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Organization and Business Strategies of a British Group: The Morrison group in Argentina and Uruguay, 1881-1962.

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From 1880 to 1914, Argentina was one of the main destinations of the British investment abroad. Most of the investment in the River Plate was carried out by Free Standing Companies, frequently grouped under the control of a main company.¹ In this British-based investment groups, the managerial control of the firms was exercised by the board of the parent company, whose members headed a network of overlapping directories. This organizational pattern resulted from the development of property advantages based on the financial and commercial networks between Britain and Argentina. The early specialization of British agents in finance and trade gave origin to specific advantages in the administration of intangible assets such as knowledge and managerial abilities, allowing a fluent access to capital that strengthened the British managerial networks in the region.

Morrison was the most important British investment group in Argentina during those years. In the 1880s, it expanded quickly by the creation of public utility companies, mortgage and financial firms. The crisis of 1930 affected the growth of its investments in the River Plate. However, most of the firms continued operating satisfactorily until the nationalization of the railroads and public utilities in the second postwar. The absolute decline of the businesses in the region started in the 1940s and they came to an end in 1962.

The paper analyses the organization, the management style and the strategies of the Morrison Group in the long term, focusing on the creation of a managerial network led by the parent company, The River Plate Trust, Loan & Agency Company limited (RPTLA).² The organizational structure and the management style of Morrison Group favoured a long and stable profitability as well as the persistence of its business in the River Plate for more than half a century. The businesses of this group have been

¹ A definition of Free standing company in Wilkins (1988); Wilkins M. & Schroter H.(1998).

² According to Casson, an entrepreneurial network is "a set of high-trust relationships which either directly or indirectly link together everyone in a social group." M. Casson (1998), p.15

deeply analysed by Charles Jones for the golden period of British investments in Argentina, but the trajectory of the group after World War I has not been studied yet.³

This paper specially discusses the performance of the Morrison group (RPTLA group, from now) in the interwar period and the further decline of its investments in the River Plate to review the thesis about the decline of British investment abroad in the first postwar as a consequence of organizational failures and weak managerial abilities of British firms.⁴ The arguments that explained the decline as a result of an increasing state intervention and the emergence of economic nationalism since WWI, are also reviewed.⁵ The evidence shows that the British firms investing in traditional activities such as mortgage loans, securities and public utilities obtained a sustained profitability with low risks. The organization of entrepreneurial networks combined with a hierarchical control and the agency specialization in British interests in the region ensured a long life to the British firms in Argentina until the Second World War.

Different reasons have been pointed out to explain the British decline. From the 1970's, the lower rates of growth of the British economy in comparison with other industrialized countries impelled the historical research to look for the causes of the decline in the past. From the Chandlerian paradigm that attributed the decline to the persistence of the family capitalism, to the focus on the hostility to industrialism showed by the British upper class and the consolidation of a "gentrified" business elite, adduced by Wiener, the historians of "declinism" have associated the performance of the British economy with a failure in the organization of firms and the scarce managerial abilities of the business leaders.⁶ Recently, the renaissance of the British economy introduced a turning point into the debate. As regards ownership and managerial control of the British companies, Leslie Hannah, and also Franks, Mayer and Rossi, settle down that the separation of ownership from control began early in Britain and that family control was even less dominant than in US and German companies in the first decades of the XXth century.⁷

We argue that the managers of the River Plate Trust successfully assured the continuity and profitability of the companies following traditional managerial patterns. The satisfactory performance of the companies of RPTLA did not encourage the relocation of investments toward new industries nor to introduce organizational innovations. The businessmen, notables and professionals who integrated the boards of the companies, most of them coming from the upper and upper middle classes, acquired a qualified reputation by managing the businesses of the group. At the end of their careers, they reinvested the earnings obtained in the River Plate in lands and securities, following the aristocratic investment patterns. Nevertheless, this behaviour

³ Ch. Jones Ch (1973); L. Jones, Ch. Jones & R. Greenhill (1977); Ch. Jones (1980); Ch. Jones (1982) Ch. Jones (1997).

⁴ The literature on declinism is overwhelming. For a recent review of this topic, see R. Coopey y P. Lyth, (2009). From the business history approach the standpoint is Chandler (1990). See also M. Wilkins (1988) and J. F Wilson & A. W.J Thomson (2006). A different point of view in G. Jones (2000); Miller (1998), Greenhill & Miller (1986). For Argentina, Lanciotti (2007).

⁵ Ch. Jones Ch (1973); L. Jones, Ch. Jones & R. Greenhill (1977); Ch. Jones (1998).

⁶ A. D Chandler, (1990); Wiener (2004). Also see B. Elbaum & W. Lazonick (1984).

⁷ L. Hannah (2007).J. R Franks, C. Mayer, y S. Rossi (Julio 2004).

doesn't explain the decline of RPTLA group, on the contrary, it contributed to sustain the good performance of its companies.

The research is based on the records of the River Plate Trust Loan and Agency Company Ltd, 1876-1978, including minutes, ledgers, registers, accounts, annual reports, legal documents, insurance records, staff records, letters and files, some relating to subordinate companies; and records of the subsidiary companies it administered. The information about staffs and investments of the British companies in Argentina was collected from the directory lists (Directory of Directors), Burdett's official intelligence, Stock Exchange Official Intelligence y Stock Exchange Official Year Book.⁸

1. River Plate Trust, Loan & Agency: The organization of an entrepreneurial network between London and Buenos Aires, 1881-1900

The River Plate Trust, Loan and Agency was constituted on July 30th, 1881. As its title indicated, the company aimed to develop business in three areas. As a trust, the business was to acquire the assets of the Mercantile Bank of the River Plate. The secondary objective was to lend money on mortgages in Argentina and Uruguay; and finally to undertake the financial agency business of companies and individuals in the River Plate. The company was founded by John Eldon Gorst, Sidney Herbert, Frederick Fearon, Cornelius Cox, Edward Ashworth, Edward Griggs and John Taylor. The first board was formed by most of the founders, all of whom related with the Mercantile Bank as managers, shareholders or liquidators (Gorst, Ashworth, Fearon, Herbert, y Taylor). The board also included Leon Isaac, whose family was the main shareholder of Montevideo Waterworks Co (the major investment of the Mercantile Bank in the River Plate) y Lord Norreys.⁹ Gorst and Herbert were members of the Parliament, Cox and Griggs were stockbrokers, Ashworth was a merchant, and Griggs, one of the Directors of The Trust and Loan Company of Canada. Their economic and social origins were very similar. Ashworth, Gorst and Isaac had been shareholders of the Mercantile Bank, which couldn't survive the financial crisis of 1873. Fearon had been secretary of the Bank, and also held shares of a financial and mortgage company in Canada. Gorst was Director and shareholder of a sugar factory in Brazil, Herbert and Norreys were Directors of insurance companies (The Lion Life Assurance and The Anglo-French Fire Insurance) and finally, John Taylor had been general manager and director of the Mercantile Bank, with strong investments in lands in the River Plate, where he had resided for a while. All of them can be placed in the "Social Class I and II, according to Charlotte Erickson, who includes the landed gentry, all professional and business groups, major businessmen, senior management and "senior managers."¹⁰

⁸ RPTLA documents are included in The River and Mercantile Trust Records (University College, London). The lists and directories were consulted at The British Library of Political & Economic Science, London School of Economics and Political Science. Complementary Annual Reports and other files were consulted at The Guildhall Library, and at the London Metropolitan Archives.

⁹ River and Mercantile Trust Records. Memorandum Of Association Of The River Plate Trust Loan And Agency Company Limited., July 30th, 1881

¹⁰ Cited by Gourvish (1973:294)

In 1882, John Morris was appointed to the board of Directors and became the Chairman and Managing Director of RPTLA. Morris was the senior partner of Ashurst, Morris & co., the firm of solicitors of the company. Under his management, the firm greatly expanded. The objectives and strategies of the business in the River Plate were clear formulated by John Morris in the former general meetings of shareholders, and the early principles were continued by his successors.

To explain the relationship between Ashurst, Morris & Co and RPTLA, we should go back several decades, when William Ashurst became the legal advisor of James Morrison, a textile merchant who began to make financial investments in banks and railways companies in the United States from the 1830s. The personal relationship between Morrison and Ashurst laid in their common commitment to the radical political clubs. The relationship was soon extended to business and the firm of solicitors took charge of James Morrison's business, as a legal and financial advisor.¹¹

John Morris joined the firm of solicitors in 1845, and became partner in 1854. A few years later, Ashurst withdrew from the firm to be a solicitor to the Post Office, so Morris kept in charge as a senior partner. The firm presided by John Morris consolidated during the rise of British business abroad from 1840 to 1870. Its expansion was mainly favoured by the approval of the Joint Stock Companies Act that made the incorporation of companies easier (1844) and the Limited Liability Act in 1855.¹²

Morris got full expertise in dealing with the flotation, promotion, rescue and liquidations of British companies. He used to draft the prospectus and the schemes of arrangement and took charge of the negotiations and agreements among the shareholders and bondholders of the securities of several railway companies in the United States and Canada. After several years, he acquired a well-known reputation in this activity, which became his main capital.¹³ According to his contemporaries, Morris was a qualified solicitor of fair judgment, tact and diplomatic ability, an analytical mind specially trained to identify the strong points and the negatives aspects of a new business, who also had remarkable skills for administration.¹⁴ His firm became one of the leading law firms in the city. But Morris decided to start his own business in Argentina and Uruguay. The opportunity arose when he was appointed to manage the liquidation of the Mercantile Bank, whose main shareholder was Charles Morrison, the most important customer of Ashurst, Morris & co. after the winding-up of the firm of his father.¹⁵

¹¹ Gatty (1977)

¹² Slinn, (1997), 35-36

¹³ John Morris took part in drafting the Joint Stock companies Arrangement Act of 1870. Jones Ch. (1973), p. 138. He also organized several syndicates to invest in England and abroad, founded the first telephone company in London, and promoted the construction of the first subway of the city. Morris was born in South Molton, Devon, in 1823, son of George Morris, a wool-stapler. For Biographical data of Morris, see Charles Jones, 'Morris, John (1823–1905)', *Oxford Dictionary of National Biography* first published 2004.

¹⁴ This was the opinion of Walter Morrison, one of the sons of James Morrison, who was the main customer of the firm. J. Slinn, op. Cit., 48-49

¹⁵ The debt of the Mercantile Bank arose to £335.000. River and Mercantile Trust Records. Memorandum Of Association Of The River Plate Trust Loan And Agency Company Limited., July 30th, 1881

Charles Morrison, the eldest son of James, increased his interests in foreign railways and public utility companies in North America also investing in mortgage and insurance companies. From the 1870s, his investments in South America and in the River Plate expanded as a strategy to diversify their interests abroad as a response to the decline of British business in North America. Charles Morrison promoted the creation of the Mercantile Bank and the Central Argentine Railway, whose board integrated along with his brother Walter Morrison.¹⁶

To sum up, the major shareholders of the River Plate Trust also had investments in financial firms, mortgage, insurance and public utilities in Canada and New Zealand, and more recently, in Argentina and Uruguay. In his report to the Second Ordinary General Meeting in 1883, John Morris explained that the motivations to invest in mortgage loans in the River Plate were, on the one hand, the high expectations of the economic growth of the region and, on the other hand, the previous capacities and experience of each member of the RPTLA board. Morris made clear that the company would not carry out an original idea but rather looked for applying in Buenos Aires and the River Plate, “that experience which has been learned and applied in the case of the Australian and New Zealand Colonies, in the United States, and other progressive well-settled countries, where capitalists can find a remunerative rate for safe loans on mortgage, and where they can, through the activity of mercantile life, find opportunities for making commissions, as agents, involving little or no pecuniary responsibility...”¹⁷ The chairman’s speech underlined a crucial point leading to a successful company: to pioneer this kind of business would insure a dominant position in the River Plate markets.

Presided by Morris, the managing board of River Plate Trust was reorganized, and the shareholders of the Mercantile Bank were replaced by professionals and businessmen with broad business experience in the River Plate. Thus, in 1883, the board was integrated by William Wilson, shareholder of Montevideo Waterworks; Edward Ashworth, who was the major shareholder of the Mercantile Bank together with Charles Morrison, also director of the Buenos Ayres Great Southern Railway and of the Lancashire and Yorkshire Bank Limited; E. M. Underdown, a lawyer who had acquired great knowledge of the English and Spanish legislation as he managed several companies in Spain (he was chairman of The Barcelona Tramways Co, chairman of The Carthagenia and Herrerias Steam Tramways, and also director of the Direct United States Cable Company); and finally, John Taylor, ex director of the Mercantile Bank.¹⁸ Soon later, Charles Gunther, director of two meat companies in Argentina (Liebig Extract of Meat, y The River Plate Fresh Meat, also director of the Anglo Argentine Bank) and A. Fitz Hugh, a lawyer from Brighton, were appointed as members of the board. To represent the interests of old shareholders of the Mercantile Bank, the ex-secretary John Duncan and Frederick Isaac also became directors.

¹⁶ W. D. Rubinstein, ‘Morrison, Charles (1817–1909)’, *Oxford Dictionary of National Biography*, first published 2004; online edn, Oct 2006,

¹⁷ River and Mercantile Trust Records. The River plate Trust, Loan & Agency, “Report of the Second Ordinary General Meeting, 22 may 1883, 2.

¹⁸ Directory of Directors, 1880

By 1885, the new organizational structure consolidated three levels of managing networks, each one specialized in legal, managerial and financial activities of the firm, including specific tasks such as the attraction of new capital, the promotion of its business, and the construction of a reputation in London city business. The managing board presided by Morris was at the top. A second circle was integrated by the liquidators of the old Bank Mercantile, who became majority shareholders of RPTLA. Sidney Buxton, C. Wood and Alexander Henderson, formed a special committee to place debentures and plan a reorganization of the board so that the shareholders of the old Bank were well represented. Quilter and Isaac were added to this committee. A third circle was led by the trustees John Fair and Frank Parish (Chairman of the Buenos Aires Great Southern Railway, also director of the two most important railways in Argentina: The Central Argentine Railway and The Railway of Buenos Aires and Rosario), whose trajectory in Anglo-Argentinean business would sustain the reliability of RPTLA as agent of the British companies in the River Plate.¹⁹

Morris was the general manager of RPTLA up to 1889, when he was succeeded by James Anderson, former secretary of the Mercantile Bank. The local director in Argentina was Reginald Neild, an Anglo-argentine merchant in Buenos Aires who had given professional advice to the firm during the first years of operations. Horace Alfred Cox was appointed as the local manager in Buenos Aires. When the different levels of organization consolidated, John Morris and James Anderson travelled to the River Plate to evaluate the situation and get new agency agreements in 1886. The organization of a more autonomous board to the Mercantile Bank, with new shareholders and strong interests in companies at the River Plate, linked to a financial network well connected with the British investors of London, led by an experienced business elite gave a high notoriety to RPTLA, so the access to investment capital was fluid.

In 1888, the plan of Morris was successful and two new companies were created to develop the ownership advantages of RPTLA in mortgages and agency in Argentina and Uruguay. The company got more capital than the one it could incorporate; therefore, the River Plate & General Investment Trust and the Mortgage Company of the River Plate were constituted.

The agreement signed between RPTLA and The Mortgage Company pointed out that the expansion of the loan on mortgages had generated valuable contacts with responsible borrowers and the increasing scale of the business exceeded the capital of RPTLA. To take advantage of those economies of scale, the high-priority objective of this new company was to lend funds on holding of property, to receive money in deposit, to develop properties, to buy as principals or agents, part or the whole business of third companies, to sell shares and obligations in the name of other companies in Argentina and Uruguay. The relationship among both companies was clearly expressed: RPTLA would be the agent of the new Mortgage, following the directives of the Mortgage board "from time to time". RPTLA would pay all the administration and management expenses of Mortgage in London and in the River Plate, except for management fees of the directors. On the other hand, Mortgage co

¹⁹River and Mercantile Trust Records. The River plate Trust, Loan & Agency, "Report of the Fourth Ordinary General Meeting, 1885

would pay a commission of 1% of the amount lent on mortgages. The six directors of Mortgage were also directors of the RPTLA.²⁰

The relation between River Plate & General Investment Trust and RPTLA was formalized by a trust agreement. The terms were similar to those agreed with Mortgage, with lower commissions. The objectives of River Plate & General Investment Trust were to raise money by the issue of shares, debentures, debenture stock, bonds, and other securities, to invest the money raised in shares, stock, bonds, debentures, debenture stocks, scrip, obligations, and securities guaranteed by any government, state, dominion, sovereign or authority, established in any part of the continent of America or elsewhere.

Two of the five trustees were also directors of RPTLA: John Morris and James Anderson. The other members were Edward Thornton, former British Ambassador in Buenos Aires and Asunción, H. Doughty Browne, shareholder and director of the Buenos Aires Northern Railway; and Robert Ryrie, a businessman of London city. The managing board was similar to the RPTLA board, including the directors of various firms with strong investments in the River Plate, Londonian public officers and businessmen well connected to the city. The participation of the shareholders of the four largest British railways in the River Plate was also remarkable. The investments of this new company showed a sectoral specialization but a geographical diversification. Most of the investment included securities of railway companies in Argentina, Uruguay, Brazil, Costa Rica, Mexico and Spain, in gas and public utility companies in the United States, Argentina, Brazil, Paraguay, Uruguay and Chile. Part of the capital was invested in mortgage and government bonds.²¹

RPTLA also managed and controlled the Montevideo Waterworks Company. Five of the six members of the board of the Montevideo company were directors of RPTLA. Montevideo Waterworks was presided by Frederick Isaac until 1899, when he was replaced by James Anderson. In the first years, the directors rotated every three years, but this procedure was cancelled in 1887. After that, new members could only join the board only if one of the directors retired or passed away, as it happened in the other firms of the group.²²

The third activity of RPTLA, which was to manage the business of British firms in South America, started when Morris went to the River Plate and got the agency of several tramway and railway companies. The relation between RPTLA and the firms represented was formalized by Trust Agreements which authorized the administration and acquisition of properties and securities in South America, the flotation of debentures, obligations and securities, and the financial reorganization of the

²⁰ River and Mercantile Trust Records. Agreement between The Mortgage Company of the River Plate and The River Plate Trust, Loan and Agency, June 1884; Mortgage Company of the River Plate, Memorandum and Articles of association .

²¹ River and Mercantile Trust Records. Agreement between The River Plate and General Investment Trust Company Limited and The River Plate Trust, Loan and Agency, 14 de abril de 1888, The River Plate and General Investment Trust Company Limited, Minutes of Proceedings at fifth OGM of the shareholders, 1891, 1-2

²² River and Mercantile Trust Records. The Montevideo Waterworks company, Minutes of proceedings to the OGM of the shareholders, several years. This procedure was formalized by a special resolution in 1911.

companies. This activity not only generated pecuniary benefits but also expanded the social relations of RPTLA, bringing new customers to the firm. As Jones has pointed out, the commissions to RPTLA were not expensive, because the agency business brought a high reputation and acknowledgement to RPTLA as well as new investment opportunities.²³

This point was crucial after the financial crisis of 1890, when several companies had to be reorganized and recapitalized. RPTLA developed an active role at that moment, and acquired a lot of securities of the British firms in Argentina.²⁴ For example, after the reorganization of Rosario Waterworks Company and The Rosario Drainage Co., River Plate Trust took the control of these firms. The board of The Rosario Waterworks Company, formed by John Morris, Frederick Isaac, Ross Pinsent, F.C. Im Thurn and Reginald Neild, mixed the legal and managerial abilities of John Morris, together with the experience of Isaac in waterworks, the knowledge of the River Plate market acquired by Reginald Neild and the local knowledge of the Anglo-argentine merchants in the region got by Frederick C. Im. Thurn and Ross Pinsent (partner of Matthew Pinsent & Co in Montevideo).²⁵ The Rosario Drainage Co., was presided by Fitz Hugh, also director of RPTLA, however the reorganization of the company in Rosario was outlined and executed by James Anderson, who applied the scheme previously tested in the reorganization of Montevideo Waterworks co.²⁶

In all cases, the legal matters and the schemes of arrangements were elaborated by Ashurst, Morris & Crisp, as the financial and management decisions laid down in the directorate of River Plate Trust, especially in John Morris, who carefully recommended the investments to make and when to invest. James Anderson was in charge of solving the practical matters, also replacing Morris when he was abroad.²⁷ A certain resistance to the appointment of local boards for the companies operating in the River Plate appeared in the reports to the shareholders, related to the risk of agency problems. The officers in Buenos Aires, Rosario and Montevideo had to send regular reports to London describing all the facts that could contribute to analyse the financial situation or the behaviour of the customers, and two official reports per year previously examined by Neild.²⁸

The early growth of RPTLA led by John Morris ended in the financial crisis of 1890. In 1891, Neild moved to London and joined the board of the company. Wanklyn took Neild's position in Buenos Aires, but he was later replaced by José Toso, the former partner of Neild. H. F. Chevallier Boutell became the manager in Buenos Aires.

²³ Jones (1973), 142-173

²⁴ River and Mercantile Trust Records. The River plate Trust, Loan & Agency, Agency Book

²⁵ Im Thurn, Pinsent and Reginald Neild were the first local managers of the English Bank of Rio de Janeiro, when the Buenos Aires branch was created in 1889. Joslin, op. cit., 169

²⁶ River and Mercantile Trust Records. The Rosario Waterworks company, Minutes of proceedings to the OGM of the shareholders, several years. The Rosario Drainage Company, Minutes of proceedings to the OGM of the shareholders, several years.

²⁷ John Morris kept an eye on each decision, as we can observe in his letters to the River plate & General Investment Trust, which included detailed recommendations about the investments to make. The River Plate and General Investment Trust Company Limited, Minutes book 1888

²⁸ River and Mercantile Trust Records. The River plate Trust, Loan & Agency, "Report of the Eight Ordinary General Meeting, 1889, 8

The drop of the land values in Argentina during the crisis attracted new investment opportunities to RPTLA. In 1893, after a four-month visit to Argentina, Neild reported that the economy would recover soon. Based on high expectations, two new committees were formed to make new investments: one of them was formed by experienced men in the real state market of the River Plate; and the other was oriented to mortgages businesses. During the 1890s, most of the firms controlled by the group did not have financial problems. Dividends continued to be distributed in all firms, with the only exception of The Rosario Drainage Co. In 1897, RPTLA and Mortgage co. began to lend on mortgages again, and in 1900, the firms controlled by RPTLA reached the highest profits since it was created. Along twenty years, the RPTLA group had become the leader of the market as an investment trust, as a mortgage company, and as agents of the British firms in the River Plate.

As we have mentioned, the board of RPTLA coordinated the investment decisions and the strategies of a group of subsidiaries and associated firms. RPTLA was the parent company of a business group whose interests were spread in more than twenty companies in Argentina and Uruguay. Those businesses were managed by a network of interlocking rings, hierarchically organized around the board of the parent company. As Charles Jones has suggested, the businesses of the group were firmly controlled by a web of overlapping directorships.²⁹ Interlocking-directorates were not the only strategy to coordinate the firms. The agreements signed between the parent company and its subsidiaries elaborated by Ashurst, Morris & Crisp, gave RPTLA broad power to make agreements, acquire assets, and develop all sort of activities on behalf of the companies represented.

Based on a network of close relationships among the directors, shareholders and trustees in London, the organizational structure of the group was highly flexible to introduce new shareholders and fresh capital. Not only did the companies expand their interests in the River Plate, but also the directors and shareholders as individual investors, acquired stocks of various companies, including indigenous firms. From the mid 1880s, the main shareholders of RPTLA became directors of land companies, mortgage firms, cattle farms, insurance companies, railways and tramways companies, waterworks, telephone, electric utilities, most of them located in Argentina and Uruguay. In 1895, John Morris was member of the board of 17 firms, William Wilson and Reginald Neild, were directors of 13 firms; Fitz Hugh, Farrell, Isaac and Duncan were directors of 5 firms³⁰.

River Plate Trust was the head of a business network, managed by a group of experienced entrepreneurs in financial and mortgage activities. The competitive advantage of the group was the management of property development and the specific knowledge of the financial risks and opportunities of investing in the River Plate, as well as the legal and managerial competencies to organize the capital flow to the host economy and preserve the assets of the investors. The accumulation of these intangible assets in a growing economy allowed the group to operate at economies of scale and low transaction costs.

²⁹ Jones (1973) 303-310.

³⁰ Directory of Directors, 1895

The structure was based on social networks built around high trust relationships between solicitors, investors and stockbrokers in London and Buenos Aires, whose stability depended upon the managerial skills and the continuity of the RPTLA board. The directorate did not change from 1886 to 1901. Along this period, the information about the business prospects of the host economy was updated by regular trips from London to Buenos Aires. Neild used to travel once a year from Buenos Aires to London, Wilson, Farrell, Morris and Anderson alternatively visited the River Plate every two years.³¹

The trajectory of the RPTLA group along the first decades gave place to a common corporative culture. We may agree with Ch. Jones that this culture was inspired in shared values of economic liberalism, but the main point is that the corporate culture resulted from sharing business practices to manage British capital flows towards less developed countries, previously tested in the United States and New Zealand.³² Consequently, RPTLA developed low risk investments and high profitability business, guaranteed by agreements fixed in gold pesos in order to make the capital of investment safe against currency fluctuations like the one which occurred in 1876. Most of the investments were in agricultural and pastoral lands, not in developing the free trade. The main characteristic of this culture was to give priority to stability and low risk businesses; promoting the leadership of businessmen of high reputation, with practical experience, formed in mercantile activities, law and public service. To sum up, the qualification promoted austere and honest gentlemen usually involved with business in several firms so that they could expand the opportunities and their social relations to benefit the group and themselves.³³

2. Building new relationships to expand the business, 1900-1929.

From 1900 on, the life cycle of the entrepreneurial network entered into a new stage. Firstly, the economic recovery and the agricultural expansion, attracted new competitors into the loan on mortgages market. The supply of credit was increased by the entrance of the Belgian and French mortgage societies, and the British Insurance companies in the market. RPTLA lost the monopoly of the activity in the River Plate. Nevertheless, the directives trusted in the progress of this business based on a growing economy, which was confirmed by the increasing benefits got during the whole decade. New strategies were applied in this period: RPTLA and Mortgage Co began to loan to the medium and small farmers of the pampean provinces. In spite of the rising competition, the earnings of RPTLA increased, and in 1916, reached £ 346.000, an amount four times higher than the net results of 1900 (See Appendix).

³¹ To keep up-to-date knowledge is one of the crucial advantages of international networks. Casson (1998)

³² Jones considers that the ideology of cosmopolitan liberalism was the cement bonding the practices of these businessmen and their relations with the indigenous elites. Jones (1987)

³³ These managers had equal competences and the same social status of the British managers of the railway companies analyzed by Gourvish for that period. Gourvish, (1973), 289-316

Following this favorable trend, RPTLA added new managerial resources. The appointment of new directors coming from the board of the British banks in South America was particularly relevant since 1900. In 1901, Henry G. Anderson, director of the London & River Plate Bank in Buenos Aires, became member of the board of RTPLA. A year later, A.E Bowen, one of the directors of the Bank of Mexico and South America, also joined the board. The chairman of the London and River Plate Bank, Edward Ross Duffield, became director of RPTLA in 1906, followed by his successor at the chair, R. A. Thurnburn, the former local manager of the bank in Montevideo and Buenos Aires. Soon after the appointment of H.G. Anderson, the London & River Plate Bank began to take a direct interest in the long-term capital movements to Argentina, by issuing shares and debentures and joining the syndicates that placed the bonds of the Argentinean debts in the London market.³⁴

Morris unexpectedly passed away in 1905. However, the successors were rapidly appointed. William Wilson was named chairman, James Anderson, managing director of RPTLA since 1890, became director and Frank Crisp (senior partner of Ashurst, Morris & Crisp) replaced Morris as the legal advisor of the firms. Wilson highlighted that Morris had been a top manager of the firm, as he “largely influenced its policy, and helped to promote its efficiency and its success”. Morris competences were praised at the annual meeting of 1906: “a man with a good grasp and of great subtlety of intellect, and of infinite resource. With a well-balanced judgement, he was well informed, and had the gathered knowledge of experience.”³⁵ Duncan mentioned that the vast experience of Morris had paved the way to the company’ success, and that the intimacy between Morris y Anderson during the past years had transferred a sort of knowledge and management abilities to the latter, who would manage the future of the firm in the same way as in the past.³⁶

Indeed, there were no changes in the management style. On the basis of a remarkable increment of earnings, the directors decided to strengthen the reserve funds although the shareholders claimed higher dividends. Towards 1910, regarding the inflation of the urban land prices and the oversupply of credits, James Anderson, who had been elected chairman in 1908, asked the shareholders to calm down, arguing that it was a normal situation in growing economies, as the experience in the United States had shown before. On the other hand, Anderson also advanced that in the future the margins of profits would be lower than the current ones, due to the increase of competition and also because the economic progress and the political stability of Argentina would settle down the demand of mortgage loans as other internal sources of credit emerged.³⁷

In 1913, 83% of the investments were placed in Argentina and Uruguay, and 17% in UK. From 1910 to 1919, the average profits doubled the profits obtained the

³⁴ Directory of Directors, 1904, 1907. About the shift of the London Bank policy in 1903, see Joslin, (1963), 131

³⁵ River and Mercantile Trust Records. The River plate Trust, Loan & Agency, “Report of Proccedings at the twenty-fifth Ordinary General Meeting”, march 19, 1906, 8-10

³⁶ River and Mercantile Trust Records. The River plate Trust, Loan & Agency, “Report of Proccedings at the twenty-fifth Ordinary General Meeting”, march 19, 1906, 18

³⁷ River and Mercantile Trust Records. The River plate Trust, Loan & Agency, “Report of Proccedings at the twenty-ninth Ordinary General Meeting”, march 18, 1910, 10-14

previous decade. In WWI, the delay in loan payments and the drop demand for credit, did not impact on the profitability. In the war period, net profits reached their maximum, as a result of a favourable currency exchange. The Return on equity also reached its maximum in those years (12.36% in 1916), so the board finally agreed to rise the dividends distribution, and dividends were increased to 22% (See Appendix). However, the participation of the River Plate in the total investment had begun to decline.

Towards 1918, the financial situation as well as the profitability of RPTLA was healthier than ever. The shareholders asked to increment the capital invested in Argentina, arguing that the Argentinean Bonds and mortgages doubled the earnings generated by the government securities in UK, recently acquired. The directors talked about the will to contribute with the British Government in a critical moment, but they also outlined the economical reasons behind the relocation of investments. The demand of credit had dropped because of the prosperity of agriculture, the surplus of Argentinean balance of trade, and the competition of Belgian, French and Dutch companies, some of which operating at greater scale than RPTLA in a mortgage market that had reached its top.

Towards 1920, the geographical distribution of investments had changed: 48% remained in the River Plate, and 52% went to Great Britain (mostly in government securities). In the 1920s, profits continued increasing up to £ 339.000 in 1928. Argentina and Uruguay investments got 30% of total investment in the 1920s. Another 30% was in Great Britain, 15% in British colonies, and the rest was dispersed in various countries, such as India y Brazil. The portfolio had been diversified, however, almost half of the investment was placed in loans and debentures. The most profitable period for the companies controlled by RPTLA was the 1920s.³⁸ RPTLA got higher average profits than those reached in 1910s. In 1928, the profits were record, and the return on assets arose to 5.85%. The high profitability and the diminishing business opportunities in Argentina made the policy of dividends distribution flexible. Consequently, the shareholders got higher dividends of 24% from 1925 to 1930.

James Anderson was the chairman of RPTLA from 1908 to 1933. In this long period, the board of directors was stable. William Wilson was not replaced when he retired, so the board continued with five directors. However, some changes were introduced, one of them explained the increase of investments in Britain. In 1910, Philip W. Carr joined the board to replace Duncan. Carr, from Carr, Sons & Todd, was stockbroker and director of the London Trust Company, created in 1889 to make investments and act as agency business, in a similar way to RPTLA, but at a lower scale, focusing on the security market. The portfolio of London Trust was mainly formed by securities and shares quoted at the London Stock Exchange. This Trust had interests in the five continents, but 75% of the investment of London Trust was placed in Britain, with Argentina occupying the second place far behind.

Carr had arrived at the group in 1894, when he joined the board of River Plate & General Investment Trust, being appointed as chairman after Morris death. He also

³⁸ For the economic performance of The Rosario Water Works Co and The Rosario Drainage co in the 1920s see Lanciotti (2007)

took interests in other firms of RPTLA, like the Rosario Drainage co and towards 1911, he was member of the board of RPTLA, Mortgage Trust and the River Plate & General Investment Trust. Michael Bowden Snell, also stockbroker and director of several financial companies in London, joined the River Plate & General Investment Trust in 1894. The incorporation of these agents was oriented to expand the relations of RPTLA group in the London Stock Exchange to diversify the portfolio investments of the River Plate & General Investment Trust when the crisis of 1890 restricted the operations with Argentinean securities. The influence of these stockbrokers was persistent. Carr was the chairman of the River Plate & General Investment Trust up to 1931, and he successfully attracted new directors of the London Trust Company to the board of the firms controlled by RPTLA: Charles Pilkington in 1921 and Robert George De Quetteville in 1945, who would manage the firm in the 1950s. The incorporation of the directors and managers of London Trust contributed to the change of the portfolio composition of RPTLA, i.e.: the fall of loan and debentures to a 54% of the total investment and the gradual increase of shares (46%) in the 1920s. This trend would strengthen in the 1930s when the second option overcame the first one.³⁹

Another change occurred in the board of directors of the public utility companies controlled by RPTLA. In 1910, when the last directors of the first generation Wilson and Duncan passed away, those companies incorporated managers specialized in public utilities. The leading role of the Isaac family in The Montevideo Water Works was indisputable, but the new directors W.T. Western y W. Galwey had previous experience in promoting and managing waterworks systems in far away cities such as London, Saint Petersburg and Beirut. Western also was the chairman of The Rosario Water Works co. The directors of RPTLA continued to be majority in the boards of the public utility companies, so the managing control of the subsidiaries was in hands of RPTLA, but the staff became more specialized in each activity. As Casson suggested, in public utilities once the free standing company had developed the management of property, new skills were required. In the subsequent phase, the operational knowledge would be maximized by pooling several projects in the same managing agency.⁴⁰

3. From stability to decline: The weak points of the organizational structure and the fragmentation of the business group, 1930-1949.

From 1930 on, the board of directors strengthened the original profile: businessmen with interests in lands, railways, and public utilities. The incorporation of Walter Woodbine Parish in 1930 reactivated the agency business. The Parish family had invested in lands, cattle farms and railways in the River Plate for a long time, so it was a well-known family in the Anglo-Argentine business circle. W. Parish got the representation of several land companies in which he had shares, such as The Argentine Southern Land, The Río Negro Land Co., Tecka Land Co and Cordoba Land Co. In 1932, RPTLA managed the liquidation of the Argentine Refinery (including the

³⁹ River and Mercantile Trust Records. The River plate Trust, Loan & Agency, Minutes of Proceedings, 1924-1936.

⁴⁰ Casson (1994)

liquidation of mortgage debentures and the sale of the machinery), an industrial firm owned by the Tornquist Group.⁴¹ Besides Parish, Norman Bonington Dickson joined the board of RPTLA, a man who integrated the directories of railway and public utility companies in Africa and Brazil. Dickson was appointed as the chairman of the companies operating in Rosario.

The depreciation of the Argentinean currency in the 1930s impacted negatively on the earnings of RPTLA in the region. The annual report to shareholders of 1934, complained about the effects of the exchange rate and the government restrictions on the foreign currency remittance that forced the firms to reinvest the profits in the host economy. Nevertheless, RPTLA interests in the region continued to be significant. With 31.32% of the total investments, Argentina and Uruguay were the second destination after Great Britain (53%).

In this period, the transition to a new generation of managers in London and Buenos Aires took place. The retirement of James Anderson put an end to the business cycle in the River Plate led by the second generation of managers. In 1933, two directors passed away: Henry A. Vernet, member of the board of the main railway companies who also held a high position in London financial circles, and Lord Faringdon, member of the syndicate that provided the original capital to RPTLA and financial adviser of the group. Haxwell, the General Manager in Argentina since 1906, also retired. John Gibson was the new manager, and Herman Krabbe, a well-known name in the Anglo-Argentine community was appointed as a Consulting Agent.⁴²

Beyond the generational transition and the consolidation of investments in securities in the stock market instead of mortgage loans, the profitability was satisfactory during the 1930s. The organizational structure of the business group and the managerial style of the parent company continued being successful as the strategies to access to qualified and well-connected managerial resources in the British circles of business supported the restructuring of the portfolio investments. From 1930 to 1939, the average net profits were of £217.500 per year, a lower average than the one obtained in 1910-1919 and in 1920-1929, but also higher than the £117.000 got in 1900-1909 (See appendix).

The drop of the demand for mortgage loans during the 1930s complicated the perspectives of further business of The Mortgage Company of River Plate. The shareholders of this company requested to lower the management fee paid to RPTLA for administration expenses. RPTLA consulted to Ashurst, Morris, Crisp & Co. if it was possible to cancel the original agreement and arrange a fixed management fee instead of the 1% commission of the capital invested in loans.⁴³ Charles Crisp regarded that no agreement could take place between companies whose directories were identical,

⁴¹ River and Mercantile Trust Records. The River plate Trust, Loan & Agency, Trust company Agency Business Index, 1920-1950. The Tornquist group was a Belgian-Argentine group which owned more than twenty companies in Argentina.

⁴² River and Mercantile Trust Records. The River plate Trust, Loan & Agency, "Report of Proceedings at the fifty-third Ordinary General Meeting", march 26, 1934. The members of the Krabbe family had represented British companies in Argentina for three generations

⁴³ River and Mercantile Trust Records, Legal documents. Ashurst, Morris , Crisp & Co. Report, Feb 16, 1938.

unless the new agreement arose from a resolution approved by a meeting of the shareholders. Finally, in 1939, a new agreement determined that the business of Mortgage would be managed by RPTLA by a fixed fee plus additional expenses, and settled down the commitment of the latter to fulfill the instructions asked by the board of the Mortgage Company.⁴⁴

As we have observed, the relative decline of the investments in the River Plate was not due to government regulations or protectionist policies activated by the crisis of 1930, instead, the trend represented the collapse of the original investment pattern aimed at financing the agricultural sector and the urban industry under scarce competition in the period of economic growth experiences in the new countries. The reproduction of the business practices learned in the United States and New Zealand, had been absolutely successful during fifty years, but just as James Anderson had advanced in 1910, that cycle would come to its end. The prosperity of the business carried out by RPTLA group along such an extensive period was benefited by the fair conditions set to foreign investment in the host economies: the absence of regulations and the slight tax pressure faced by companies, the currency stability and a favorable exchange rate to Great Britain until 1930.⁴⁵ The organization of the business abroad under the centralized management of the directors of RPTLA, the integration of networks based on different business activities, such as financial, mortgages, railways and public utilities, and the accumulation of specialized knowledge about the London Stock Exchange and the business opportunities in the River Plate, allowed the group to take advantage of the conditions offered by the host economies.

Once Anderson retired, the board of RPTLA was presided by Walter Woodbine Parish, together with Charles Carlisle Pilkington, Robert George De Quetteville (of the Lloyd's Bank and The London Trust Co), Hildred Carlisle (director of several investment trusts) and Sir Everard Meynell. Parish also presided The Mortgage Company of the River Plate, the Montevideo Water Works (since the last member of the Isaac family retired in 1937), The Rosario Drainage Co. and the Rosario Water Works (replacing Dickson from 1944). The River Plate & General Investment Trust was presided by Charles Pilkington.

Businesses in Argentina and Uruguay continued declining as interests placed in Britain increased in the 1940s. In this decade, the nationalization of railway companies and public utilities required skill managers prepared to deal with the governments the liquidation of the companies, the valuation of assets and terms of payment. The participation of Parish was absolutely beneficial for the shareholders of the companies represented or controlled by RPTLA. In the reports to the meeting of shareholders of the River Plate & General Investment Trust in 1947-1948, Parish remarked that despite the increase of dividends, the investment opportunities were still limited and the renegotiation of debentures to a smaller rate of interest impacted negatively in the revenues. A reduction of the revenues was foreseen due to the programs of

⁴⁴ River and Mercantile Trust Records, The Mortgage Company Of The River Plate Limited and The River Plate Trust Loan And Agency Company Limited . Agreement. Dated 15th may 1939

⁴⁵ Vera Blinn Reber has pointed out that the Argentinean monetary and fiscal policies presented more risks and opportunities to the British merchants in the nineteenth century. Indeed, this assertion is well suited for the period that ended in 1930. Reber, 1979

nationalization of the British companies in Argentina and Uruguay. On the other hand, he also pointed out that the diversified interests of the River Plate & General Investment Trust would prevent serious losses.⁴⁶

Parish headed the negotiations with the Argentinean and Uruguayan governments, on behalf of the interests of the shareholders of the British companies. The negotiation with Obras Sanitarias de la Nación to transfer the assets of the Rosario Waterworks co and the Rosario Drainage Co to the Argentinean agent started in 1948. The liquidation process had some difficulties, namely related with the valuation of assets and the compensation schemes; nevertheless the companies had been successfully transferred in 1955. Similarly, RPTLA negotiated the liquidation of the Montevideo Waterworks co.

The Mortgage of River Plate needed a different solution. As it was mentioned before, from the mid 1930s, the Argentinean mortgage market no longer offered investment opportunities for this kind of company. Not only did the macroeconomic conditions put an end to the expansion of this business, but also the government promotion of the Banco Hipotecario Nacional, the increasing supply of credit and the nationalization of the reinsurance market, propelled the retirement of the Mortgage of River Plate. In 1946, the firm was reorganized under a new denomination and reformed the statutes, keeping the same directory. The objectives of the new Moorside Trust Limited were to invest funds upon mortgage on properties without limiting the area of operations to Argentina and Uruguay. Soon later the company reduced its capital.⁴⁷

Towards 1950, 83% of the RPTLA investment was in Great Britain, 11% in the British colonies, and only 3% remained in Argentina and in Uruguay. Most of the capital was invested in securities. At that moment, RPTLA was not a group anymore: three of its subsidiaries were being liquidated, Moorside Trust had got autonomy and its interests diverged from the interests of RPTLA. This situation was illustrated in the letters between the Secretary of RPTLA in London and the General Manager in Buenos Aires. The secretary of RPTLA, Julius Martin, stated that Moorside Trust's position was to liquidate its interests in Argentina as soon as the opportunity appeared. In another letter, he made clear that although "the boards of directors are identical directories, The Moorside Trust's future policy has nothing to do with the policy of RPTLA."⁴⁸

Indeed, RPTLA was not interested in leaving the country even though its interests had become minor. In a letter to R.W. Haxell, Martin mentioned that the case of River Plate Trust was different, because "the company had permanent interests and the directors have no intention to reduce the stake there", despite the exchange control and the restrictions to remit profits abroad from July 1949.⁴⁹ The interest of RPTLA

⁴⁶River and Mercantile Trust Records. River Plate & general investment trust co., Minute ordinary general meeting. 24th February 1947; Notes for chairman's speech at the 61st ordinary general meeting to be held on Monday, 23 february 1948.

⁴⁷ River and Mercantile Trust Records, Memorandum of association of the Moorside Trust, August 13, 1946

⁴⁸ River and Mercantile Trust Records. Letters to the head office, From the Secretary to the manager in BA, 1950- 1962 (A35/3). From Martin to Haxell may 4,1951, June 7, 1951.

⁴⁹River and Mercantile Trust Records. Letters to the head office, From the Secretary to the manager in BA, 1950- 1962 (A35/3). From Martin to Haxell, April 12 1951, may 4 1951, Feb 18 1952.

was not only related to the significant amount of unremitted revenues and the responsibility of RPTLA as the agent of numerous companies in Argentina, but also to the expectations of renewing the investments when the situation changed. Martin mentioned that one of the directors had recently been talking about the investment of his funds in Argentina in one of the major insurance companies, suggesting that "mortgage loans were the most appropriate form of investment".⁵⁰ On the other hand, this minority interests continued bringing high revenues, just as the accounting reports send by Haxell to the central office in London showed.

Up to now, the managers of the group shared the characteristics of the British business elites outlined by David Jeremy and Terry Gourvish. They formed a business elite who obtained increasing incomes, improving their social status on the basis of experience acquired in financial and agency business overseas, with no academic education required even after the first war. However, the traditional virtues of "gentleness, humility, patience, honesty and temperance", were combined with less traditional qualifications such as "will, ambition and energy".⁵¹ In consequence, if we describe the behaviour of British managers in terms of Gentlemen or Players, it is difficult to explain the embeddedness of both elements (traditional and modern) that shaped the practices of this business elite.⁵² The directors of RPTLA were gentlemen and players, they sat on the boards in order to get profits, and when they got them, they reinvested profits in lands and trusts. The gentrification of businessmen involved in financial activities did not imply the bureaucratization of the management.

The managerial board of RPTLA was highly professionalised and even when there was no separation between ownership and control, controlling shareholders were not always part of the boards. The high-steemed reputation, abilities and business experience applied to financial and mortgage activities made possible the incorporation to the board of minority shareholders and middle managers such as Anderson or Carr, among others. The business structure seems to be more close to the holding form (H-form), which grouped specialized companies under a centralized management, than the typical forms structured by family firms (S-form) or by unitary firms (U-form). This case would confirm the domination of H-Form in Great Britain until 1945, as Wilson and Thompson stated.⁵³

4. Epilogue. The dissolution of RPTLA group and the end of the businesses in the River Plate, 1950-1962.

Parish's withdrawal in 1950 and his death in 1952 put an end to the intention of continuing the business operations in the River Plate. Shortly afterwards, Alexander Samson, secretary of RPTLA, travelled to Argentina to evaluate the investment opportunities. The report was not very favourable as it indicated the effects of inflation

⁵⁰ Ibid., Feb 18, 1952.

⁵¹ Gourvish (1973), D. J Jeremy (1984)

⁵² D. C Coleman, (1973): 92-98.

⁵³ Wilson & Thomson (2006)

on the loans, the low demand of mortgages and the difficulties in finding qualified staff for the firm offices in the region.⁵⁴

In addition, the deterioration of the relation between the companies began to be explicit. In 1951, the directors of River Plate & General Investment Trust and of the Moorside Trust, Thomas Alec Pilkington and Robert De Quetteville, requested a reduction in the administration fees charged by RPTLA owing to the continuous decrease of the Argentinean businesses. Parish's successor to the presidency of RPTLA, William Hodge, announced a favourable resolution to Moorside Trust's request, but responded to Pilkington that the fee rate charged to the River Plate & General Investment Trust would increase due to the rise of the administration expenses. This motivated Pilkington to give a rather disagreeable answer, slightly illustrating the moderating role that Parish had exerted on the interests of the two companies, but also expressing the fragmentation of the companies' former common interests.⁵⁵

In 1955, Hodge travelled to Argentina to finish the evaluation of the situation of RPTLA's commitments and interests. On his return, the directory decided on the withdrawal of Moorside Trust from Argentina. In 1958, a reorganization scheme of RPTLA's capital was presented, consisting of a reduction in the amount of deferred shares, the subdivision and consolidation of the ordinary stock, the capitalization of reserves, and the fixing of the company's borrowing capacity.⁵⁶ This type of reorganization anticipated the acquisition of the company. The following year, the decision to cease the operations of RPTLA in Argentina was given official status. The branch of The River Plate Trust, Loan and Agency stopped its activities on 20th September 1962, giving rise to the creation of The River and Mercantile Trust Limited.

Apart from the effects of the investment pattern depletion of RPTLA which determined its definitive withdrawal from the region, the situation in the last years was also due to the impact of the British legislation on the organizational structure of the British companies. Between 1948 and 1961, 25% of the companies that quoted in the London Stock Exchange were acquired by other companies. According to Hannah's analysis, this was a consequence of the regulation to the stock market imposed by the Companies' Act of 1948, which tended to eliminate the obstacles that delayed mergers and acquisitions of companies, to limit the rights of debenture holders which could block the mergers, to foster the devaluation of overcapitalized companies, and to promote ownership fragmentation between numerous shareholders.⁵⁷

In this case, the decline of the business network headed by RPTLA became evident when the interests of the associated companies began to break up. As we previously observed, the conditions which had favoured RPTLA's business expansion at the beginning, no longer operated after the first war. However, the group maintained its flexibility and cohesion, assuring its companies' shareholders high profitability, high dividends, and the protection of their investments. The net results of the associated

⁵⁴ River and Mercantile Trust Records. Report on my visit to Argentina 1st January, 1954. AA Samson

⁵⁵ River and Mercantile Trust Records. RPTLA Legal documents. Letter from Hodge to Pilkington, Feb 1952. Letter from Pilkington to Hodge, Aug. 1952

⁵⁶ River and Mercantile Trust Records. The River Plate Trust, Loan & Agency, Legal Documents. Reorganisation, 1958

⁵⁷ Hannah (1974)

companies were satisfactory during the inter-war period. From the policy started by Morris, and continued by Anderson and Parish, RPTLA sought to maintain high reserves, to invest in safe assets and low risk properties, and to diversify the investments towards the activities in which the group had developed competitive advantages. This long-term policy did not receive significant questioning. The creation of a business culture based on the reputation of the RPTLA managers and the satisfactory results of the companies attracted external capacities and resources which contributed the businesses success by increasing the scale of operations. In this sense, the displacement of the network structure based on high trust relationships towards more impersonal and competitive forms of organization to the interior of the group indicates the weakening of main competitive advantage of the group, which was the coordinated management of the businesses in the River Plate. Once the interests of the different companies began to differ from each other as a result of the loss of the dominant position in the Argentine mortgage market, the management costs were high because they no longer had economies of scale, and intra-group conflicts arose.⁵⁸

Were the organizational strategies of RPTLA exclusive to the group? So long as we identify similar strategies in London Trust Company's managers, we would dare say that they were not. More research is needed, but the work of Franks, Mayer and Rossi indicates that it was the informal relations between investors and companies rather than the formal systems of regulation, which allowed the expansion of the securities markets and the dispersion of ownership in Great Britain in the first half of the twentieth century.⁵⁹

On the other hand, the decisions were concentrated on a very small group of managers who were not always controlling shareholders, but had privileged access to information. The control over the information was the basis for the managers' accumulated power, which was another fairly widespread characteristic in the British business world. The peculiarity of the analyzed case lies in specific knowledge that combined updated information about capital flows and investment opportunities in Great Britain, Argentina and Uruguay.

Once again, it is possible to wonder whether we can find a common pattern in the forms of promotion and access to the directories of the British companies in the River Plate. The comparison between the RPTLA staff and the management team of The London and River Plate Bank, which was the other large British company in the region, reveals some differences apart from the densest overlapping of the RPTLA managers in businesses and several companies.⁶⁰ In River Plate Trust, the access to the directory was not easy for members of the Anglo-Argentinean community who had had a position in the offices of Buenos Aires, Rosario or Montevideo. Except for Neild's case, the local managers did not become members of the directory, which was reserved for London businessmen and investors. On the contrary, in the London & River Plate

⁵⁸ Charles Jones outlined that the tension between generic financial and commercial advantage and operational or sector-specific sources of competitive advantage may produce intra-firm conflicts. Jones (1997), 28.

⁵⁹ Franks, Mayer, Rossi, (2008)

⁶⁰ In 1896, the share capital and reserves of RPTLA reached £2.025.000 , and The London & River Plate Bank raised its capital and reserves to £1.800.000. See Joslin,(1963), 110

Bank, the lack of trained men laid the way for English or German retailers living in South America to be managers of the local branches and even to be members of the directory in London, such as Ross Pinsent. The managers were recruited generally among the English people settled down in the River Plate, but also among members of the German-Argentinean community. Like RPTLA, local directors were appointed to assist the managers and exerted some control, despite the fact that the local managers of the Bank of London had more autonomy in daily operations, in some cases they even avoided the directives from the headquarters in London.

The directories of RPTLA frequently included those shareholders and middle managers who had experience in mortgage or financial businesses in the region or other countries of recent development.⁶¹ In order to select the employees for the offices in Buenos Aires, loyalty and commitment to the company were prioritized, to which they offered incentives such as the constitution of a pension fund. On the other hand, in banking organizations, it was common to recruit employees and managers who had worked in other banks. To do the office tasks employees from the host country were hired, whereas RPTLA preferred to send employees from London. The risks derived from the autonomy of the agents seemed to be of considerable concern to RPTLA.⁶²

As regards the initial question about the decline of the British investment in Argentina, we can observe that RPTLA invested in traditional sectors, maintaining an organizational structure and a style of management based on high-trust networks. These patterns succeeded as we can observe that RPTLA group obtained high earnings, maintained a number of high qualified customers and assured its investments during sixty five years in the River Plate, on the basis of the competitive advantages grounded on the capacities acquired by the group in the nineteenth century. The analysis shows a successful business trajectory, which in a certain way, eluded structural conditioners and situational crises which could have affected other free standing companies controlled by less tightly clustered groups.

The managers of RPTLA group illustrated the case of those leaders of successful businesses who preferably operated in the British commercial and financial sector and not necessarily in industrial activities. The persistence of traditional management based on high-trust relations constituted a strength point rather than a weakness of the British free standing companies controlled by investment groups, driving the investments to the home country when the River Plate market began to decline, but always attracting new managerial resources and fresh capital. This observation implies that the growth patterns can be partially explained by differences in the managerial inputs. The sectoral distribution of activities, technological factors, evolution of markets, the relative factor prices and the changing conditions in the host economies were more important to determine the rate of expansion of British business abroad

⁶¹The members of the board should never be less than five and no more than ten. To qualify as a director, it was necessary to hold "one hundred shares of the original ordinary capital of the company or the equivalent in nominal amount and amount paid up in any new capital" for at least three months before the appointment. The River Plate Trust & Loan Agency Company Limited, Special Resolution of The River Plate Trust Loan And Agency Company Limited., 1911, 2.

⁶² About the traits of the Management teams of the British Banks, see Joslin, (1963), 22-24

than the structure of the companies and a “modern” management. On the other hand, the long term capacities in the financial sector as well as an experienced management of capital flows continued to be the main competitive advantage of a number of British financial firms nowadays. As regards what has already been pointed out, it is possible to wonder whether a real connection can be established between the economic decline and the management styles or the organizational structures of international firms.

APPENDIX:

Table nº 1
River Plate Trust, Loan & Agency
Share Capital (£)

Year	Capital
1883	1.250.000
1890	1.875.000
1908	2.500.000
1919	2.800.000
1928	3.000.000
1958	2.670.000

Source: Annual Reports RPTLA

Table nº 2
RPTLA, Distribution of Investments (%)

	1913	1926	1932	1945	1950	1955
SECURITIES						
Debentures		54	42	12	9	3
Preferred stocks		22	31	32	33	24
Ordinary stocks		25	27	36	58	73
British government stocks				17		
Argentine government stock				2		
DESTINATION						
Great Britain	17	28	40	74	83	91
Argentina and Uruguay	83	30	27	12	3	1
British colonies		14	8	11	11	8
India		10	7			
Brazil		6	5			
Other countries		13	12	3	3	2

Source: Minutes of Proceedings, RPTLA

Table nº 3
RPTLA: Return on Equity and Return on Assets*
(%)

	ROE	ROA
1900	5,00	4,21
1909	7,22	5,02
1914	11,68	5,17
1916	12,30	5,40

1919	9,82	5,05
1924	9,92	5,03
1928	11,30	5,85
1930	8,26	4,19
1933	7,58	3,78
1935	5,83	2,93
1938	7,00	3,60
1940	6,23	3,14

Source: Annual Reports, RPTLA.

*ROE: Income/ Equity *100

ROA: Income / Total assets *100

Table nº 4

Average Annual Returns per decade (£)	
1900/1909	117.000
1910/1919	267.000
1920/1929	295.000
1930/1939	218.000

Source: ibid. Table 1.

Table nº 5

RPTLA – Paid Dividends, Ordinary shares “A” (%)

Año	D	Año	D
1883	7	1927	24
1885	7	1928	24
1886	13,5	1929	24
1887	13,5	1930	24
1888	18,5	1931	20
1889	18,5	1932	17
1890	18,5	1933	14
1891	18,5	1934	12
1892	11	1935	12
1894	11	1936	13
1895	11	1937	14
1896	13,5	1938	14
1898	13,5	1939	14
1899	14,75	1940	14
1904	14,75	1941	14
1906	16	1942	14
1907	21	1943	14
1911	21	1944	14
1912	20	1945	14
1915	20	1946	14

1916	22	1947	14
1917	22	1948	14
1918	20	1949	14
1919	18	1950	14
1920	20	1951	14
1921	20	1952	16
1922	20	1953	17
1923	20	1955	23
1924	22	1956	24
1925	24	1958	16
1926	24	1961	25

Source: Annual Reports RPTLA (1930-1957),
London Metropolitan Archives

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