same time not too dependent on the core family partners, thus ensuring critical balance in ownership and management of the family firm. The separation of ownership and management is vital to the firms’ sustainability and these non-family members demonstrate a high level of commitment to the company by serving an average of 30–50 years and remained in position until they retire or die. The extensive rotation of management positions between the parent firm and affiliates as well as among affiliates allowed for sound knowledge management, specifically knowledge transfer and knowledge sharing.

Behn Meyer saw the potential of the region; excellent knowledge management allowed it to establish a permanent presence. The entrepreneurial dynamism of Behn Meyer in overcoming challenges was enabled by its knowledge of and leveraging on its network in the region. It also did not hesitate to use its networking with its principals to synergise and secure the supply chain. The company was able to secure strong and relevant franchisees over time and established itself in the large markets of Southeast Asia while building up a network in the region and in Europe. By the new millennium, Behn Meyer had a diversified portfolio of suppliers worldwide, in particular large German manufacturers that catered to the new demands of the local and world economy. Most importantly, it had successfully managed change and has remained relevant long after being established in Singapore in 1840. Behn Meyer managed to survive through trans-generational renewal when other foreign, particularly British firms had disappeared from the market. This is why Behn Meyer is a mercantile success worthy of admiration and emulation.

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Notes

1. Rosa and Balunywa, ‘Habitual Entrepreneurship’.

2. Malaya refers to the Straits Settlements (comprised of Penang (1786), Singapore (1819) and Melaka (1824)) and other states in the Malay Peninsula until 1948 when the Federation of Malaya excluded Singapore. From 1948 Singapore remained a crown colony until the formation of Malaysia in 1963 which included the latter (subsequently expelled in 1965), Sabah and Sarawak.


6. Ibid., 227.

7. Ibid. see also Hoy and Verser (‘Emerging Business, Emerging Field’) on the transfer of intergenerational strategic thinking.

8. The term, ‘free standing company’ or ‘FSC’, was coined by Wilkins (‘Defining a Firm’, ‘The Free Standing Company’) to refer to a company incorporated with a small headquarters and without any prior business in the home country, but instead handles business activities exclusively in the host country.


10. Anderson and Reeb, ‘Founding Family Ownership and Firm Performance’.

11. ‘Jones, Merchants to Multinationals.


21. Other important firms include Rautenberg, Schmidt & Co. (1849), which expanded in 1878 by taking over 10 new European agencies; Zapp, Bauer & Co. (1854); Heiber, Katz & Co. (1867), which was re-established in 1878 as Katz Bros., Brinkman, Kumpers & Co. (1867) and E.H. Hinnekindt (1868). Bogaars, ‘The Effect of the Opening of the Suez Canal’, 111, 111n and 114.


25. Foreign Office, 3 January 1934, CO 848/33, No C11173/5130/18, TNA.


28. Campo, Engines of Empire.


30. Other notable German shipping companies include Kingsin Line, German–Australia Steamship Co. and Hamburg–America Steamship Co. Amin, ‘Anglo-German Rivalry’, 72–8.


32. ‘Alien Enemies’, The Straits Times, 7 December 1914, 3.

33. Ibid., 3.

34. ‘Riot at Singapore’, 3 March 1915, CO 273/419–20, ANM; see also, ‘Disturbances at Singapore: Conduct of German Prisoners’, 2 March 1915, CO 273/420, ANM.

36. ‘Java Agency of Behn Meyer’.
40. In 1925, the US Supreme Court in Washington ordered that the property of Behn Meyer & Co. in the Philippines be returned to the rightful owners on the grounds that the firm was incorporated in the Straits Settlements. Consequently, the name Behn Meyer & Co. was successfully re instituted in the US-controlled Philippines and later the Dutch East Indies. In Singapore, however, no such success was achieved. ‘Behn Meyer Property’, *The Straits Times*, 6 January 1925, 9.
42. J.H. Friele, former director and consultant of the Behn Meyer Group, interview with the author, 16 August 2010.
43. Ibid.
45. Malaysiasation involved two vital aspects: the accumulation of capital on behalf of Bumiputeras and, secondly, the appointment of Bumiputeras at decision-making and managerial levels. Bumiputra or ‘sons of the soils’ refers to the majority Malay and indigenous population in Malaysia.
46. ‘British Investments in Malaysia’, June 1975, FCO 15/2075, FAF 6/1, TNA.
47. Because of the vast control of British companies over the Malaysian economy, the latter became easier targets of Malaysian public agencies.
48. Friele, interview (see note 42).
50. In the 1970s only huge international companies employed management consultant. Letter from Friele to Shakila, 11 May 2011.
51. Ibid.
52. ‘Malaysianisation (including employment of expatriates in business)’, 11 March 1966–2 November 1966, DO 189/588, AED 110/30/1, TNA.
53. Firstly, the trainee executives were required to follow an advanced course in the German language at the Goethe Institute while undergoing local training for a year at the Behn Meyer headquarters as well as its subsidiaries such as BM Electrical Bhd. and BM Industries. The trainees were then attached to Arnold Otto Meyer for a year to study the company operations. The trainees were also sent for specialised training at the various offices and factories of Behn Meyer principals. ‘Rosli Completes Intensive Training in Germany’, *Warta bm*, January–March 1981, 4; ‘MARA Graduates join Behn Meyer’, *Warta bm*, January–March 1985, 4.
54. Mudambi, ‘Knowledge Management in Multinational Firms’, 2–3.
59. ‘Behn Meyer & Co. 167 Years in Southeast Asia’, in Radtke, *Celebrating 50 Years of Malaysian–German Relations*, 70.
60. Friele and Schoenberg, interviews (see notes 42 and 58).
62. Friele and Schoenberg, interviews (see notes 42 and 58).
64. J. Kellinghusen is the grandson of Willy Kellinghusen. This demonstrates the patriarchal nature of the business.
65. Schoenberg, interview (see note 58).
66. Friele, interview (see note 42).
67. Ibid.
69. Schoenberg, interview (see note 58).
70. Ibid.
72. ‘M.G. Schwencke is New Managing Director in Singapore’, Warta bm, April–June 1985, 1.
73. White, British Business in Post-Colonial Malaysia, 215; Jones, Merchants, 225.
74. Friele, interview (see note 42).

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