STRATEGY FORMATION IN IRISH COMPLEX ORGANISATIONS

BY

BRIAN LEAVY

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ABSTRACT

This is a comparative study of strategy formation in Irish complex organisations. Four organisations were chosen for study which are representative of the four main types of organisation to be found in the Irish economy,a state agency,a public limited company,a state-owned entreprise and a producer cooperative. The approach taken in this research is multi-level and contextual,an approach which is still very rare in organisational studies. Insight is sought through intensive, longitudinal study of the four organisations over their whole life histories. The central thrust of the inquiry is the empirical examination of how situational context and autonomous organisational behaviour influence organisational strategy and of how these two elements interact. The context - strategy formation link,in particular, is under-explored in the strategy literature. The small national context facilitates the development of a multi-level perspective on the interaction of situational context and organisational action that includes the national,industry and organisational levels of analysis. It also throws the context-organisation interrelationship into greater relief than would be possible through using a similar research design in a much larger national context.

The empirical analysis identifies SITUATIONAL CONTEXT,ORGANISATIONAL LEADERS and ORGANISATIONAL HISTORY as the three main elements in strategy formation. It isolates and empirically analyses FIVE important CONTEXTUAL FACTORS that shape strategy,and provides a greater elaboration of the contextual influences on organisational action than that to be found in much of the organisational literature, where the environment of organisations tends to be viewed as homogeneous and residual. It also reveals that the contextual influences on organisational action often arise from INTER-LINKING PROCESSES OF SOCIAL VOLITION across multiple levels of social and economic structure and it examines the nature of these processes. In this way the study goes beyond the predominant conception of contextual influences as 'impersonal forces', a perspective on situational context that also predominates in the organisational literature. The study also provides a FRESH PERSPECTIVE ON the role of LEADERSHIP in strategy formation. It deflects attention away from the predominant pre-occupation in the leadership literature with the personality and personal attributes of the leader. Leadership effectiveness is also seen to be related to the ongoing processual dynamics of leading(i.e. to ongoing performance and the maintenance of credibility over time) and to the nature of the historical challenge presented to individual leaders by situational context and organisational history. A classification of leaders in terms of their historical roles is developed and offered as a useful way of organising future research into the leadership phenomenon. The study then develops,from the data and the analysis,a model of organisational development,based on the concept of ORGANISATIONAL CAREER,which is more existential and less deterministic than that based on the life cycle analogy. These insights are finally synthesised into A RELATIONAL MODEL OF STRATEGY FORMATION and the study ends with an assessment of the utility of this model,and of the related findings, for future research and practice.

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LIST OF ABBREVIATIONS

ADL	- Arthur D. Little Consultants
AFD	- Accelerated Freeze-dried
AFT	- An Foras Taluntais (The Agricultural Institute)
ACC	- Advanced Capitalist Countries
ACOT	- An Comhairle Oiliuna Talmhaiochta (The advisory service)
AGM	- Annual General Meeting
BWG	- The Brooks-Watson Group
CAP	- Common Agricultural Policy
CDC	- Cork Distillers Company
CIE	- Coras Iompair Eireann(The Irish Transport Authority).
CMC	- The Condensed Milk Company
CSET	- Comhlucht Siuicre Eireann Teo.(The Irish Sugar Company).
DATI	- Department of Agriculture and Technical Instruction
DCC	- Development Capital Corporation
DDC	- The Dairy Disposal Company
EC	- European Community
EEC	- European Economic Community
GC&C	- Gilbeys & Cantrell and Cochrane
GOC	- General Officer Commanding
GNP	- Gross National Product
IAOS	- The Irish Agricultural Organisation Society
ICMA	- The Irish Creamery Managers Association
ICMSA	- The Irish Creamery Milk Suppliers Association
ICOS	- The Irish Cooperative Organisation Society
IDA	- The Industrial Development Authority
IDG	- Irish Distillers Group Plc.
IDL	- Irish Distillers Ltd.
IFA	- The Irish Farmers Association
IRA	- The Irish Republican Army
NAA	- The National Agricultural Authority
NCF	- The North Connaught Farmers Cooperative
NFA	- The National Farmers Association
NIC	- Newly Industrialised Country
NIEC	- The National Industrial Economic Council
OECD	- The Organisation for Economic Cooperation and Development
OEEC	- The Organisation for European Economic Cooperation
OPEC	- The Organisation of Petroleum-exporting Countries
PBIT	- Profit before interest and taxation
PBT	- Profit before taxation
R&D	- Research and development
SDLP	- The Social Democratic and Labour Party
SOE	- State-owned Entreprise
TNC	- Transnational Corporation
UCC	- University College Cork
UCD	- University College Dublin
UDI	- United Distillers of Ireland Ltd.

PART ONE

OBJECTIVES AND FRAMEWORK

CHAPTER ONE

INTRODUCTION

This is a comparative study of strategy formation in four Irish complex organisations. But why study strategy formation and why,other than as a matter of logistical convenience for the researcher,study the phenomenon in Irish organisations?

The strategy field - origins and current issues

The question of how strategy is,or should be,formed in organisations has engaged some of the most formidable academic talents for well over two two decades now with no sign of interest waning. Ansoff,Andrews,Hickson, Mintzberg,Pennings,Pettigrew,Porter,and Quinn,to mention but a few of the more prominent,have all had a long involvement with the field of strategy research and continue to be actively interested in it. Yet,even in the face of this sustained concentration of considerable academic fire power,the strategy field still offers much scope for further research.There has indeed been "enormous progress in the theory and practical technology of strategic management" as Ansoff(1987) has pointed out in the preface to his recently revised classic,'Corporate Strategy'. Yet,much remains to be done and the strategy field continues to fascinate researchers and to provide a wide and diverse research agenda,as is clearly evident from the published proceedings of two very recent state-of-the-field research conferences,organised and edited by Pennings(1985) and Pettigrew(1987a).

The strategy field continues to fascinate and to challenge researchers because its central concern is with top level management and policy making in both the private and public arenas. As such the field has drawn to it researchers from a wide range of disciplines,each bringing with them their own special prespectives and research concerns. The strategy field,by the very nature of its central concern,is therefore inherently multi-disciplinary. Furthermore,the concept itself is synthetic and open to multiple definitions and uses. For example,some study strategy as a masterplan which is conceived prior to action. Others see strategy as the pattern which is manifest in a stream of actions. Still others see strategy as essentially a socially constructed post-rationalisation for actions taken,an interpretative sense-making exercise after the event. The sheer utility of the concept for studying a range of phenomena and the multi-disciplinary interest in strategy have made integration in the field difficult to date. As late as 1985 Pennings(1985;xi) could justifiably characterise the state of the strategy field,after over two decades of development in organisational studies and much longer in the case of public policy studies,as "fairly disjointed",with the "integral theoretical and empirical literature..not very well developed",with "no well-specified models" and with "pertinent contributions show(ing) little cumulative character". While,as Ansoff has claimed,much had been accomplished by the mid-80's,much more,as Pennings argued,still remained to be done.

Historically,strategy first entered the organisational field as a concept directed at practitioners. Sloan's(1963) personal history of his years at General Motors is one of the classic strategy books in organisation studies and like all classics the value of the insight provided in it only seems to increase with time. Sloan's achievement at General Motors was seen to be a forceful and dramatic illustration of the utility of applying a concept akin to military strategy to the complex task of managing the total entreprise. Ansoff(1965;10),in another classic,used the concept to identify the 'strategic' decision as a unique kind of choice problem not adequately addressed by management scientists up to then,and to provide a normative "practical method for strategic decision making within the firm". It was Andrews(1971) and his colleagues the Harvard Business School that first recognised in the emergent notion of strategy a concept with the potential around which to build an analytical framework for the teaching of general management. As used by them for this purpose "the idea of corporate strategy (was) a simple practitioner's theory..a kind of Everyman's conceptual scheme made for use in real life in unstructured,complex and unique situations"(Christensen et al,1987;ix).

The adoption of the concept as a framework for teaching general management by such a prestigious institution soon gave rise to considerable research interest in the area. It helped to mark out the area of strategy as a distinct field in organisational studies which was worthy of considerable theoretical and empirical research effort in its own right. Moreover,the framework used by the Harvard academics provided an analytical distinction between strategy formulation and strategy implementation. Strategy formulation was conceived primarily as an analytical activity and strategy implementation as an administrative one. Formulation was primarily concerned with the content of strategy,implementation with the administrative process. The content-process distinction gave rise to two largely distinct research traditions in the strategy field. Content theorists have continued to show little interest in process. Likewise, while process researchers have long since widened their interests to include the process by which strategies are chosen as well as implemented,they have remained much more pre-occupied with the process of strategy than with the content,with the how of strategy rather than with the what. The content-process split has been exascerbated by the fact that the two research streams have tended to attract the attention of researchers with different backgrounds. Economists and management scientists have been more attracted to content studies while process research has tended to attract most interest from organisation theorists,behavioural scientists,political scientists and,more lately, cultural anthropologists. From the earliest beginnings of strategy research to the present there has,as Pennings(1985;xi) as noted,been little "communication" between content and process researchers and few attempts at any integration of these two research perspectives.

If the strategy field has been for too long been divided by the process-content dichotomy,the wider field of organisational studies has likewise been for too long divided by dominant perspectives that have been either over-voluntarist or over-deterministic in world view. So strong is this dichotomy that it has been used by a number of recent reviewers as a primary basis on which to distinguish and classify the main research streams in organisational studies that take the organisation as a whole as their primary unit of analysis(Burell&Morgan, 1979; Pfeffer,1982; Astley & Van De Ven,1983). Whereas the process-content division is mainly just a 'division of labour', the voluntarist-determinist dichotomy is one of competing 'world views' about the locus of control over organisational action. At one extreme organisational action is seen as purposive and goal-directed; at the other it is seen as largely externally constrained and environmentally determined. The first gives pre-eminence to the autonomy of organisational action; the second gives pre-eminence to context. The strategy field, including both content and process research,has tended to be over-voluntarist in its world view right up to the present and to underestimate the importance of context in shaping organisational action.

The current need and oportunity in strategy research

The forgoing brief review of the development of the strategy field indicates not only that there is abundant need for further research efforts in the area of strategy but also points to what the major needs are and where the fruitful oportunities lie. In a sentence,there is a pressing need for more integrative approaches to the empirical and theoretical study of strategy than those which have predominated up to now.

What general features should a more integrative approach have? The previous brief discussion of the sources of division which fragment the strategy field itself,and which tend to parochialise it in the wider scheme of organisational studies generally,indicate the type of new departures that are likely to be most productive. Firstly a more integrative approach should avoid the extreme voluntarism that characterises much of strategy research and give more attention to the contextual influences that shape strategy. Secondly,a more integrative approach should try to understand how the process and content of strategy are linked to each other and how both are linked to the wider context within which organisational strategies are formed. Finally,a more integrative approach must try to be more eclectic and multi-disciplinary in the perspective that it brings to the empirical inquiry and mode of analysis.

The pioneering work in redirecting strategy research into more integrative and eclectic modes of inquiry has already begun. The first major milestone, in this regard was Mintzberg's(1978) distinction of strategy FORMATION from strategy FORMULATION.This provided an important integrative concept through which to conceptually link process with content. More recently Pettigrew(1985) has been foremost in leading strategy research into a greater awareness of the importance of context, along with process,in the determination of content. As yet contextual studies of strategy formation,along the lines advocated and carried out by Pettigrew,are still a rarity in strategy research and the question of how and in what way context influences,and is influenced by, organisational strategy is still not well understood. Yet,Porter(1980) has very successfully demonstrated the utility to strategists of paying greater attention to the structuring effects of context,particularly of industry organisation. However,his normative work was aimed directly at practitioners and such questions as how industry organisation and organisational strategy actually come to affect each other in reality and whether industry structure is the prime contextual factor in the determination of organisational strategy remain to be empirically examined.

This present study aims to build on the efforts and insights of Mintzberg, Porter and Pettigrew. Using the voluntarism-determinism dichotomy as its basic theme it sets out to explore how context and autonomous organisational behaviour both influence strategy formation and how they interrelate. This is the central underlying theme and thrust of the inquiry.

The Irish context

Carrying out this study in an Irish context offers two significant benefits. Firstly,it facilitates the examination of the context-organisation interrelationship and its effects on strategy formation at multiple levels of analysis and multi-level empirical examinations of the context-organisation interaction are still extremely rare in organisational studies(Pettigrew,1987a;6). Context,when viewed from the organisational level of analysis tends to be viewed as over-impersonal and to affect strategic choice largely through the mechanism of its selective perception by organisational decision-makers. This provides only a limited understanding of the ways in which context and the organisation affect each other. This study tries to overcome these limitations by seeking to develop a national,industry and firm perspective on the strategic development of the organisations chosen for empirical examination. Studying organisations in a relatively small national context helps to make the development and provision of such a multi-level perspective in a single study a quite feasible proposition. To facilitate the development of a national level perspective a short political,economic and socio-cultural history of modern Ireland is presented as a stand alone element of the empirical data. The industry and firm perspectives are developed and presented together within the four case narratives that comprise the rest of the empirical data.

The second major advantage of the Irish context is that it helps to throw the context-organisation interaction into greater relief than would be possible by studying strategy formation in a much larger national context. Organisations of around 1000-2000 employees,such as those chosen for empirical study in this project,are large organisations in an Irish national context. Yet,their internal organisational,or what Pettigrew(1985;48) has referred to as their 'inner', contexts,are much less elaborate and complex than for organisations with the same relative level of national importance in much larger economies like the UK or the US. The small Irish national context therefore allows the context-organisation interaction to be studied with comparatively less obfuscation from internal organisational elaboration and complexity than would be possible in larger national contexts.

The plan of the dissertation

Having briefly introduced the overall topic and main underlying theme of the research the remaining task of this first chapter is to provide the reader with a guide to the dissertation's overall structure and contents.

The dissertation is organised into four parts. Part one covers chapters 1 to 3. Following this introduction,chapter 2 contains a more detailed review of the literature relevant to the central theme of this research from which the conceptual framework for the study is developed. A set of specific research questions for the study are then identified. Chapter 3 goes on to discuss the methodology,to describe the method of approach and to explain the basis for the selection of the case sites. It brings the first part of the disseration to a close.

Part two of the dissertation contains the empirical data and covers chapters 4 to 8 inclusive. Chapter 4 is the study's historical treatment the national context in its own terms,at a national level of analysis. It is a brief political,social and economic history of modern Ireland. Its perspective is that of the majority tradition on the island of Ireland,what is now known as the constitutional nationalist tradition. This is the national level perspective that is most relevant to a contextual understanding of the development of the organisations in this study. Chapters 5 to 8 contain the four case narratives. These narratives are written to provide both an industry level perspective and an organisational level perspective on the strategic development of the organisations under study.

In part three the empirical data is analysed and the major analytical categories for subsequent synthesis are developed from the data. This part covers chapters 9 and 10. Chapter 9 analytically isolates and empirically examines the main contextual forces that shaped strategy in the organisations under study. This is followed in chapter 10 with an empirical examination of autonomous organisational action and its impact on strategy formation in the organisations under study. In this part of the dissertation the voluntarist-determinist debate is avoided for the time being as initial insight is sought by analysing the same empirical data sequentially and independently through first a determinist(Chp 9),and then through a voluntarist(Chp10),perspective. (This approach was inspired by that first taken by Allison(1971) and used to such great effect in his classic study of decision making in Cuban Missile Crisis.)

Part four contains the synthesis and conclusion and covers chapters 11 to 13. In chapter 11 the empirical findings emerging from the analysis in part three are related to the two central themes which formed the basis for the conceptual framework for the study as developed in chapter 2. These central themes allow the character of the strategy formation process to be further explored and the study's contribution to the fuller understanding of strategy formation to be highlighted and examined. In chapter 12 the empirical and conceptual perspectives that have emerged in this research are applied to the broader question of the whole life histories of organisations. An existential model of organisational development is then derived based on the concept of organisational career. The career analogy is presented as both empirically valid with respect to the data and theoretically consistent with the overall conceptual framework for strategy formation and organisational development developed in this study. The last chapter, chapter 13,is a final synthesis and summary of the research. In this chapter the concepts that emerged in parts 3 and 4 are synthesised into a relational model of strategy formation which incorporates the concept of organisational career. Then,the main contributions of the research are briefly summarised and their utility evaluated. Finally,the dissertation ends with an assessment of the major implications of the findings for future research and practice.

CHAPTER TWO

THE CONCEPTUAL FRAMEWORK

In the previous chapter the central focus and themes of this research project were introduced in overview and the need for an integrative contextual approach to the study of strategy formation outlined.
In this chapter the overall conceptual framework for the study is developed and the specific research questions that have guided the empirical inquiry are identified.

The chapter begins by briefly defining what the concept of strategy formation will be taken to mean in this study. Then a detailed review of the relevant literature is carried out in order to examine the current conceptions about the general character of strategy formation in complex organisations. This review is organised around two emergent themes which then become central to this research,one contextual and the other historical. The contextual theme is the voluntarism-determinism theme whose centrality has already be discussed in the previous chapter. The second theme is the theme of historical patterning,of continuity and change in strategy formation. This theme provides a powerful analytical focus for examining the historical interplay between contextual influence and organisational volition on the formation of strategy. These two themes taken together are a recognition that contextual influence and organisational volition can both be historical forces for change or continuity in organisational strategy.

The literature review,as indicated above, reveals that much of the previous research in the field of organisational studies that is relevant to the question of how strategy forms in organisations can be classed as either voluntarist or determinist in 'world view'. These perspectives are widely assumed to mutually exclusive and have given rise to the largely independent research traditions that characterise organisational studies at the organisational level of analysis. Neither world view is implicitly assumed in this study. Rather the voluntarism-determinism question,as mentioned already,is taken to be a central analytical theme in this research and this must be reflected in the conceptual framework that is developed to help guide the empirical inquiry. By taking the organisation's life history as the unit of analysis,to include the time dimension,an analytical blending of the two perspectives becomes possible which allows the general character of strategy formation in organisations to be more fully explored than would be possible by locating the study within one or other of these world views. Following on from the literature review,then,a conceptual framework for the study is developed and explained. Consistent with the two major themes discussed above,this perspective will be both contextual and historical. In short,the historical pattern of formation,continuity and change in organisational strategy is the effect to be explained.Contextual influences and organisational volition are both independent and interdependent causal factors whose general character and modes of influence are not to be implicitly assumed but are problematic and need to to be more fully explored.

Strategy Formation in Complex Organisations

If strategy is defined as patterns in organisational action as Mintzberg and his co-workers have done,then the process by which strategy is formed becomes an important focus for research(Mintzberg,1978; Mintzberg & Waters,1985). Research into the process by which strategy forms in organisations can,in turn,contribute to a fuller understanding of the way in which organisations interact with their environments.

If we were to take a snapshot of any complex organisation we can detect its operant strategy empirically in the observable,and relatively enduring,pattern or emphasis in its major activities. The pattern in the application of certain technologies,the serving of certain markets, the production of certain products, the development of certain skills and the accounting to certain claimants,etc.,reveal in the round the distinctive posture of the organisation in relation to its environment. Its operant strategy,then,is manifest in the pattern of its major activities. Emphasis is manifest in,among other things,the relative deployment of resources to the major activities. However the full profile of an organisation's operant strategy can only be revealed when attention is also paid to areas of non-action. Strategy is as much about what organisations do not do as about what they do. Competitive strategy,for example,can only be fully revealed by contrast with the activities of competitors. Strategy,therefore,for the purposes of this study is defined as patterns in organisational action and non-action. Any attempt at a more precise definition is deliberately avoided because as Ansoff(1979;42) has pointed out,strategy is a "synthetic concept in the sense that strategies ascribed to organisations are frequently not perceived or made explicit by the managers who pursue them".

To carry out empirical research on the question of how strategy forms in organisations it is necessary to develop a conceptual framework within which to guide the inquiry and the subsequent analysis of the empirical data. A review of the relevant literature will be the starting point from which the development of this framework will proceed and it is to this that we now turn.

Literature Review

Any study of a process such as strategy formation in complex organisations will come up against two fundamental and competing perspectives on organisational action within an overall environment. At one extreme organisational action is seen as rational,purposive and goal-directed. At the other,action is seen as externally constrained and environmentally determined. This voluntarism -v- determinism dichotomy has provided recent reviewers of organisational analysis with a useful dimension along which to classify research efforts to date that take the organisation as a whole as the level of analysis(Burell&Morgan, 1979; Pfeffer,1982),and Astley & Van De Ven(1983) have highlighted it as one of the central debates in organisation theory. Among and within the major fields that treat the organisation as their level of analysis the locus of control over the destiny of the organisation is a central concern.

Locus of Influence over Strategy Formation

The strategy field developed initially with a strong voluntarist orientation. This is clearly reflected in the paradigm of process which came to early prominence in the strategy field and which is still dominant.As presented by Andrews(1971) this model depicts strategy formation in organisations as a two stage process.First there is purposive 'formulation',an essentially analytical and conceptual stage. This is followed by 'implementation',a mainly administrative stage. The process at each stage was conceived to be under the control of the organisational leader as the 'architect of purpose'and Bourgeois & Brodwin(1984) have somewhat aptly styled this as the "Commander Model" to underline its debt to the military concept of strategy. Most of the research on strategy since the area was first identified as a discipline in its own right for teaching and research has been concentrated on the content of strategy rather than on the process by which it is formed.The extensive work on the PIMS database,initiated by Schoeffler et al(1974) to uncover the 'laws' of the marketplace; the 'experience curve' and 'business portfolio matrix' concepts of the Henderson(1973) and the Boston Consulting Group;and more recently Porter's(1980,1985) concepts of 'generic strategies' and 'value chain' are all normative and addressed implicitly at the organisational leader as the formulator of strategy.They suggest what the pattern of organisational action should be on the assumption that the formation of this pattern is a matter of the leader's will,intellect and administrative skill.

The dominant paradigm in the strategy field,the formulation-implementation model,is strongly rooted in the linear-rational tradition in decision theory.The strategy formulation stage determines the content of strategy and is conceived to be essentially a decision-making process. Simon's(1955,1956) seminal contribution,the concept of bounded-rationality,has not deflected the main stream of decision theorists from this rational-linear paradigm. In the wake of Simon's work many decision theorists have focused on the constraints to optimisation implied in bounded-rationality and have directed their research efforts towards pushing back these constraints on the condition of comprehensive rationality,or towards mitigating their effects for specific decision situations.

At its ideal,the decision content or outcome from a rational-linear decision process should be objective,unbiased and independent of the social process that produces it. Organisations are conceived as social instruments with an objective function or superordinate purpose and the goal of decision making research is to develop improved normative models that move decision content progressively closer to optimisation. The goals and objectives of organisational actors,whether sub-units or individuals,and their attempts to achieve these within the overall context of decision are seen to be 'unwanted noise' that should be reduced or screened out by the improved decision methods to be developed from further research. For many decisions that are classed as operating(Ansoff,1965;18), the conditions for optimisation can be approached quite closely and linear-rational decision models can be used quite successfully. Strategic choice,however,typically involves uncertainty about future consequences and uncertainty about future preferences(March,1978). The first uncertainty suggests an inherent historical dimension,and the second an inherent political dimension, to the process of strategic choice.

While most research in the strategy area has concentrated on content there has developed,in parallel,an important stream of research on the process of choice which is more descriptive of empirical reality and more inductive in its conceptualisation of choice processes than the linear-rational tradition. In this research stream the content of a choice process is seen to depend on the social,political and historical process that produces it. Choice content is not simply a matter of rational-analytical formulation. It emerges as the outcome of a social process. The process theories of choice tradition has its roots in Cyert and March's(1963) work on a 'behavioural theory of the firm'. In this tradition the social process of choice reflects the structural context (i.e.the organisation structure,resource allocation system,motivation and reward system,and information system,etc..) within which it takes place(Bower,1970).The process also reflects bureaucratic politics and momentum(Allison,1971),the assymetrical horizontal distribution of power and influence(Hickson et al,1971:Hinings et al,1974),the distribution of control over vital information flows(Pettigrew, 1972),and the historical chance encounter of 'solutions' and 'problems'(Cohen et al,1972),among other things.In strategic choice processes the organisation often begins "with little understanding of the decision situation it faces or the route to its solution,an only vague idea of what the solution might be and how it will be evaluated when it is developed"(Mintzberg et al,1975;9) and the character of the decision process,itself,reflects the inherent novelty,complexity, cleavage and open-endedness in the decision situation(Mintzberg et al,1975: Astley et al,1982:Hickson et al,1986). Process theories of choice are still primarily voluntarist in orientation.The locus of control is still conceived to be largely within the organisation,though usually much less concentrated in the organisational leader than is assumed in the linear-rational model.

The strategy field,as we have seen,has been dominated by a strong voluntarist perspective.Organisation Theory,on the other hand,has a strong determinist tradition. Much of the pioneering work in organisation theory concentrated on seeking out the determinants of organisation structure. Woodward(1965,1970),Pugh et al(1969),and Perrow(1970) were prominent in advancing the view that structure is largely determined by the type and complexity of the technology. Burns & Stalker(1961) and Lawrence & Lorsch(1967) were at much the same time demonstrating the important link between organisation structure and the nature of the organisation's task environment. While the contingencies of technology and task environment were being independently explored Katz and Kahn(1966) imported into organisational analysis the Open Systems Model that was first elaborated in the natural sciences by Bertalanffy(1950) to distinguish biological from physical systems. The Open Systems Model provided an integrating conceptual framework for the contingency theorists which served towards unifying the field(Perrow,1973;11).In this model organisations were conceptualised as socio-technical systems located within,and in constant interaction through permeable boundaries with,a suprasystem or environment. Contingency theory has developed,since the early 1970's, largely as the "applied arm" of the Open Systems Model. Its fundamental tenet is that technology and environment are the key contingencies that determine organisational action. Organisations must continually adapt to the imperatives of technology and environment in order to secure their survival.More recently a population-ecology perspective on organisation-environment has been advanced(Hannan&Freeman,1977: Aldrich,1979) in which the capacity of many organisations to adapt to environmental change has been questioned because of the various internal and external 'inertial pressures' on organisations that make such adaptation difficult.The population ecology perspective views the relationship between organisation and environment to be akin to natural selection,an even more deterministic perspective than contingency theory.

While the strategy field reflects a strong voluntarist orientation and the field of organisation theory contains a predominant determinist tradition,the voluntarist-determinist question is a central dichotomy not only between these fields but also within them. The industrial organisation tradition in the economics field has tended to emphasise the primacy of industry structure in the determination of organisational strategy(see Porter,1981:for a review and critique of this perspective). This tradition also views the 'invisible hand' of the market economy as the primary regulator of organisational action in a capitalist economic environment. However Chandler(1977) has shown that retained earnings far outstrips fresh capital as the primary source of funding for the development and expansion of large US business and concludes that the 'visible hand' of managerial capitalists has replaced the 'invisible hand' of the capital markets as the basic mechanism for resource allocation in Western economies.The concentration of capital and the development of self-perpetuating managerial hierarchies,so evident in many industries,is a consequence of market failure as Williamson(1975)points out,and where this happens the locus of control over organisational action will tend to shift from environment towards the organisation. However,Galbraith(1963,1984) has argued that such a tendency towards the concentration of economic power within organisations usually evokes a countervailing tendency in the environment of the organisation which would seem to suggest that there is a contexual dynamic in the relationship between organisational control and environmental determinism. More recently Caves(1980) and Porter(1980,1981) have advanced an approach to industry organisation which emphasises that the relationship between industry organisation and strategy is bi-directional,not uni-direction as in the classical industry organisation tradition.

Within the field of organisational theory,on the other hand, Thompson(1967;99) did not accept the over-determinism that characterised the then emerging contingency approaches and remarked that "technology and task environment seldom completely determine how organisations act. When the immutable facts of organisational life have been faced and the contingencies spelled out,organisations have organisations act. When the immutable facts of organisational life have been faced and the contingencies spelled out,organisations have choices". In addition,Child(1972;15) reviewed the case for all the contingent determinants,i.e. size,technology,and environment,and yet remained convinced that "strategic choice is (a) critical variable in a theory of organisations" which was being,but should not be, ignored by contingency theorists. More recently Astley(1985;239) has rejected the over-determinism of the 'population ecology' model and advanced in its place a more integrative 'community ecology' perspective in which organisational variability is seen not simply as the product of evolution but as the central dynamic of change and where "chance, fortuity, oportunism, and choice are the dominant factors determining the direction in which the evolution progresses". The voluntarism-determinism debate,then,is still alive and well in organisation theory with some scholars(Hambrick,1981:Hrebiniak & Joyce,1985) arguing that strategy and environment are,in fact,independent variables while others (Mintzberg et al,1975:Mintzberg & Waters,1985) prefer to view managerial will and environmental imperative as two opposite poles of the same variable in relation to the formation of strategy. Where there does appear to be some convergence,explicitly or implicitly,is towards the view that environmental imperatives,such as they exist,are contextually variable.

It seems clear from this review of the relevant literature so far that the question of the locus of control over organisational action remains problematic and under-explored. Is strategy formation driven primarily by organisational volition or by contextual influence. The relevant literature is divided on this question though most studies at the organisational level of analysis implicitly assume an answer,whether voluntarist or determinist,for the purposes of their own inquiries. The question itself is rarely studied as a basic problem that is seen to be worthy of empirical investigation in its own right. This question of the locus of control over strategy formation will be an important analytical theme for this empirical study. The clear implication is that for this study the voluntarism-determinism issue is taken to be a question of degree rather than dichotomy. What has also emerged from the review is that the content and process streams,the two primary research streams in the strategy field to date,are both dominated by the voluntarist world view. The importance of context in shaping strategy is still under-explored empirically. The questions of how and in what way context shapes strategy will be of central concern in this research.

When the voluntarism-determinism issue is taken to be one of degree rather than dichotomy,as is suggested here,then an integrative summary of the relevant literature reviewed so far provides the following insights on which to base the conceptual framework for this research. Strategy formation in organisations is sometimes driven,and the content of strategy shaped,primarily by forces internal to the organisation. The role of leadership will vary with organisational context,in some some cases directly formulating the content of strategy,in other cases exerting its influence on the shape that strategy takes more indirectly through the management of the context and process of formation. At other times the process of strategy formation and the content of the outcome are influenced primarily by factors external to the organisation,and part of its environment or situational context. The conceptual framework for this study should,therefore,take into account all three of these dimensions in the formation of strategy,i.e. organisational leadership organisational context,and situational context. As the remainder of this literature review will show it should also include a fourth dimension, the dimension of time.

Continuity and change in strategy formation - the time dimension

While most of the early research in the strategy field concentrated on issues of content and choice,a more recent development has been the increasing interest and activity in issues of process and change. Ansoff(1979) relates this development to the historical change in the shape of the strategic problem. According to him the distinguishing feature of strategy is that it is about transformation. The strategic problem in the 50's and 60's was concerned mainly with how best to transform the firm at the boundaries of its relationship with the market environment to achieve the best possible product-market match. Since then the business environment has become increasingly more complex and turbulent. As a consequence the strategic problem has been enlarged and complicated to include concern with strategic resource scarcity and with "internal configuration and capabilities" and their transformation.

Concern with the internal transformation of organisations has traditionally been the preserve of the organisation development field. At about the same time that Andrews(1971) was developing the concept of strategy as the basis for a theory of general management in business policy, the new field of organisational development emerged in the behavioural science area. The initial focus was on the question of how to implement planned change in order to improve organisational effectiveness. Organisational development was specifically concerned with "planned..organisationwide" change managed "from the top"(Beckhard, 1969;9).Its early conceptual linkage to the then predominant two stage strategy paradigm was primarily to the question of how to implement a pre-formulated strategic initiative successfully and this continues to be the case(Nadler & Tushman,1979;1982). A particular focus has been the issue of how to overcome resistance to the changes in organisation structure,resource allocation pattern, and reward system that are often needed to support a new strategic departure(Kotter&Schlesinger,1979).

The inertial forces(Hannan&Freeman,1977) to be overcome in introducing a major change in company strategy typically involve,in the first instance,many tangible commitments in the form of specialised assets and skills,buildings and fixtures in certain geographical locations for operations,and commitments to an array of commercial relationships involving employees,suppliers,customers,financiers and the like,which may be contractual or customary.However there are also less tangible but equally significant inertial forces which are psychological,political and cultural in nature.For example,Staw(1976) has shown that individuals face psychological difficulties in disengaging from a chosen course of action and may actually escalate their commitment in the face of initial setback. Yet Brunnson(1982) has argued that psychological commitment to chosen courses of action is a vital element in getting things done. Also,organisations are career systems and political systems as well as hierarchical systems of authority and control(Burns,1963),and Madison et al(1980) have found that changes to organisation structure,career assignments and resource allocation were the three issues most associated with political activity in their study of 30 organisations. However,human behaviour in organisations cannot be fully understood in psychological and political terms alone.Organisations are also cultures with their own distinct norms,values and beliefs(Pettigrew,1979; Deal& Kennedy,1982). As organisations form strategies and continue to work them,they become institutionalised into the shared customs and ideation systems of the organisation members. Strategic change then poses a challenge to the existing ideology and customary patterns of behaviour that characterise existing strategy and represent considerable cultural forces for continuity(Brunnson,1982; Pettigrew,1985).

In the 1980's the interest of organisational behaviouralists in the strategy question has moved on from this pre-occupation with how the political and cultural natures of organisations affect resistance to change. Political and cultural issues are no longer viewed in terms of implementation alone. With the nature of the strategic problem having shifted to focus on the internal transformation of organisations the analytical and empirical distinction between the process of strategic change and the content begins to break down. Where once organisations were concerned with the implementation of planned, preformulated, strategic changes,now they are trying to understand how to institutionalise the very process of change itself.This is seen as the key to strategic responsiveness and oportunism in an uncertain, increasingly competitive and fast changing environment.Recent research on strategic change has focused on the question of how the natural political and cultural processes within organisations can be harnessed by organisational actors,at different levels within the organisation,to transform their organisations(Kanter,1983; Bourgeois & Brodwin,1984; Pettigrew,1985).

Strategy formation,then,is about processes of choice and change where the strategy at time Tn is itself an important determinant for the strategy that will be formed at time Tn+1. Are there predetermined patterns to the development of organisations over time or is their historical development an essentially ideosyncratic process? Chandler(1962) discerned a four phase growth pattern in the historical development of large US entreprises.It was essentially an inductive model of strategic behaviour in which the propositions 'structure follows strategy' and 'strategy follows structure' are both subsumed. Chandler did not anticipate turning points to growth or the possibility of periods of stability and retrenchment in organisational strategies. Kimberley and Miles(1980),in contrast, saw organisations as having life cycles with distinguishable phases of birth early development,growth, maturity and decline. While the Chandler and Kimberley & Miles studies both identify distinguishable phases in organisational development they have little to say about the process by which organisations move from from one phase to another or about the timing and proximate causes of such changes. The more process oriented literature tends to fall into two camps. Some (Braybrooke & Lindblom,1963; Quinn,1980) see the process of organisational development over time as one of continuous and logical incremental adaptation. Others see it in terms of successive periods of continuity and change(Mintzberg,1978 ;Pettigrew,1985) with change coming in revolutionary bursts after period of incremental evolution(Miller&Friesen,1980; Miller,1982) and usually in response to an externally induced crisis(Starbuck et al,1978; Romanelli&Tushman, 1983).

The foregoing literature review on the time dimension in strategy formation has strongly indicated the importance of historical 'formed' strategy as an important influence on the formation of strategy in its own right. This should be included with the other three factors, situational context,organisational leadership and organisational context in the overall conceptualisation of strategy formation in this study.

The question of how historically formed strategy affects the formation of future strategy is itself an important question for empirical examination. Research on this issue has only recently taken some important new departures and many interesting issues remain to more fully examined. Are historical forces mainly forces of inertia and are they really 'inert' as the population ecology researchers seem to imply? Or are they active,rather than merely inert,forces for continuity as the more recent work of Brunnson(1982) and Pettigrew(1985) would tend to indicate? And are they always forces for continuity or does historically formed strategy often contain the seeds of its own transformation? Moreover,the literature review has clearly indicated that the broader question of the historical patterning of organisational development over the life histories of organisations remains unresolved and in itself raises some interesting questions. Do organisations,as they develop, always follow predictable patterns as the Chandler and organisational life cycle models tend to suggest? And from a different though related angle, is the historical pattern of strategy formation one of logical-incrementalism as Quinn suggests or does it follow cyclical patterns of revolution and evolution as more recent research tends to indicate? The questions of how organisational history shapes strategy and how strategy formation is patterned over the life histories of organisations still pose many unresolved problems and will be important concerns in this research.

The Conceptual Framework

All the important elements that will make up the conceptual framework for this research have been identified from the foregoing literature review. Strategy formation is conceived here as an historical process in which the base line for future strategic departures is the current strategy of the organisation. Strategy formation is influenced by forces in the situational context of the organisation and by forces within the organisation itself.It may be pre-planned or it may emerge from organisational processes,particularly change processes. Before summarising these elements and describing their relationship within the overall framework it is necessary to discuss briefly the perspective taken in this study with respect to organisational action and to environmental intervention.

A multi-level contextualist perspective

The perspective on organisational action taken in this study is contextualist. The underlying notion is that organisations both actively shape and are constrained by their wider context. Viewed in this way the voluntarist-determinist dichotomy is avoided. The question of voluntarism or determinism in organisational action becomes one of degree which in itself is a reflection of the context within which organisational actors find themselves and of their own capacity for action within that context.Pfeffer & Salancik(1978,1) in an early example of the application of a contextual mode of analysis to organisational action set forth the basic tenet that "to understand the behaviour of an organisation you must understand the context of that behaviour" while observing pointedly that "much of the literature on organisations still does not recognise the importance of context". Later Crozier & Friedberg(1980;76),in their advocation of a contextualist mode of analysis,warned against "a unilateral conception of environmental influences,which neglects or ignores the fact that the organisation can 'play' with the 'requirements' and constraints imposed by the environment,and even manipulate them in its turn". This view of organisational action within and on a situational context is implicit in the Porter(1980,30) framework on competitive strategy. Pettigrew(1985;37) gives more explicit emphasis to the bi-lateral relationship between organisational action and context "by conceptualising structure and context not just as a barrier to action but as essentially involved in its production" and by demonstrating how "aspects of structure and context are mobilised and activated by actors and groups as they seek to obtain outcomes that are important to them".

Sir Michael Edwardes(1981),in his submission to the Conference Board conference on the theme of 'External Influences on Strategic Management' reflected the view of action-context interplay being presented here when he said that:

> "It is fast becoming essential to be outward-looking,to get in amongst these so-called external influences and thereby bring about beneficial change,instead of acting defensively and accepting the environment as immutable".

But what are the main external influences,how do they come to be reflected in the content of strategy,and how are they influenced by organisational action?

The pioneering research into the organisation-environment relationship was largely concerned with the question of if,and how, organisational structural variational could be explained in terms of variation in the environment of the organisation. Environments were described in terms of their stability and complexity(Emery&Trist,1965; Burns&Stalker,1966; Lawrence&Lorsch,1967) and related to such internal

The pioneering research into the organisation-environment relationship was largely concerned with the question of if,and how, organisational structural variational could be explained in terms of variation in the environment of the organisation. Environments were described in terms of their stability and complexity(Emery&Trist,1965; Burns&Stalker,1966; Lawrence&Lorsch,1967) and related to such internal structural features as the degree of bureaucratisation and centralisation. This line of research,which gave rise to the large structural-contingency tradition in organisational analysis, was not designed to provide descriptive insight into the process of organisation-environment interaction. A perspective on action such as the one proposed above moves the description of the process of organisation-environment interaction to centre stage. Abstract descriptors of environment like stability and complexity are inadequate for this type of analysis.

For this study Bower's(1970) term 'situational context' is preferred to the term 'environment' because it connotes something that is more finite and immediate in relation to an organisation than 'environment',which is often portrayed in the open systems model as the universe external to the organisation.Furthermore organisations are considered to be part of their own situational context in that they can affect the contextual 'rules' which influence their actions(Crozier&Friedberg,1980; Porter, 1980). The situational contexts of organisations are seen to consist primarily of social(Berger&Luckmann,1966) rather than natural objects. These social objects include other social actors,individuals and organisations,and the wider social systems in which they and the focal organisation are partially or wholly embedded. In other words,the causal texture of the situational context of organisations is itself composed of social action in context. If the prevalent tendency in organisational studies to conceive of situational context in largely impersonal terms is to be avoided,and a richer understanding of the influence of context on strategy is to be sought,then the conceptual framework must incorporate a multi-level perspective on context. It must account for the processes of volition and social action in the situational contexts of organisations that can have an important influence on strategy formation.

The conceptual framework must also provide for the many and various ways in which the situational context comes to exert its influence over organisational action. Prior research shows that situational context can affect organisational outcomes both directly and indirectly through processes of negotiation(Murray,1978),processes of enactment and selective attention(Weick,1969),through resource dependency(Pfeffer&Salancik,1978),competitive forces emergent from industry evolution(Porter,1980),the development of industry recipies, norms,shared perceptions and 'understandings'(Stigler,1964; Grinyer & Spender,1979; Huff,1982),adaptive learning(Argyris&Schon,1978),and isomorphism with dominant values institutionalised in the wider social system(Meyer&Rowan,1977),among others. The reader will no doubt note that most of those referred to above can be classed as organisational researchers and theorists. Strategy research,in the main,has paid little attention to date to the question of how context influences and is influenced by strategy.

In short,and in somewhat more formal terms,the multi-level contextualist perspective on context-organisation interaction being taken in this study seeks to analytically blend the voluntarist perspective of social action theory with the determinism of the structuralist tradition. In doing this it is effectively bringing back to organisational analysis what Mills has called the 'classic tradition' of social science inquiry.

> "Social science deals with problems of biography,of history and of their intersections within social structures..these three-biography, history,society- are the coordinate points of the proper study of man..(the) classic tradition"(Mills,1970;159).

Strategy formation - the conceptual framework

The conceptual framework for this study of strategy formation can now be described. It is summarised in the figure 2.1 below. Strategy formation in this conceptual framework is seen to be located in the interrelation and interaction between key organisational actors, their organisational context and the situational context in which the organisation is embedded. The situational context of the organisation is composed mainly of other social actors,individuals and organisations, strategy formation and the way in which the legacy of past strategy is transmitted through time in the physical,social and cultural systems of the organisation. The organisational actors included in the framework are those individuals or groups,internal to the organisation,that have responsibility for the management of the total entreprise.

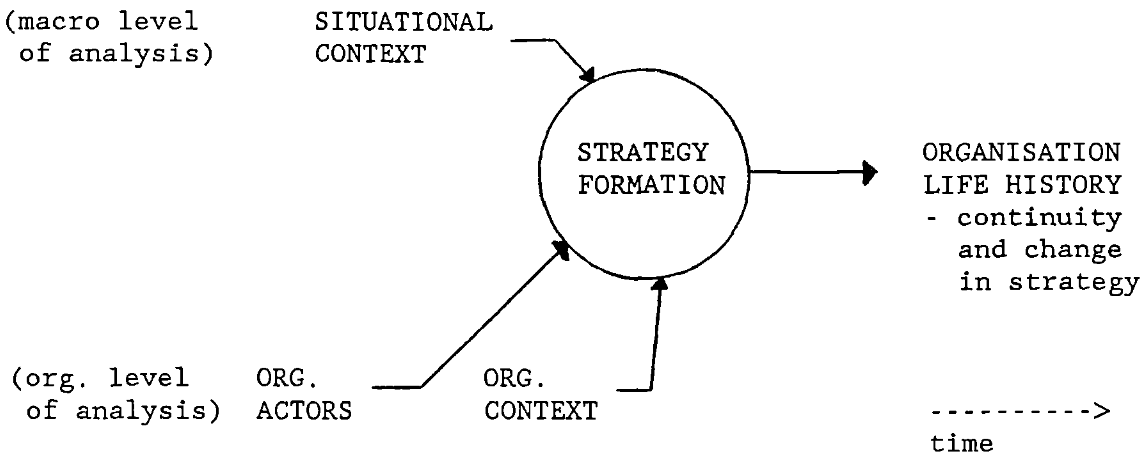

Figure 2.1 - The conceptual framework.

In this framework strategy is seen to be formed and changed over the lifetime of the organisation. How this happens is the central problem of empirical and theoretical interest in this study. In the conceptual framework the key influences on strategy formation are seen to be situational context and autonomous organistional action. The framework implicitly treats the voluntarism-determinism question as one of degree rather than of dichotomy. It is consistent with,and conceptually accomodates,the integrative perspective on strategy formation that was developed earlier from the literature review. This perspective saw strategy formation in organisations as sometimes driven and shaped primarily by context,at other times by autonomous organisational action. It also saw the role of key organisational actors as varying with organisational context,in some cases directly formulating the content of strategy,at other times shaping the content more indirectly through the management of the organisational context and of the process.

The conceptual framework is contextual,multi-level and historical. It assigns a central role to situational context in the shaping of strategy. It does not implicitly assume a mode of process in the interaction between environment and organisation,or ignore process altogether as much of the deterministic literature in organisational studies tends to do. Rather,it sees the question of how situational context shapes strategy as a central problem for empirical investigation. Also,it sees situational context as inherently heterogeneous. This highlights a further question for empirical study, the question of what specific features of situational context,or contextual elements,have the most effect on the formation of strategy The framework is multi-level. It recognises that context tends to shape organisational outcomes according to its own rhythm or logic which cannot be fully understood through an organisational level of analysis alone.

The framework is also historical. It recognises that the contextual forces that shape strategy can only be understood in historical perspective and that the rythm and logic of situational context is a temporal one. It also recognises that the forces for continuity and change in organisational strategy come from within,as well as outside,of the organisation. It recognises, moreover,that current organisational context reflects and embodies already formed strategy and that historically formed strategy is an important determinant in future strategy formation. It treats the whole life history as the unit of analysis and the historical patterning of organisational strategy as the effect to be explained. Within this holistic unit of analysis a smaller unit of information is chosen,the discrete phase or episode in the organisation's strategic history. It is only through the work of analysing and analytically connecting these smaller episodic unities of organisational history with each other and with the larger unities of historical punctuation that characterise the macro level of analysis that the full character of the strategy formation process can be explored.

In sum,situational context,organisational context and organisational actors are conceived to be the three key elements in strategy formation. They are the ultimate sources of the historical patterning of organisational strategy. Yet,their relationship with each other as conceived here is neither uni-directional nor linear. The process of strategy formation involves a complex interplay between these elements. In seeing a rythm or logic in the situational context that tends to shape strategy,the framework does have a definite deterministic leaning. However,it is in seeing this as a temporal rhythm or logic,and not as one flowing from some eternal causes,that the framework comes to analytically blend the determinist and voluntarist perspectives and to view this dynamically as a question of degree rather than of dichotomy. This dynamic is seen to apply at both the macro and organisational levels of analysis. The central dynamic in strategy formation is therefore seen here to involve a complex interplay between social volition and temporal systemic determinism at multiple levels of social structure.

Multiple modes of analysis

The emphasis in the use of this contextualist framework for the empirical investigation of strategy formation will be on the understanding of organisational action from a knowledge of its meaning in context.This will involve an interpretative,subjectivist approach to the empirical analysis. The model of man that is taken to underly his social action in organisations,and in their situational contexts,is taken to be man whose behaviour is explicable in political,economic and cultural terms.

Organisations are political economies(Zald,1970) within larger Political Economies. They are coalitions(March,1962) of stakeholders or claimants (Scholl,1981). Political behaviour arises within organisations "at the group level from the division of work..and at the individual level from associated career,reward and status systems"(Pettigrew,1977;81). Power is vertically and horizontally differentiated(Hickson et al,1971). It may be mobilised overtly or covertly(Hardy&Pettigrew,1984) and can be mobilised indirectly and subtly through the structuring properties of context on behaviour(Bachrach&Baratz,1962: Lukes,1974). Political behaviour at the organisational level arises as organisations seek greater autonomy within their situational contexts(Thompson,1967:

Pfeffer&Salancik,1978: Porter,1980). Organisations are also cooperative systems designed to generate benefits from the use of limited resources. Resource scarcity elicits economic behaviour. Satisfactory economic performance is a minimum condition for maintaining the support of a viable coalition and superior economic performance a source of power for the organisation in relation to its situational context(Galbraith,1984).

Human behaviour is also subject to many cultural influences. Cultural analysis is concerned with "the predominant role that custom plays in experience and belief"(Benedict,1935;1) and the important normative effect of shared values on individual behaviour in social systems(Deal&Kennedy,1982;21). It is concerned with organisations as socially constructed realities and emphasises their social character as networks of meaning(Smircich,1983).Organisations are to be viewed as systems of domination,signification and legitimation(Riley,1983) where the "political management of meaning" through processes of legitimation and de-legitimation is the processual linkage between political and cultural analyisis of behaviour(Pettigrew,1985;44).Shared norms,values and beliefs both arise within,and are imported into,organisations. A plurality of cultural influences affect the behaviour of organisational actors. The technology and domain of the organisation are themselves important sources of normative influences(Riley,1983). The professional training and association of organisational members is another strong and distinct cultural influence(Wilensky,1964: Chamot,1976). The distinctive values that have developed and become institutionalised within the organisation over time are yet further important cultural elements. In addition the geographical location of organisational operations opens the organisation as a social system to strong regional cultural influences.

In short,the study of strategy formation "is inherently multi-disciplinary" and requires an "eclectic" analytical approach, involving multiple modes of analysis,to be more fully explored and understood(Pennings,1985;28).

The research questions

Having developed the conceptual framework for this empirical study of strategy formation and described the model of man that will underly the interpretative analysis of the data,the remaining task of this chapter is to specify the research questions that were used to guide the inquiry.

In the conceptual framework,developed from the literature review,three central causal elements of strategy formation were identified as situational context,organisational actors,and organisational context. The fourth causal element,the historical patterning of sequence and consequence,was also included. The effect to be related to these causal elements,if a full understanding of strategy formation is to be gained, is the continuity and change in organisational strategy over the life history of the organisations in the study. Furthermore,the framework avoids implicitly assuming a voluntarist or a determinist perspective on organisational action. It incorporates the voluntarism-determinism issue as one of degree rather than dichotomy. In this it sees the locus of control over strategy formation as historically and contextually variable between the organisation and its situational context.

Within this overall conceptual framework the following questions were used to guide this empirical study of strategy formation.

At a substantive level the literature review clearly indicated the need for further empirical study of the following questions.

(i) What are the main factors in the situational context of organisations that shape strategy formation and in what way do they affect it?

(ii) What are the main factors internal to the organisation that shape strategy formation and in what way do they affect it?

(iii) How do these situational contextual influences and organisation-based influences interplay in the formation of strategy? Does the locus of control over strategy formation vary over context and history as the framework provides for? If so how does it vary and why?

(iv) What patterns or phases, if any, are discernable in organisational strategy over the life histories of the organisations in the study? How are they explained and connected?

At a more conceptual level the central concern will be to assess the utility of the framework itself and its potential for elaboration into a more comprehensive model of strategy formation through the empirical findings of this and future research. In particular the the study will address itself to the following questions:

(v) What does this empirical research, carried on within the framework developed here, contribute towards a fuller understanding of the processes of strategy formation and transformation in general? How does it illuminate our current understanding of how organisational strategy is formed? How does it extend this understanding?

More generally, comparative longitudinal research into the process of interaction between organisations and their situational contexts is still very rare(Pettigrew,1985;9) and the contextual factors that shape strategy are particularly under-explored because of the strategy field's traditional concerns with process and content at the expense of context. Rarer still is research into this interaction that is multi-level in perspective(Pettigrew,1987a;6). This empirical study will try to go some way towards helping to redress these deficiencies in strategy studies. Studying strategy formation in an Irish context potentially yields two particular advantages in this regard, as reviewed already in the previous chapter. It facilitates a multi-level empirical examination of strategy formation and it helps to throw the context-organisation interaction into greater relief,with less obfuscation from internal organisational elaboration and complexity that would be possible by studying strategy formation in much larger national contexts.

This chapter has developed the conceptual framework for this research. It has also described the underlying model of man to be used in the analysis of the empirical data and has specified the main research questions that will be used to guide the inquiry. The next chapter goes on to describe the research method and to discuss the overall methodological approach of the study.

CHAPTER THREE

RESEARCH METHODOLOGY AND METHOD

This research is concerned with the study of the interaction between organisational actors,their organisational contexts and the situational contexts of their organisations. Its main object is to examine how these three variables interact over time and across organisation types in the formation of strategy. This is the central relationship in the conceptual framework that was developed for this study in the previous chapter. The present chapter goes on to discuss how this relationship was actually investigated empirically. The chapter first discusses the overall methodological approach and then moves on to describe the main features of method used to carry out this study.

The nature of the subject and the nature of the research problem were the main considerations in the choice of appropriate methodology. A central theme to emerge from the literature review in the previous chapter was that most research into field of strategy has tended to be either over-deterministic or over-voluntarist in its view of the organisation in its context. Both extremes were rejected here in favour of a newer,emergent,contextualist position(Crozier & Friedberg,1980: Pettigrew,1985) in which the structuring effects of context are recognised but within which considerable scope for voluntarist action remains. How context structures action and how actors manage and often exploit and manipulate context are central issues to be explored.

Examining strategy formation through this contextual perspective involves collecting data on the changing context of organisations and on the interaction of organisation and context over time. This calls for a longitudinal-processual approach(Pettigrew,1979;570) in which the organisation and the social system of which it is a part are "profitably explored" as "continuing system(s) with a past,a present and a future". It calls for a "fined-grained"(Harrigan,1983;399) methodology which is capable of "captur(ing) the complexities of corporate strategy". It requires fairly "thick description"(Sanday,1979;533) of context at multiple levels of analysis,richly described in historical perspective(Pettigrew,1985;1987) so that organisational action can be properly situated and its "meaning" properly understood in its own terms in the context of the time(Silverman,1970;129).

The overall research approach was to seek a greater understanding of the phenomenon of strategy formation in complex organisations through rich description followed largely by inductive analysis. It was closely akin to what Mintzberg has called a "strategy of direct research". The essence of this approach,as outlined by Mintzberg(1979;588-9) himself,is that it is "research based on description and induction instead of implicit or explicit prescription and deduction". It relies on "simple, inelegant,as opposed to 'rigourous' methods of data collection". It seeks to measure "many elements in real organisational terms,supported by anecdotes" rather than just a few statistically manipulatable surrogates measured in "perceptual terms from a distance" and it seeks to synthesise these elements into meaningful "clusters" or patterns as we try to extend our knowledge and understanding of the subject matter "instead of the analysis of pairs of variables as continuous relationships"

The methodological debate in organisational analysis which for long questioned the validity and theoretical utility of such descriptive-inductive research has happily died down. Van Mannen(1979) and others have now long since "reclaim(ed) qualitative methods" for organisational research and reaffirmed Mill's(1970;135)position that "for the classic social scientist, neither method nor theory is an autonomous domain; methods are methods for some range of problems and theories are theories of some range of phenomena". The strategy area,in particular, offers legitimate scope for,and indeed calls out for,a variety of research approaches because of the inherently "eclectic" and "interdisciplinary" nature of the field. As Pennings(1985;33-4) has has stated in his recent review:

"Research in strategic decision making..should draw very heavily from conjectures as they have been developed by abstract efforts as in game theory,(and) from rich descriptions as they have been provided by anthropologists and other scientists who excel in documenting decision-making activities at a level of phenomenological concreteness and reality that seemingly defies any infusion of abstract and artificial conjectures"

The process of carrying out 'direct research' and the way in which knowledge and understanding can be advanced through this method are best discussed in terms of what Mills(1970;134) would call the intellectual craft skills involved. For Mills the classic social analyst "has avoided any rigid set of procedures" and has "sought to develop and use in his work the sociological imagination". The classic analyst "has not been inhibited by method and technique" and his "has been the way of the intellectual craftsman". Pettigrew(1985;53) has also taken up this theme of social research as essentially a craft activity:

"Contrary to the way the practice of research is often taught and written up,the activity of research is clearly a social and not merely a rationally contrived act...the reality of scientific activity has its artistic and subjective sides..research (is) a craft process and not merely the application of a formal set of techniques and rules".

And Glaser and Straus(1968) have provided the now classic intellectual craftsman's guide to the development of theory that is "grounded" in the empirical data,using a general method of inductive comparative analysis.

The essential craft skills involved in inductive research have been described by Mintzberg(1979;584-5) and are of two types. The first skill is "detective work" which involves the "tracking down of patterns, consistencies" and "search(ing) through a phenomenon looking for order,following one lead to another" though this process of detection itself "is not neat". The second skill is "the creative leap" which involves some generalising beyond the data because "every theory requires that creative leap,however small,that breaking away from the expected to describe something new". In sum,according to Mintzberg,"no matter what the state of a field,whether it is new or mature,all of its interesting research explores" and "peripheral vision,poking around in relevant places (and) a good dose of creativity..(is) what makes good research,and always has,in all fields". This loosening of the demand for so-called 'rigour' in research methodology,however,does not in any way release the researcher from the requirement to be efficient and systematic and to explore with a direction and a purpose. Neither does it release him/her in any way from what Mills(1970;141) has called "the firm and consistent practice of the ethics of scholarship" and above all from the responsibility to present the work in such a way "that it is open at every step to the checking up by others". The procedural mechanics of methodology,however crude or sophisticated,always remain subsidiary to the "the skill of researchers" and "their integrity" and any process of empirical measurement in social research must always be one of "honest recording and informed judgement"(Brooke,1984;144).

The research method and its history

The initial focus for this research into strategy formation was the resource allocation process in organisations. Resource allocation patterns were felt to provide a tangible measure of operant strategy. It was felt that focusing on the internal process by which these patterns came into being and came to be changed would give valuable insight into the process linkages between strategic intent and strategy formation in organisations. Variation across organisation types was sought to add external validity to the research and its potential findings and to provide more oportunity for interesting patterns to to emerge,which is the primary goal in exploratory research.

Case site selection and access

In all,four organisations were selected for intensive descriptive case analysis. The four organisations were chosen to represent each of the four main types of organisation to be found in the overall Irish national economic structure. The four organisations were An Foras Taluntais(AFT),a state agency for agricultural research; Irish Distillers Group(IDG), a commercial public company; Comhlucht Siuicre Eireann Teoranta(CSET),the state-owned sugar entreprise; and Golden Vale Cooperative Society,a large dairy producer cooperative. A common link between the four was their relationship to the agricultural sector of the economy which provided the researcher with some 'economy of scope' in the task of trying to develop an understanding of the wider context of these organisations. All four were Irish indigeneous organisations with responsibility for strategy in all cases located in Ireland.

One of the reasons why indepth comparative case analysis methodologies are fairly rare in organisational studies is the difficulty in acquiring the kind of access that this type of research requires. The demands of descriptive/inductive research,based on intensive case analysis required very high quality access to the organisations under empirical investigation(Pettigrew,1985;xiv). The researcher negotiated this access by approaching the chief executives of each of the four organisations through personal correspondence,backed up by personal references in nearly all cases. The personal references reassured the chief executives about the bona fides of the researcher. They also reassured the chief executives about the researcher's competence to carry out a programme of personal interviewing within their organisations that would provide worthwhile research output while causing minimal disruption or hurt to the companies in question.

Both of these reassurances were important in ultimately gaining access of the quality required and the maintainence of that access could at no time be taken for granted as the study progressed. The researcher's ability to maintain the trust and confidence of the focal organisations was an ongoing requirement for the successful completion of the project. Organisations,and individuals within them,have been hurt in the past through the selective extraction and use of research data by editors and journalists more concerned with 'news' value than with the advancement of knowledge. Reassurances about the researcher's ability to handle sensitive and confidential material,and certain mutually agreed controls on the use of the research data in articles for the popular press or business magazines were important considerations in securing access. Furthermore,as most organisational development specialists are fully aware,the carrying out of any series of indepth interviews with a variety of executives across the different hierarchical levels and sub-units of an organisation has to conducted with care. It represents a form of intervention into an organisation which can have unintended consequences that can ramify way beyond the limited objectives of the researcher to acquire valuable and apposite empirical data for his research. In indepth,unstructured,interviewing the company has little direct control over the process. Furthermore it is almost inevitable in this type of interviewing that the interviewee not only provides the researcher with data and insight but is also affected by the process. The mere presence of the researcher on site can give rise to all manner of speculation and expectation right across the organisation. Moreover, the nature of the process and the reflexive character of the exploratory,indepth interviewing,all potentially affect the interviewee in his feelings towards his organisation and in his perspective and 'theories in use' on important organisational issues. Continued access in this type of situation depends on the sensitivity of the researcher to possible ramifications of his intervention and his skill in the use of the unstructured,indepth, interview medium.

Data collection

Data was collected primarily through largely unstructured personal interviews,Annual Reports,company plans,contemporary press cuttings, and a variety of other archival documentary material. Prior to entry into the field the literatures on strategy,organisational theory and resource allocation were all extensively read. Most of the data collection took place over the period from May 1986 until August 1987. In all 74 scheduled interviews were held with 39 different individuals, each interview lasting on average between 1.5 and 2 hours. In addition 105 annual reports were closely studied for performance,sources and uses of funds and chairman's statements on the current performance, future prospects and strategic intentions of the organisation. The database was also augmented by the collection and study of over 200 contemporary press cuttings on the focal organisations covering mainly their more recent history over the last two decades. Published histories of the focal industries and more general historical works were drawn on heavily for historical perspective prior to the 1950's. In addition to these sources the researcher had access to numerous in-house company reports and documents from the company archives. There were also countless 'follow-up' phone conversations and informal discussions with interviewees,and further collection of contemporary press and company documentation,as the analysis progressed.

Formal analysis did not begin until the data collection process had clearly reached a certain saturation level where the marginal utility of the additional information was declining relative to the marginal cost of obtaining it. However,data collection did continue right through the formal analysis stage though at a lower level of intensity and formality. This was done to fill in lacunae in the data already gathered and also to keep abreast of contemporary developments. Limiting the study to strategy formation in the organisations under study up to some comparatively recent cut-off year,like say 1986,would have been very convenient. The researcher could then have proceeded with the analysis without worrying unduly about the relevance of contemporary developments. However,as the case narratives clearly show,the current period in the late 80's is amongst the most interesting and historically significant in the development of all of the organisations in the study and the researcher found it intuitively impossible not to include it.

A widening of the initial research focus

In the first two cases data was collected around two primary themes,the history of the organisation with its main turning points and strategic episodes and the internal resource allocation process. The primary focus at the initial stages of this research was on the internal resource allocation process at the organisational level of analysis. However,as the data collection progressed it began to emerge that much greater insight into the process of strategy formation in the focal organisations could be achieved by widening the focus of the research to include multiple levels of analysis. This was strongly indicated in the interview data by the tendency of the interviewees to continually refer the researcher to developments in the wider context of their organisations in order to make their accounts of the strategic resource allocation processes more fully intelligible to themselves and to the researcher. The researcher was also moved to widen the research focus to multiple levels of analysis when he began the search for a basis from which to make meaningful and insightful comparisons as the data collection was extended beyond the first case site. By the time that he was ready to move on to carry out empirical work at the third case site it had already become clear that the data that he had been collecting on the history of each focal organisation,and on the main strategic episodes within that history,would now form the primary database for the study because it appeared to offer the most potential for comparative analysis and for theory generation. The data collection emphasis was, therefore, modified accordingly. Resource allocation outcome data continued to provide a useful indication of operant strategy but the internal resource allocation process was no longer viewed as the primary unit of analysis for comparative study from this point onwards.

It was at this stage also that the decision was made to include an independent historical treatment of the national context as a distinct part of the overall database separated from the case narratives. This was done when it began to become fairly apparent that certain developments in the overall national context were associated with phase changes in all or a number of the organisations in the study. An independent description of the national context was included to facilitate the multi-level analysis of strategy formation and was developed from published historical material. Finally the historical treatment of the individual organisations was extended to industry level,again when it clearly emerged from the early data collection that strategy formation at the level of the organisation was more meaningful when viewed in the context of the overall structural evolution of the industry.

The case narratives therefore contain a description of strategy formation at both the organisation and the industry levels. Together with the separate historical treatment of the evolution of the national context they provide a rich descriptive data base for the study of strategy formation at multiple levels of analysis. The data presented in the four case narratives and in the chapter on the national context are not strictly raw data. The raw data is contained in the interview transcripts,annual reports,press cuttings and other source material used for the study. Organising this raw data into case narratives or historical narrative of the national context involved some analysis in the selection,emphasis and patterning that are an inevitable part of narrative construction. However,since this material represents the reader's only access to the raw data,every attempt was made in the construction of these narratives to present the data in their own terms in order to avoid premature categorisation or analysis.The organisation of the case narratives into episodic sequence was derived from the interview data where the interviewees themselves provided the historical punctuation with a very high degree of cross-interviewee consistency. The data in these narratives is kept as descriptive as possible and is presented in rich description in order that the data may be opened out to the reader as far as possible. In this way the researcher has tried to provide a high degree of access to the data for the reader so that the use of this data in the subsequent analysis and synthesis can be critically checked and evaluated at all stages. However since much of the descriptive data must be used again in support of the analysis this approach makes for a lengthy research report. This report could be shortened by presenting scaled down narratives but the reader's access to the data would have been impaired by the higher degree of editing that this would have involved. The report might also have been shortened by more heavily cross-referencing the analysis and synthesis chapters with the data chapters but this would have made the report more difficult to read.

Multiple data sources

A variety of data sources were used for several reasons. Firstly,the desire to carry out descriptive analysis at multiple levels required that data on the focal organisations and their strategic episodes be gathered from external sources as well as organisational sources. The main external sources were relevant historical works,contemporary press and business magazine/journal extracts, and some personal interviews with executives operating at industry or national level. The second reason was that the data from a variety of sources on the same strategic episode were often complementary in helping the researcher achieve a fuller description of what happened. For example,the interview data provided valuable information on the internal context and process of strategy formation not available or only sparsely revealed in published documents. The interview data however was retrospective on the issues of strategic intention and outcome and there were many gaps in the personal recollections of the interviewees. The annual reports provided valuable contemporary information in both of these areas which helped to fill in these gaps. Furthermore the interview data provided the historical bracketing into episodes and helped to identify turning points or phase changes which were not as easily identified from a study of the contemporary documentary material.

The third reason for the use of multiple sources was to help to ensure,as far as was possible,the internal validity of the data. In this regard,for example,the documentary data often helped to clarify important issues of chronological sequence that were sometimes confused in the memories of the interviewees. Furthermore,data from one type of source often provided valuable independent confirmation of the description that was emerging from the other sources. Care was taken to try to achieve a high degree of internal validity through the cross-referencing of documentary evidence with interview data and through the cross-referencing of internally-published documentary evidence with that which was externally published. Within the interview data itself care was taken to include interviewees across and down the organisation structure in the interview schedule and to cross-reference the material from all the interviewees within each organisation.

In sum,the overall strategy taken with regard to data collection in using muliple sources of data might be best conveyed through the nautical metaphor of 'triangulation'. Triangulation involves the use of multiple reference points to locate an object's exact position. In the same way,according to Jick(1979;602-3),"organisational researchers can improve the accuracy of their judgements by collecting different kinds of data bearing on the same phenomenon". Triangulation of data sources not only helps to improve internal validity but also helps to generate the thick description which is the fundamental basis of any truly contextual or holistic research(Jick,1979). In this last regard the finding of variances or conflicts in the description that emerges from different sources is not always to be viewed as a problem of internal validity,though it may be. It may also be that these variances in fact reveal different interpretations or the attribution of different meanings to the same factual outcomes. Such differences in interpretation and meaning are themselves interesting data to a researcher seeking to explain human action, and what it means, in a truly contextualist way and they are part of the raw material for contextual analysis.

Data collection through direct personal contact

Before leaving this issue of data sources one further feature of the data collection process is worth discussing in some detail. In many ways the pivotal link in the whole data collection process was the personal contact with key individuals,both within or associated with the organisations under study. How these contacts were established and developed were themselves important elements in the whole process of empirical investigation.

In all four of the organisations in the study a liaison person was formally appointed by the organisation to interface with the researcher throughout the study. The role of the liaison person was to facilitate the scheduling of the personal interviews and to deal internally with the researchers requests for archival material,facility visits and other aspects of the overall assembly of data. The liaison person also represented the company's interest by monotoring the researcher's activities so that the company management knew at all times what the researcher was doing on site. In all four cases the informal rapport and mutual trust that built up between the researcher and the four liaison executives proved invaluable in maintaining,and often increasing the overall quality and depth of access. The liaison executives became over time an inherent extension of the researcher and the research process. They provided a useful sounding board for checking the perceptions that were coming through from the personal interviews and often provided pointers to further data sources,both documentary and verbal,through which an emerging issue might be more fully explored. Where perspectives on certain issues differed the liaison executive was often able to provide some insight into why the accounts of the same episode should be different from two different sources,which was itself a valuable source of contextual information in its own right.

The personal interviews themselves allowed the researcher's network of internal personal contacts to widen as the project progressed. The researcher usually asked for and secured at least one follow up interview with each interviewee. As Wilson(1980;118) and other researchers have found,that have used the medium of the personal interview extensively in their empirical work,the formalities of interviewing became lessened with each interviewee as the interview progressed. What started off as the interviewee responding to a number of open questions specially chosen to encourage him to discourse and provide descriptive responses usually developed into more of a dialogue, or mutual exploration of episodes in the organisation's strategic history. The second interview was often more productive because of this. Moreover,since the whole data collection process was cumulative,the data collected earlier from documentary or verbal sources were often entered by the researcher into later interviews to enrich the dialogue. Furthermore,once the interviewees had established some rapport with the researcher though the face to face medium of the personal interview they often offered to provide further information through informal follow-up should the researcher find that certain issues were inadequately covered in the scheduled interview. They also often pointed the researcher in the direction of other sources,verbal and documentary,that could further enlarge the researcher's data base. In all of these ways the overall process of data collection became informally extended and significantly enhanced.

Research memoranda and theory development

Finally,the data collection was never without a clear focus though this focus did widen as the research progressed. Neither,however,was there any attempt to force the data into any preconceived categories or theoretical constructs. The theoretical emphasis was on induction and the search for categories and relationships was as far as possible grounded in the data. To borrow a favourite metaphor of Andrew Pettigrew's the data were to a large extent "allowed to speak for themselves" and to reveal their inherent untidiness and complexity. In this regard,also,it should be noted that the linear sequence of this report does not fully accurately reflect the way the research process proceeded. Linearity was imposed to some degree by the discipline of trying to present the research and its findings to the reader in an intelligible way through the written word. In fact,the actual research process involved a complex and non-linear interaction between existing theory,theory development,data collection and data analysis.

Analysis of the data itself proceeded interactively with the data collection and more data was collected during the intensive analysis phase of the project,almost right up to the date of completion. At all times since the research began a wirebound notebook was kept for 'research memoranda' to self (Glaser & Strauss,1968;107) on the theoretical notions and connections that were stimulated by thinking about and analysing the data as it was being collected. By the end of the project over 80,A3-sized,sheets were covered with such memos,which were written at all odd times of the day or night whenever a promising idea occurred as the subconscious mind was continually engaged in the detection of patterns and the search for creative leaps. Some of these ideas eventually provided the basis for the analysis and synthesis of the data in this project, others have provided a fruitful ideas base for possible future publications, while still others would appear to contain the germ of some future research projects.

The foregoing discussion of method and methodology brings part one of this report to a close. In part two the empirical data base for this study of strategy formation in complex organisations is presented to the reader in the form of five historical narratives. The first narrative is a historical treatment of the common national context of the four organisations in the study,reviewed in its own right at a national level of analysis. This is followed by four detailed case narratives which provide both an industry-level and an organisation-level perspective on the life histories of the organisations under study. These narratives will then,taken all together,form the empirical data base for the subsequent comparative analysis and conceptual development that comprises the remainder of this dissertation in the search for a fuller understanding of strategy formation.

PART TWO

THE DATA

CHAPTER FOUR

THE NATIONAL CONTEXT (Ireland since the late 1800's)

The empirical data is presented in this and in the next four chapters which together comprise part two of this dissertation. As discussed in the conceptual chapter this study has deliberately set out to develop a multi-level perspective on the situational context - organisation interaction in order to more fully understand it. To that end,in this chapter the national context of the four organisations in the study is reviewed on its own terms in order to try to reveal and to understand its own temporal rhythm and pattern. This is done in order to provide a national level perspective on context which can be later applied to the empirical analysis of the context-organisation interaction which is the the primary concern of this study. The industry-level and organisation-level perspectives on this interaction are developed and presented together within the case narratives that comprise the remaining chapters of this part of the dissertation.

The history of any nation is a rich and complex web of political, economic, social and cultural developments. To present it in a form that will be useful to a study such as this one involves a high degree of selectivity. The criterion for selection must be relevance and in this the researcher must use informed judgement. Selection was made concerning the organising of the treatment into separate phases or periods in the knowledge that "all history is one continuum and no division by dates has more than a relative validity"(Thompson,1957;18). Selection also had to be made concerning which major developments to highlight and to concentrate on in this review and some prior knowledge of the histories of the focal organisations was essential to make this selection most meaningful. So while the focus was on reviewing the national context on its own terms and from a national perspective, nevertheless,this was done with an eye to understanding the genesis and development of Irish complex organisations in their wider political, economic,social and cultural context as a central historical theme.
To carry out this review of the national context I have drawn freely on the works of well established authorities on the political,economic, social and cultural development of modern Ireland and on widely referenced review articles and position papers that reveal contemporary thinking on the major developments in particular historical periods.

This review is divided into two sections. The first presents a brief historical treatment of the national question which is a central dynamic in the evolution of the modern Irish state. The second section reviews the main phases in the political,economic and cultural history of the country since the late 1800's. This section gives special attention to the country's economic,social and cultural development since the foundation of the State.

(For the convenience of readers not already familiar with the Irish context a short section is appended to this chapter which contains a glossary of key terms,a chronology of key historical events and a chronology of Irish administrations.)

SECTION ONE - The National Question

A central dynamic in modern Ireland is the national question. The struggle for independence will be,for the most part,ground rather than figure in this review. Because of this it has been highlighted right at the beginning to alert the reader to its continuing presence even when not at the forefront of the discussion in the later section.

It is perhaps the central irony in a history that contains many ironic twists and features that the father of the republican movement in Ireland was an Ulster protestant, Theobald Wolfe Tone. Constitutional nationalists and republican extremists,even today,separately claim continuity with the republican movement of Tone to legitimise their mutually exclusive approaches to the national question. Tone's most cherished ideas,according to one authority,were "the iniquity of English influence in Ireland and the excellence of the French Revolution" (Mac Dermot,1937;introduction).He formed the United Irishmen in 1791 in order to pursue separatism and confided to his journal on 11/March/1796 what was to become later one of his most quoted remarks:

> "Our independence must be had at all hazards.If the men of property will not support us,they must fall. We can support ourselves by the aid of that numerous and respectable class,the men of no property."

Lyons(1973,15),in rejecting the "tired old witticism that every time the English came within sight of solving the Irish question the Irish changed the question",has asserted that this 'national demand' of Tone remained the central dynamic in Irish history into the current century:

> "It is true,of course,that men differed in the nineteenth century, as they have continued to differ in the twentieth, about how complete the break should be,or more precisely,perhaps,about how far the full separatist ideal was practicable.But whether they took their stand on the rock of the republic,or were prepared to settle for a repeal of the Union and some form of Home Rule based on a reanimated Irish parliament, they were emphatic that the first step towards real independence was to recover for Irishmen the right to control their own affairs".

Tone's own attempt at the achievement of separation was abortive. In fact the immediate consequence of the rebellious 1790's was the Act of Union in 1801 which politically fully integrated Ireland in with the rest of Great Britain.However,by the middle of the 19th century Ireland had seen a successful mass movement for religious freedom and a disastrous famine.The experience of the Catholic Emancipation movement demonstrated the power of peaceful political mass pressure.The experience of the famine and the inept handling of it by a remote administration rekindled the separatist flame. Towards the latter end of the century a powerful mass movement of the 'men of no property' was coalescing with a growing movement within the Irish parliamentary party,consisting mainly of the professional class and some 'men of property', for Home Rule.

The poverty and insecurity of the Irish tenant-farmer was to be a continual basic source of unrest during the 19th century. Security for the tenant-farmer against abitrary eviction was to be the immediate objective and fair rent,freedom of sale and fixity of tenure the basic demands. The plight of the Irish tenant-farmer was brought into stark relief by the famine and his fate,in the face of famine, was an indictment of all that 19th century English liberalism stood for. As a biographer of Gladstone (Magnus,1963;202)described it:

"The difference between agrarian custom in England and Ireland was.. very wide.The law in both countries was the same,but the custom was more important than the law. In England,squire, parson, and tenant-farmer formed a closely-knit community of interest and sympathy that was undreamt of in Ireland. Irish tenants were men of straw, barely distinguishable from agricultural labourers,rack-rented and living in constant dread of eviction. In consequence the idea of property,which in England was popularly associated with the unquestioned rights of the landlord, was associated in Ireland with the alleged wrongs of the cultivator of the soil".

A man of Gladstone's moral convictions could not reconcile this situation with his liberalism.However,when he turned his attention to the Irish question he had,according to Magnus(1963;196) "no suspicion that in the cause of Ireland he was destined to lead the Liberal Party to martyrdom,or that the whole of the rest of his life would be devoted to that cause". The land question was to become the "engine that would drag the national question in its train"(Lyons,1973;163).

The move for Home Rule for Ireland in the latter half of the nineteenth century was a shifting coalition. The main actors associated with it were Davitt,the leader of the land reform movement and an Irish catholic of tenant farmer stock; Parnell,the leader of the Irish parliamentary party and an Irish protestant of the propertied class; and Gladstone, the great liberal prime minister. Irish representation at Westminister was to shift in profile from a liberal-conservative split reflecting the position in the rest of the UK to a split along the single issue of Home Rule,with a majority behind the movement. The Commons as a whole was divided on the issue and the Lords was predominantly hostile towards it. There was a strong feeling within the Conservative party that Home Rule for Ireland would threaten the whole Union. Furthermore Lord Randolf Churchill argued that there were two Irelands and that Home Rule would not be accepted by the whole country.His slogan 'Ulster will fight,and Ulster will be right' would actually help to galvanise the trenchant resistance of Unionists in the north east corner of the country to the Home Rule movement.Gladstone introduced his first Home Rule bill into the Commons in 1886 and it was narrowly defeated by a combination of the Conservatives and a minority of Liberal Unionists within Gladstones own party. The narrowness of the margin was an indicator of just how much parliamentary support had gathered behind the Home Rule cause by this time.Gladstone called a general election in the wake of his defeat in the Commons and lost office.Later that year the parliamentary leader of the Irish Home Rule party,Parnell,was cited as the third party in a much publicised divorce case which had the effect of weakening his moral authority just when it was most needed. The movement itself split as result, which weakened it still further. Gladstone on his return to office moved a second Home Rule Bill through the Commons in 1893 only to have it rejected by the Lords.Gladstone retired from public life soon afterwards.In the meantime in 1891 Parnell had died. It was to be 1910 before the Irish parliamentary party was again to hold a balance of power that enabled it to once more seek a Home Rule measure from a Liberal administration. The issue continued to remain the immediate aspiration of most constitutional nationalists and to remain unresolved into the years of the Great War,when events were to come that would quickly supercede it.

In the latter part of the nineteenth and into the early part of the twentieth centuries there was,side by side with this political activity, a great revival of interest in Gaelic culture. Out of this came the launching of the Gaelic League in 1893.According to Lyons(1973;227) "Of all the factors influencing the rise of a new and urgent sense of nationality at the end of the nineteenth century,this has come to be regarded as perhaps the most significant..". It fostered a consciousness among educated Irish men and women of their cultural distinctiveness and a desired to preserve their cultural heritage. Out of the ferment created by this intense cultural nationalism was to come the developments that were eventually to lead to the setting up of the Irish Free State and the partition of the country. In 1905 Arthur Griffith founded Sinn Fein (translation: 'Ourselves') as a movement to pursue economic nationalism and self-reliance in Ireland. Griffith took his inspiration from the Hungarian, Franz Deak, who had achieved the reestablishment of a separate Hungarian parliament in Budapest by organising a massive abstention of Hungarian representatives from the Imperial Diet at Vienna. The idea was to be non-violent non cooperation which would make Ireland essentially ungovernable from a remote location. An important element in Griffith's movement was the economic argument that the development of the Irish economy would be stunted under free trade and that what was needed to secure the development of Irish industry was a policy of protectionism implemented by an Irish administration.The grand objective of Sinn Fein was declared by Griffith to be the reestablishment of the independence of Ireland. However,what precisely he meant by that was ambiguous. Independence could mean anything from devolved government within the United Kingdom, through Dominion type autonomy within the British Empire,all the way to a Republic. Lyons(1973;256) underlined the implications of this ambiguity:

> "Thus early in its career did Sinn Fein hesitate between....different conceptions of Irish nationality,a hesitation which,magnified and distorted as it was by events of later years, was to have a momentous influence upon modern Irish history".

However most Irish people,up to the outbreak of the Great War and through its early years, continued to support the constitutional nationalism of the Home Rule movement which still relied on the achievement of Home Rule through the building up of sufficient support for the policy within the UK parliament. Irish nationalism in 1914 was a coalition of varying extremes rather than a solid monolith. The outbreak of the war brought the gun back into Irish politics. The Home Rule movement formed a volunteer force,the Irish Volunteers, which was originally intended to be a home guard auxiliary for the forthcoming hostilities. Arising out of the fermentation of cultural nationalism already mentioned and the charged athmosphere brought about by a war environment the attention of a small,but significant group,of these volunteers turned to the possible use of force to accelerate the movement towards some form of independence. There was growing frustration among this cadre of young idealistic and intellectual nationalists at the protracted and as yet unsuccessful constitutional movement towards Home Rule,now in temporary suspension for the duration of the war. An armed insurrection took place in Easter Week of 1916. In retrospect it is difficult to understand how any of those involved could have imagined the immediate insurrection as being likely to succeed. However,at least one of the most prominent leaders of this rebellion, Paraic Pearse, expected that even in the event of the failure the blood sacrifice that would inevitably be involved would inspire a revived nation to wage a more successful war in due course.

The insurrection itself was poorly supported and lasted only a week. Hostilities were almost totally centred in Dublin. The main blood sacrifice was to come,not in the hostilities themselves,but in the subsequent execution of the leaders. One of the leaders,Eamon DeValera, was spared execution because the authorities thought it prudent in view of the fact that 'Dev' was an American citizen; he had been born in New York to a emigrant parents,a Spanish father and an Irish mother. DeValera was to play a significant role in Irish affairs right into the 1960's. The insurrectionists had, during their occupation of the General Post Office, proclaimed Ireland to be a republic and linked the legitimacy of the rising to this ideal. This legacy was to be important in the events to follow. Contrary to what is widely believed the Easter Rising was not a Sinn Fein rebellion. Many of the insurrectionists were members of Sinn Fein but the rising was not Sinn Fein orchestrated. In fact Griffith was not directly involved in it. As Pearse had expected, the blood sacrifice did revive the momentum towards separation and Sinn Fein became the main political vehicle for this renewed separatist movement. Sentiment in the country at large shifted quickly in the wake of the executions of the leaders of the Easter Rising . Sinn Fein which up to then had provided a marginal challenge to the main Home Rule movement in Westminister elections became the main political expression of Irish nationalism and provided the political path to separatism through its abstentionist policy. Parallel with this an armed guerilla struggle,the War of Independence,was waged against the forces of Crown rule in the country and by 1920 the country was clearly ungovernable from Westminister without the most severe repressive measures. These measures were politically extremely difficult to maintain in the wake of the success of the 1914-18 Great War where the allies had legitimised their intervention on the basis of protecting the right to liberty of small nations. The British government came under severe external pressure,especially from the US, to find a political solution.

A major stumbling block to an all Ireland measure of separatism was the position of Ulster Unionism,referred to briefly already. British colonisation of Ireland neither totally failed nor totally succeeded. Either result might have led to a stable polity. The Unionist in the north east of the island represented a significant and concentrated force for preservation of the Union. The movement towards Irish separatism had failed from the beginning to find an accomodation with Ulster Unionism. It was believed that this small section of the Irish people,a minority within the island as a whole, and representing just about 50% of the people of Ulster itself, would not be allowed to impede the will of the majority for a separate government. This was to severely underestimate the depth of Unionist passion and the depth of support for the preservation of the Union within the mother parliament.Maxwell (1933;8) gives an insight into the depth of the Unionist sentiment:

> "What this bond of union with the people of Great Britain means to the people of the Province,none who have not visited Ulster can ever know. It is the breath of their being. It is the vital principle for the preservation of which they have been ever ready to sacrifice their all.Between the English people and the Ulster people there exists and has existed a sympathy of race and sentiment and ideal which is both deep and abiding".

An Anglo-Irish Treaty was signed in 1921 which provided a political settlement and ended the hostilities between Irish separatists and the Crown. An Irish free state was set up with its own parliament and its status within the Empire was to be that of a dominion. Ireland would remain within the Empire and delegates to the Irish parliament would be required to take an oath of allegiance to the British monarch in his/her capacity as head of the Empire. A governor general would represent the Crown in Ireland. Six of Ulster's nine counties were to be excluded from the Irish Free State and to be given a provincial parliament,subservient to the mother parliament in Westminister,thus retaining the Union in the north east of the island. For strategic reasons the British army was to remain in control of key ports in the Free State and a schedule of land annuities was to be payable to the British government as the legal means for returning the land in the Free State to the Irish people and for buying out the stakes of the non-national landlords. For many separatists the treaty represented a settlement that was at the time far beyond what could have been expected only a few years earlier. For others, the acceptance of anything less than a republic,and one that included the whole of the island,was a betrayal of those whose blood sacrifice had been the inspiration for the War of Independence. The Treaty split the nationalist movement from top to bottom. In the provisional parliament,set up by Sinn Fein as a defacto parliament-in-waiting, the Treaty was approved by a narrow majority after a bitter debate. The pro-Treaty faction set up the first Free State administration and was immediately confronted with civil war which lasted for a year. The new administration was eventually able,with its access to institutional force,to bring the civil war to a successful military conclusion. However the split on the Treaty and the subsequent civil war were to leave an indelible stamp on the development of party politics in the new state and to remain the central political issue until the latter half of the twentieth century. The central figure on the pro-Treaty side in 1922 was Arthur Griffith. On the anti-Treaty it side was Eamon DeValera.

However even the nationalists who supported the treaty never saw it as in any way a final solution to the national question. They were prepared to accept it as a framework within which to move the claim of Ireland to nationhood forward. Northern Ireland,as the world knows,remains politically unstable. The nationalist dilemma which continues to burn deeply in the national psyche is captured succintly by Lyons(1973;493):

> "..the ultimate reality which nationalists had always been curiously reluctant to confront (was) the fact that there was a solid phalanx of Ulstermen deeply and immovably attached to the Union and utterly unaffected either by threats or cajolements from the south. Southerners, very naturally obsessed by the...fate of Ulster nationalists condemned to minority status in the six counties,could never reconcile themselves-and still cannot do so-to the notion that Northern Ireland intended to remain a separate entity.."

The Irish Free State finally cut its political connection with the British Commonwealth in 1949 and became a Republic.

SECTION TWO - The national context

Having dealt with the outlines of the national question in section one of this review attention is now turned to developments in the national context from the late 1800's on up to the present with the genesis and development of Irish complex organisations within their wider political, economic, social and cultural context as a primary concern. The organisations chosen for detailed case study are representative of the major types of complex organisation in Ireland today and include a state agency, a state-owned entreprise, a public limited company and a major producer cooperative.

SOCIO-ECONOMIC DEVELOPMENT UP TO 1921

As we have seen in section one of this review the political scene in Ireland was dominated by the Home Rule issue from the late 1800's to the years of the Great War. We also saw that this movement grew out the Land issue of the immediate post Famine period. However,there were others besides Davitt and Parnell who were to apply themselves to the plight of the Irish peasant farmer and who looked for solutions directly in the socio-economic sphere that cut across the Home Rule-Unionism political divisions. The most enduring contribution in this regard was that of Sir Horace Plunkett the main inspiration behind the development of the Cooperative Movement in Ireland. According to Lyons(1973;207):

> "..the closing years of the nineteenth century saw the emergence of a new and startling phenomenon-the attempt by men of different religions,backgrounds and political convictions to forget for the time being the things that separated them and to concentrate instead on the work of social generation that cried out to be done. Pride of place in this movement..belongs beyond question to Sir Horace Plunkett."

The cooperative movement of Horace Plunkett was a major development in this period that would leave a lasting and visible legacy on the structure of Irish complex organisations.

The Cooperative Movement in Ireland 1889-1921

Sir Horace Plunkett was an Irish Unionist who was born into the landed class in 1854. He had a conventional education at Eton and Oxford. He lost some family members to tuberculosis and the threat of the disease drove him to Wyoming where he lived the life of a rancher for ten years from 1879-89. He returned to Ireland to look after the family interests but these commitments did not take up his full talent for administration and he found time to turn his attention to the socio-economic problems of the day.Even before he left for Wyoming he was deeply impressed by the achievement of the Rochdale cooperators and this form of organisation was to engage his energies for the remainder of his life.

On his return to Ireland he found the situation of the peasant farmer to be still a central source of concern and an impediment to Irish economic development. Through the efforts of Davitt's Land League movement and through the parliamentary skills of Parnell the tenant-farmer now had security of tenure and freedom from the arbitrary action of the landlord. However wider economic developments since the middle of the century had brought further sources of peasant farmer insecurity. The development of transportation had given greater access to the Irish and English markets for foreign imports.The peasant farmer found himself at the mercy of market shifts over which he had no control. The prices that he could get for his produce became erratic and with this his cash flow. His erratic cash flow led him to seek credit to fill out the troughs.Normal sources of credit at standard terms were not available to him and the main providers of this credit became the local traders who extended credit on his purchases or money lenders known as 'gombeen men'.Both sources tended to extract usurious premiums for the credit extended and since the farmer was already very dependent on the local trader for supply,not having any alternative outlets,the prices themselves were well above normal competitive retail prices. He was caught in a vicious cycle of dependency which kept him continually at subsistence level. This was exascerbated by his dependence on middle men to market his produce and they also extracted the maximum so that he received a very small proportion of the market value of his product.

In Plunkett's view the economic position of the peasant farmer was central to the wider economic development of the country. It was a social problem of course,but it was much more. Since the peasant farmer constituted the mass economic unit,his spending power would determine the rate of development of agriculture itself. In the first place he needed to be able to continually reinvest in more productive farming systems in order to maintain his own competitiveness on the important home and English markets and to secure his livlihood. Furthermore,the development of a native manufacturing base depended on the farmer's spending power. Irish manufacturing,if it was to have any hope of reaching the scale needed to be competitive,required the presence of a strong domestic mass market. The only real prospective basis for such a domestic mass market was the peasant farmer,the mass economic unit in the country at the time. As Plunkett saw it,an economic system that kept the peasant farmer at subsistence level was,therefore,an impediment to its own organic growth. His answer was to build up the economic power of the peasant farmer through the principle and practice of cooperation.

Plunkett was to acknowledge his debt to Davitt's work in organising the tenant-farmers in the mass movement for security of tenure because the success of this earlier effort made the work of organising the tenant-farmer easier than it would have been otherwise(Cole,1944;242). However,according to Bolger(1977;78,note4):"The single-minded Davitt,who was impatient to forge ahead from a 'land' victory to a political victory of Home Rule,regarded Plunkett's cooperative schemes as a childish and irritating distraction..". The active support of Davitt himself would have been invaluable, and had it been forthcoming doubtless cooperative organisation in Ireland today would have been even more prominent and pervasive than it is. Plunkett and his associates soldiered on without it. They quickly focused their efforts on dairy production as the area most urgently in need of attention. Dairying was the major activity of the peasant farmer and the situation in dairying at this time is graphically described by Digby(1949;51):

"..Steamships and railways had opened the American Continent and food from overseas was competing with Irish produce in the English market. The cattle trade was fairly prosperous but it was for the rich graziers of Meath rather than for the little dairy farms of the south and west. Irish butter,made by primitive methods on the farm,passed haphazard through fairs and village grocers to the dealers in the ports and,after crude blending,reaching the English market in no state to compete with the best product of other countries..The Irish peasant,strengthened in his dealings with his landlord,was helpless in the hands of traders with a world market on call."

The main competition on the vitally important English market were the Danes. They had already achieved a high degree of cooperative organisation by the 1890's and were able to produce butter at a consistently high quality.

Around the late 1800's the technique of butter production began to change in Ireland. Small creameries began to appear that involved the use of cream separators and power-driven churns and they were turning out a superior product with much less labour than the farmer's wife. These initial ventures were farmer,joint-stock companies but the major shareholders were usually butter buyers and merchant investors. According to Bolger(1977;65):

"Plunkett saw the 'industrialisation' of butter production as inevitable but also recognised the danger of the process falling into the grasp of middlemen.If this were allowed to happen,the farmer who produced the milk,the most perishable of all farm products,would be even more helpless than before"

After a few frustrating early attempts Plunkett managed by the end of 1891 to have 16 creamery societies formed along cooperative lines. The tangible success of up and running cooperatives was the best advertisement for the movement and it quickly spread. Plunkett soon came to the conclusion that the movement needed a central organising body.In 1894 he founded the Irish Agricultural Organisation Society for this purpose and was elected president of the new organisation. Plunkett was impressed with the potential for cooperation in retailing and manufacturing as evidenced by the British experience and retained hopes that the IAOS would catalyse the extension of the cooperative movement to those areas. However cooperative dairying was to be the main focus of his early efforts and was,and still remains,by far the largest sector of Irish agricultural cooperative activity (Bolger, 1977;183). By 1898 there were more than 125 cooperative societies and by 1904 the Irish cooperatives were taking most of the major prizes at the London Dairy Show,such was the improvement in quality and consistency of Irish butter achieved through the organisation of these cooperative creameries. The years 1913-20 were to be years of plenty for the cooperative creameries. The supplier-owners were getting good prices for their milk supplies and bonuses on cooperative profits. Plunkett's early hopes for the cooperative movement were being largely realised. These good times were disrupted in 1920 as the War of Independence gathered momentum.The creameries were singled out by the Black and Tans and the Auxiliaries,the special forces sent over from England to quell the guerilla warfare being conducted by the Irish nationalists. At first they were actually attacked and burned by the Crown forces as reprisals for guerilla attacks on army patrols. Later a softer approach of simply enforcing their temporary closure was adopted.Both had the effect of severly setting back the cooperative momentum in the dairying sector and were a severe blow to Plunkett personally as he was coming to the end of his own active involvement in the movement.

By 1921 the cooperative movement had achieved considerable success in the Dairy sector. But even by then the problems that would continue to beset the movement were much in evidence. Plunkett had visualised a vibrant and growing cooperative network expanding into all types of commercial activity guided by a resourceful IAOS and supporting each other. Cooperative banks would provide services to other cooperative organisations.Cooperative marketing agencies would provide a concentrated marketing resource for cooperative producers in the same class of products. This ideal was not approached in Plunkett's time nor at any time after him. The cooperatives did not foster cooperation with each other.In fact,even in the first years of the movement the dairy cooperatives began to find themselves competing for supplies. Furthermore the working cooperatives did not provide anything close to the contributions needed to develop and sustain a resourceful central coordinating IAOS. Producer cooperatives did not adequately support the cooperative purchasing and marketing agencies that the IAOS tried to develop for them. Finally a large degree of managerialism was to develop and continue right up to the present day which restricted the spread of cooperative participation in the financing of the growth of these organisations and progressively pushed out to arm's length the active involvement of the supplier-owners in the strategy making of the organisations. Nevertheless,notwithstanding these problems,by the early 1900's the cooperative movement was already well established in the key agricultural sector of the Irish economy. It has remained a major force in the development of that sector right up to the present day.

Plunkett left another legacy which arose out of his efforts to establish a cooperative movement in Irish agriculture. While the purist cooperative philosophy would eschew the notion of enlisting state support,Plunkett none the less sought it on the basis that he was addressing more than individual entreprise; he was working towards the development of the economy as a whole. He was returned as the Unionist MP for South Dublin in 1895 to a parliament that formed a Conservative administration. He urged his fellow countrymen to put aside their differences on the Home Rule issue,since clearly nothing was going to happen on this under the Conservative administration,and to work together for the promotion of legislation that all parties could agree on.He managed to form an all-party committee representative of Unionist and Nationalist opinion alike around two specific issues, the need to set up a Board of Agriculture specifically for Ireland and the need for a Technical Education Bill. In 1899 Plunkett's 'Recess Committee',so called because it met mainly during periods of parliamentary recess, succeeded in getting the government to pass an Act creating a Department of Agriculture and Technical Instruction for Ireland. This involved the state in the provision of educational,research and advisory services to agriculture. The new department,like the cooperative movement itself,did not fully live up to Plunkett's expectations in his own lifetime. However,he had established a precedent for the involvement of the state in the provision of these services which,over the long run,came to make a major contribution to the development of agriculture in Ireland.

Industrial Development in Ireland generally up to 1921

Conditions in Ireland up to the foundation of the Irish Free State did not,by and large, favour a rapid or extensive process of industrialisation. The reasons why,many of which were discussed in the previous section,are summarised by Lyons(1973;55) as follows:

> "The rapid decline of the population in the decades after the Famine; the poverty of the people and the retarding effect of the land system upon their ability to accumulate savings and thus provide either the nucleus for industrial development or a market for its products; the frequently disturbed state of the country; the scarcity of coal and of

raw materials; the cost and difficulty of transporting Irish goods to centres of trade other than Britain,or for that matter to Britain itself; the impossibility of building up manufactures in a backward country under a free trade regime which exposed it to the formidable rivalry of far more highly developed competitors-all these things together combined to make Ireland a place where,with a few important exceptions,businessmen preferred not too risk capital in the hazardous entreprise of creating new industry in so unpromising an economy.And in the last resort it was the unwillingness to take certain minimal risks that lay at the heart of the problem."

There were however some very notable exceptions. Outside of agriculture itself the main industries in which there was concentration of capital were brewing, distilling, biscuit making, textiles , shipbuilding and engineering, centred mainly around the key ports of Dublin and Belfast. Capital was attracted to these areas initially because there were lucrative profits to be made in the importing and exporting activities themselves. Some concentration in production had been established in the liquor,biscuit and textile industries before the Act of Union of 1801. Prior to this Act,there had been a measure of devolved government in Ireland that had been able to provide some tariff protection for these entreprises in the late 18th century within which they were able to grow initially.

The textile industry was centred largely in the Lagan valley,around the Belfast area. By 1815 there were over 2000 people engaged in this region in the manufacture of cotton and there was at least one factory which employed over 300 people(Lyons,1973;61). The cotton industry collapsed in the face of free trade competition with the cotton-spinning industry of Lancashire. The Lagan valley turned to the manufacture of linen from local raw material as Ireland's natural textile. The shortage of cotton brought about by the American Civil War created the fortuitous conditions that allowed a sizeable market for linen to be developed at home and abroad and secured the future of the industry. The manufacture of wool in Ireland did not achieve the type of concentration or market access that the linen industry did and remained small under the enormous trading pressure of imported substitutes. Shipbuilding became a major industry in 19th century Ireland largely through the prescience of the Belfast Harbour Commissioners,who in the process of expanding the harbour facilities in the late 1840's, set aside from the trading area separate harbour facilities for ship-building. This exceptionally favourable site attracted new capital into what was up to then a relatively small industry. This new investment brought the skills of Edward Harland and G.W.Wolfe into the industry and these two entreprising individuals built up the world famous ship-building firm that bears their names and employed over 12000 men by 1914. Their activities also attracted other ship-building to Belfast and by 1914 a second firm in the area Workman & Clark were employing over 10000 men. Engineering works,which grew initially to service the engineering needs of both the textile and the ship-building industries,developed into a major industry in its own right with a high level of export activity.

Biscuit making was most highly developed in the Dublin area and this was mainly due to the individual entreprise of the W.&R. Jacob firm which by 1907 employed over 10000. In the area of biscuit manufacturing Ireland was at this time a significant net exporter, with exports exceeding imports by a factor of three to one(Riordan,1920;92-4). In the brewing and distilling area Ireland was also a large net exporter in the early 1900's. These industries were more dispersed than the biscuit trade but nevertheless some large concentrations of capital had been achieved by 1907. The largest brewer was the firm of Arthur Guinness & Sons in Dublin and at this time it probably accounted for around two-thirds of all the beer and porter brewed in the country(Lyons,1973,68). In the distilling area the industry had just over twenty participants in 1907, which represented a major consolidation of the industry since the late 1700's when there were over 2000 small family-owned whiskey stills in the country(McGuire,1973;167).The major distillers in 1907 were John Power & Son and John Jameson and Son,in Dublin; Cork Distilleries Company Ltd,an amalgamation in which Murphy's of Midleton was the major party, in Cork; and Bushmills, in Antrim. By 1907, according to the Census of Industrial Production there were 2400 employed in the distilling industry and 6600 in brewing.

Irelands main industries in 1907 then were Food & Drink (including agricutural produce), Textiles and Shipbuilding & Engineering which had gross outputs of £27m, £16m and £6m respectively and the Textiles and Shipbuilding & Engineering activities were concentrated in the north east in the hinterland of Belfast. Lyons(1973;69-70) provides the following summary of the position of the Irish economy at the turn of the century when the separatist drive started to gather fresh momentum:

> "Ireland remained at bottom an agricultural country with one industrial region and a handful of trading centres...About four-fifths of Irish exports went to Britain and about two-thirds of imports came from Britain...Although foreign trade was not large in itself, it was large in relation to the population,actually larger per head than the external trade of the United Kingdom. This meant that Ireland was extremely dependent on outside-in effect,British-markets for the sale of her commodities..(In 1904) imports of food and farm produce accounted for £20.7 million;of raw materials,for £8.8 million; of manufactured goods,for £23.8. Against this,agricultural exports were £30.4 million,raw materials £3.4million and manufactures £15.3 million.'To sum up', as an acute contemporary observer remarked,'the one broad feature of Ireland's economy is that what we produce we do not consume,and what we consume we do not produce'..the prime fact (is) her dependence,itself a melancholy epitaph on the economic history of Ireland under the Union".

This was the economic inheritance that confronted the new Free State Administration when it took office after the signing of the Anglo-Irish Treaty.

THE NEW STATE 1921-1958

While reaction in England and in the Commonwealth generally was very favourable to the Anglo-Irish Treaty (Packenham,1951;327) the settlement split the Sinn Fein movement right down the middle. In the crucial vote on the Treaty,the pro-Treaty won and settled down to the business of setting up the first administration for the new Irish Free State. Those who felt that the cause for the 'Republic' had been betrayed refused to acquiesce in the new arrangement. A bitter and bloody civil war broke out which lasted under a year. The new Free State Government resolutely asserted its authority and using the new Free State regular army, brought hostilities successfully to an end. The tragedy of the civil war was that the lives of many talented and resourceful Irishmen, who had worked effectively together in the separatist cause,were lost at the hands of each other. Griffith ,"the greatest intellectual force stimulating the national revival" and the man that looked destined to lead the first administration died of heart failure in his early fifties,"worn out by past labours and privations and present anguish" at the turn of events which had lead to civil war. Within a week Michael Collins,the military genius whom Griffith himself had proclaimed as "the man who won the War (of Independence)" and a crucial negotiator and defender of the Treaty settlement, was ambushed by a group of irregulars and killed. He was still only 33 years old (quotes from Packenham,1951; 340-42). The bitterness and recriminations that arose from the civil war,and from the fratricidal loss of such talent at a crucial stage in the history of the fledgling state,came to dog Irish political life for as long as these events were living memories.

The First Free State Administration 1923-32

With Griffith and Collins gone the mantle of leadership in the first Free State Administration fell to W.T.Cosgrave. Cosgrave's primary concern initially was to establish the machinery for self-government as quickly and as efficiently as possible. One major advantage that the Irish Free State had over many emerging nations was that the new administration "inherited a complete apparatus of government,both central and local"(Dooney,1976;1). As the Final Report of the Commission of Inquiry into the Civil Service 1932-35 described it:

> "The passing of the State services into the control of a native Government,however revolutionary it may have been as a step in the political development of the nation,entailed,broadly speaking,no immediate disturbance of any fundamental kind in the daily work of the average Civil Servant. Under changed masters the same main tasks of administration continued to be performed by the same staffs on the same general lines of organisation and procedure".(par.8.)

The lasting legacy of this first administration is that it succeeded quickly in establishing and making work a cabinet system of administration that,with some development and elaboration,has remained the basic blueprint for the government of the country ever since.

One of the major difficulties that faced the first administration was the political instability that remained in the aftermath of the Civil War. The anti-Treaty side continued to contest General Elections under the leadership of DeValera but,while achieving considerable electoral support,they maintained an abstentionist policy during the early years of the new state. The Cosgrave administration was governing without a major parliamentary opposition and a large element of the electorate was not actively represented in the first Dail. The assassination of Home Affairs Minister Kevin O'Higgins,in July 1927,by a small group anti-Treaty extremists, was a sharp and painful reminder to both sides of the political divide that potentially destructive civil war tensions still remained not far below the surface of Irish political life.

In 1926 DeValera broke with the more extreme elements in the anti-Treaty side to form the Fianna Fail Party. Fianna Fail entered the Dail for the first time in 1927 and in retrospect this represented the major step forward towards the firm establishment of constitutional politics in the new state. The long term stabilising effects of DeValera's decision to abandon abstentionism were far from obvious at the time. The main difficulty was the requirement on sitting deputies to take an Oath of Allegiance to the British Monarch as head of the Empire. Nowlan(1967;12) describes the difficulty that Fianna Fail had in circumventing an important point of principle in order to enter the Dail in 1927:

"In coming into Dail Eireann,Mr. de Valera stressed they had acted under duress.Free State legislation had faced them with the alternative of acting as they did or of abandoning all they had achieved;a new civil war would have been 'unpardonable'.'I grant',he said,'that what we did was contrary to our former actions..It was a step painful and humiliating for us who had to take it..There was and is no change of attitude on our part as to the national significance of that Oath'.

We can now see that the Fianna Fail decision was one which,in the long term,gave a new strength and reality to Irish parliamentry life..There had always been a welcome element of realism in Irish political history.The time for effective protests outside the Dail had passed."

The pragmatic and pithy Sean Lemass,a senior member of De Valera's new party,described Fianna Fail's position in the Dail in March 1928 as that of a 'slightly constitutional party..perhaps open to the definition of a constitutional party,but before anything ..a republican party'(cited in O'Sullivan,1940;224).The presense of the 'slightly constitutional party' however had the immediate effect of providing the Dail with an opposition which did offer real prospect for an alternative government. Among other things this new opposition was now able to put the Government's performance on the economy under effective parliamentary pressure.

The first Free State administration used the tariff mechanism very sparingly up to 1932 when it went out of office. This is at first glance surprising since it seems to have been at odds with the economic philosophy of Griffith outlined earlier in this review. The followers of Griffith did not implement his protectionist philosphy with regard to native industrial development so why not? It was the young Minister for Home Affairs,Kevin O'Higgins that gave the answer in the Dail:

"The propagandist writings of any one man cannot be accepted simply as revealed truth,requiring no further investigation,something that must be accepted for ever as beyond question,beyond doubt,beyond the need of examination".(cited in Meenan,1967;70)

The Cosgrave administration therefore had no doctrinaire attitude on the issue of protection versus free trade. The Minister for Finance in his budget speech in 1924 put this on record(cited in Geary,1951;405):

"The Government takes up no doctrinaire attitude on the question of free trade and protection.It regards the matter as one of expediency which may be variously decided in different circumstances"

According to O'Brien(1962;15) the fiscal policy of the this first administration was 'cautious and experimental' with the government largely feeling its way on the issue of protectionism. The large indigenous industries of the Free State were,as we saw previously, biscuit manufacturing, brewing and distilling.These were all large net exporters and had not sought tariff protection which could have hurt more than helped them,if their export markets were to repond with tariffs of their own. The primary indigeneous source of wealth was agriculture and here again the heavy dependence of this sector on exports,particularly to the British market,made protection for this area equally unattractive.According to Meenan (1967;71) the first government aimed at two things in relation to economic policy:

"First,to improve the standard of Irish farm products. This was done by means of a succession of Acts regulating breeding of livestock,and the quality of dairy produce.They were regarded as almost totalitarian at the time;and indeed it was the first time in this country that the power of the State had been used to impose standards of production and marketing.

The second point went much further.Farmers had to sell in a foreign and fiercely competitive market.They could only do so if they could produce as cheaply as possible. In this view it was preferable to import maize rather than to produce homegrown feeding stuffs.It was preferable to import wheat rather than to sacrifice land to growing it at home. Irish farming in other words,was to be geared to the export market;it was not to be protected in its own market.

In the same way,tariffs for industry should be imposed only with the greatest care,so that farmers should not pay more than they should. This ruled out an allround tariff."

Within Agriculture itself the cooperative movement,which had already carved out an important place for itself in the dairy sector of the industry,was in the doldrums by the mid 1920's. The Drew Commission which had been set up by the Cosgrave administration to examine the prospect and potential for Irish agriculture,reported in 1924 that the cooperative movement was suffering from gross undercapitalisation and minimal share capital,with most members having no real stake in the businesses;lax business methods and a general lack of education and training(Bolger,1977;113). It was evident too that new blood was needed in the IAOS committee itself as too many of the members were long-serving and membership turnover was very slow.Moreover Sir Horace Plunkett himself was in very poor health,though still as president of the IAOS giving his all to the movement. However,he had been personally very dismayed by the destruction of the creameries during the War of Independence and was also much grieved and harrowed at the loss of many talented Irishmen and potential nation-builders in the Civil War,men like Collins whom he had come to know personally and to admire. At the time when Plunkett's influence was receeding a new personality emerged within the movement that would come to dominate its development for the next thirty years. Dr.Henry Kennedy was appointed to be secretary of the IAOS in 1926. Like Plunkett,he believed that the movement could be best advanced through a combination of self-help and state support. He was to be a dynamic and a controversial figure in the movement and his own personal beliefs and convictions were to have a major effect on the direction that the development of the movement was to take during his years of active service to it.Bolger(1977;114-121) has given us some insight into what those basic beliefs and convictions were:

"As a hard-headed economist and technologist,Kennedy saw that the co-operative business was 80 per cent creamery and that Ireland's real economic potential lay in her grasslands. Consequently he felt that a build-up of the dairy sector must be the basis for strengthening the whole movement..(p114).
The principal objective of Kennedy's writings and public discourses was to reveal the economic potential of Irish agriculture and the technical and business arrangements necessary for its development. Cooperation was ... less a social creed and more a business device..(p121).

Kennedy had an important ally in the Cosgrave administration.His brother-in-law,Mr Patrick Hogan,was the Minister for Agriculture. Hogan was to become one of the legendary figures in this first Free State administration. His pragmatic,no-nonsense,approach to the development of Irish agriculture within his government's overall economic policy of Free Trade was defined by him once as 'helping the farmer who helped himself and letting the rest go to the devil'(cited in Meenan,1967;72). Kennedy,likewise,was not one to dissipate his energies or the limited resources at the disposal of the IAOS on weak or lost causes.Rather,he was to concentrate on those cooperative initiatives that were already showing the potential for survival and growth i.e.the creameries.

Hogan and Kennedy,working in tandem,brought about a reorganisation of the dairy industry in 1927 which,according to Bolger(1977;114) "saved the cooperative movement from disaster,if not extinction". At this time local creameries were springing up all over the major dairying areas of the country.By 1926 there were 580 central and auxiliary creameries in the Free State of which 400 were cooperatives. The Condensed Milk Company controlled 114 of the remaining 180 proprietary creameries. One of the largest shareholders in the Condensed Milk Company was the large British wholesale firm of Lovell and Christmas and this connection gave the company favoured access to the important UK market and a key competitive advantage vis-a-vis the dairy cooperatives.Inevitably the proliferation of competition and the over-capacity of the industry led to a milk war which came to a head in 1926.The future role of the cooperatives in the industry was in doubt as Hoctor(1971;153-4) records:

"...many creamery societies found themselves going deeper and deeper into debt,and when refused credit by the banks,they appealed to the Government for aid.Towards the end of 1926 the trade war reached its climax and the outlook for co-operative dairying was dismal indeed.. A decision had to be taken as to whether the law of the jungle should be allowed to prevail.If allowed,the result might well be the extinction of cooperative creameries and the transfer of the industry to British capitalist concerns".

Kennedy persuaded the Minister to purchase the Condensed Milk Company creameries and associated activities. The government set up a state-sponsored company,the Dairy Disposal Company Ltd.,to manage the newly acquired creameries until they could be integrated into the cooperative system. By 1931 the Dairy Disposal Company had purchased 170 of the proprietary creameries,closed 79 of them and transferred 44 to cooperative ownership. The company held and managed the remainder because acceptable transfer deals were not forthcoming. The Dairy Disposal Company was,then,the state's main instrument in the rationalisation of the industry.It was meant to be only a transitory instrument as the name suggests yet it was to be still in existence into the early 1970's,such were the difficulties over the years in trying to achieve the desired degree of rationalisation.Kennedy was also instrumental in bringing about the passing of the Creamery Act of 1928 which empowered the Minister for Agriculture to control the establishment of new creameries so that the situation that demanded state intervention in the first place could be prevented from happening in the future. The central role of the cooperative movement in the future development of Irish dairying was made more secure by these developments. In addition,in 1927 under a great deal of personal lobbying from Kennedy,the government set up the Agricultural Credit Corporation as a state agency to provide the much needed development capital for Irish agriculture that was not being made available through existing commercial channels. An attempt to establish a central marketing agency for cooperative dairy produce in 1928 was,however,a disappointing failure.The new agency,in order to be a success, would have needed the support of the vast majority of the cooperatives in promoting and selling their produce through the agency.Furthermore, it would have needed a high degree of product quality standardisation across the supplying cooperatives to ensure that the product it was marketing was of uniform and consistent quality. The new agency did not receive the support it needed. The cooperative form of organisation,it seems,was viewed by many of those involved as a pragmatic expedient that was suited to the operation of Irish creameries. They did not fully embrace the ideology of cooperation or actively seek its extension to related activities. It was to be 1961 before a successful central marketing agency for the export of Irish dairy produce would finally be established and this was to be in the form of a state agency,An Bord Bainne (The Irish Dairy Board),rather than an organic development from within the cooperative movement itself.

Like its approach to the tariff issue,the approach of the Cosgrave administration to the use of state funding for economic and industrial development was piecemeal and cautious.Its crucial interventions in agriculture were reviewed above.State funding was also used to harness the Shannon river in order to provide electricity generating capacity at a level and rate that would not have happened if it had been left to the private sector. Beyond these developments,however,this first administration is credited most with its contribution to establishing and securing the institutions and machinery of government, a major achievment in itself given the troubled birth and insecure early childhood of the fledgling State. Its achievement in the area of industrial and economic development is viewed generally as having been conservative and lackluster.

Fianna Fail and Self-Sufficiency 1932-48

De Valera led Fianna Fail to power in the election of 1932. The country had achieved a measure of political stability when Fianna Fail abandoned their abstentionist policy and entered the Dail in 1927. Few would have predicted then that they would come to power so soon afterwards and even less that they would remain in office for an uninterrupted period of sixteen years. It is reported that the 'slightly constitutional' party was apprehensive about whether power would be transferred to it peacefully when the Dail first met after the 1932 election and that Fianna Fail deputies entered the Dail chamber with revolvers in their pockets,fearing a possible coup d'etat (Williams,1967 ;30).In the event "when the moment of change came" as Nowlan(1967;17-8) records "though some men were fearful for the future stability of the state,William Cosgrave made way,as a good parliamentarian and a good democrat,for the leader of the new government,Mr.Eamon De Valera".

The peaceful transition of power in 1932 was another major milestone in securing the future of the state. Moreover it brought to power for the first time since the foundation of the state two of the most outstanding personalities in modern Irish history,Eamon De Valera and Sean Lemass.

> "At various times in Irish history-as in the history of every people- there have been individuals whose impact,influence and personality have set them apart from their contemporaries and earned for them the special consideration of historians and of all those intent on understanding the great impersonal forces and the decisive events that shape a country's history. In modern Ireland such a man was Eamon De Valera,a man whose towering presence..presides over a great part of the story of modern Ireland in the first half of the twentieth century".(Lee&O'Tuathaigh,1982;12).

Yet even if De Valera was to become the acknowledged outstanding political figure in modern Irish history,his most prominent cabinet minister and obvious heir apparent,Sean Lemass, would come to be credited,in his own right,with being "the main architect of industrialisation" in the country's economic development(Lee,1979;16).

De Valera's obsession was with sovereignty. By 1932 the Cosgrave administration had already extended Irish sovereignty through its active involvement in the enlargement of the notion of dominion status. This had culminated in the Statute of Westminister in 1931,which give the dominions effective control over their own affairs without interference from the British government. However the political polarisation which had followed the Civil War had led the Cosgrave administration into an over-defensive position on the status of the Treaty,which Collins the Treaty's most crucial advocate,had justified to himself and to his supporters as a stepping stone and framework within which to work towards even greater independence and autonomy(Pakenham,1951;279: Leavy,1975;17-8).De Valera in office succeeded with amazing speed to disentangle the Treaty limb by limb with little more political fallout in Anglo-Irish relations than a period of mutual economic sanctions. Lee and O'Tuathaigh(1982;67-70) provide this succinct summary of events:

> "The advent of Fianna Fail to power in 1932 heralded a period of rapid and dramatic constitutional change.In 1933 the oath of allegiance was abolished..The Governor-General's role and functions were inexorably cut down,prior to the abolition of the office..and in a move of considerable oportunism de Valera took advantage of the abdication crisis(of Edward VIII) in December 1936 to remove from the Constitution all remaining references to the Crown and to the Crown's representative.This was accompanied by an Act(the External Relations Act) empowering the king recognised by the states of the Commonwealth to act on behalf of the Free State(on the advice of the Free State government)in certain external matters...The new Constitution of 1937,while stopping short of actually proclaiming a republic,gave concrete form to the concept of popular sovereignty in Ireland.."

In 1938 an Anglo-Irish Treaty was concluded at which the annuity question was resolved by a once-off lump payment by Ireland and De Valera managed,as part of the negotiations,to secure the return of the ports and the removal of the British naval bases from the Free State. It was this last success that enabled him to take up for Ireland a position of neutrality in the 1939-45 War. Ireland's neutrality,which de Valera managed to maintain throughout the Second World War in spite of at times enormous British and American pressure,was the clearest tangible evidence at the time of just how sovereign the Irish Free State had become.

There were dramatic changes also in the economic sphere under this Fianna Fail administration. The new government pursued a policy of economic self-sufficiency through the widespread application of tariff protection. There were clear indications,as early as 1928, that Fianna Fail would pursue self-sufficiency actively if and when it got into power when Sean Lemass,advocating protectionism, said in the Dail:

"We believe that Ireland can be made a selfcontained unit, providing all the necessities of living in adequate quantities for the people residing in the island at the moment and probably for a much larger number" (cited in Meenan,1967;74).

Lemass and his colleagues,while they had rejected the political solution of Griffith,had embraced to the full his economic doctrine which his own followers had all but abandoned. The right to safeguard Irish economic interests by pursuing an independent economic line from Britain had been central to the whole separatist movement that lead to the 1921 Treaty and as Geary(1951;399)states "the claim for self-government was based largely on the country's right to economic development in general and to development in industry in particular". As well as the economic argument there was also another consideration,the conviction that the country would be culturally and spiritually the poorer if it were to depend solely on agriculture and the traditional brewing and distilling industries for its basic commercial life. AE (George Russell) articulated this viewpoint in the Irish Statesman in 1925 when he made:

"..not so much an economic case as an intellectual and cultural case.If the country lives almost altogether by a few industries its intellectual life will lack richness and variety,and our cultural life has lacked richness and depth because agriculture..did not find employment for large numbers of engineers,electricians,chemists and bacteriologists..."(cited in Meenan,1967;74).

Fianna Fail,then, had come into power,committed to a policy of protection geared towards the twin objectives of relieving unemployment and developing the resources of the country (Geary,1951;406). Coinciding with the Fianna Fail approach there was,in the early thirties,a general drift towards protectionism throughout most Western economies.Events like the Wall Street crash in 1929 and the Great Depression in the 30's caused a crisis of doubt about the capacity of unbridled capitalism within a Free Trade framework to lead to lasting economic prosperity.Also,influential economists such as J.M Keynes were then moving away intellectually from Free Trade towards protectionism as an economic doctrine. In a lecture in Dublin 19/4/33 Keynes outlined the direction that his mind was taking at this time:

"I was brought up,like most Englishmen,to respect Free Trade not only as an economic doctrine..but almost as part of the moral law...Yet the orientation of my mind is changed;and I share this change of mind with many others..It is my central contention that there is no prospect for the next generation of a uniformity of economic system throughout the world,such as existed,broadly speaking during the nineteenth century; that we all need to be as free as possible of interference from economic changes elsewhere,in order to make our own favourite experiments towards the ideal social Republic of the future;and that a deliberate movement towards greater national self-sufficiency and economic isolation will make our task easier,in so far as it can be accomplished without excessive cost"(The Finlay Lecture, UCD). Ireland then,in 1932, was heading quickly towards protectionism in an overall environment that was itself fast becoming protectionist. However it was to be political developments,to be reviewed later,that came to accelerate the process and this is hardly surprising in a country where to borrow one of Sir Horace Plunkett's favourite aphorisms political economy is spelt with a large P and a small e.

In spite of the new administration's clear commitment to a protectionist policy private investment in industrial projects remained low. The difficulty was not so much lack of capital but more the lack of private entrepreneurs with good projects to attract that capital. The new administration accelerated a trend which had begun in 1927 under the Cosgrave government,that of state involvement in various developmental and commercial projects. The most prevalent form that this involvement took was through the setting up of the state-sponsored body or semi-state organisation.As Barrington(1967;87) records "if there was to be development,and if the civil service was not to be regarded as a development agency,then new forms of institution had to be invented". In the period 1932-45 there were 18 semi-state organisations added to the 6 set up by the Cosgrave administration and by the early 60's there were over 50 altogether. FitzGerald(1963;5) has provided a generic working definition for these bodies in the Irish context by describing them as "..autonomous public bodies other than universities or university colleges,which are neither temporary in character nor purely advisory in their function,most of whose staff are not civil servants, and to whose board or council the government,or ministers in the government,appoint directors,council members etc". Among the semi-state companies set up during the 1932-50 period were Aer Lingus,the national airline,and Aer Rianta,the airport management authority; the Irish Life Assurance Company; Irish Shipping; CIE, the public transport authority; Bord Na Mona,the turf and peat processor;and CSET, the Irish Sugar Company.

The semi-states,have over the years,been subjected to all kinds of criticisms. It has been said that they competed too much with the private sector,that they took too large a share of the managerial talent available to the country and that they have held the consumer to ransom.Sean Lemass,as Minister for Industry and Commerce,was largely responsible for the growth and expansion of semi-state activity to the point where it had become a central and enduring feature of the Irish economy. Speaking at a meeting of the Institute Of Public Administration in Dublin on 2-Mar-59 Lemass explained his own and his government's view on the development of semi-state activity and of its role in Irish economic life:

> "In contrast to many countries where similar State-sponsored organisations have been created as part of a deliberate policy of State socialism,they developed in this country in a more haphazard way to meet particular needs and oportunities as they arose,when no other course appeared to be practicable. Industrial development in Ireland is based on private entreprise and the profit motive: State financed industries have been set up only where considerations of national policy were involved or where the projects were beyond the scope of,or unlikely to be undertaken by,private entreprise."
> (Lemass's paper is reproduced in Chubb & Lynch 1969;177-194)

Clearly the semi-states were never intended to compete with the private sector and Lemass's statement would appear to leave wide open the possibility that some of these organisations might indeed be privatised at some future time. It would be a matter of policy,not of principle. The second criticism was addressed at the same meeting by one of the invited respondents to Lemass's paper,C.S.(Todd) Andrews.Andrews was the chief executive of Bord Na Mona,the turf processing semi-state which was at that time one of the clear successes(Barrington,1967;88). Speaking in reply to the Minister,Andrews said:

"..the companies have given to the administrators and technologists in Ireland oportunities for advancement which would never have been available to them in an economy where the family-owned firm was dominant and the crown prince blocked promotion to the top posts. ..The companies have introduced into Ireland modernity in mechanisation and in management methods,in industrial environment and in the training of staff...I believe that without these companies the country would be little better than a cattle ranch,managed by what someone once described as the finest herdsmen in the world." (Andrews's remarks are reproduced in Chubb & Lynch 1969;194-8)

However,Lemass was concerned about how to ensure the continued economic performance of these companies. He was also worried about their tendency to accumulate reserves to fund their own expansion at the possible expense of the consumer and of the industrial customer,whose own competitiveness could thereby be at risk. The issue of how best to control and motivate the performance of these companies to the national interest was,in Lemass's view,an ongoing problem with no unique and universal solution. It was an issue that required continuous monitoring and reassessment. The overall pragmatic and idiosyncratic approach that was taken to the setting up and control of these bodies can be seen in the variety of capital structures and organisation forms that came to characterise the semi-state organisations and to reflect their empirical and adhoc formation. The selection of the top executive was,for Lemass, the critical determinant of future performance. In the course of the same paper quoted from above he made his view on this plain:

"The performance of a State corporation depends,in our experience, on the capacities of the individual holding the chief executive post,who is sometimes the chairman and sometimes a managing director or general manager.There is no uniformity in our practice."

It was,then,during the 1930's that the semi-state organisation really emerged as a major instrument in Irish economic development. It is clear from Mr Lemass's paper,quoted above,that "it is not necessary to seek any profound philosophy of state socialism behind the emergence of this variegated collection of organisations"(Lyons,1973;618). At the time, however,any extension of the state's direct involvement in economic and social affairs was viewed with extreme caution. The political situation was still potentially volatile. Socialism was on the rise throughout Europe and many countries turned to systems of government that involved a dominant role for the state in human affairs such as Fascism and Communism. In 1931 Pope Pius XI produced the encyclical 'Quadragesimo Anno' to coincide with the 40th anniversary of Pope Leo XIII's encyclical on Catholic social teaching 'Rerum Novarum'. Rerum Novarum had set only the broad outlines of the Church's approach to the issue of social organisation.It had asserted man's right to private property but it had also asserted the state's right to intervene against bad working conditions. Class struggle was not accepted as inevitable and Catholics were urged to seek a form of social organisation that would foster class harmony. Quadragesimo Anno was much more specific than Rerum Novarum and pointed to the concept of Vocationalism or Corporatism as the way in which the Catholic social principles could best be implemented. Whyte(1980;67) summarised the main ideas in the 1931 encyclical as follows:

"The solution it proposed was that the members of each industry of profession be organised in 'vocational groups' or 'corporations',in which employers and workers would collaborate to further their common interests...It would restore the State..to its rightful place..to direct,watch,urge and restrain subsidiary organisations. For,the Pope argued,there is a basic principle in social philosophy,the principle of subsidiary function:'It is an injustice and at the same time a grave evil and disturbance of right order to assign to a greater and higher association what lesser and subordinate organisations can do".

The two major elements in this development in Catholic social thinking, the philosophical concern with the extension of state involvement and the proposal that Vocationalism represented the best principle on which develop appropriate forms of social organisation,did have some manifest effects on the Ireland of the time. Firstly,the electoral system chosen by De Valera for the reinstated Senate in the 1937 Constitution was based on the vocational principle. Furthermore,the government established a commission in 1939 to 'examine the practicability of developing...vocational organisation in the circumstances of this country (and) the means best calculated to promote such a development'(cited in White,1980;87). The recommendations of this Commission ran into the opposition of cabinet ministers and senior civil servants who saw them as a basic intrusion on the cabinet government system.De Valera with customary political skill outlined his cabinet's general response which was that they believed "that if it (vocational organisation) is going to be of real value to the community it will have to be a natural growth"(White,1980;109) and the report was quietly shelved by Fianna Fail in 1946.The Vocational blueprint might not have been destined to make a major impact on Irish social organisation but the underlying philosophy in Quadregesimo Anno was to bring about,within five years,the biggest Church-State clash in modern Irish history.

It was inevitable,perhaps,this vocationalist movement of the 30's and 40's would touch the cooperative movement in some way. To many vocationalist's the cooperative movement represented the very essence of their own 'self-help through subsidiary organisation emphasising social harmony' approach to social organisation. In fact Dr. Henry Kennedy, who by now was the dominant figure in the cooperative movement,was appointed by the government to the Commission on Vocational Organisation referred to above.According to Bolger(1977;124) "the proceedings of the Commission appear to have been conducted harmoniously,and Kennedy, contrary to his usual procedure,did not produce a minority report". The work of the Commission provoked a fair deal of public interest and debate and some of this centred around how compatible the two approaches,the vocationalist and the cooperative, were:

"Some warned against the perversion of vocational and cooperative organisation which had taken place in countries under communist and fascist rule. Others saw the Irish co-operative movement as a happy example of how the different concepts were successfully blended. Nobody within the movement saw much point in demurring publicly. Yet there was some private disquiet on the condition of Irish co-operation:it was socially anaemic because of its continued failure to have its members relate to each other as people. Co-operation was increasingly threatened by economic competition between societies,and although the movement was seen essentially as a vocational system in agriculture,there was all too little vocational cohesion between the disparate elements:farmers,farm labourers,managers,milk carters and co-operative workers"(Bolger,1977;124).

The new community development organisation that emerged in 1931,Muintir na Tire(People of the Country),and which spread rapidly throughout rural Ireland,was developed along Catholic social principles and organised along vocational lines. This new organisation emphasised cooperation at every turn but was vague on what specific areas to concentrate cooperative projects on. It did,however,present Kennedy with a potentially powerful medium through which to spread the cooperative message but because of his own priorities and his personal disposition he failed to take full advantage of it. Kennedy was interested primarily in the developement of the dairy sector in the context of an overall national economic policy with full government ideological and financial support. He would back cooperative efforts that had already emerged and looked likely to have some national economic impact but he was not prepared to go around the country to educated local communities in the principles of cooperation and to exhort them into various local initiatives.

A significant feature of the 30's and 40's was,as we saw earlier,was the rapid extension of the state's direct involvement in industrial development through the medium of the semi-state body. The adhoc and empirical nature of this development is well illustrated in its intersections with the coooperative movement during this period as appropriate forms for specific initiatives were sought. Bolger(1977;119)records,for example,that:

"From the nineteen forties onwards there were many frustrating meetings between Kennedy and Michael J. Costello,the dynamic general manager of Comhlucht Siuicre Eireann Teo(the state-sponsored Irish Sugar Company).Costello would come in full of enthusiasm for co-operative schemes to serve the needs of his beet growers and of Irish farmers and workers in general.Kennedy parried all proposals on the grounds that the time was not ripe;they must wait until genuine demands came from the people themselves,when they could elicit the wholehearted support of government".(see also Foy,1976;chp 17.)

A further example of this intersection comes from the Bord na Mona(the Turf Development Board) start up in 1934. C.S.(Todd) Andrews was the man handpicked by Lemass to develop the turf bogs of Ireland in order to provide an indigenous,self-sufficient,source of fuel for industrial and consumer needs. As Andrews(1982;125-30) recalled in his autobiography:

"I had the idea that the marketing of turf might best be dealt with through the formation of co-operative societies and I approached the Irish Agricultural Organisation Society to see how this might be organised...

Within a couple of years it became obvious that we were engaged in a project that was inherently defective.There was no possibility of getting turf of the required standard in any quantities...Organised purely on a voluntary basis the societies themselves failed to manage and effectively control their members' operations..."

It was only after the cooperative route had been tried and found inadequate for the scale of the operation and the timeframe required that Andrews turned to the semi-state form of entreprise for the turf development project.

Earlier,we reviewed how the Fianna Fail government that first took office in 1932 was already committed to a policy of self-sufficiency based on protectionism. Furthermore,we saw that it had come to office at a time when the international scene was itself turning to protectionism and isolationism in economic affairs. The new National Government that came to office in Britain in 1931 ended the Free Trade policy that was the foundation of her nineteenth century prosperity and turned to protectionism.This was the Free State's main export market. Having dominion status however still gave the Free State favoured access but the large P in Irish Political economy asserted itself and changed the situation dramatically. As part of his political programme to dismantle the 1921 Treaty,one of the first moves De Valera made was to withhold the annuities. This brought an immediate response from Britain in the form of a penal ad valorem duty on all Irish goods entering Britain. This intensified the protectionist and self-sufficiency drive. Ireland responded by imposing penal duties on a number of imports from Britain and what came to be known as the 'Economic War' was on. It lasted until the 1938 Anglo-Irish agreement,reviewed earlier,brought it to an end. The return of the ports as part of the 1938 agreement allowed Ireland to choose a policy of neutrality and the 1939-45 World War brought self-sufficiency and isolationism to Ireland in earnest. Because Ireland was not itself at war,although thousands of Irishmen volunteered to fight with the allies,this 1939-45 period was known in Ireland as the 'Emergency'.

According to Meenan(1967;76) the overall blueprint for the economic self-sufficiency had involved the following:

"Agricultural self-sufficiency was to be sought under four main headings,one at least of which may now raise an eyebrow. There was to be an expansion in the home production of,first,wheat and feeding stuffs; second,of fruit such as apples and soft fruits; third,of vegetables; fourth, of tobacco production. Thus existing imports would be saved. Further, there was to be an energetic drive to find new markets. Lastly, and of greatest importance, there would be a gradual run-down of the number of cattle".

The Economic War complicated the strategy. The strategic commodities in this 'war' were Irish cattle and British coal. The Irish cattle trade almost collapsed between 1932 and 1934. However,with the background of general depression and high unemployment in both countries,reflecting the wider international economic canvas, pragmatic accomodations in the form of the coal-cattle pacts of 1935 and onwards,were arranged long before the issues were finally resolved in 1938. In Ireland the general attempt,through the policy of self-sufficiency to change the basic structure of the agricultural sector of the economy towards substantially more tillage and less cattle was largely unsuccessful. There was indeed a substantial increase in wheat production but was largely due to a transfer away from other forms of tillage. During the Emergency a policy of compulsory tillage did lead to a significant increase in the acreage under crops for the duration of the 1939-45 War and Ireland did manage,with some degree of rationing,to feed its population without undue hardship. It also managed to export a surplus in live animals and meat products and built up in the process a substantial amount in foreign reserves because the level of imports had been drastically curtailed for the duration of the hostilities. The underlying structure of the basic problem in the Irish economy was not, however,changed by the application of the self-sufficiency policy up to the outbreak of the 1939-45 War. Crotty (1966;156) has provided this sharp and succint summary of the then situation:

"Manufacturing industry was geared to the small protected home market and because of this its costs were too high to warrant any hope of a substantial export trade. Agricultural exports depended to a greater extent than ever on cattle,and against an expansion of cattle production there were formidable and well-nigh impenetrable barriers. An increase in non-cattle exports implied an increase in subsidies, which in turn implied a further reduction in living standard."

National Despondency and Self-Doubt 1948-58

Fianna Fail left office in 1948 after 16 years in government. That it remained so long in government in such trying circumstances is a tribute to De Valera's leadership and to his capacity,in tough times,to mobilise the 'national will'. Ireland's ability to maintain her neutrality throughout the War was confirmation of her status as a politically independent entity,both to her own people and to the outside world. Her lack of success with the self-sufficiency policy ,however, was a painful reminder of how dependent she still was economically on forces outside of her control.

We saw earlier that the basic division in Irish politics was on the political question of being for or against the acceptance of the 1921 Treaty. The low level of industrialisation meant that the labour movement in Ireland remained small and unable to effect a basic cleavage in national politics along right-left ideological grounds.This fact when combined with a proportional representation system based on the single transfereable vote has meant that shifting sectional interests or the emergence from time to time of single large issues have both had major effects on the outcome of general elections. The pattern established after the first Fianna Fail administration has been that office has alternated between single party Fianna Fail administrations and some form of coalition government,usually involving an uneasy marriage of convenience between right wing and left wing parties. Fianna Fail's power base itself is not monolithic but is rather more of a quasi-stable mixture of small farming and commercial interests. The large P in Irish Political economy is,it seems, endemic to the political system that Ireland has chosen for itself. The period 1948 to 1957 saw four changes of government, two coalition governments led by John A. Costello from 1948-51 and 1954-57 interspersed with a De Valera led Fianna Fail administration 1951-54. The 1957 change brought Fianna Fail back to power once again and this time it was to be for another 16 year uninterrupted period in office.

When the first 'interparty' coalition government came to power in 1948 one of the questions that had moved to center stage in the immediate post-War period concerned the provision of social services by the State. In Britain the welfare state was being constructed at this time and it was casting a long shadow into the Irish scene. The Catholic social movement continued to gather momentum in this period and the forces of vocationalism increasingly came to identify the extension of government bureaucracy as the enemy. Health legislation,inherited and modified by the coalition government was to provide the 'casus belli' for the biggest Church-State clash in modern Irish History. The specific legislation that caused the furore was the Mother and Child Scheme that the young and dynamic Minister for Health,Dr. Noel Browne, tried to have enacted in 1951.Basically the scheme involved certain provisions relating to maternity and to child welfare,including the education of women 'in respect of motherhood'.This was to be available to all mothers and to children up to the age of sixteen without any means test. The medical profession were opposed to it because they saw the thin edge of a more extensive socialised medicine wedge in the scheme. While this opposition was formidable,it was the added opposition of the Church that proved decisive. The Church opposed the scheme on various grounds but most significantly on the grounds that it was 'entirely and directly contrary to Catholic teaching on the rights of the family,the rights of the Church in education,the rights of the medical profession and of voluntary institutions'(Cited in Lyons,1973;576). The coalition partners did not stand firm against this opposition and Dr.Browne resigned. Dr. Browne's swansong to the affair was his release to the press,in 1951,of all the major correspondence between the government and the hierarchy relating to the issue(fully reproduced in White,1980;419-48). The affair reflected badly on both the Government and the Church and

> "demonstrated the extreme difficulty in a Catholic country of... reconcilicing parliamentary democracy with ecclesiastical authority. ..Such a collision was too dangerous to be repeated-and has not been repeated"(Lyons,1973;578).

The effect on the government was almost immediate.The fissures caused by this issue were very soon widened by others and the Costello interparty government lost office later in the year. The effect on the Church was to take longer to manifest itself and today the political ghost of Dr.Browne continues to haunt any overt attempts by the Church to influence social legislation. In the meantime the Mother and Child Scheme was dramatic evidence of the influence of Catholic social thinking and the vocationalist position in restraining any extension of the State's direct involvement into socio-econmic affairs in the 50's. This influence was to be a major element in the formation of one the organisations in this study,An Foras Taluntais. In 1955 the Minister for Agriculture in the second interparty government,Mr.James Dillon, announced his plan for the reorganisation of higher agricultural education in Ireland. Essentially what he wanted to do was to centralise the third level teaching and research in Agriculture into a single institution modelled on the Dutch agricultural university at Wageningen, which had done much to make Dutch agriculture among the most efficient in the world. Three university colleges already had faculties of agriculture of varying size and importance and a fourth was agitating for one. Dillon's proposal was to allow third level agricultural students to go to the university of their choice for two years of fundamental scientific education but that for the final two years of their degree they should all attend the new Agricultural Institute. His argued,in an interview given to the Irish Independent 20/7/55,that:

> "It was manifest that we had not available the trained personnel to man four faculties of agricultural science adequately,and that the only consequence of attempting to do this would be to leave us with four inadequate faculties of agricultural science instead of one good centre for agricultural education and research"

In the event the Universities and the National Farmers Association opposed it for a variety of reasons but the opponents of the scheme mobilised the support of some influential members of the hierarchy on the grounds that the proposed institution would extend the State's involvement and was contrary to the principles of Catholic social thinking as reflected in Quadregesimo Anno. Bishop Lucy's comments at a meeting in Cork illustrate how these principles were being invoked by the opponents to the Minister's proposal:

> "The accepted principle is that in agriculture as in industry,commerce and professions,etc.,the proper function of the State is to help the private citizen and his organisations rather than to edge them out

with its own agencies....
The people of this country would vote down a government that openly committed itself to a policy of Socialisation. But Socialisation can be a gradual, hidden and undeclared process. One department after another can nibble more and more from the field of private entreprise until finally little worthwhile remains outside civil service control. That is why it is so necessary to examine the proposed Institute and see if it be part of the larger trend or movement towards out-and-out Statism.."(cited in Whyte,1980;310).

As a result of all this opposition the Minister had to revise his proposal for the new Institute. The teaching function was dropped and left with the Universities. Supporters of the new institute had to fight to retain its active research role in the legislation so that it wasn't reduced solely to a coordinating function.

One noteworthy political milestone reached during the 1949-58 period was the formal change in the status of the 26 counties of the Irish Free State to a Republic.DeValera,as we had seen previously,had dismantled the Treaty so completely that the Free State was,by 1939,a republic in all but name. It was DeValera's party and not the successors of Collins that realised Collins conviction that the Treaty was not an end but a means within which to secure further independence and autonomy. To add to the irony,it was the Costello interparty government,led by the offspring of the pro-Treaty party, that took the final formal step and declared the 26 counties of the Irish Free State a republic. DeValera had avoided taking this last step because the felt that the formal External Relationship that the Free State maintained with the British Empire might be a useful framework within which to seek a solution to the question of partition. When one of the large minority parties to Costello's interparty government forced Costello to declare a Republic,as a major condition of their support,DeValera's party as the historic constitutional custodians of the 'Republic' could hardly oppose the move. The event is not celebrated by constitutional nationalists because a 26 county republic is still viewed by most as a transitionary state. To celebrate it would be to deny the 'essential unity of Ireland' which was the major principle that the plenipotentiaries had brought with them to the 1921 Treaty negotiations.

The 1949-58 period,then,was one marked by a political milestone, by frequent changes of government and it featured the biggest Church-State clash in the recent history of the country. The most important development in the period,was however,in the socio-economic sphere. Up to the early to mid 1950's the new state could not be said to have ever experienced 'normal' socio-economic conditions. The political turmoil of the 1921-31 period,the Economic War and the Emergency of the 1932-48 period meant that there were always extraneous factors to point to when any critical assessment of prosperity or economic performance since self-government arose. In the more 'normal' socio-economic conditions of the 1950's,however, glaring structural problems with the Irish economy began to be exposed in sharp relief. The 26 counties may have achieved its full measure of political independence by the time of the 1949 declaration of a republic but the extent to which she was economically dependent on external forces and especially on the UK economy started to become painfully obvious in the 1950's.

Ireland experienced an economic boom in the immediate post war years. The volume of personal spending rose by nearly 25% between 1946 and 1950 (Walsh;1979;27) and growth also occurred in the level of exports as the economies of Ireland's trading partners expanded and the pent-up demand in the UK for food imports was suddenly released. This expansion was short-lived and revealed the difficulties inherent in any expansion of the Irish economy.The lack of natural resources other than "an equable climate and fairly fertile grasslands"(Geary,1951;399) meant that Ireland imported much of its raw materials for industry. She was spending 35% of her gross domestic expenditure on imports,twice the UK proportion(FitzGerald,1957;275),only 23% of which was accounted for by the import of consumer goods(O'Mahony,1959;129).The remaining 77% was for raw materials to be further processed by indigenous production. The effect of any domestic spending boom was,not only to increase the demand for imported consumer goods,but also and more significantly perhaps to increase the demand for imported raw materials where the consumer showed a preference for the home produced consumer product. Both effects tended to put significant pressure on the balance of payments. Irish exports,on the other hand,only accounted for 20% of GNP as compared with nearly 24% for the UK(FitzGerald,1957;275),so that a comparatively small area of economic activity had to provide the foreign earnings to balance the increase in imports brought about by any spending boom. The 'orthodox' policy response to an unfavourable tendency in the balance of payments in the 1950's was to deflate the domestic economy or raise the levies on imports. "The possibility that the payments deficit would set in train deflationary forces,and thus prove largely self-correcting,was not seriously entertained by orthodox economic opinion in Europe or America at this time" according to Walsh(1979;28). The Irish authorities in 1952 and again in 1956 implemented stringent deflationary measures in response to what was perceived as balance of payments crises. The effect of these was to restore balance at a lower level of domestic economic activity.

The relatively slow progress made in the development of agriculture since the state was founded was the most disappointing feature of the national economy(Geary,1951;410).Between 1929 and 1960 output increased by just 14% and while there was a significant increase in productivity, this was mainly accounted for in the mass exodus of labour from farming rather than through any intensification of production(O'Brien,1962;19). Between 1926 and 1958,employment in agriculture declined by almost a quarter of a million.Up to 1951 the fall in agricultural employment had been just about balanced by the rise in employment in the other sectors of economic activity,i.e.manufacturing,construction,services etc. Between 1950 and 1958,however,there was a fall of 108000 in the total at work in the Republic. This reflected the continued drift from the land and a less than full compensatory uptake in other sectors due to the deflationary responses to the balance of payments crises (see O'Mahony,1962;20 for these figures). The population of the 26 Counties fell by 163000 between 1921 and 1931 and increased slightly by 28000 between 1931 and 1951. Between 1951 and 1961 the population fell by 146000 as the rate of emigration,always a significant feature of Irish economic life,took a sudden and dramatic upward surge(see O'Brien,1962; 17 for these figures). Net emigration,which had run at an annualised rate of 17 to 24 thousand between 1926 and 1951, rose quickly to a rate of 40 thousand per year during the period 1951-61. In addition,the character of this emigration had changed significantly since the 1930's. Before the Great Depression over 50% of the net emigration from Ireland was to the United States. By the 1950's over 90% of the net emigration was to the United Kingdom(see Meenan,1970;209 for these figures). This was facilitated by the terms of the 1921 Treaty which had allowed for free mobility of labour between the UK and the Free State.This position remained after the 26 Counties became a Republic. While mass movement from the land to the industrial heartlands was a common pattern in developing economies and one that was actively encouraged in other nations,it became a major cause for concern in the Irish situation. This migration,which was normal where single labour markets coincided with national boundaries,became emigration to the industrial heartlands of Britain in the Irish case with all the deep affective connotations that emigration traditionally had on the national psyche. According to Geary(1951,400):

"The mass exodus following the Famine has implanted in the minds of the Irish people the conviction that emigration is an unqualified evil,and almost every nationalist in the hundred years before 1921 believed that the main object of self-government was the development of native industry and the intensification of agriculture,both of which would increase the national wealth..and diminish,if not stop,emigration".

What was particularly damaging to the national psyche about the upward surge in emigration of the 1950's was that much of it was accounted for by people who leaving because they wanted to,not because they had to. Much of the earlier emigration had been of young single people,mainly women,that found themselves surplus to requirements when they tried to enter the job market at home. In the 1950's many of those who left had actually left positions of employment in Ireland in search of a higher standard of living elsewhere.These were often married men and frequently they took their dependents with them which amplifed the decline in the population. Some migration of skills and labour between nations is considered a normal and healthy phenomenon in countries where the political system is based broadly on liberal democratic principles. However,the scale on which 'voluntary' emigration was happening in the Ireland of the 1950's was,in the aggregate,a massive vote of no confidence by her own people in their country's capacity to prosper under independent self-government.

The people were rejecting,in the most tangible way possible,DeValera's dream of a self-sufficient Ireland that "would be the home of a people who valued material wealth only as the basis of right living,of a people who were satisfied with frugal comfort and devoted their leisure to the things of the spirit.."(Irish Press,18/Mar/43;pl). The flight from the land was "inexorably altering the balance of Irish society (and) posed a challenge of a fundamental kind.Would an increasingly urban society be able to sustain itself as an economic unit in the modern world and could any new policy check the flow of emigration from the countryside"(Brown, 1985;212).Healy(1968) in his book 'The Death of an Irish Town' has left a graphical record of the social conditions created by the emigration of the 1950's. It left imbalanced communities of the very old and the very young in towns and villages all over Ireland that were bereft of their share of energetic people of the middle years,those who are normally the most productive economically,socially and culturally in any community. Men of letters,like Patrick Kavanagh,were decrying the cultural stagnation brought about by years of isolationism. He wrote in his periodical 'Kavanagh's Weekly' that "from...Independence Day there has been a decline in vitality..There is no central passion..all this is horrid when you believe in people as distinct from the Nation,when you believe that Pat and Micky and Tom on the edge of the bog have potential as great or as little as a group of people anywhere"(quoted in Brown,1985;212).The feeling of economic,social and cultural stagnation was prevalent and national doubt and despondency were the order of the day.

The 1950's was a period of self-questioning for other nations as well. John F. Kennedy made the 'new frontier' an election issue in the 1960 US presidential election offering the American people a choice "not merely between two men or two parties,but between the public interest and private comfort,between national greatness and national decline, between the fresh air of progress and the stale,dank atmosphere of 'normalcy'"(cited in Sorensen,1965;190). Michael Shanks(1961;232),in his book 'The Stagnant Society' was asking the question of Britain:"What sort of society do we want to be?..A lotus island of easy,tolerant ways..shielded from discontent by a threadbare welfare state and an acceptance of genteel poverty?Or the tough dynamic race we have been in the past..ready to accept growing pains as the price of growth?"
The question for Ireland was even more fundamental,however.It was a question of whether or not she had an economic future as an independent entity.The gifted Secretary of the Department of Finance,T.K.Whitaker, posed the question that he,himself,was to play a key role in addressing:

> "(There is) an all-to-prevalent mood of despondency about the country's future..After 35 years of native government people are asking whether we can achieve an acceptable degree of economic progress.The common talk amongst parents in the towns,as in rural Ireland,is of their children having to emigrate as soon as their education is completed in order to be sure of a reasonable livlihood"(1958,par12).

ECONOMIC REVIVAL AND NEW DIRECTIONS 1958-1979

Though the latter half of the 1950's was characterised by feelings of national self-doubt and despondency this was to change dramatically in a relatively short space of time. Lee(1979;166),in his editorial summary to a collection of essays on 'Ireland 1945-70' reflected on this change:

> "There seems to be general agreement among the contributors to this volume that the 1960's marked some sort of watershed in Irish history. This appears to be one of those pivotal periods when a society swings on its axis to face in a new direction..a seminal decade across a whole range of Irish experience,political,economic,educational,legal, religious and though perhaps more ambiguously,cultural. The years from 1945 to about 1960 appear,from this perspective as an epilogue to a traditional Ireland..."

The momentum generated during this axial swing was to bring Ireland into the EEC and to carry it through the early years of its 'europeanisation' on until the second oil crisis in 1979, when a new period of national retrenchment and reassessment could be said to have started.

Economic Expansion 1958-1972

Fianna Fail returned to power once more in 1957 under De Valera's leadership and,after a decade of frequent changes of government,was to settle in for another 16 year uninterrupted period in office. In mid-term,in 1959,De Valera retired from his position as Taoiseach and Leader of Fianna Fail and passed the mantle of leadership onto Sean Lemass. It was to be Lemass who came to be credited with leading Ireland through the important 'front end' of its axial shift,its economic revival and expansion in the early 1960's.

In 1956 T.K.Whitaker,just turned 40,had been appointed to the key post of Secretary of the Department of Finance by the second interparty government. Whitaker had already begun to look at the options available for public policy to tackle the difficult prevaling economic conditions when the government that had appointed him lost office in 1957. He was then directed by the incoming Fianna Fail administration to accelerate his work and encouraged to submit his analysis and recommendations with all due urgency. Whitaker's(1958;par12) own assessment of the situation highlighted the deleterious effects of rising emigration on the country's prospects for economic development:

> "To the children themselves and to many already in in employment the jobs available at home look unattractive by comparison with those obtainable in such variety and so readily elsewhere. All this seems to be setting up a vicious circle-of increasing emigration,resulting in a smaller domestic market depleted of initiative and skill,and a reduced incentive ,whether for Irishmen or foreigners,to undertake and organise the productive entreprises which alone can provide increased employment oportunities and higher living standards".

There were inherent difficulties in the way of economic development for a country where the population was small and had been declining for over a century;where the population density was low and where,due to prolonged emigration,facilitated by the common labour market with the UK,a relatively high proportion of the population were in the dependent age groups.The implications of these features were (i)a small home market, where many industries could not attain the economies of scale that permits costs to be minimised,where little diversity in product range was economically feasible and where there was room for only a few and often only one firm so that,in a protectionist environment, the cushion of monopoly profits did not encourage efficiency; (ii) a falling population,with the vicious circle effects highlighted by Whitaker; (iii)low density, which meant that the cost of infrastructural development per capita tended to be high; (iv) the high dependency,which meant a relative high need for social services coupled with a relatively low base to bear the burden of paying for them;and (v) the common Anglo-Irish labour market,which tended to raise the reward expectations of both labour and capital above those that would pertain were Ireland a self-contained labour market(see O'Mahony,1962;11-16).

In 1958, Whitaker presented to the Government his analysis of the situation facing the country together with his recommendations for dealing with it in a document entitled 'Economic Development'.
In it he recommended that a programme of productive investment be embarked on by the State in order to expand the economy. Lee(1979,170-1) has drawn our attention to two interesting background features relating to the Whitaker recommendations:

> "Firstly, Whitaker may not have been originally appointed to plan for expansion,but rather to pursue a rigorous policy of retrenchment. But he had the calibre of mind to re-examine his assumptions in the light of changing circumstances.Whitaker shared with Lemass a willingness to revise his attitude in the face of fresh evidence.It was this capacity to think through first principles which,allied with their energy,

ability and patriotism,made the partnership of Lemass and Whitaker so fruitful.Secondly,at the institutional level,the commitment of the Department of Finance to expansionist economic policies was itself revolutionary in the context of Irish governance.Expansionist ideals, insofar as they had existed at all,had hitherto been associated mainly with the Department of Industry and Commerce,which had to fight a regular war of attrition against the Department of Finance. That the premier department should now commit itself to expansion,and expansion through planning at that,marked a historic change in the history of the state".

Whitaker recognised that his analysis and recommendations meant a break with the past and an abandonment of the self-sufficiency policy,a major mind-set change in national outlook. Self-sufficiency had,it might be argued,helped Ireland weather the worst effects of the Great Depression of the 30's and of the 'Emergency' in the early 40's. The stagnation of the 1950's,however,revealed its glaring inadequacies as an economic doctrine on which to base the economic development of Ireland in a context of post-war European reconstruction:

"It is apparent that we have come to a critical and decisive point in our economic affairs.The policies hitherto followed,though given a fair trial,have not resulted in a viable economy..(par 4).
It seems clear that,sooner or later,protection will have to go and the challenge of free trade be accepted..It would be a policy of despair to accept that our costs of production must permanently be higher than those of other European countries,either in industry or in agriculture..If we do not expand production on a competitive basis,we shall fail to provide the basis necessary for the economic independence and material progress of the community..(par 5)."

What was needed,according to Whitaker's analysis,was that:

"Our economic progress requires that more resources be devoted to productive purposes..'productive investment'(meaning) investment yielding an adequate return to the national economy as a whole.. Progress in the building up of real national income depends on capital and labour being devoted to industrial and agricultural development, particularly for export,rather than for the provision of welfare services for home consumption..(pars 6&7).
A 'dynamic' has to be found and released and it is not necessarily increased capital investment...there are other conditions of economic progress no less important than increased capitalisation.The first of these is the development of a better appreciation of the dependence of material progress on individual output.Others are a raising of the general level of education,health and skill,the loosening of restrictive practices,whether of employers or employees,the practical encouragement of initiative and entreprise,the adoption of improved methods,techniques and principles of organisation and management both in agriculture and industry,and a greater readiness to apply scientific advances..(par 18)
(Extracts from 'Economic Development',1958)

To release this 'dynamic' Whitaker(1958,par 12) proposed the setting up of 'targets of national endeavour which appear to be reasonably attainable and mutually consistent' and this is precisely what the Lemass administration did when they produced their First Programme for Economic Expansion 1958-63. The Programme was based extensively on the Whitaker analysis and provided broad policy guidelines and approaches towards expansion in agriculture,industry,fisheries and tourism.This First Programme did not include specific sectoral targets;

subsequent programmes were to be more ambitious in that regard.Expansion in agriculture was a cornerstone of the strategy. The hope was that increased agricultural productivity would lead to greater savings by farmers. This would lead in turn,not only to direct investment in livestock,farm buildings and equipment,but also to increased monetary savings which could be used for capital formation by other sectors of the economy. It was further hoped that expansion in agriculture would lead to an increase the demand for goods and services that would raise incomes all round (O'Mahony,1959;134). While the overall expansion in economic activity was expected to have the effect of increasing imports of both consumer goods and industrial raw materials, any adverse pressure on the balance of payments would be offset by the fact that the expansion was being largely funded by the foreign earnings from agricultural exports to begin with. The main source of funds for the initial investment in 'productive' projects that was to set the dynamic in motion and give it momentum was the deferral of any further state investment in the public housing programme,in the capital development of the health services and in social welfare generally until economic recovery was well underway(Walsh,1979;31).

'Economic Development' does not derive its pivotal place in modern Irish history from any novel economic insight because it contained none. In fact,while contemporary economists generally concurred with the overall analysis of Ireland's economic difficulties contained in the Whitaker document,some found it wanting in its approach to dealing with these difficulties. FitzGerald(1959) found it too vague and general in the area of industrial policy and O'Mahony(1959;133-4)saw it as largely seeking to apply a 'Keynesian' approach to an economy where "the level of activity...as a whole is determined by the relationship between costs and prices rather than by the aggregates such as domestic consumption and investment" rendering such an approach "irrelevant". The historical significance of 'Economic development' was threefold.Firstly,it signalled the beginning of an programming approach to the management of the economy that was to last up to 1972.Secondly,its structural analysis of the nature of the Irish economy continued to inform the deliberations of policy makers,way beyond 1972,on the basic issues that would have to be addressed in any approach to further economic development. It was however the third contribution that was the most important.Whitaker(1958,par 12) recognised that there was:

> "a sound 'psychological' reason for having an integrated development programme..a real need to buttress confidence in the country's future and to stimulate the interest and enthusiasm of the young in particular. A general resurgence of will may be helped by setting up targets of national endeavour which appear to be reasonably attainable and mutually consistent. This is an aspect of good leadership.."

Just to have a programme and show measureable progress towards its achievement was a major step in restoring the confidence of the Irish people in their capacity to solve their own economic problems and to produce,from within,leaders capable of guiding them through this endeavour.

If the insight into what was needed was Whitaker's contribution,the strong leadership to make it happen was provided by Lemass. To attempt such a programme was politically very risky for any leader and for his party.The consequences of a failure to realise the expectations set up by this exercise would be to deepen the despair and despondency and to seriously impair the electoral chances of those responsible for a long time to come. The economic logic was,as we have seen,not accepted as self-evident and there were many who were unconvinced.It was a gamble. Lemass fought his first general election as Taoiseach in 1961. He did not have De Valera's charisma with the electorate and many of his own party believed that they couldn't win a general election in the absence of 'Dev'.In the event Lemass's Fianna Fail party were returned to the Dail as the largest party but without an overall majority. Lemass had to govern from 1961 to 1965 with the support of independents. To implement this programme for economic expansion with even a strong overall majority would have taken courage and skill.To do it with what Lemass himself laconically came to refer to as his 'overall minority' was testamony to his unique qualities of leadership and political nerve:

> "Intelligent,pragmatic,with an almost instinctive understanding of economic problems..the new Taoiseach was admirably equipped to preside over a period of rapid expansion"(Lyons,1973;584).

Lemass himself proclaimed that "the historic task of this generation (was) to secure the economic foundation of independence"(Dail Debates,3/6/59) and according to Lee(1979;22) he set about:

> "..launch(ing) the rising generation on a momentous mission..to create a viable Irish society,self-confident without being unduly self-righteous..amounting to nothing less than an attempt to transform a people's self-image and even their very character..There were few societies in Europe which appeared to offer less scope to a merchant adventurer(one public figure's description of the Lemass temperament and predilection)than the stagnant Ireland of the mid-twentieth century.Only a conquistador of the spirit,however pragmatic his short-term tactics,could have embarked on such a venture".

It was this momentum for change that he developed during his short time as Taoiseach,more than any concrete result achieved during that time,that was to be his major contribution.

The investment in the First Programme for Economic Expansion involved about £54m in new government expenditure over the 1958-63 period which was roughly 9% of the 1958 level of GNP.So,as Lyons(1973;629) remarked, "the cost of this 'leap forward' was substantial,but,as the Programme insisted,it was a time when risks had to be taken". Over the period of the First Programme,1958-63,the volume of GNP expanded by over 4% per annum; the Programme had tentatively projected 2%. Encouraged by this expansion the government launched a Second Programme in 1963 to cover the period from 1963-70. The Second Programme was more ambitious than the First. It took the figure of 4% per annum as a minimum goal for the rate of expansion through to the end of the 60's. It also gave the State a stronger managerial role with all the attendant risks. The National Industrial Economic Council,set up by Lemass in 1963 and composed of nominees of government,the unions and employers,reported on the scope of economic planning in the Irish economy:

> "..economic planning must be active as well as being indicative.If the targets are to be meaningful to managements and workers,they must be broken down to the individual industry or product level.If the targets are to be accepted as a guide to action,those who make the attempts to achieve them must be involved in the fixing the targets..If the plan is to maintain a continuing influence on action,managements and workers must be involved in the periodic reviews of performance.."
> (NIEC,Report on Economic Planning,1963;par8)

Meenan(1970;375-87),writing while the Second Programme was still in progress,had some concerns about this new direction that the economic planning was taking and felt that the risks were not fully appreciated:

> "...It not only sets out targets (for increases in production in the private sector):it also associates both management and labour in their

> selection.In this association,it would seem probable that the initiative will usually rest with the central authority,the State.This may well lead both management and labour very far from their present positions...
> It may be mistaken to fear that a succession of Programmes may inflict grave damage on the paramount liberties and interests of the individual,be he manager or wage-earner. Many will willingly accept a considerable degree of etatisme in order to achieve development. It may be that in Ireland,as has happened in other countries at different times,the subordination of private interests to a central authority may be a necessity..But there should be no ignoring the possibility that the political implications may be far-reaching".

Lemass was presiding over the establishment of new procedures for economic and social decision-making."Under his aegis,Ireland began to shuffle towards a version of the corporate state"(Lee,1979;20-1). However,Lemass's corporatism was different from that of the Catholic Social movement of the 30's and 40's.He encouraged vocational organisation but did not see it as an alternative to state bureaucracy. Representative organisations provided an efficient means by which the key economic units farmers,industrialists,and wage-earners could be involved as 'social partners' in the process of planning the development of the economy. He was not concerned that the state apparatus was doing too much in the economic sphere,he was concerned that both the public and the private sectors were doing too little.He tried to foster a 'development' mentality across the board taking his inspiration mainly from the French experience and from Jean Monnet's concept of a 'pre-concerted economy' and not from anything in Quadrigessimo Anno. The era of Lemass heralded in a new national hero to replace the revolutionary patriot.This new hero was the professional manager, committed to economic development and efficiency,willing to be judged on the merit of his performance,and modern in his attitude to management ideas and the use of empirical data in decision-making. Lemass,himself,personified these values and his behaviour and approach to economic development in his period of office conforms very closely with a metaphor of 'Ireland Inc.' with himself as General Manager and the past,present and future generations of Irishmen as the stockholders.

The Second Programme was abandoned in 1967 because it became clear that the sectoral targets were not going to be met. It was replaced by a Third Programme,to cover the period 1969-72. Ireland's entry into the EEC in 1972 marked the beginning of a new phase in the management of the economy.Programmes of the type used in the 1958-72 period were no longer drawn up but the central role for the State,with the 'social partners', in the planning and development of the Irish economy has endured. Furthermore,much of the subsequent debate on economic policy has been informed by the experiences of this period of economic experiment. The Second Programme was over ambitious,given the open nature of the Irish economy.Reflected in the setting of specific sectoral targets,and in the advanced commitment of State funding to support them,was an unwarranted over-confidence in the country's ability to control its own economic fortunes,a confidence born from the success of the First Programme. The unanticipated economic difficulties of Ireland's major trading partner, the UK,led to a fall off in exports that resulted in a balance of payments crisis at home. The corrective measures that had to be taken meant that the Second Programme was thrown significantly off course.

One noteworthy innovation in industrial policy during this expansionary period was the attraction of foreign capital into Ireland through various government incentives,mainly in the form of favourable corporation tax terms and grants support for capital and training investments. During the 1960-69 period more than 350 new foreign-owned companies were established in Ireland,many of these in towns that never had factories previously. The firms that were grant-aided under this development had to be primarily export oriented so that they did not compete with Irish manufacturers in the home market. Consequently these firms were net earners of foreign exchange and their wages and services expenditures were important pump primers for the local economies in which they operated.Furthermore,they were providers of new skills and experiences that helped to accelerate the industrialisation process in the Ireland of the time. Perhaps the major disappointment of the economic expansion drive was in agriculture,which as we saw earlier was a cornerstone of the development strategy.Agriculture expanded at a rate of less than 1% per annum,far short of the hoped for 4%. Furthermore, the hoped for transformation of traditional home-market-oriented indigenous industries into dynamic export-oriented companies was far from successful.

What ever about the specific dissappointments in the later Programmes, there was no mistaking the momentum that had been released by the whole process that began with the publication of 'Economic Development':

"..economic growth during the 1960s was faster and more sustained than in any previous period in Irish history.Not only did living standards rise by 50% over the decade but by 1971 the population had grown by over 100000 from the low point of 1961 to the highest level recorded since the foundation of the state...growth spread out to more and more regions of the eastern and southern half of the country.Only in the west and north-west did the age-old pattern of population decline persist..In fact,by 1970..Ireland became a net gainer from migration for the first time in recorded history.."(Walsh,1979;33-5).

or the change:

"In part the change is visible and material-more factories, more office-blocks, new housing estates..supermarkets,television sets and family cars.But the change is more than just the emergence of the consumer society..It is something impalpable and impossible to measure-a change of attitude,perhaps a change of heart.One can best describe it as a sense of new life and vigour,a stirring of hope, even a belief that the future will be better than the past has even been". (Lyons,1973;633).

Change and Modernity - Ireland in the 60's

The decade of the 60's was a decade of change and transition in many facets of Irish life.It brought a new post-revolutionary generation into the centre of the political stage,a new approach and attitude in the civil service, a new interest in research and a new direction in education, basic demographic changes and concommitent changes in basic values and an outward orientation towards Europe in particular,and towards the world in general.The transition was not painless and the forces for continuity fought a determined rearguard action in some areas but the change was pervasive and happened remarkably quickly. David Thornley(1965;12)was conscious of a new era dawning:

"..we are for the first time at the threshold of a delayed peaceful social revolution.It would be foolhardy to go on to predict its course.It seems certain that our island will become affected increasingly by the spread of European social and philosophical ideas, strongly tinged with Catholicism.It is reasonably certain that many issues of education and social welfare will slowly be transplanted from the field of emotional controversy to that of economic efficiency,and that a great deal more money will be spent on both. It does seem certain that depopulation of the countryside will continue and perhaps accelerate,and that our social habits and our politics will take on a flavour that is ever more urban,and,as a consequence, ever more cosmopolitan.."

DeValera had already begun to introduce some new blood into his government in 1957.It was long overdue.The average age in Cosgrave's first administration was 33,in DeValera's 41.In DeValera's 1951 cabinet the average age was 57.The young revolutionary generation(Cohen,1972;5) of 1921 grew old in power without any significant renewal until the late fifties.When Lemass became Taoiseach in 1959 he accelerated the renewal process. Consistent with his managerial outlook,Lemass put a premium on demonstrated talent and he used the junior ministeries to grow and prune that talent.The revolutionary generation had been obsessed with national issues and constitutional problems which had tended to divert their attention away from pressing social and economic issues(Chubb,1974;87).The post-revolutionary group were more pragmatic and economics-oriented,and were career-oriented politicians interested largely in their own professional development. Loyalty to old comrades-in-arms was replaced by consideration of the skills of the incumbent and the demands of the job when awarding cabinet posts. These new men came to power,not because they were men of destiny, but because they chose politics as their preferred career and they were men of ambition(Tobin,1984;132).

The pragmatic Lemass broke new ground with regard to relations with Northern Ireland. Since 1921 the two parts of Ireland effectively looked inwards and withdrew from each other. In an island as small as Ireland where two political entities share a land frontier there was bound to be a lot of scope for economic cooperation to the benefit of both.The major political cleavage on the 'national question',the partition of the country, was a road block to such cooperation. Lemass had,since his succession,played down the 'green card' in his rhetoric and was clearly signalling a willingness explore oportunities for economic cooperation. A new generation of Unionist leadership in the person of Capt.Terence O'Neill,who succeeded the aging Lord Brookeborough in 1963,was ready to respond. In 1965,Sean Lemass went north for an historic meeting with O'Neill at Stormont Castle,the bastion of Ulster Unionism and a new era of cross-border cooperation appeared to have dawned. Lemass retired shortly after this 'hands across the Border'initiative took place but it was continued for some time by his successor Jack Lynch. Unfortunately O'Neill had moved too fast for hard line Unionism who saw this process as the 'thin edge of the wedge' of creeping Irish unity and O'Neill was eventually forced to resign. There were political risks in the move for both men.Indeed they are believed to have speculated in an informal conversation during a break at the first meeting about who had taken the biggest risk. It was a sign of the new confidence that had developed in the South,and the new outwardness in outlook,that the move was generally welcomed there.In the event,the fresh outbreak of internal troubles in the North in 1968 brought the process to a premature end. In 1965 Lemass also concluded the Anglo Irish Free Trade Agreement with the British Government. Though its first application to join the EEC had been turned down along with that of Britain,it was expected in the economic expansion strategy that Ireland would be in the EEC by 1970. In the meantime,unhindered access to a large market was needed if the 'export-led' growth strategy of the Programmes was to materialise. The Free Trade agreement of 1965 manifestly brought down the final curtain on the Self-Sufficiency era.

The major political parties underwent a metamorphisis during this period of change.Lemass resigned from his position as Taoiseach and leader of Fianna Fail in November 1966.He had secured for his party a further period in office in a general election in 1965. He had,as noted earlier, deliberately promoted a number of young,able and ambitious men of the post-revolutionary generation and he kept them keen by studiously avoiding any premature indication of a preferred heir."A mould breaker and a mould maker..(Lemass) came to power too late-he left power too early" according to the Irish Times 12/5/71 in its obituary appraisal. He was probably influenced,in his decision to resign in 1966,by his own excessively long wait for the reins of power when DeValera was leader of the party. Fianna Fail had,in consequence of Lemass's refusal to indicate a preference,its first succession race. Unfortunately it was to be bitterly contested and led to a rivalry of personalities within the party that was to have ramifications right on into the 1980's.Two main camps emerged around the personalities of Charles Haughey and George Colley,both in their early 40's.When it became clear that a direct contest was going to split the party right down the middle a compromise candidate was proposed,Jack Lynch.Haughey was persuaded to withdraw in favour of the compromise but Colley insisted on a contest and lost. Lynch was not expected to be leader for long and Haughey had banked on this in his agreement to stand aside.Lynch,Colley and Haughey were to remain the major figures in the party right up to the present.

Fianna Fail had always been a party of pragmatism but nested within two ideals which gave the party its overriding sense of purpose.These were the reunification of Ireland and the restoration of the Irish language as the key to preserving a separate cultural identity.In the 60's this changed and gave rise to tensions within the party and disquiet within the public at large:

> "..by the end of Lemass's career the twin national aims were being quietly ignored,and there was nothing with which to replace them. Fianna Fail was now merely 'the party of reality', and prey to those cynical,realistic men who knew how the world worked,and that you could put a price on everything...Fianna Fail had traditionally represented itself as the party of the small man,but had now within the space of a few years,become identified with men of considerable property who were uninhibited in the way that they flaunted their wealth. There were bound to be many in the party unhappy with this changed image: the sleek Mercedes; the mohair suits; the expensive monthly fund-raising lunches.."(Tobin,1984;159).

Fianna Fail had formed a fund-raising organisation called Taca. This was an organisation of wealthy Fianna Fail supporters and reflected,in itself,the change in values that was taking place within the party.

> "(Lemass) came to office a poor man and was a poor man when he left it but in his later years he accepted the ability to make money as a criterion of success in others.It is a standard which enables successful businessmen and speculators to buy their way into politics"(Andrews,1982;250-1).

Taca became a focus for cynicism and ridicule,two very powerful censure devices in a small country and it became,as an open organisation,a liability for the party.It was allowed to fade away quietly,at least from public view. The clash of values,however,remained. Fianna Fail had always been careful to cultivate and preserve an image of monolithic party unity in public because it was a major electoral asset in a polity where the only possible alternative administrations were coalitions of some sort.In the mid to late 60's this image of monolithism was breaking down.There had been an open clash over the leadership succession and there was open divergence on the Taca issue.

Tensions within the Party came to a head in 1970 as a result of developments in Northern Ireland.Lynch had proved himself to be an unexpected electoral asset in the 1969 General Election and it strengthened his position as leader within the Party.This was timely as subsequent events were to show. When the Northern Ireland situation deteriorated drastically in 1969 there were many in the South who feared for the safety of their nationalist brethern up North, particularly for those in West Belfast. Lynch's cabinet was deeply divided on what action should be taken.From this division a crisis developed,which Lyons(1973;587)has described,with due care,as follows:

"..in May 1970,the Taoiseach,Mr Lynch,was faced with (a grave) crisis which led to the resignation of two ministers,Mr O Morain and Mr K. Boland,and the dismissal of two others,Mr Charles Haughey and Mr Neil Blaney.The two dismissed ministers' names had been persistently mentioned in connection with an alleged plot..to smuggle arms into Northern Ireland,with the obvious intention that these should find their way into nationalist hands,and one of them,Mr Haughey,was brought to trial on charges arising out of the allegations.He was subsequently acquitted.."

Indicative of ambiguity surrounding the issue,Haughey was not forced to resign from the party but he was forced into the political wilderness for the best part of a decade.Lynch was seen to have acted firmly and decisively and he weathered the political storm.However the crisis did damage the Party's standing and they lost the next General Election in 1973. The monolithic image of Fianna Fail was broken and remained deeply fractured well into the 80's. The episode demonstrates a recurring feature of the Irish context and that is that when the 'national question' moves to centre stage it tends to dominate and to divert energy away from social and economic development. As Lyons(1973;588) reminds us:

"..different though the paths of north and south have been in the last fifty years,the demands of blood and history are still insistent;the island remains one island,and neither part of it can fail to be vitally affected by what happens in the other".

Fine Gael,the second largest political party in the country,was also experiencing internal tensions. A new post-revolutionary generation was emerging here also that presented a challenge to the forces of conservatism within the party and within the country at large.
At issue was the search for new ideals and new principles appropriate to a country in rapid transition to modernity. Garret FitzGerald(1964;348-51),a Fine Gael intellectual of the new breed, articulated what was being sought:

"..recent years have shown that especially among young people in Ireland there exists a solid body of thought..that is profoundly Christian,idealistic,liberal,proudly Irish but antipathetical to traditional nationalism,outward-looking and reconciled to the better manifestations of the modern world. This body of opinion is seeking a coherent philosophy,which it has yet to evolve..We are too empirical in our approach to problems..(but) we cannot without serious cost continue indefinitely..working from problem to problem,without ever deciding what guiding principles we are trying to follow".

James Dillon,became leader of Fine Gael in 1959 and to him fell the task of trying to provide,as Lemass had done in Fianna Fail,a bridge between the present and the past.He was having more difficulty reconciling traditional middle-class conservatism of the party with the progressive tendencies of the younger members because he did not have the dominance over his colleagues that Lemass enjoyed. Poor showings in two by-elections in 1964 increased the pressure for change. This pressure found its focus in Declan Costello,a young barrister and son of a former Taoiseach, who embodied it in a progressive social policy programme which he called 'The Just Society'.This eight-point programme:

"..called for full economic planning,not just programming;legislation to ensure that private sector targets were met;the creation of a Department of Economic Affairs;government control of the banks'credit policies;direct government investment in industry;an increase in social capital investment;an emphasis on direct taxation; and price controls..(It) was radical by Irish standards,and almost insanely so by those of Fine Gael"(Tobin,1984;133).

When Lemass called a snap election in 1965 Fine Gael hurriedly tried to put together a manifesto based on the Costello programme a few weeks before the election and "the reluctance of the electorate to swallow the reforms which the protagonists themselves had quite evidently only half-digested,did much to reinforce the conservative leanings of the party"(Lyons,1973;585). Dillon resigned the leadership after the election defeat and the mantle passed to Liam Cosgrave,son of W.T. Cosgrave,the Taoiseach of the first Free State administration. Liam Cosgrave had been a major influence in getting the party to adopt the 'Just Society' and he inherited a party with a clear cleavage on the issue of social policy.This dynamic internal tension was to remain a feature of the party up to the late 70's.

The proportional representation system based on the single transferable vote allows for some determined individuals and small interest groupings to secure parliamentary representation from time to time,often on single issues. The interparty government of 1948-51 contained no less than five political parties along within one independent.By the 1960's,however,the three most important political groupings were Fianna Fail,Fine Gael and the Labour Party. The underlying pattern of electoral support over a number of elections clearly demonstrated that only Fianna Fail could hope for single party government. The only possible alternative to a Fianna Fail dominated administration was a coalition of Fine Gael and Labour with Fine Gael as the major partner.This was to remain the pattern right up to 1985. The 'Just Society' strand in Fine Gael provided the linking pin that made possible a coalition of the right (the traditional conservative base in Fine Gael) and the left. Also, the right in this potential partnership was never extreme right,nor was the left ever extreme left.

The Labour Party's position in Irish politics had always been somewhat enigmatic since 1921. According to Chubb(1970;;83):

"The most important feature of the Labour Party is that it has never been an urban proletariat party but rather a rural working-class party..Once established,th(e) Labour support remained stable,centred more perhaps on the individual representative than on programs,let alone a clear cut ideology".

It failed to take root in Dublin,which should have been its natural habitat,because it marginalised itself on the 'national question' during the crucial years leading up to the formation of the state.Up to World War Two,it had less than 10% of the poll in the capital and main urban centre. The party was also conservative and,in the period when the Catholic Social Movement was at its height,afraid to articulate any distinctive socialist policy that might attract the 'red smear'. In the early 60's,when economic planning and state-managed development was being widely advocated,it found that "the clothes they could never quite bring themselves to put on had been stolen out of the wardrobe"(Chubb,1970;76). In 1961 the leadership of the Labour Party passed from the veteran William Norton to the much younger Brendan Corish. Dr Noel Browne,the minister of the first interparty government who had been at the centre of the Church-State clash of 1951,threw his lot in with Labour in 1963.The party won 22 seats in the 1965 election,its best performance before or since. Encouraged by its increasing electoral support it pledged itself formally to 'a coherent socialist philosophy'(Lyons,1973;586) and attracted a new breed of intellectuals to its ranks.Men like Dr Conor Cruise O'Brien,Justin Keating and Dr David Thornley,all saw in Labour the only hope for a new radicalism in Irish political life. Labour was at last beginning to establish a clearer identity for itself in the minds of the electorate. However,it has never managed to translate that identity into more Dail representation.

The First Programme for Economic Expansion involved an immediate increase in the number of state-sponsored agencies across a wide range of activities and revitalised and redirected many of those that had already been in existence prior to 1958. The expansion of the state's direct involvement in economic planning and development was bound to have implications for the character of the state bureaucracy. Lemass,in an address to an Institute of Public Administration conference 22/5/61 reflected on what these implications were:

"Sometime ago I spoke of making every Department of the Government into a development corporation in the particular field of national activity entrusted to it. I had then in mind the bringing about of a change of attitude and outlook amongst civil servants,a new psychological approach to the Government's development responsibilities,rather than on matters of organisation,but all experience teaches that the right kind of organisation can help in developing the right attitudes.Can we feel certain that the present structure of our civil service tends to encourage the right attitude?"(reprinted in Administration,vol9,no2)

In 1966 a commission was set up under the chairmanship of Mr Liam StJohn Devlin.Devlin was essentially chartered with the task of determining what needed to be done to bring the service,which had changed little since it was taken over from the British in 1922,into the modern era heralded in by 'Economic Development'(Dooney,1976;8). The Devlin report was to become the major blueprint for a restructuring of the service that would continue well into the 70's. Among the major changes introduced along the lines recommended by 'Devlin' were a restructuring of government departments to separate the making of new policy from the detailed execution of settled policy;the setting up of staff functions of planning,finance,organisation and personnel in each of the main government departments;the establishment of similar staff functions in all the major executive agencies as well as in central departments;the establishment of a new Department of the Public Service to take over the central staff functions of organisation and personnel for the whole service leaving the Department of Finance to concentrate on providing central coordination in the areas of finance and planning;a unified grading structure that would open up access to the most senior posts to technical professionals as well as administrators;merit-based promotion to the more senior posts and many more(see Dooney,1976;chp9).The Department of the Public Service was brought into being in 1973. The Minister for Finance,in introducing the legislation to set it up,said in the Dail that:

"Its first task will be to equip itself for the renewal of the public service..it must guide and coordinate the general structural changes required to produce a public service combining unity of purpose and efficient and effective deployment of resources with diversity of initiative towards the attainment of national goals"
(Dail Debates,Vol.267,3/7/73).

The focus on economic and social development in the 60's and the commitment to planning for expansion "involved a new emphasis on information"(Lee 1979;171).The pragmatic empirical approach to the nation's problems that very much characterised this period was reflected in an unprecedented quest for knowledge through scientific research and analysis.An Foras Taluntais,the new state-funded institute for agricultural research,had been finally opened in 1958 after some controversy.It grew rapidly during the 1958-63 period.The Economic and Social Research Institute was established in 1960 to conduct systematic independent research and analysis on economic and social conditions. Fresh impetus in the form of restructuring or revitalising where necessary was provided to similar agencies where they were already in existence. The Institute for Industrial Research and Standards,the Irish Management Institute,the Institute for Public Administration, AnCO(the Industrial Training Authority) and many more,were mobilised in support of the national effort towards economic development.In a way these were the infrastructural staff functions that were developed at this time to support the main wealth creating elements in Lemass's 'Ireland Inc'. approach to economic development.

This was also a time of major change in the field of education. In 1962 the first scientific indepth study of Irish education was set up under the joint sponsorship of the government and the OECD.The survey team issued their report some three years later under the title 'Investment in Education'. This report focussed on education and the manpower requirements of the economy;the effective use of educational resources;and "dissected the social facts of Irish education,to reveal the class and geographical components of the system,setting out its human deficiencies for all to see"(Brown,1985;250). The whole system from primary level to third level was subjected to a searching review and analysis.A momentum for change was set in motion which was to carry through well into the 70's and "it raised issues which have ever since preoccupied those concerned with Irish education"(Sheehan,1979;63).The OECD involvement was for Lyons(1973;652) an apt sign of the times where:

"..no less important than the readiness of the government to pour money into education has been the psychological impulse towards reform which derives from the increasing tendency of Irishmen to measure their achievements by the standards of Western Europe".

The approach represented by this study represented a sharp break with the past. This was manifest mainly in the new empirical-inductive approach to such issues as overall policy,resourcing and curriculum development as opposed to the old deductivist,conservative and culturally insular approaches that dominated right up to the early 60's(Sheehan,1979;62-3). Among the radical changes introduced in the late 60's were the rationalisation of the primary school system into larger units with better facilities,the introduction of free secondary education with a more comprehensive curriculum,and the introduction of new third level colleges focussed primarily on business and technology and located at key regional centres marked out for industrial development.In 1968 the Higher Education Authority was set up to coordinate the development and financing of the higher educational sector.As Lyons(1973;654) remarked "the mere list of major schemes emanating from successive ministers from about 1963 onwards conveys something of the atmosphere of urgency that has suddenly pervaded this hitherto quiescent area of Irish life". The most immediate effects of period were a massive increase in participation in secondary level education,and a distinct shift from a classical bias towards a business, professional,science and technological bias in higher education. The coordinating structures and the empirical-inductive approach to the process of formulating and reviewing policy right across the system were to become significant long term legacies of this period.

The decade of the 60's was a time when the old certainties in Irish life generally were giving way to new contingencies. The transition was surprisingly fast but far from painless. The country was becoming increasingly urbanised.In 1926 less than 33% of the population lived in towns of over 1500 people,by 1951 this figure had risen to 41% and by 1971 it was over half the population at 52%(Brown,1985;258). Employment in agriculture accounted for 53% of all those employed in 1926, by 1958 this was down to 38% and by 1971 down further to just 25%.This trend was to continue throughout the 70's,but at a slower pace, reaching a 1981 position of 17%. As dependence on the land rapidly declined and alternative livlihoods opened up more people could marry and at a younger age than was possible under the old rural status system where:

> "In order to pass on the farm intact,the father had generally to ensure that only two children married locally, the son who had inherited the farm,and the daughter who would marry into a neighbouring farm or into a shop,whose assets had been sedulously investigated. Other children had to be largely disinherited. Children who chose to stay at home could not marry within within the rural status system"(Lee,1979;166).

The marriage rate rose dramatically by 40% between 1958 and 1970,along with a significant trend towards earlier marriage(Brown,1985;259-60). Though there was a comcommittent trend towards smaller planned families the overall effect was to transform the country from having the one of the oldest populations in Western Europe to having one of the youngest. These demographic changes inevitability brought about major change in the pattern of Irish social life.

Alongside these basic shifts in demography were other developments that were bringing about fundamental changes in social attitudes and outlook.Pre-eminent among these were changes in world catholicism and the advent of mass telecommunications.The innovations of Pope John XXIII and of the Second Vatican Council were almost revolutionary and were bound to have a strong effect in Ireland,where the influence of the Church up to the 60's had been 'overwhelming'(McCarty,1973;8).According to Whyte(1980;354-56),three main effects of this revolution that were directly reflected in Irish life were the growth of the ecumenical movement,the growth in freedom of discussion and self-criticism within the Church,and the change in emphasis and approach in Catholic social thinking. Pope John's(1961)encyclical on Catholic social thinking, Mater et Magistra,represented a major departure from the 1943 position:

> "Recent advances in scientific knowledge and productive techniques give to the public authority much more power than it formerly had to remedy

lack of balance,whether between different sectors in the economy, or between different parts of the same country,or even between different peoples of the world"(excerpt quoted in Whyte,1980;356).

In other words,the extension of state involvement in economic and social life was not alone sometimes desireable but often necessary. The effect on the Catholic social movement in Ireland,according to Whyte(1980;332), was that "instead of promoting a ready-formed corpus of doctrine,the (movement)appeared increasingly concerned with empirical investigation of the actual needs of the Irish people". The ecumenical movement encouraged catholics to open their thinking to other points of view and reflexively to better understand their own convictions and prejudices. Freedom of discussion and the centrality given to the concept of the 'Church as the people of God' widened the active participation of the laity. The Church's authority on many issues would no longer be accepted without question. Furthermore the opening of the national television station in 1962 "coincided with the spread of a questioning mentality and a receptivity to change among the public(which) increased its potential influence..It also acted..as a major conduit for imported mass cultural influences"(Lee,1979;172-3). Tobin(1984;60-1) astutely noted the contrast between the cautious welcome that the new station received from traditionalists like the President DeValera and Cardinal Dalton who "had been uneasy at the coming of television" and the fulsome welcome of the Taoiseach,Mr Lemass who "offered the view that the Irish people were citizens of the world as well as Ireland, and that there were standards,aims and values which transcend national frontiers and were universal in their application".

The economic expansion of the 1958-63 period had been twice as fast as even the most optimistic had hoped for and raised aspirations and expectations for the rest of the decade. The unprecedented growth introduced new pressures into the country's economic and social life and existing institutions were found inadequate to deal with them. During the 60's the country experienced a series of major industrial disputes that were characterised for their protractedness and their bitterness. All classes of workers were involved,the busmen,the building workers,the power workers,the teachers,the bankers and the maintenance men.Charles McCarthy chronicled the major disputes of the decade and tried to find some underlying explanation for the industrial relations ferment of the time. He was unconvinced by suggestions of some concerted movement linking the disputes.They were essentially empirical adjustments to the general upheaval in the Ireland of the 60's:

"..Ireland at the end of the fifties was still a very structured society; the relationships between people were clearly marked,their roles set and explicit and,as a result,there was a powerful sense of gemeinschaft..the nineteen sixties in Ireland (was) a decade of upheaval..The old structures of society were breaking down,the Second Vatican Council had shattered the timeless authoritarian image of the Roman Catholic Church.New attitudes were being painfully developed and new structures and institutions to reflect them.Television mirrored and magnified all that we did..And up to the 1969 maintenance strike, those in the middle of events saw no malice in the disputes but rather the painful inadequacies of men and institutions caught up in the whirlwind of new affluence and new expectations"(McCarthy,1973;2&219).

There was a general concern and uncertainty among occupational groupings right across the board about their relative status and material welfare in the socio-economic flux of the sixties. The maintenance strike had a cathartic effect on all concerned. Because of a particularly cynical use of the picket which exploited the peculiar reluctance of Irish workers to pass any picket,a small group of 'buckaneers' wrought nationwide industrial havoc in support of an unofficial action. The moral authority of the whole trade union movement was undermined and its status as a social partner in planning under threat. All of this industrial relations ferment in general,and the debacle of the maintenance strike in particular,threatened the whole economic development process. Concessions made to one group tended,through the "black dog of comparabilities",to make the whole system even more unstable and inflationary and thus tended to weaken the very basis of the development strategy. The effects were seen in the slowing up of the growth in national output in 1969 and 1970 following a high point in 1968. The response was a reconstituted Employer-Labour Conference that was to dampen down the ferment and to conclude a series of sophisticated national agreements which came to be a feature of the seventies.

The demographic shift towards urbanisation and towards employment in industry and services gave rise to a new group consciousness among the farming community.Lee(1979;173) has analysed this development:

> "Town-country tensions began to emerge effectively for the first time. So too,in reaction did farmer organisations.The very fact that farmers felt it necessary to organise in pressure groups reflected their changing role in society.Organisation must substitute for ideology. The farming organisations were effectively led,but it is symptomatic of changing values that they felt obliged to pitch their arguments in the economic terminology of the new tradition instead of remaining content to rest their case on the axiomatic moral superiority of an ideal rural social order".

In the jockeying for position that characterised the strike behaviour of various occupational groupings at this time the farmers were not to be left out.They found a new issue,the comparison of average farm income with average industrial wage,and a new way to apply pressure, selective commodity strikes and the mass use of their tractors to disrupt the flow of traffic throughout the country. Their tactics and their influence were to get more sophisticated as time went on:

> "..they learned the limits of street politics,and re-learned the techniques of political lobbying that they had developed in the early sixties. The protests were an emotional spasm,which served to carry away their frustrations in the years when everyone in Ireland seemed to be prospering except them.But when it was all over,and they came in from the streets to the negotiation table,they set themselves to master those skills of persuasion and argument which were to stand them in good stead in the seventies.For the farmers,it was to prove a surprisingly short journey from the steps of Government Buildings to the corridors of Berlaymont"(Tobin,1984;179).

The sixties was,then,a time of major change in Irish life. It was a time of economic expansion which brought new hope and confidence to the country but also new problems and issues that put the basic institutions and structures of society under new fissaparious pressures,as interest groups jockeyed for position in the changing order. It was a period when old ideologies gave way to new empiricism and pragmatism. It was as if Ireland had shed a traditional image of herself and was struggling and fumbling to find a new identity consistent with its modernisation.

> "It was a period of national adolescence"(Mc Carthy,1973;2) when "the matur(ing) of a culture,no less than of an individual,is reflected in the urge to search for,and the capacity to confront the truth about itself.Behind its sober prose,Economic Development extended an invitation to Irish society to embark on a search for self-knowledge,

> and not to flinch from the findings...Ritualistic invocation of emotively elastic terms like 'spiritual','tradition','family', 'materialism', have now begun to be subjected to scholarly scrutiny,as research probes,however hesitantly,the realities shrouded in the comfortable drapery of ignorance or hypocracy"(Lee,1982;2).

The inheritance that the sixties passed on was to leave to succeeding years a powerful change momentum in dynamic tension with strongly entrenched forces for inertia as the full implications of changes of the sixties continued to ramify throughout the institutions, structures and processes of Irish Life.

Many of the major changes that took place in the Ireland of the sixties were connected directly,or indirectly,with major changes happening on the broader canvas of European and World affairs. The US had passed its torch to JFK and his new frontiersmens 'born in this century',Britain had embarked confidently on its modern socialist experiment under Harold Wilson, the USSR had shown the capacity of a fully planned economy to accomplish major technological successes like putting the first man into space. Television and Jet Aircraft were moving the world closer to the global village. Indicative planning had worked in France and was being tried in Britain. Would Ireland's economic expansion have happened anyway as a result of the favourable external economic conditions that were developing in the early sixties. Could the influence of 'Economic Development'and the personal contributions of Whitaker and Lemass have been overrated,and the influence of changes in the wider economic and social context been corresponding underplayed,by most modern historians? Possibly! It will probably never be conclusively established empirically,one way or the other. Nevertheless what is apparent is that, thanks to Whitaker and Lemass,when the winds of change began to blow Ireland already had her sails up and her course set.

The North,Europe and Oil Crises - Ireland in the 70's

The 1960's was,as we have seen,a decade of upheaval in Irish society. The processes of transition in Irish life set in motion during this period by economic takeoff,cultural revolution,and ecclesiatical upheaval continued to transform the structure and texture of Irish social and economic life on through to the 1980's. The main outlines of the transition were already very much in evidence by the end of the 60's as Ireland began to take on more and more of the features of a modern, urbanised,industrialised nation.

> "It was a transformation set in motion as an act of will...But by intervening so significantly the state had introduced changes whose logic would be worked out within the social structure,and over which no individual or government could retain control...Such significant interventions to a society release social forces which subsequently become independent of their immediate authors".
> (Rottman & O'Connell,1982;64-8)

What was new and exciting in the 60's,however,became more 'normal' in the 70's as the transformation continued within an economy that was still expanding.Against the background of this transformation the issues which came to prominence during the 70's were the Northern Ireland troubles,the entry into the EEC and the inflationary spiral set in motion by the oil crisis of 1973.

The Northern Ireland Troubles

The troubles in Northern Ireland that broke out in the late sixties took most of the South by complete surprise. With the exception of those Southerners who live in border counties,most people in the Republic felt remote from their nationalist brethern in the North and were ignorant of the conditions under which they lived(O'Malley,1983;75).There was still the strong aspiration for unity in the Republic but in the forty years since the Anglo-Irish Treaty of 1921 there had been no movement or hope of movement on the ground towards this ideal.It would be reasonable to say,also,that there was little or no understanding of Ulster Unionism in the Republic at this time. There were periodic 'campaigns' by IRA extremists but since the mid-20's the gunman had been marginalised in Irish political life. The 1956-62 'campaign' was a demoralising non-event for the IRA prompting the New York Times to comment at the time that:

> "..the Irish Republican Army belongs to history,and it belongs to better men in times that are gone.So does the Sinn Fein.Let us put a wreath of red roses on their grave and move on".
> (cited in Coogan,1970;418).

The IRA called off the campaign in 1962,publicly admitting that one of the main for its failure was lack of nationalist support in Northern Ireland itself(Lyons,1973;761).

In the early 60's Lemass was managing to wed the commitment to economic development in the South to the nationalist aspiration for a united Ireland:

> "Lemass gave Irish men and women to understand that work for economic renewal was the best way to serve the national aim and the most practical form of nationalism,for it would make the southern state attractive to the northern unionist population that had in the past ample reason to reject incorporation into a state which could not even maintain its own population"(Brown,1985;280).

There was,though,a lot of ground to be made up if the South were ever to be able to offer a comparable standard of living to that available north of the border:

> "Although its population was less than half that of the Republic, Northern Ireland had,in 1964,95000 children in secondary schools compared with 85000 in the South;while expenditure on higher education was almost three times higher...According to one estimate,had the Republic tried to bring its social services up to Northern standards in the year 1969-70,the then current expenditure of almost £143m would have had to be increased by about a further £150m,or by 105 per cent.. Without British help life in Northern Ireland would have been very different indeed.In 1963 payments by the United Kingdom to Northern Ireland amounted to £46m..in a country whose expenditure was £119m..
> (Buckland;1981;102).

In 1965 Lemass and his counterpart in Northern Ireland,Capt.Terence O'Neill exchanged visits to open up a rapproachment on economic cooperation. This was the first intergovernmental contact at that level since the 1921 settlement. Most people in the South looked at this development as constructive and hopes were high for a new era in North-South relations. O'Neill,like Lemass,saw the common pursuit of economic prosperity as an issue on which to build bridges with Northern Catholics and with the Republic. Such was the optimism for the O'Neill approach in the South that he was voted 'Man of the Year' by the readers of the Dublin national newspaper The Sunday Independent in 1968. It still seems incredible,looking back,that the situation should have changed so dramatically and deteriorated so rapidly in the space of three short years. However the problems of Northern Ireland were endemic to the divided society there and were deeply embedded in the social structure and polity of the region. As Lyons(1973;760) has remarked:

"..despite these hopeful signs,very little hindsight is needed to see that the anticipated golden age was largely the product of wishful thinking. No-one acquainted with the history of the province could rationally have supposed that the memory of centuries of conflict and tension could be forgotten overnight or that the realities of discrimination and alienation could be dispelled by a wave of Captain O'Neill's wand".

Protestant ascendancy had been established at the beginning when Northern Ireland was given its own regional parliament within the United Kingdom through the Government of Ireland Act of 1920. By opting for the inclusion of only six of the nine counties of Ulster in the Northern Ireland statelet,Unionism secured for itself a 66% to 34% majority over the nationalists. Given the basic nature of the political divide this effectively meant that Unionists maintained a monopoly on power in what became,in reality,a single party state. Ulster nationalists,with their known aspirations for a united Ireland,were perceived in the Unionist psyche as 'the enemy within'(Maxwell,1938;16). Fear among Unionists that they would some day find themselves in a minority situation in Northern Ireland itself and that they would be outvoted into a unitary Irish state goes some significant way to explain why there were widespread structural biases and discriminations against Northern nationalists, constituting a denial of basic civil rights. Unionists had used their monopoly on power to ensure its perpetuation. Nationalists were,for example,grossly under-represented in Parliament,in the Civil Service and in the Royal Ulster Constabulary(Buckland,1981;63). They were also grossly under-represented in the workplace. The biggest difficulties were at local government level and it was at this level that the issues were most keenly felt.

"The composition and behaviour of Londonderry Corporation were the most controversial of all.The city was two-thirds Catholic,but the Corporation was controlled by Unionists and Protestants got the plum jobs...Unionist control of the Corporation was sustained by controversial ward boundaries,the restricted local government franchise and confining re-housed Catholics to a ward with an already large Nationalist majority..In the Waterside Ward 3697 Unionists returned four councillors and in the North Ward eight councillors were elected by 3946 Unionists,but it took 10047 nationalist voters to return eight councillors in the South Ward.Londonderry was both the symbol of Unionist pride and the acme of minority grievances against the Stormont regime"(Buckland,1981;116-7).

That these problems were allowed to fester in Northern Ireland up to the outbreak of the troubles in the late 60's is an indictment on all of the parties to the 1921 settlement. Efforts over the years by Nationalist MPs at Westminister to get the sovereign parliament to intervene were met with little interest. Little more than ritualistic denunciations of the evils of partition were forthcoming from the state that wanted a role for itself as a 'second guarantor' of nationalist interests in the North,the Irish Republic. What little attempt that was made by a more moderate form of Unionism to get its own house in order was consistently blocked by hard line resistance from within the ranks of Unionism itself.

Inspired by the achievements of Martin Luther King in the US of the 60's a new generation of nationalists,not prepared to accept the perpetuation of their second class citizenship,switched from the politics of the pressure group to the politics of mass protest. They also chose to focus on the more immediate and limited issue of civil rights,in particular the issue of one man one vote for local government elections.The events that followed the first civil rights march on 28 August 1968 are well known and were played out in the full glow of the world media. It is not appropriate here to try to present a full record and analysis of these events. However,a brief description of some of them will facilitate the later discussion of some issues of direct interest. What started off as a pure civil rights movement became more impure as the movement grew. The inadequate response of the Stormont regime to the initial demands allowed the movement to grow and to come under of the influence of those with more radical objectives. In January 1969 a four day march led to serious rioting culminating in the 'invasion' of the Bogside in Derry City by "a number of policemen (who) were guilty of misconduct which involved assault and battery,malacious damage to property..and the use of provocative,sectarian and political slogans" as the Cameron Commision reported it(cited in Buckland,1981;125). The march was "modelled on the Selma-Montgomery march in Alabama in 1966" and had been deliberately designed,according to the organiser,so that it was to be:

> "the acid test of the government's intentions.Either the government would face up to the extreme right of its own Unionist Party and protect the march from the 'harassing and hindering' immediately threatened by Major Bunting,or it would be exposed as impotent in the face of sectarian thuggery,and Westminister would be forced to intervene,re-opening the whole Irish question for the first time in fifty years"(Farrell,1976;249).

The situation deteriorated rapidly during the 'marching season' in August of 1969. A traditional Orange parade in Derry on August 12th was stoned by onlooking Catholics who then managed to baracade themselves in the Bogside and succeeded in persuading the British Army not to enter. 'Free Derry' was proclaimed and was hailed as a victory in the Bogside:

> "..it was a victory at a price,the price being paid by Catholics in Belfast.Belfast's Catholics,hemmed in by Protestants,had long been held hostage for the good behaviour of their co-religionists elsewhere in Ireland"(Buckland,1981;130).

On the night of August 14,Protestants went on the rampage in Catholic West Belfast.Five Catholics and one Protestant were killed and 150 Catholic homes were burned out:

> "These four days in August 1969...shook Northern Ireland to its very foundations and decisively altered the course of its political history.They finally and emphàtically underlined the inability of the Unionist regime to cope with the challenges that had emerged in the 1960's but which were born of historical divisions" (Buckland,1981;131).

In spite of belated attempts at reform the strife escalated and in March 1972,the Stormont Parliament was suspended indefinitely and Northern Ireland entered a period of direct rule from Westminister which has continued up to the present.

The sequence of events that led to the destabilisation of Northern Ireland and to the suspension of Stormont began within the North itself and did not involve the men of violence at the outset. In fact:

> "The events of August 1969 had caught the IRA totally unprepared.The leftward and political trend pursued since the failure of the armed

campaign of 1956-62 had left Republicans with neither the organisation nor the arms to defend the Catholics of Londonderry and Belfast when they came under loyalist attack in the summer of 1969.'I.R.A.-I Ran Away'was chalked up on the walls of the beleagured ghettos.A sense of impotence and humiliation led some members of the Belfast IRA to take independent action"(Buckland,1981;143)

This independent action was the formation of the Provisional IRA. The same sense of impotence and pressure for action from some sections within the governing Fianna Fail party in the South threatened to bring about the fall of Jack Lynch's administration in Dublin in 1969-70. Certainly the Cabinet was split on the issue and some senior members were believed to have pressed for armed intervention(Lyons,1973;770), though it is difficult to understand how this possibility could have been seriously considered.A much more plausible tactic for those who wanted to intervene directly would have been to help provide to the beleagured communities the means for self-defense,i.e.training and arms.Allegations that cabinet funds were in fact diverted for such a purpose led to the dismissal of two government ministers and the resignation of two more as noted earlier,though these allegations were never proven.What is known is that an officer of the regular Irish Army "was in the course of duty,in regular contact with the Northern IRA leaders before and after the 1969 disturbances and that he kept his superiors informed of their needs and attitudes"(Lyons,1969;771). Lynch felt sufficiently pressured to go on national television on August 13 to say that the Northern government had lost control of the situation which was 'the inevitable outcome of policies pursued for decades by successive Stormont governments'and that 'the Irish Government can no longer stand by and see innocent people injured and perhaps worse'. In the same speech he called for the intervention of a UN peacekeeping force and he announced the establishment of Irish Army field hospitals in the border regions(Farrell,1976;261). This appearance of action without actually doing anything was sufficient to defuse tension in the South in the immediate aftermath of the West Belfast disturbance. In this way he kept the South at arm's length from the Northern troubles and in this approach he had the support of most people in the Republic.

These events of 1969,and the subsequent troubles in the North, however posed some awkward questions about the contemporary nature of Irish nationalism,especially in the South. It soon became clear that most Southerners were reluctant to allow the Northern Ireland situation to undermine their hard-won economic development and prosperity of the 60's. Yet when the nationalists in the North drew the attention of the world to the intolerable conditions under which they were living, it seemed likely that Southerners were going to be faced with a challenge to their national aspirations that pious rhetoric could no longer answer. The four days of August 1969 had already indicated how the question would be asked. How far was the South prepared to put its own security at risk in order to protect the beleagured nationalists in the North? How far was it prepared to press for the final solution that it had always advocated,national re-unification? If the British government,faced with the costly and seemingly intractable problems of Northern Ireland,had been persuaded by the traditional nationalist argument that the re-unification of Ireland was the solution that offered the best prospect for lasting peace and stability was the Republic ready to face the realities that this would entail:

"..when unification is demystified,robbed of its heroic pretensions, examined harshly in the context of real alternatives,the public is put in the uncomfortable position of having to face up to the unpleasant possibility that they may not want that which they have aspired to for so long..questions that might have revealed a chasm between the level of aspiration to unity and the depth of commitment to it..What if the South is unwilling to bear the costs of unification,unwilling to drop the aspiration to unity,and unwilling to make a tradeoff between the two?"(O'Malley,1983;79)

The events-that raised these questions did not develop to the point where they demanded an answer,one way or the other and because they didn't the South was able to temporise as it had in the past.

However well the policy makers and the general public may have managed to avoid facing up to it,the possibility that the national aspiration might in fact be conditional and rather than essential raised fundamental questions about national identity.A new revisionism became evident in the work of historians and social commentators at this time. For example,Shaw(1972) challenged what he called a cannon of Irish history which:

"honours one group of Irishmen by denying honour to others that merit it no less.In effect it teaches that only the Fenians and the separatists had the good of their country at heart,that all others were either deluded or in one degree or another sold out to the enemy"

O'Brien(1972) challenged the central tenet of nationalism,the concept of an Irish nation whole and indivisible.Ireland,according to him was in fact two nations and he argued that the reluctance of Southerners to recognise this,together with their ambivalence with regard to partition, were dangerous luxuries in a period that continued to pose a real threat of full-scale Irish civil war.

The possibility that Ireland might not be one nation,whole and indivisible,served to seriously undermine the old self-image of Ireland that had motivated the revolutionary generation and that had begun to crumble since 1958:

"That national image,in its full development,showed Ireland as: an ancient,virtuously rural,self-sufficient nation,democratic and republican in its politics,comprising(in all but political fact) all the inhabitants of the island,and scattered widely beyond the seas and oceans;an anti-imperialist and neutral nation,with a long history of freedom struggle;Gaelic essentially,and engaged in reviving its Gaelic language,while in the interim speaking English;Catholic,in a fundamentalist and missionary manner that stressed the dangers of modern immorality and athesism,but proudly including Protestants and Jews and holding some of these in high honour. That image of a people with a specific history,specific values and behaviour patterns,bonded the Irish nation and distinguished it clearly from its neighbours,the British and American nations"(Fennell,1986;396).

Clearly this was no longer a viable self-image or bonding agent for the the new Ireland that started to emerge from the 1960's.This new Ireland had abandoned self-sufficiency and was industrialising with the aid foreign capital.It was becoming urbanised and it was importing through its economic development and through its mass media many of the elements of an Anglo-American culture. Its attempts to revive a Gaelic culture had largely failed. In the light of the Northern troubles the principle that Collins had sought to establish,the 'essential unity' of Ireland was now being openly debated and was being replaced by a more contingent and calculating conditional unity. The need to search for a new identity and national self-image and to uncover what are the new bonding agents of Irish society in the post 1960's,if any,has continued to engage national attention right up to the present.'Studies',the journal which has mirrored Ireland to herself since 1912, recently devoted its entire 300th issue (Vol.75,Winter 1986) to the topic 'Towards a New Irish Identity'.

It is true,as Brown(1985;282)points out,that "the Northern conflict.. did not stimulate major ideological redirection in the Republic".It is also the case that the issue of the North consistently ranked "as one of the South's lesser concerns" in the general elections of 1973,1977,1981 and February 1982(O'Malley,1983;84).For most of the 1970's the two main political parties were able to maintain a bi-partisan approach to the Northern issue. Fianna Fail under Lynch and Fine Gael under Cosgrave had become substantially indistinguishable from each other in the one area where their major historical difference lay,the issue of Northern Ireland. In this they were reflecting the sentiment of the vast majority of the Southern electorate who clearly "did not wish the Northern crisis and the avowed republican nationalism of the state's traditional ideology to interfere with the economic progress of the country along the path signposted by Lemass in 1959"(Brown,1985;281). The South has supported the 'politics of process'(Leavy,1975;19),the approach adopted by the SDLP,the main political party of constitutional nationalism in the North. As enunciated recently by John Hume(1986;381),leader of the SDLP,this process would involve three stages:

"The first stage is the creation of equality of treatment in the North for all people.The second,based on that equality,is the process of reconciliation,of breaking down the barriers that divide us.In practice that means working together in all institutions of the North and by doing so over the years to build the trust to replace the distrust that has disfigured us till now..The second stage,the breaking down of barriers,will evolve naturally into the third stage,the development of new relationships within Ireland and between Ireland and Britain.That will bring the only unity that really matters,a unity born of the agreement on how we are to live together".

The policy of the South appears to be to support whatever is acceptable to the nationalists of the North as long as it does not preclude the possibility of national reunification at some,however indefinite,future time. "The aspiration to unity may still be strong,but the commitment to it is far less so"(O'Malley,1983;97).

The Northern issue has not figured prominently in general elections in the South but it has led,both directly and indirectly,to a number of important political consequences. The events of August 1969 led,as we have seen,to tensions within Fianna Fail.It was a critical time for the party and it was only through resolving these tensions that the party's approach to the Northern situation emerged clearly and decisively before the electorate. Yet,even though the party and the country rallied behind Lynch and allowed his administration to survive the crisis,the monolithic image of Fianna Fail was damaged and this contributed to their losing the 1973 General Election. Furthermore, the so-called 'Haughey factor',which was to become an important element in the political life of the country from 1979 onwards had its genesis in the Arms Crisis of 1970. In addition,it was the inability of Lynch to keep his backbenchers in line on Northern policy in the late 70's that precipitated his retirement in 1979 and allowed Haughey,rather than his own and his cabinet's preferred choice,George Colley,to succeed him as Taoiseach and leader of Fianna Fail. Finally, Garret FitzGerald's rise to the leadership of Fine Gael,eventually to become Taoiseach,was also affected by the Northern troubles though the effect was more indirect and contained an interesting twist of irony.FitzGerald was a prime-mover in an internal putsch to remove Cosgrave from the leadership of Fine Gael in 1972. Cosgrave's decision to vote with the Fianna Fail Government on the Offences Against The State Act was initially opposed by most of his own party but his determination to carry it through seemed to seal his fate. A bomb explosion in Dublin shortly before the critical vote,the first major overspill of the Northern violence into the Republic,rallied the Fine Gael party back behind Cosgrave and unexpectedly secured his leadership. When Cosgrave became Taoiseach in 1973 FitzGerald was not given the premier portfolio of Finance that most political commentators had expected him to get but had to settle instead for Foreign Affairs. This perceived sanction for disloyalty probably saved FitzGerald's political life. The Finance Minister,Ritchie Ryan, bore the brunt of the political fallout which came from the unexpected Oil Crisis of 1973 that had set the country on a dangerous inflationary spiral. Ryan's remedial measures to dampen down the economy earned him the rather harsh subriquet of 'Ritchie Ruin' and no doubt ended his political career prematurely. Meanwhile FitzGerald in Foreign Affairs was not only insulated from all this but was earning prestige for himself and his country as Ireland took on the presidency of the EEC for the first time since entering the community in 1972. Directly and indirectly,events in the North have presented some significant 'snakes and ladders' to political careers in the South.

The Economy - EEC and the Oil Crisis

While the Republic of Ireland was studiously trying to avoid becoming entrapped in its past,it took a bold step into the future by joining the European Economic Community in 1972 along with Britain and Denmark. Ireland had already applied for membership in the early 60's but at that time its application was treated as being associated with the British application and as such it suffered the same fate. In the early 70's,after a decade of outward-looking economic development,Ireland was determined to press its case for entry irrespective of what Britain decided to do. The lessons of the failure of the self-sufficiency policy in the fifties were deeply etched on the national mind. EEC entry was supported by both major political parties,Fianna Fail and Fine Gael,and the referendum held to decide on entry in 1972 was carried by an overwhelming 83% in favour.At the time of entry Irish enthusiasm for the Community was in sharp contrast with the more cautious approach of the Danes and the British and in a series of 'Eurobarometre' surveys carried out since membership,the popularity of the EEC among the Irish has remained close to the level of that in the original six and well ahead of its two co-entrants over the first decade of membership(Coakley,1983; 53).

Ireland's decision to join the EEC had already been anticipated in the programmes for economic expansion that had begun in 1958. When accession came then,in 1972,it was undramatic though it was potentially the most far-reaching choice that the country had made since independence. The primary considerations were economic.The Whitaker analysis in 'Economic Development' had emphasised that economic growth in a small open economy like Ireland's would have to be export led. The EEC offered free access to a larger market for Ireland's key export,her agricultural products, than she enjoyed up to 1972 and offered it a prices that would be protected against cheap imports from non-community competitors. Ireland also expected to benefit considerably from the the EEC Regional and Social fund,the mechanism used in the Community to help towards the equalisation of living standards among the member states. Membership of the Community also offered Ireland an oportunity to overcome a major structural weakness in her economy,her over-dependence on the British market for exports:

> "Probably the most telling prospect of change in economic circumstances was the likely shift from economic dependence on the United Kingdom. At the time of accession the UK accounted for a larger share of Irish trade than all the other member states taken together,including Denmark,by a ratio of four to one"(Coombes,1983;4).

Undoubtedly the economic issues were dominant in the minds of the electorate when they gave their overwhelming vote of approval for EEC entry. Not only were the anticipated economic benefits important,but most Irish people believed that futher economic growth of the kind experienced in the 60's could not continue if Ireland chose to remain outside the Community,particularly if her major trading partner decided to join. These economic considerations,the anticipated positive benefits of entry and perceived negative consequences of remaining outside,had overridden any fears the electorate might have had concerning the implications for future sovereignty. We saw earlier that DeValera's obsession had been with the issue of sovereignty and that he had led the people through economic hardship in the 30's in order to secure it. The country had only recently emerged as an independent nation so it is reasonable to ask why there was not more concern over the issue:

> "..nationalists in general did not see the EEC as a threat.Not only might the country be able to lessen its enormous trade dependence on Britain by diversifying its markets,but it was entering an exciting new alliance.Comparisons between the Treaty of Rome and the Act of Union were regarded as inaccurate:unlike the position in 1800,Ireland was now free to choose its partners,the resulting Community would be pluralist rather than being dominated by a big brother,and the decision-making mechanisms would allow Ireland considerable capacity to defend its vital interests.In any case the new alliance was seen as incomparably looser:it would not compromise Ireland's traditional policy of neutrality;there was no question of surrender of the essentials of national independence"(Coakley,1983;49).

In fact,in many respects,entry into the Community represented a positive affirmation of country's independence and nationhood and one completely consonant with the outward-looking Ireland of post-1958. Ireland,in contrast to Scotland,for example,would have direct and independent representation in the European club,something she would not have had had she remained a province of the UK. If she had to be in Europe anyway because her further economic development depended on it,she could best protect her vital interests by having a seat at the table in her own right. In a way it gave her historical struggle for independence a new legitimacy,and a new oportunity to be a positive force in the national psyche,to be valued and justified as having been a struggle for something rather than merely against something.

Since joining the Community,not only have Irish attitudes been more positive towards the wider ideals of Europe than those of its co-entrants but "both before and after accession,Irish ministers have consistently sounded far more 'European' than their British and Danish counterparts" according to Coombes(1983;9). This however may just be a form of enlightened self-interest rather than evidence of some greater fundamental commitment to the ideals of European integration on the part of the Irish. Being a small country on the periphery of Europe, Ireland stands to lose more if the bigger members of the EEC put their self-interest before the wider aims of the Community and it stands to gain more if they can be persuaded not to. Also since progress towards political union has been much slower than the architects of the Treaty of Rome had hoped for, Ireland's commitment to European integration has not yet been really tested. The luxury of being able to appear to be positive Europeans has up to now carried a relatively small price tag. The main effects of membership have been felt in the economic sphere, in agricultural and industrial development, and in the sphere of central administration though the benefits to the economy were mitigated by the effects of the oil crisis of 1973. It is to these areas that we now turn.

When Ireland entered the EEC in 1972 the expectation was that the expansion of the economy that had characterised the 1958-72 period would continue apace. In the event, the economy did continue to expand through to 1979. In the 1957-72 period, the average annual growth in GNP was 4.0%, and the average annual growth in output per head was 3.9%. In the 1973-80 period, the average annual growth in GNP was 3.2% but because the population had increased the average annual growth in output per head was only 2.1%. While the expansion rate in the economy had slowed down somewhat, it had also become more volatile. It ranged from 1.2% in 1976 to 6.1% in 1977(Blackwell,1982;43-4). The Government White Paper entitled 'The Accession of Ireland to the European Communities', published in 1971, provides this record of the official expectations:

> "The overall assessment of the economic implications of membership is favourable. Economic growth is likely to average nearly 5% per annum during the transitional period and is expected to exceed that figure thereafter.."

The Oil Crisis of 1973, within a year after EEC entry, created recession uncertainty and volatility and dampened the optimism that was in evidence at the time of the White Paper. After this setback the economy did return to an expansionary mode until 1979. The Oil Crisis of 1979, however, heralded a prolonged period of low growth and recession for most Western economies and brought Ireland's period of rapid economic expansion to an abrupt end.

The prospects for agriculture were a major consideration in the decision to join the Community. Agriculture was an important cornerstone of the whole economic expansion strategy which, for an economy as small as Ireland's, had to be based on export-led growth. The relative importance of agriculture to the country's economy can be seen readily by comparison with its EEC partners. Minshull(1980; 94-117) provides comparative figures for 1976 that show Ireland as the partner with agriculture accounting for the highest % of GDP at 17.3%, followed by Italy at 8.4%; with food and agriculture accounting for the largest % of total exports at 41.6%, followed by Denmark at 32.1%; and with the highest % of its labour force employed in agriculture at 23.8%, followed by Italy at 15.5%. The Irish economy was expected to gain considerably from the guaranteed prices, the export subsidies, the access to the large internal EEC market and the grant aid implicit in the Community's Common Agricultural Policy, the CAP. The government White Paper already referred to outlined what was believed, in 1971, were the prospects for the agricultural sector of the economy from membership of the Community:

"The prices paid to Irish farmers for most of the major products will,during the transitional period,rise progressively to the common price levels of the Community.In particular,the cattle and beef and milk and dairy sectors will experience a substantial increase in prices...it has been projected that the volume of gross agricultural output will increase by about one-third by 1978..family farm income will by 1978 be twice as high as in 1970.."

Gross Agricultural Output did grow by over 35% in the years 1970-78 but levelled off after that. The major expansion within farm commodities was in dairy output,which in 1978 was almost 60% above the 1970 level. Milk production rose from 656000 gallons in 1970 to just under 1000000 gallons by 1978,mainly through increased yield per cow rather than as a result of any significant expansion in the national dairy herd. Concurrent with this major expansion in production were important developments on the processing side. The IAOS,the central coordinating body of the cooperative movement in Ireland,had concentrated its efforts mainly on the dairying sector and had for years worked towards bringing about a major rationalisation in the dairy processing industry. The government's Second Programme for Economic Expansion had:

"..indicated clearly that the IAOS would be given the responsibility of encouraging the cooperative creamery societies 'to achieve such voluntary consolidations and mergers as are designed to bring to the industry the operating and marketing advantages to be gained from economies of scale and diversification of production'"(Bolger,1977; 230).Progress had been slow throughout the 60's in spite of the urgings of the Knapp study in 1964 and the Cook&Sprague study of 1968. The difficulties lay mainly in the overcoming of local vested interests in those units destined to be absorbed in the rationalisation process. A change in the law in 1971 brought the majority vote needed to approve an amalgamation from 75% to 51% and this helped to speed things up. Major consolidations began to take place in the early 70's and by 1979 five major groupings,Mitchelstown,Golden Vale,Ballyclough,Avonmore and Waterford,were among the top thirty Irish businesses having all grown substantially with the overall growth of the sector.A sixth major,the Kerry Group,was just outside the top thirty in 1979 but was to become,in the 80's,the leader of the industry and the first group to become a public limited company with a stock exchange quotation.

In spite of its rapid expansion during the 70's the dairy sector was still far from reaching its full potential. In common with the rest of the agriculture a very high proportion of the sector's exports continued to go out in "unprocessed or slightly processed form thus giving low off-farm employment"(O'Connor,1986;53). A dairy marketing board,An Bord Bainne,had been set up by the government in 1961 as part of the First Programme for Economic Expansion. An Bord Bainne had succeeded in upgrading the image and value of Irish butter on the important UK market in the 60's through branding and promoting it under the Kerrygold label. However,the traditional focus on production and commodities and the lack of attention to the changing needs of the consumer,and to the attendant oportunities for adding value through further processing and new product development,remained major weaknesses throughout the dairy sector and indeed throughout the whole of Irish agriculture. Ironically, therefore,the very benefits that the CAP provided in the 70's may well have retarded the development within the industry of a more market-led, consumer-oriented approach:

"..the predominant activity of the Irish food processing sector in the cattle and the milk area continues to be in the activity of first handling and first stage processing of farm products..Undoubtedly it has been influenced significantly by the nature of the EC intervention and export mechanisms,and the high degree of risk-avoidance which could be derived from the apparently open-ended availability of the EC supports during the past decade"(Lucey,1984;1-2).

The situation with regard to cattle,the other major sector,was disappointing.This sector expanded at the beginning of the decade but went into decline after the crisis in the the world cattle industry in in 1974 with the result that "the cattle sector today may be even more fragmented, uncoordinated and residual than a decade ago"(Cox&Kearney, 1983;181).Farm incomes,which throughout the 60's had been at or less than 85% of the average industrial wage,rose to 112% in 1973,suffered a setback to 71% in 1974 as a result of the oil and cattle crises,rose steadily again to exceed parity in 1977 and 1978,only to plummet after the second oil crisis to below 60%.The outpacing of input costs over price increases,as a result of the comparatively high inflation rate in the country,has been the major depressant on farm income levels. Farm structure remained an intractable problem. There was little movement towards consolidations into larger,more economic,units. There were 289500 holdings in 1960 and by 1980 this had only reduced to 263600.Average farm size had increased by only 2.8 acres in the same period(Cox&Kearney,1983;158-82).

Capital investment by farmers increased dramatically up to 1978 and then fell off subsequently,reflecting the trend in farm incomes. In fact the increase in farm incomes up to 1978 had encouraged farmers to take on repayment commitments not just for farm modernisation but for land purchase and for home improvements. The sudden and rapid deterioration in their income position after 1979 led to repayments difficulties throughout the sector and to real hardship for some farm families and for the economies of their local communities:

"Even in retrospect it is difficult to appreciate the havoc which this set-back brought on an economy highly dependent on agriculture.In 1978 farmers were on top of the world, building new houses,buying machinery, borrowing for investment,spending freely in the local towns and generating large-scale employment in the service sector. Two years later they were on their knees and had taken with them all those depending on their spending"(O'Connor,1986;52).

This dramatic downward change in farmer fortunes in the early 80's,in sharp contrast to the optimism and almost euphoria of the late 70's,was clearly associated within the farming community to adverse world trends and not to EEC membership. The farming community remain among the strongest supporters of continued EEC membership in the country,as was clearly shown in the 1987 referendum on the Single European Act.Whatever their recent disappointments,they clearly perceive that the best prospects for the development of agriculture in Ireland still lie within the Community.

It was hoped that entry into the EEC would give new impetus to the country's industrial development. The major transition in industrial strategy had already taken place in the 50's when Ireland turned away from protectionism. The first major effort to industrialise had,as we have already seen earlier,taken place under a policy of protectionism which had operated from the 30's through to the 50's. Under this regime there developed a number of indigeneous firms mainly serving the home market,side by side with some foreign-owned establishments,mostly British subsidiaries,which had been set up to preserve their sales in

Ireland following the advent of protectionism. By the early 1950's the country had already begun to develop a more outward looking approach to industrial development. Incentives were made available to manufacturing industry,in the form of capital grants and tax relief on profits,for projects that were export-oriented. Furthermore,it was in this period that efforts were begun to attract foreign entreprise into the country. There had also been,by this time,a considerable development of the infrastructure necessary for industrialisation through the Public Capital Programme carried out by the first inter-party government in the late 40's:

"By the time that T.K. Whitaker's classic work,Economic Development, welded these measures together into a coherent framework,the foundations of the new industrial policy were already in place,though the dismantling of the old had not yet started"(Kennedy,1986;41).

With the publication of 'Economic Development' and the development of the programmes for economic expansion there was a sustained growth in manufacturing output,the volume of which doubled between 1960 and 1973. The industries which expanded during rapidly during this period were the electrical equipment,metals,minerals and chemicals industries while many of the traditional industries,like clothing and footwear,which grew up under protection,lagged behind. In 1969 the Industrial Development Authority(IDA),the state agency responsible for seeking new industrial projects,was significantly given the added responsibility for funding them as well.Under the dynamic leadership of Michael Killeen,the IDA became a model for other countries seeking to accelerate their industrial development through the attraction of foreign investment. By the late 60's Ireland's entry into the EEC was imminent. This provided a new attraction to would-be foreign investors and the IDA proceeded to market it with great skill. The attraction was the prospect of free access to a market of 250 million people.

By 1980 foreign-owned firms in Ireland employed about 80000 people which was close to 34% of the total manufacturing workforce. Over the 1973-80 period there was a net increase of 22000 jobs in foreign-owned industry. Over the same period the net increase in jobs in indigenous industry was only around 2000(Telesis,1980;18).These figures illustrate the importance of foreign-owned industry in Irish industrial development, in terms of both expansion in industrial output,particularly for export, and in industrial employment. The main growth industries were the electrical and electronics industries,especially the computer sector, and the pharmaceuticals industry. By 1980 there were,for example,over 70 multinational companies in the electrical and electronics industries operating in the country and employing over 10000 people. By the mid 1980's manufacturing production in Ireland was four times the 1960 level and had replaced agriculture as the dominant source of exports. As Kennedy(1986;40) aptly remarked this was "quite a revolution" and due mainly to the large influx of foreign-owned industry into the country over two decades. Moreover,through the agency of the IDA,the government used the strategy of attracting in foreign projects for regional development by the use of selective incentives. This meant that the industrialisation of the 60's and 70's,with all the concommittant changes to the pattern of social life,was a nationwide phenomenon.

The growth in manufacturing employment and the growth in GNP that occurred throughout the 70's would not have been possible without the contribution of foreign-owned industries. Yet,by the early 1980's,there were already serious misgivings in many quarters about continued efficacy of the industrial strategy of the 70's. Firstly,many of the major spin-off developmental benefits expected from bringing in the foreign projects did not materialise. Many of the overseas companies confined their Irish operations to manufacturing only. They,therefore, did little to contribute towards the development of native skills in technology and marketing which as Kennedy(1986;49) points out are the "key elements of self-sustaining growth" for any developing economy. Furthermore,in many cases these companies were only weakly linked into the native economy,sourcing many of their raw materials from abroad.The difficulty in this case was to a large extent a structural one.In order to service the sub-supply needs of many of the high technology foreign firms located in the country,it would take "a stronger corporate structure than is typically found in Ireland..to promote a skilled foundry,computer cabinet operation,or tool-maker"(Telesis,1980;16-18).

A second major weakness was the comparative neglect of the indigeneous sector of Irish industry. While some indigenous industries were expected to dissappear under full free trade conditions it was hoped that this would be more than offset by others that would respond to the opportunities offered by the enlarged market. Some indigenous companies in essentially non-traded areas like Smurfits in packaging,and Cement-Roadstone in cement,have become large multinational businesses in their own right.However being in non-traded goods('goods in which the productivity improvements that can be achieved through increased production scale are not great enough to offset the increased costs of distributing the product to a foreign country':Telesis,1980;4) these companies have grown successfully through overseas investment in similar businesses rather than through exporting from their home bases. Activity in many of the traded goods indigenous industries has ceased altogether or has been drastically curtailed.For example,over 10000 jobs were lost in the textiles,clothing and footwear industries over the 1973-80 period. The result was that by 1980 the exporting sector of the Irish economy was severely imbalanced with foreign-owned firms accounting for almost 75% of all Irish exports.

The major failure in the Irish industrial policy of the 60' and 70's was in not focussing on the need to build up a selection of strong Irish companies geared to world markets.According to the NESC commissioned review on Irish industrial policy carried out by the Telesis Consultancy Group:

> "Successful indigenously-owned industry is..essential for a high income economy.No country has successfully achieved high incomes without a strong base of indigenously owned resource-based or manufacturing companies in traded businesses"(Telesis,1980;26).

Ireland is now being forced to look towards the development of its indigenous industries as the most important route to further economic growth. This strategy is needed to provide a more secure foundation for ongoing economic development than exists at present. In any event the prospects for attracting more and more foreign projects are declining because there are fewer around in the uncertain 80's and there are more countries competing for the few that are there,thus increasing significantly the cost of continuing with this strategy. However a strategy of focussing on the development of selected strong indigenous industries on which to build for further economic growth will be expensive in the short term and will demand political steadfastness to see it through:

> "We staked our money on the hare of foreign entreprise rather than on the tortise of native industry..Yet the race is not always to the

swiftest.The approach produced quick but not lasting results...the industrial programme failed to dynamise the largest section of manufacturing-the domestic industries.It did not go far enough in developing native skills in technology and marketing,the key elements of self-sustaining growth.The foundations of the industrial superstructure therefore lacked depth"(Kennedy,1986;48-9).

The Political Scene in the 70's

After the Arms Crisis in 1970,and the departure of the more hard line ministers from Lynch's government,the two main parties in the South were able to maintain a bi-partisan approach to Northern Ireland policy. As Farrell(1986;145) remarked:

"The North has sometimes been allowed to become a football in the games that political parties play;it is not a definitive way of distinguishing between the teams".

Furthermore,on the other major political issue of the decade,the EEC referendum, both Fianna Fail and Fine Gael urged their followers to support entry into the Community. By the early 70's,with the post-revolutionary generation dominant in both major parties,'bread and butter' economic issues,and less frequently social issues,came to dominate in the competition for electoral support. Even in their approach to these issues no significant ideological differences were discernable. This prompted Gallagher(1983;273)to observe that "the 'end of ideology' dawned in Ireland before ideology had even arrived". Both main parties now compete for a large agreed middle ground of the electorate and are reluctant to clarify the basic differences between them.They offer the electorate only a choice of management not of policy or of ideology.Image and promotion,the tools that professional marketers use to try to differentiate essentially homogenous products,have become the new tactics of the political parties in the 70's and 80's.

By 1973 Fianna Fail had been the governing party for an uninterrupted period of 16 years.The trauma in the party following the Arms Crisis and the departure of four government ministers did not force the party out of office.In fact the Lynch administration went on to record some notable successes even at the height of the Northern troubles,the most significant being the winning of the EEC referendum in 1972. However the Arms Crisis and the open split within the party over Northern Ireland policy had damaged the party in the eyes of the electorate.When Fine Gael were able to form a pre-election coalition with the Labour party and together present themselves to the electorate as The National Coalition,with a specific programme for government,they secured a mandate to govern in the 1973 General Election. The new Taoiseach was Liam Cosgrave and among his cabinet appointments was Garret FitzGerald as Minister for Foreign Affairs. The Cosgrave administration survived until 1977.The optimism that accompanied the country's entry into the EEC in 1973 was quickly checked by the first Oil Crisis later that year. EEC entry had been expected to provide the opportunity for continued and possibly accelerated economic growth.A period of rapid inflation followed on directly due to the unexpected major increase in oil prices.The Cosgrave administration took strict remedial measures to deflate the economy and these,coupled with the temporary depression in world demand immediately following the Oil Crisis,were a brake on further economic expansion. Following the application of the economic 'hairshirt' for a couple of years the remedial measures began to take effect and the government decided to go to the country in 1977,one year short of its full term.

The 1977 General Election has a special significance in modern Irish affairs. The Cosgrave administration was most vulnerable on the issue of the economy.Following the years of the 'hairshirt' there was a lot of pent up demand in the economy and a widespread impatience to return to economic growth. Fianna Fail sensed this prevailing mood and in their manifesto for government,subsequently referred to as the 1977 Manifesto, they presented the electorate with a reflationary economic package designed to stimulate economic activity by stimulating domestic demand. Fianna Fail was,after all,the party of Sean Lemass and the economic expansion of the 60's and the electorate endorsed the Fianna Fail strategy by returning them to office with a majority of over 20 seats, their best electoral performance ever. The introduction of economic programming by Lemass in 1958 had,as we have seen,heralded the end of a form of economic nationalism based on self-sufficiency.However, according to Neary(1984;71) the very success of the Lemass approach

"became associated with a different but equally dangerous form of economic nationalism;a tendency to exaggerate our ability to control our own destiny..always behind our approach to planning there lurked dangers; the danger that we would neglect the external constraints facing our small open economy; the danger that we would not be flexible enough to respond to changes in these constraints; and the danger that we would build up expectations of continued growth which could not be realised".

All the elements in the Fianna Fail strategy had been adopted by previous governments,the reliance on foreign borrowing,the stimulation of employment through increased government expenditure and the attempt to generate confidence and a climate for investment within the private sector through stimulating demand.What was new in 1977 was that all of these elements were brought together and pushed further than in the past:

"It was a brave strategy but a risky one.It gambled on continued economic growth in the rest of the world; and it gambled on Irish workers being willing to accept lower wage increases than our competitor countries,so that we could increase our share of growing world trade. Regrettably,both bets lost. In particular,the second oil crisis of 1979 plunged the Western World into the worst recession since before the Second World War.Our exports faltered but imports, fuelled by foreign borrowing,continued to grow"(Neary,1984;73).

As a result,Ireland entered the 1980's faced with a prolonged recession in world demand coupled with an unsustainable level of foreign borrowings,reducing considerably the country's flexibility to deal with the challenges of the new low growth environment.

NATIONAL RETRENCHMENT AND REALIGNMENT - Ireland in the 1980's

Ireland,which had been undergoing a major transition since the late 50's,has had to face some formidable challenges during the 1980's. World trade went into recession,deepening into depression,in the wake of the second oil crisis. The situation was rendered more difficult in the Irish case because the country entered the depression of the 1980's with a high level of public borrowing. As the decade progressed the state of the public finances steadily deteriorated,reaching critical proportions by late 1986. For much of the decade the country's economy was in the grips of a vicious downward spiral that successive governments seemed to be incapable of arresting and turning around. The low level of economic activity,brought on through the general recession,provided little scope for offsetting the rising burden of debt interest on the revenue side of the public finances. In fact,the rising level of public borrowing tended to drive direct taxation levels and general interest rates upwards,which in turn only tended to act as further depressant on the overall level of activity in the economy.
The ongoing burden of trying to service a rising debt progressively reduced the government's room for manoeuver. The possibilities for using fiscal policy to stimulate economic growth at home by taking advantage of any recovery in world trade became progressively diminished as the decade wore on. It was not until after the General Election of early 1987 that any real prospect emerged of turning the national economy around on the road to recovery.

The debt to GNP ratio grew from 29% in 1976 to a level of 70% in 1985(Mc Aleese,1986;22),much of it denominated in strong foreign currency. The development of this situation can be seen to have originated in the deliberate decision by the Lynch government in 1972 to abandon the convention of not running a deficit in the current budget(Whitaker,1986;14). The quadrupling of the price of oil in 1973 was bound to have a major depressing effect on an economy such as Ireland's with its high level of imports of oil and oil-dependent raw materials. So in order to mitigate the effect and allow for 'controlled' deflationary adjustment the Cosgrave Government moved to protect living standards,employment and social services by increased borrowing for current expenditure. As the economy began to recover in the mid-70's the Cosgrave administration returned to more conventional budgetary strategies.However a new Fianna Fail government swept into office in 1977 "committed to a political manifesto and ancillary economic programmes of irrational optimism involving much higher current deficits than ever before"(Whitaker,1986;14). By the time the second oil crisis had arrived in 1979 "we had already been so misusing our borrowing potential that we had little leeway for stimulating the economy when genuine need arose"(Whitaker,1986;15).

Tackling the major problems of the high level of public debt,the low level of economic activity and high unemployment proved to be difficult for a number of reasons. Included in these reasons were the changes that had taken place in the structure of the Irish economy since the 1960's, the resistance and inertia of sectional interests,the lack of any strong national aspirations or cultural bonding,and,up to early 1987,the lack of strong and imaginative political leadership. It is to a consideration of these issues that we now turn.

Structural changes in the economy

The economy of Ireland has changed considerably since the abandonment of the self-sufficiency policy in the late 50's. It has always been a small economy in international terms.It is now more open and more closely integrated with the world economy than at any time in its history. In this,of course,it reflects a wider trend towards economic integration in the world generally. It is also a direct consequence of the economic policies pursued by successive governments since 1958 which involved a redirection of national economic strategy towards economic development based on export-led growth,fuelled by domestic and foreign investment. The culmination of this progression towards a more open and integrated economy came when Ireland joined the EEC in 1972. McAleese(1986;19) has summarised the position as it stands in the late 1980's as follows:

> "The fact of integration is indisputable..We depend on foreign countries for most of our industrial raw materials and components, for four-fifths of our machinery, for necessities such as oil and coal and luxuries such as tropical fruits and wines. Our dependence on overseas markets is not confined to the exchange of goods. Foreign manufacturing subsidiaries,for example,account for four out of every ten jobs in Irish industry..The Irish government has borrowed extensively abroad...Private individuals,both resident and non-resident,also move capital in and out of the country in large amounts every year.Irish capital is internationally mobile.So also is Irish labour.."

Irish exports as a % of GNP rose from 25% in 1960 to over 60% in 1985 and international trade links became more extensive as the UK market became less dominant in the export pattern,its share of Irish exports falling from 75% in 1960 to less than 35% in 1984.

The effects of this integration are being manifest right throughout the economy as external developments become an increasingly more important factor in the decision making of Irish economic units. For producers and processors in the agricultural sector the major development in the 1980's has been the progressive change in the Common Agricultural Policy of the EEC. By the late 70's the Community was more than self-sufficient in beef and dairying,the two major Irish agricultural commodities.It was also in surplus in sugar,another commodity of importance to Irish agriculture. The price support system that was aimed at giving the marginal producer a reasonable living off the land was encouraging the efficient producers to overproduce. Large surplusses were building up in many of these commodities,the so-called beef and butter mountains and milk and wine lakes,putting enormous pressure on the Community budget. The costs of supporting the CAP were rising rapidly at just the time when the world economy was entering the worst depression since the 1930's. The Community reacted by first reducing the price supports and later by imposing production quotas on a country basis for each commodity in surplus.Penalties in the form of 'superlevies' were imposed to discourage overproduction.This development has forced a reorientation among Irish producers and processors,however belatedly,away from the production of commodities towards higher valued-added branded goods. For many food processors this involves a major change in overall strategy from a production to a marketing emphasis, and for many primary producers a change from production systems that simply maximise the the volume of output to systems that focus on maximising the price/cost relationship through variability and flexibility in production.

For Irish manufacturers generally the effect of increasing integration has been two-fold. It has presented them with an oportunity to expand by having access to wider markets. However it has simultaneously exposed them on their home market to the full winds of competition from abroad. Generally they need to be able to successfully defend their home market in order to generate the cash flow necessary to fund the development of export markets,which is a costly exercise even with the removal of tarriff restrictions. For many indigenous firms this has meant that European and international referents have now become the standard for cost competitiveness and many have had to embark on major rationalisation and capital investment programmes in order to stay competitive.The changes have been major in many industries like brewing and distilling,and very drastic in others like clothing and footwear:

"The extent of import penetration has been remarkable.It is still not widely appreciated that imports account for three-quarters of domestic expenditure on clothing and footwear.In 1959,the import share of expenditure products was negligible. So also at that time were exports of clothing and footwear whereas now these industries export over two-thirds of their output.."(McAleese,1986;24)

We saw earlier that this transition was painful and costly in terms of firm failures and job losses in the clothing and footwear industry.

As well as having become much more integrated with the world economy generally,the underlying structure of the Irish economy had changed significantly over the 60's and 70's.Agriculture's share of GDP dropped from 22% to 15% over the period 1960-79.Industry's share rose from 28% to 38% over the same period,while that of services remained at around 48%. Employment in agriculture fell from 397500 to 229000 from 1961 to 1978,while the numbers employed in industry grew from 257000 to 319000 and employment in services grew from 416000 to 500000 over the same period. Of those at work the proportion classified as employees rose from 56% in 1961 to 69% in 1979.The proportion of those classified as professionals or managers rose from 7.6% of the total employed to 13.3% over the same period. The class profile of those in the employee category changed from 36% middle class,20% skilled manual workers and 44% unskilled manual workers to 50%,29% and 21% respectively from 1961 1979.Rottman & O'Connell(1982;63)concluded from these data that:

"By 1979,Ireland had clearly ceased to be characterised as petit bourgeois:the predominant categories were of large scale employers and of well-qualified employees...wage bargaining in a class system sharply differentiated by skills and credentials became the dominant factor in determining one's life chances"

The organisational hierarchy had become a major gradient in social status and progress up the hierarchy more dependent on merit based on scholarly and technical accomplishment as criteria for social evaluation.The importance of training and education in society were thus enhanced. In this major readjustment in the social and economic order there was a small but significant number who had been marginalised in the process:

"Even in 1979,a substantial share of the workforce was in residual classes stranded in the course of industrial development,especially farmers on marginal holdings and labourers without skills..People in these marginal categories have little oportunity to transfer to the more favourably placed categories;their childrens chances are little better,perpetuating marginality within families"
(Rottman & O'Connell,1982;72).

The depression of the 1980's brought with it a progressive increase in the numbers falling into this residual category.

The rapid economic growth of the 60' and the 70's was accompanied by a major increase in the size of public sector and in public spending.The overall numbers employed in the public service increased from 182000 in 1960 to 295000 in 1980. The number of government departments had risen from 15 to 20.Over the 1958-82 period the number of senior executives in the civil service at the level of Assistant Principalship or higher, the administrative cadre,had risen from 386 to 1490 while those concerned with overall coordination of the service,what Barrington(1982; 98) has classed as "the thinking part of the administrative side of government" which included the departments of the Taoiseach,of Finance and of the Public Service,had grown from 46 to 363 administrative staff over the same period. Public authorities current spending had risen from 24% of GNP to 42% over the years from 1958 to 1978. Growth in the public sector has been a characteristic of the post-war economic development of most western societies. In Ireland advantage was taken of the economic expansion of the 60's and 70's to extend the range of social services in the community to bring them closer to the levels then prevailing in many economically advanced countries.

The example of the welfare state in Britain was a major influence on the thinking of the policy makers at home and on the public,particulary since Northern Ireland was part of that welfare state.As the economy in the South grew there was an inherent pressure within the system to close the gap between the level of services available within the two jurisdictions on the island. There were,consequently,major expansions in the areas of health,education and social welfare. Health and education are labour intensive and much of this labour involves highly-skilled, and highly paid professionals, with a high level of bargaining power within the community.The level of social welfare benefits had also risen in line with the country's growing affluence in the 60' and early 70's. As Ireland entered the 80's,the level of dependency in the community was growing.There was a net increase in population over the two decades since 1960 of 20%.Yet the relative size of the working cohort had decreased from 43.8% to 41.4% during the same period.The under 25 age cohort had increased from 45% to 47.9% over this time.As the depression of the 1980's deepened job losses in the private sector accelerated and employment prospects for those arriving on the job market for the first time dwindled.A contracting tax base was being saddled with a progressively expanding social welfare burden.

One of the major manifestations of the growth of government in Irish society during the 60'and 70's was the proliferation of new state agencies. Around 40 new state-sponsored bodies had been created during this time with responsibilities ranging from the marketing of Irish dairy produce abroad to the improvement in the public's health. State-sponsored bodies have served the state well in many areas and were in the van of economic development when private investment proved shy. However there were according to Walsh(1986;65) some obvious drawbacks:

> "The smaller agencies have high overheads and a significant portion of the money allocated to some projects is absorbed by the expenses of running the agencies set up to administer them. The size and complexity of the larger agencies makes them autonomous empires ruled by executives who although paid from public moneys are not directly answerable to the elected representatives of the people. Public sector bodies that fail to perform the tasks they were created to discharge have not been closed down.Agencies that have successfully done the job for which they were established remain in existence long after they have outlived their usefulness"

Lemass who had pioneered the use of the semi-state mechanism to such great effect in the early development of the economy had been concerned,as we reviewed earlier,about how to ensure the continued economic performance of these companies and of how best to motivate and control that performance in the national interest. His warning of the need for continuous monitoring and reassessment in this regard went largely unheeded until the late 70's. According to Bristow(1982;173)"a cosy and complacent relationship developed over the years between a state-sponsored body and the department responsible for it" in many cases.

This cosy,arms length,relationship was disturbed in the late 70's when some of the commercial state-sponsored bodies like CSET and NET began to show serious financial losses. The Joint Oireachtais Committee on state-sponsored bodies conducted detailed investigations on behalf of the legislature into the affairs and prospects of 20 state-sponsored bodies between February 1979 and May 1981.The Joint Committee in their investigative process had recourse to independent expertise in their analyses of these companies and were able to subject members of the boards of these companies to public,oral cross-examination which was a new experience for most of them. The financial difficulties of the companies coupled with the growing realisation that tighter control on public expenditure was becoming imperative led to a major change in the general attitude within and without government circles towards these bodies in the 80's.According to Bristow(1982;173):

> "..there can be no doubt that the general financial environment has generated-in political and official circles and in the public media-an increased questioning as to whether Irish society is getting value for money from its state-sponsored sector"

Since these bodies were established on an empirical,pragmatic basis with no overtones of any socialist ideology the issue of their privatisation at some future time was always an open one.It is a possibility that is being discussed more and more in the later half of the 1980's.

Tackling the problems in the Irish economy since the 1979 oil crisis and the onset of world depression in the 80's has involved unpalatable choices. The large public sector grew up at a time when prolonged depressions were believed to be a thing of the past.There might be short downturns in the business cycle but the secondary trend was believed to be inexorably in the direction of increased prosperity. This belief made it easier to have recourse to government borrowing as a temporary expedient which could protect living standards in the short term and be phased out when economic growth returned. It was an acceptable 'Keynesian' buffer to smooth out the peaks and throughs of the trade cycle. When the recession of the 80's became prolonged depression the government was faced with a number of unpalatable options,each one worse than the last politically. It could continue to run a current deficit which would buy some time in the short term but which could not continue indefinitely.Sooner or later the accumulation of government debt would leave the country overgeared,where additional debt raising capacity would be taken up in servicing the current debt. Secondly it could raise the levels of direct and indirect taxation but sooner or later the removal of spending power from the economy would lead to diminishing returns.Thirdly it could prune back current government spending to a more sustainable percentage of GNP by economies in operation, cuts in services, cuts in transfer payments and cuts in public sector employment. The most effective solution was probably the most unpalatable one,i.e. government cutbacks. This option has proved to be extremely difficult in the Ireland of the 80's and was only finally pursued with determination after all the others had been tried and had failed.

Weak cultural bonds and strong sectional interests

The lack of strong bonding agents in Irish society,together with the rise of strong sectional interests since the 60's have both made it difficult for political leaders to mobilise the 'national will' in support of unpalatable measures. The dominant traditional bonding agents of nationalism and religion have been much weakened over the period since 1958. The aspiration to national unity is still relatively strong among the Southern Irish but,as we saw earlier,the commitment to it is no longer absolute. It is conditional and much weaker than the aspiration(O'Malley,1983;97). In fact both the aspiration and the commitment have been progressively weakening over the years. According to a recent survey carried out for the Irish Times(1/9/87) the percentage of people in the Republic that still aspired to national re-unification had fallen from 76% to 67% over the 1983-87 period while the percentage of people that have come to expect that re-unification will never happen had risen from 39% to 49% over the same period. Not surprisingly,therefore,it is no longer as easy to link the national aspiration for unity to economic sacrifice as De Valera was able to do in the 30's and 40's,nor is it easy to use it as a motive force for national entreprise as Lemass was able to do in the 1958-65 period. Furthermore,while the committment to national unity has become conditional,yet the 26 county Republic is still widely regarded as being incomplete,as a transient state only,and not in any fundamental sense a 'nation' in itself capable of evoking deep feelings of identification and overriding loyalty. As Fennell(1984;30-1) put it:

"Our first self-definition as a nation began to crumble in the 50's, was assaulted throughout the 60's,and faded away in the 70's. All that is left in its place,as a public image of Irish identity,is the factual Twenty Six County state,without any cultural or ideological overtones other than 'democratic'"

Morever the efforts to revive a Gaelic culture,especially to revive the language,have largely failed. A national identity based on a distinct Gaelic culture is no longer seen as a realistic prospect and can not be appealed to with much confidence in any attempt to mobilise a national effort.The cultural bonding power of religion has been considerably diluted over the years. The weakening of the authoritarian image of the church after Vatican II,the growing empiricism of a more educated laity towards the development of Catholic social thinking, and the spread of materialism,secularism and pluralism in the wake of economic development and advances in telecommunications have all contributed to this dilution.As Garvin(1982;31-2) has observed:

"The process of secularisation,familiar elsewhere in the west,occurred belatedly but rapidly in Ireland,and the Church lost,almost without realising it,the role of intellectual and cultural arbiter that it once had..The demise of the Church's secular leadership has left political society in the Republic in a curiously leaderless condition ...there is no large group of people in the society who have the trust of the population,and can get its cooperation for medium- or long-term goals..."

Finally,the 'pecularly weak sense of identity by Eurpean criteria' that Lee(1982;13) saw as characterising the Ireland of the 80's has continued to be further weakened by the unrelenting shift taking place in educational emphasis away from the arts and humanities towards business,technology and the professions which elevates the material, the empirical and the particular at the expense of the spiritual,the cultural and the universal.

One of the outcomes of the two decades of economic growth has been the development of strong sectional interests that have become deeply embedded in the emergent socio-economic order.Many of these interests are vocational and anxious to preserve the privileges that they have derived from the enlarged public sector. Others are representative organisations capable of mobilising substantial sectional political clout in pursuit of their claims to a share of the public purse.Still others are professional groups which inflate the value of their services to the community by keeping their proprietary skills artificially in short supply.Commenting on these interests Lee(1980;24) said that:

"It would be hard to argue that even the most selfish groups of workers,like the maintenance men who went on strike in 1969,exhibit a cruder moral sense than the most selfish sectors of other, more affluent groups,like those veterinarian surgeons laden down with their trophies from the battle against brucellosis,or the big farmers wending their way in sombre procession to the poor house in Brussels,or the doyens of the Incorporated Law Society striving might and main to ensure fair entry into their profession,or the disciples of Hippocrates deluging the Revenue Commissioners with their tax returns.."

And yet others are state agencies that have over their histories developed and consolidated for themselves positions of considerable autonomy and power in both public policy formulation and in the acquisition and allocation of public resources.According to Farrell(1986;148-9):

"The growth of government has been accompanied by what can be described as a new corporatism,the development of institutions and practices through which ministers,civil servants and representatives of the great vocational and sectional interests decide policy and conduct administration..(but)..Legitimising their role has encouraged a feudal tendency for powerful interest groups to challenge and reject openly the legal decisions of government and parliament.Far from inducing some sense of common purpose,the new corporatism has encouraged the the pursuit of narrow self-interest;agencies created to stimulate the economy or tackle particular social issues have become vested interests pursuing their own organisational goals".

Political weakness

To take the tough decisions necessary to restore order to the public finances,given the comparative weakness of the bonding agents and the comparative strength of sectional interests in Irish society,would have demanded strong political leadership. For a variety of reasons this leadership was lacking up the early 1987. The Irish political scene since 1979 has been dominated by two personalities Charles Haughey and Garret FitzGerald. The large parliamentary majority that returned Jack Lynch to Dail Eireann as Taoiseach in 1977 proved later to be a problem for him. Lynch had been forced to bring Haughey back from the political wilderness while Fianna Fail were still in opposition because it was clear that Haughey was still a major electoral asset for Fianna Fail in his constituency.When Lynch formed his administration in 1977 Haughey was given the Health portfolio. Haughey,the consumate politician,used his portfolio with customary flair and imagination and reestablished for himself a national profile. A number of Lynch's own backbenchers began to publicly challenge his policy on Northern Ireland,something they could not have risked had the parliamentary majority been small. Lynch's authority was been slowly undermined and he brought his intended retirement forward by some months. The leadership contest that followed was the delayed showdown between George Colley and Charles Haughey which had only been averted in 1966 by the entry of Lynch as a compromise candidate.

Colley was Lynch's 'groomed' successor and had the support of almost all of the cabinet. Haughey,however,had used Lynch's large majority to muster sufficient support among the swelled ranks of the backbenchers and forced a contest.The internal split which the party had tried to avoid in selecting Lynch in 1966 was deeper than ever after the 1979 contest. Haughey became Taoiseach. The mistrust and antipathy for Haughey was still strong among many of Lynch's former cabinet.Within days Colley had declared publicly that he would give his loyalty to the office of Taoiseach but not to the man. Between 1979 and 1982 there were three concerted attempts to remove Haughey from the leadership,all of which failed. The mistrust of Haughey that was evident within Fianna Fail at this time was a legacy mainly from the 1970 Arms Crisis.This mistrust was also reflected in the country at large.Haughey led Fianna Fail into four general elections since 1979 and did not secure an overall majority in any of them. He consistently lagged his party in popularity in the opinion polls and was,if anything,an electoral liability to his party up to recently. His survival as leader of Fianna Fail,under these circumstances,was eloquent testamony to his considerable political skill.

The other main personality in Irish politics since 1979 has been Garret FitzGerald. FitzGerald was the uncontested choice as successor to Liam Cosgrave when Cosgrave retired after the 1977 election defeat. By the late 70's the ideological differences between the major parties was practically non-existent as we had noted earlier. The Irish electorate were being offered a choice of management rather than of policies,and image and promotion became the major competitive weapons in election campaigns.In this regard the Cosgrave persona had been a liability. FitzGerald on the other hand was a personality that could be cleverly packaged by the public relations men and sold to the electorate.
In particular he was articulate and comfortable on radio and television, which by the late 70's had become the major media through which the electorate could become most directly acquainted with the choice of management that was on offer. FitzGerald became a major electoral asset to Fine Gael and was ideally suited to the new style of presidential politics that has characterised Irish electioneering since 1977. Between 1977 and the next general election in 1981, FitzGerald brought about a radical reorganisation of Fine Gael at constituency level and fashioned a party machine that was capable of rivalling the famous Fianna Fail machine in the logistics of electioneering. Under FitzGerald's leadership, Fine Gael was to achieve its highest ever parliamentary representation and seemed at last,in the early 80's,to be heading for a situation where it could hope to acceed to government in its own right at some time in the near future. In contrast to Haughey, FitzGerald had proved to be consistently more popular with the electorate in the opinion polls than his party,and was a clear electoral asset.

In spite of the undoubted ability of both men neither Haughey nor FitzGerald managed to secure the kind of political support that would have allowed either of them to implement the tough decisions necessary to restore order and strength to the public finances. Haughey went on national television early in 1980 to alert the general public to the need for tough economic measures in the wake of the 1979 oil crisis. However,in spite of this accurate assessment of the situation he did not take the tough action required. Bedevilled by the split within his own party arising out of his accession to the leadership and conscious of his low personal standing in the opinion polls he evidently did not feel secure enough in his own position to be willing to take the political risks that would be inherent in any tough approach to the public finances. He did not want to jeopardise his ambition to win his first general election as the new leader of his party and to secure his position as Taoiseach by popular mandate. In the event,the general election that he called in June 1981 provided an indecisive result. Though Haughey was not expected to preserve the large overall majority that Lynch had won for Fianna Fail in 1977,he failed to secure a decisive result. His prospects were damaged by developments in the North. The H-Block hunger strike,in which several hunger strikers persevered to their deaths,led to a temporary wave of sympathy for the strikers. This allowed Provisional Sinn Fein to achieve a rare electoral success in the South. They put forward some of those on hunger strike as candidates in the 1981 General Election in the Republic and managed to take two seats,at the expense of Haughey's Fianna Fail,in the border constituencies of Cavan-Monaghan and Louth.

FitzGerald had fought the 1981 election on a platform of fiscal rectitude and achieved for Fine Gael its highest ever Dail representation. He was still well short of an overall majority. He entered a coalition arrangement with the Labour Party and, with the conditional support of some left wing independents,managed to form a government. This government fell in February 1982 when, through political naivety,it failed to hold its independent support for a tough budget. In the general election that followed the result was once more indecisive. With the H-Block issue removed from this election Haughey came close to an overall majority.However he only managed to form a government by first entering into an expensive and much publicised deal with the independent deputy representing Dublin's inner city which involved a substantial commitment of scarce public funds towards inner city renewal. The Haughey government fell in the Autumn of 1982 and a FitzGerald led coalition of Fine Gael and Labour came to power with an overall majority.This administration continued in power until January 1987. The period June 1981 to November 1982 saw three general elections and three changes of government.Because of the delicate political balance in the country at this time the election campaigns took on the appearance of 'dutch auctions' with both Haughey and FitzGerald seeming to yield to special interests and to court electoral popularity with unrealistic promises in their attempts to secure and hold onto power.Fianna Fail,in their election manifesto of November 1982,'The Way Forward',had clearly moved very close to the Fine Gael policy of fiscal rectitude. The personal antipathy between Haughey and FitzGerald,however,precluded any grand coalition of the two main parties which might have provided a strong national government based on a wide consensus among the electorate and with a strong enough electoral mandate to implement tough economic measures in the face of deeply embedded sectional interests. The inability of the system to produce a decisive result and a strong government to deal resolutely with the post

1979 depression and the manoeuverings and deals of the politicians who were widely perceived to have put personal ambitions and personal animosities before the national interest led to a growing disillusionment and disenchantment among the public at large with both the system and political leaders.These conditions were hardly conducive towards any galvanising of the 'national will' behind tough and necessary fiscal policies.

The FitzGerald coalition of 1982-87 had only limited success in dealing with the public finances.Cutbacks in public services and/or in public sector employment would always be difficult for the ideologically left wing coalition partner to accept. Consequently FitzGerald was forced to confine himself mainly to containment action on the public finances and was politically unable to achieve the type of radical restructuring in the fiscal area that he and his own party saw as imperative. The government had already exhausted the softer options.Indirect taxation on such items as drink and tobacco had passed the point of diminishing returns.Direct taxation was unbearably high and also at the level of diminishing returns.Public sector growth had been contained by restrictions on new recruitment and cutbacks in non-pay expenditure. Even with these containment measures the public sector was still too large for the level of private sector activity in the economy to support. 1987 was to be an election year in accordance with the provisions of the Constitution. The senior partner in the FitzGerald government,FitzGerald's own Fine Gael party,decided to adopt the strategy of framing the January 1987 Budget in terms reflecting the full force of Fine Gael policy on the economy,involving cutbacks in the public service. Labour could not accept these cutbacks and the Dail was disolved. FitzGerald went to the Country with his Budget as his manifesto.

The February 1987 general election was indecisive but clearly the Irish electorate were in no mood to tolerate a return to the 1981-82 situation that saw three elections in the space of 18 months. A new party had emerged in Irish politics in the run up to election,the Progressive Democrats,led by Desmond O'Malley. O'Malley had unsuccessfully challenged Haughey for the leadership of Fianna Fail when the latter had failed in the 1981 general election to return his party to power and O'Malley had become the focus for the anti-Haughey faction in Fianna Fail. His official break with Fianna Fail came in a public disagreement with Haughey over policy on Northern Ireland. O'Malley attracted sitting Dail deputies from both Fianna Fail and Fine Gael to his new party which he hoped would break the sterile mold of civil war politics in Southern Ireland for good.The new party had hoped to hold the balance of power after the 1987 election.In the event it did not achieve this but its credible performance at the polls underlined for the two major parties the growing impatience of the electorate with their inability to sort out the public finances and to get the economy back a more secure footing. Haughey,as the leader of the largest party in the Dail after the January election,managed to get himself elected Taoiseach without an overall majority. FitzGerald pledged his party to support Haughey in the Dail on the 1987 Budget if the latter adopted a strategy on the public finances that was reasonably close to the Fine Gael position. FitzGerald then resigned from the leadership of his party within days after the start of new Dail and was succeeded by Alan Dukes.

Programme for national recovery

The latest Haughey administration has,since its election in 1987,pursued fiscal rectitude with all the zeal of the convert. No administration since the fiscal difficulties began in the post 1979 period has been in a stronger position politically to implement the tough measures necessary to restore order to the public finances and to create the conditions for a return to economic growth. Haughey has had a united Fianna Fail behind him since his return to power. The former dissidents have either left to join the Progressive Democrats or have finally chosen to accept his leadership. Haughey does not have an overall majority but there is a wide consensus of the Right in the Dail,which has remained intact since the 1987 election,providing him with broad support for a programme of tough measures to reduce and stabilise the the national debt. The new leader of Fine Gael publicly extended the support offered by FitzGerald for a economic strategy of fiscal rectitude to cover at least two budgetary periods.

The performance of this latest Haughey administration over its first twenty months in government has been impressive and contrasts sharply with his earlier administration of 1981-82. The Government has implemented two tough budgets since taking office and has achieved large reductions in public spending. It has embarked on a major programme of rationalisation of the public service which has included tough political decisions involving closures,staff cut-backs and amalgamations,and it has done it with a rare determination. In the Autumn of 1987 the Government involved the 'social partners',the employer groups and the unions,in the development of its Programme for National Recovery. In this effort the Government widened the base of agreement for its strategy that restoration of order to the public finances was a necessary pre-condition for any return to economic growth. In particular,the unions agreed to a programme of wage restraint and rationalisation in the public service in return for a commitment by the Government to prioritise the creation of sustainable employment once the recovery got underway.

The restructuring of the public service which the Haughey administration has embarked on is the most radical in its history. The growth and elaboration of the public service,particularly of the semi-state sector, was a prominent feature of the expansion in the economy that took place over the 1958-79 period. Semi-state agencies that were set up to perform specific development tasks in a certain periods tended to perpetuate while new agancies were created to tackle new challenges. While there was growth in the economy successive governments avoided the difficult political task of pruning and rationalising the state sector. Even when the economy went into prolonged recession successive governments up to 1987 did not feel politically strong enough to embark on the major rationalisation of this structure that was long overdue. In less than two years since the 1987 election the situation has changed dramatically.The Haughey administration began its radical restructuring of the semi-state sector by closing down one of the smaller agencies,An Foras Forbatha. This move raised the level of reality within the rest of the sector. At the same time the Government introduced a major voluntary redundancy scheme across the board in the state sector to help in the rationalisation process. An article in the Sunday Independent on 7/Feb/88,under the heading of 'The great shakeout',captured the historical significance of the Government's overall rationalistion moves:

"The era of the all-powerful state promotional body is gone for good..There is a new breeze blowing through the state sector which may yet blow the most familiar names into oblivion..The budgets of the top handful of agencies have been savaged..The fear engendered by the abolition (of An Foras Forbatha) ensured that management (of the rest) would take the cuts..There is virtually no agency that has been unaffected by job losses..But the really big job losses were coming in those agencies where the Government forced mergers".

Among the mergers being forced through by the Government in this major rationalisation drive was the merger of An Foras Taluntais and ACOT,the agricultural research institute and the agricultural advisory service,into a new body called Teagasc. In the process the aggregate budgets and staff complements of the all the merged entities,including Teagasc,were being significantly slimmed down. As the Government continues its drive to rationalise the public service and reduce the overall level of public expenditure as a percentage of GNP, public support for the privatisation of some semi-state companies has grown apace. A poll in the Sunday Independent of 21/Aug/88 showed that 42% of those polled favoured the privatisation of some state companies with 32% against and the remainder undecided and the leader writer of the same issue was unequivocal in advocating that the "next step is privatisation".

In the Autumn of 1988 the Programme for National Recovery has already begun to show significant results. The Government have exceeded their own ambitious targets for the reduction of the national debt and look set to stabilise the debt as a percentage of GNP well ahead of target. In late 1988 the country's inflation rate is running at under 2%,its lowest for 25 years and well below the EEC average of 2.8%. Interest rates have fallen as a result of the reduction in public spending wrought by the two tough budgets since early 1987. More significantly, however,domestic interest rates remain low in spite of the upward surge in rates in Britain,the US and West Germany. Ireland's recent immunity to the rise in international rates "has been little short of revolutionary"(Maev-Ann Wren,Irish Times 13/Aug/88) and represents a significant uplift of confidence in the economy by the international money markets. The Irish pound,in August 1988,was at the top of the EMS band,the strongest currency in the system. Much remains to be done to strengthen the base of the economy and to create the conditions for sustainable recovery,but much has already been achieved. The OECD's forecast of .25% growth in the Irish economy for 1988 will be well exceeded with more recent independent forecasts being more optimistic than even the Government itself and predicting,in early Autumn,a growth rate for the year in excess of 2.5%. "The economy gets better in nearly all respects",according to the 3/JUL/88 leader in the Sunday Independent,as "the recovery continues".

In spite of the harsh measures that the Government has taken,and must continue to take for some time to come,its standing in the polls has actually increased substantially since the 1987 election. The painful restructuring of the economy continues to have broad based support. Charles Haughey has shown a capacity for strong and determined political leadership that seems little short of a transformation on his previous performance. To his long-standing admirers,who have always seen him somewhat in the mold of Lemass,he has at last begun to show his real leadership talent,unhindered by the debilitating internal divisions that weakened his position in his pre-1987 administrations. Even many of his ardent critics have had to acknowledge that the recent achievements of his administration on restoring order to the public finances and confidence to the economy have surpassed most expectations. The improvement in the cost competitiveness of economy,manifest in the low level of inflation,and the lowering of interest rates,has led to an improved climate for investment and to a strengthening of the country's performance on exports,which has happened much sooner than expected. So far the growth in exports by the multi-national manufacturing sector has been in the van of the recovery. In the coming months the country in general,and the unions in particular,will be looking for signs that the recovery is more soundly and broadly based and that it does hold out a real prospect for the creation of economically sustainable jobs.

1992 - the completion of the EEC internal market

The need to stabilise the national debt and to restore competitiveness and growth to the economy has become more urgent with the enactment of the Single European Act in 1986,which was approved for ratification by the Dail in the referendum of May 1987. The EEC's programme to complete the internal market by 1992,given effect by the enactment of the SEA, is of historical and profound significance to Ireland and to the other members of the Community. The evolution of national organisations,the structural evolution of national economies and of the Community and Global economy are likely to be affected in very fundamental ways as the EEC moves decisively towards fuller economic integration. For Ireland, in particular,the very meaning of 'Irish' industries and 'Irish' industrial policy is likely to be altered in a profound way. Some indication of the far-reaching effects of what is to come are given in the following extracts from the recent Cecchini(1988;xviii-xxi)study:

"For all the complexities,the essential mechanism is simple. The starting point of the whole process of economic gain is the removal of non-tariff barriers.

The release of these constraints will trigger a supply-side shock to the Community economy as a whole. The name of the shock is European market integration. Costs will come down. Prices will follow as business,under the pressure of new rivals on previously protected markets,is forced to develop fresh responses to a novel and permanently changing situation. Ever-present competition will ensure the completion of a self-sustaining virtuous circle. The downward pressure on prices will in turn stimulate demand,giving companies the oportunity to increase output,to exploit resources better and to scale them up for European,and global,competition...

For business and government,the two main actors,the road to market integration will be paved with tough adjustments and the need for new strategies.

For business,removing the protective barriers creates a permanent oportunity,but signals a definitive end to national soft options. Cost reductions will be good news,but market opening means also the permanent threat,actual or potential,of competition..The situation will be one of constant competitive renewal..(and) one thing is certain. Firms from outside the EC,who are already positioning themselves in Community markets..will not miss oportunities overlooked by their indigeneous rivals...(And) governments must do more than achieve the European home market. They must maintain it..(by providing and sustaining) an institutional framework to deal effectively with th(e) problems inherent in the success of the 1992 programme.."

The pace of transnational mergers and alliances is already gathering momentum in the run up to the single EC market in 1992. The takeover battle for Irish Distillers,in the Summer of 1988,has been seen in Ireland as the first major tangible indication of the kind of structural change that is likely to be in store for many Irish organisations,whether as predators or prey,wooers or wooed,as the programme for the completion of the internal market progresses. For the Irish economy as a whole,and for Irish organisations in particular,the post-1992 era seems likely to be very different from anything that has gone before since the foundation of the State.

SPECIAL APPENDIX TO CHAPTER FOUR

Glossary of key terms

Bord Bainne	-	The Irish Dairy Board
Clann na Poblachta	-	small political party and minority coalition partner in the first interparty government. Left wing and republican - 1947-65. (Lit. The republican family or kin).
Clann na Talmhan	-	small special interest political party representing farming interests over 1943-61. (Lit. The kinship of the Land).
Cumann na nGaedheal	-	The original pro-Treaty party(see Fine Gael below. Lit.'The Association or fraternity of the Gaels')
Dail Eireann	-	The Irish Parliament in the narrow sense (commonly referred to as the Dail)
Eire	-	The gaelic term officially,and commonly,used to refer to the Irish Free State.
Fianna Fail	-	The party formed by the anti-Treaty faction in 1926 and one of the two main political parties.(lit. 'Soldiers of Destiny')
Fine Gael	-	The reconstituted Cumann na nGaedheal from 1933 onwards. One of the two main political parties. Pro-Treaty in origin.(lit. 'The tribe or kinship of the Gaels).
Interparty Government	-	Two administrations in the 1950's involving a multi-party coalition.
Irish Free State	-	The official title of the Irish state from 1922-49.(see Eire above).
Northern Ireland	-	The six counties in the north east of the country that are politically part of the United Kingdom.(Commonly referred to as Ulster but in fact comprising only six of the nine counties in the province of Ulster. Also commonly referred to as 'the North')
Oireachtas	-	The Irish Parliament in the wider sense. Constitutionally consisting of the two houses,the Dail and the Seanad(Senate),along with the Office of the President.
Republic of Ireland	-	The official title of the Irish State since 1949.(Commonly referred to as 'the South')
Semi-state Bodies	-	State-sponsored agencies,many of them State-owned entreprises.
Tanaiste	-	The deputy Prime Minister.
Taoiseach	-	The Prime Minister. In fact the term taoiseach means chieftain,and conveys a stronger leadership tone than the primes inter pares of prime minister.
Teachta Dail	-	Dail Representative,commonly referred to as a TD (abbrev. for Teachta Dail) or as a Dail Deputy.

Irish Administrations Since 1922

	Taoiseach	Main Parties
1922-32	W.T. Cosgrave	Cumann na nGaedheal
1932-48	E. de Valera	Fianna Fail
1948-51	J.A. Costello	Inter party
1951-54	E. de Valera	Fianna Fail
1954-57	J.A. Costello	Inter party
1957-73	E. de Valera(1957-59)	Fianna Fail
	S. Lemass (1959-66)	
	J. Lynch (1966-72)	
1973-77	L. Cosgrave	Fine Gael,Labour
1977-81	J. Lynch (1977-79)	Fianna Fail
	C.J. Haughey(1979-81)	
1981-82	G. FitzGerald	Fine Gael,Labour
1982-82	C.J. Haughey	Fianna Fail (Feb-Nov82)
1982-87	G. FitzGerald	Fine Gael,Labour
1987-	C.J. Haughey	Fianna Fail

Note: The above shows only the main administrations and changes of administration. It is not a chronology of General Elections. The maximum life of any elected Dail is five years under the Irish Constitution.

Chronology of Key dates in Irish History since the 1800's

1798	Wolfe Tone and the United Irishmen - birth of Republicanism. Armed rebellion - defeated.
1801	Act of Union. Ireland integrated into the United Kingdom of Great Britain and Ireland.
(1779-1823	The early rationalisation of the Irish distilling industry; the emergence of the major family firms which came to dominate the industry's subsequent development)
1829	Catholic Emancipation.
1842	The Young Ireland Movement - the birth of modern Irish Nationalism.
1845-48	The Years of the Great Famine.
1850	The formation of the Land League - the agrarian movement which later widened into a constitutional movement.
1867	Armed insurrection by the Fenian Movement,a failure.
1873	The Home Rule League - the constitutional movement.
1885	Parnell and the Home Rulers return 86 members to Westminister (every seat in Ireland outside of eastern Ulster and Trinity College).
1886	Defeat of Gladstone's First Home Rule Bill.
1889	Plunkett starts the Cooperative Movement in Ireland.
1891	The fall of Parnell.
1893	The defeat of Gladstone's Second Home Rule Bill.
1893	The launching of the Gaelic League - the cultural movement.
1907	Arthur Griffith founds Sinn Fein.
1914	Asquith's Home Rule measure - put in abeyance at the outbreak of the Great War.
1916	The Easter Rising and the subsequent execution of the leaders.
1918	Sinn Fein landslide,win 73 seats out of 103 in Westminister election. Pursue an abstentionist strategy.
1919	First Dail. Sinn Fein provisional government.
1919-21	Anglo-Irish War.(War of Independence to nationalists)
1920	Government of Ireland Act, Northern Ireland gets its own parliament. Partition of Ireland.
1921	Anglo-Irish Treaty. Treaty issue splits the Dail.
1922	Establishment of the Irish Free State; first Free State government; civil war.
1926	Boundary Commision affirms the partition of Ireland.
1926	De Valera forms Fianna Fail. Sinn Fein marginalised.
1927	Fianna Fail abandons abstention and enters the Dail.
(1927	Government intervenes to rationalise the Irish dairy industry.)
1932	De Valera and Fianna Fail come to power. Economic self-sufficiency.
1933-38	The 'economic war' with Britain; De Valera dismantles the Treaty with limited political fallout.
(1934	Comhlucht Siucre Eireann Teo. is founded as the State rescues the ailing sugar beet industry and plans to make the country self-sufficient in sugar)
1937	Bunreacht na hEireann,the Irish Constitution,is drawn up.
1938	Economic war ends; Britain hands back the ports.
1939-45	The Emergency. Ireland remains officially neutral throughout the Second World War.
1949	Southern Ireland becomes a Republic.

1951	Major Church-State clash over the Mother and Child scheme; the influence of the Catholic Social Movement at its nadir.
1958	Whitaker publishes 'Economic Development'; the First Programme for Economic Expansion gets under way. Lemass abandons Self-Sufficiency and leads the drive to open and expand the economy.
(1958	An Foras Taluntais,the Agricultural Institute is finally started after years of controversy)
1963	Ireland's application to join the Common Market is blocked.
(1963	Report of the Survey Team on the rationalisation of the Dairy Industry)
(1964	Knapp Report on the restructuring of the Dairy Industry)
1965	Lemass meets O'Neill at Stormont; first ever Summit Meeting between a Taoiseach and a Northern Ireland Prime Minister.
1965	Anglo-Irish Free Trade Agreement.
(1966	Consolidation of the Irish whiskey industry;merger of the three dominant producers).
1968	Civil Rights Campaign in the North. Outbreak of the Northern troubles.
1972	The Stormont Parliament is suspended;direct rule in the North.
1972	Ireland joins the EEC.
(1972-74	Major amalgamations in the Dairy Industry)
1973	The first Oil Crisis.
1973	The Sunningdale Agreement; tri-partite agreement on provisions for the future government of Northern Ireland.
1974	The failure of the Sunningdale initiative; the fall of the power-sharing executive in the North.
1977	The Fianna Fail Manifesto - the genesis of the problems with the public finances;the economic strategy that backfired.
1979	The second Oil Crisis;the rise of monetarism and neo-classical economic doctrines in the global economy; prolonged recession and depression in world trade and in the Irish economy.
1980-87	Irish economy in recession;disorder in the public finances reaches critical point.
1985	The Anglo-Irish Agreement; an inter-governmental conference gives the Irish Government a formal advisory role in Northern Ireland affairs.
1986	The Single European Act; Ireland ratifies the Act by referendum in May 1987.
1987	The Programme for National Recovery.

CHAPTER FIVE

CASE STUDY - AN FORAS TALUNTAIS

In this and in the following three chapters the individual case narratives are presented.Each of these chapters contains a description of the strategic history of one of the four organisations under study. The four organisations are representative of each of the four main forms of organisation in Ireland's small,open and mixed national economy. The four organisations are An Foras Taluntais(AFT),a state sector agricultural research institute; Irish Distillers Group Ltd,a large public company; Comhlucht Siuicre Eireann Teo.(CSET),the state-owned sugar company; and Golden Vale Co-op Creameries Ltd,one of the country's six largest dairy processors and a cooperative organisation. Having made this brief general introduction to all four cases we now turn to present the first of the narratives,the genesis and strategic history of An Foras Taluntais.

Introduction to An Foras Taluntais

An Foras Taluntais (AFT), also known as The Agricultural Institute, is a public service agency set up by the Government through an Act of Dail Eireann in 1958. Its general functions, as described in the Act, are to "review, facilitate, encourage, assist, coordinate, promote and undertake agricultural research." The full Act prescribes 11 more specific functions for AFT.

AFT's early interpretation of its basic mission is revealed in the following extracts taken from its 1959-60 Annual Report to the Minister for Agriculture. Recognising the "important function of agricultural research as the basis for the ordered expansion and development of the agricultural industry in all its aspects" AFT determined that it must strive to develop "an adequately balanced research programme (which) must aim at improving efficiency in production, processing, marketing; improving farm economic and living standards; eliminate the waste and losses involved in storage, diseases and pests; explore and expand markets and ensure that any changes or advances consequent on technological improvements are adjusted to human well-being and a balanced rural life...Not only must research have these objectives, but it must ensure that the fruits of this research are brought to bear on farming as early as possible.." and it felt that these objectives could only be achieved by an organisation working "...in full harmony with the different agencies responsible for policy making, and ... with the Advisory Services and farming and rural organisations."

AFT,then, could be described as an infrastructural research organisation to Irish agriculture funded by the State. The main resource in this type of institute is professional staff and the main activities to which this resource is applied are discrete research projects. "We only have one product; information, and we only have one source; ideas" was how one senior manager put it. In 1986,when the field work for this study began,the Institute had approximately 236 researchers out of a total complement of about 1200 personnel. The remainder were divided between technical, administrative and general support staff. There were in the region of 700 discrete projects in the overall research programme of the Institute.

Main phases in AFT's history

The interview data revealed a widely shared perception of certain distinct phases in AFT's history. These phases, with their key events, forces and turning points, are described briefly below.

1945-58 Origin and Formation

Direct public sector involvement in agriculture began in Ireland in 1899 when the Westminister government set up the Department of Agriculture and Technical Instruction for Ireland(the DATI). The decade leading to the setting up of this new department was a very formative and very significant one for the whole future structure of Irish agriculture. The leading influence in these formative developments was Sir Horace Plunkett.

Plunkett was an Irish Unionist of the landed class. He came to the view that the great political question of the time,Home Rule,was diverting too much energy and attention away from the economic development of Irish agriculture to the material detriment of all the interests involved,whatever their politics. Plunkett was concerned about the overall lack of productivity and competitiveness of Irish agriculture by the international standards of the time and he feared for its overall future viability. He became passionately interested in the principle of cooperation as the basis for progress,"not just (as) a more efficient way of utilising the resources of the country " but also as "a means of restoring the Irishman's self-respect,sapped,so it seemed to (him),by many years of cooercion and eviction and also by the demagoguery of nationalist politicians" which had "led to a weakening of moral fibre and self-reliance"(Lyons,1973;208).

In 1889 Plunkett founded the first cooperative society at Doneraile in County Waterford. After a slow start the cooperative movement in Ireland began to gather momentum. Plunkett was especially concerned that the newly emerging creamery system would be run for the economic benefit of the milk producers and their rural communities. Within ten years there were 876 cooperative societies with a combined turnover of £3m. In 1895 Plunkett,by then a Unionist member at Westminister,formed his famous Recess Committee of Irish MP's which cut across party lines and devoted itself to issues of general economic welfare. Plunkett used the mechanism of the Recess Committee to pursue two of his own personal hobbyhorses,the need to create a Board of Agriculture for Ireland and the need to promote practical,technical education in agriculture. The Recess Committee published a unanimous report in 1896. In this document,which was based on Plunkett's own thinking,they highlighted the backwardness of Irish agriculture in relation to what was being done elsewhere,and argued,as Plunkett(1904) himself later put it,that "the time had come when a sound system of State aid to agriculture might be fruitfully grafted on to (the) native growth of local effort and self-reliance" that was already being achieved by the rapidly growing cooperative movement.

Direct State involvement in the development of Irish agriculture was,in this way,strongly advocated. In 1899,on the recommendation of the Recess Committee Report,the new Department of Agriculture and Technical Instruction was set up. Plunkett was,himself,appointed its first Vice-President and Chief Executive Officer. The attendant dangers in direct State involvement were recognised by the Recess Committee from the beginning. According to Anderson(1935;97) "all through the (1896) Report it is enjoined that the new Department should supplement the efforts of the voluntary associations but never attempt to provide a substitute for them". In 1922 the Department passed into the hands of the Irish Free State along with the rest of the State bureaucracy,as agreed in the terms of the Anglo-Irish Treaty. Over the 1899-1945 period, under various administrations in Westminister and later in Dublin,the Department came to enlarge and diversify its involvement into various activities in support of agricultural development including education, technical advice,inspection and quality assurance,and research.

The idea of establishing a national agricultural institute first took root in the immediate post World War II period. Soil fertility had suffered over the years of shortage and economic depression that had characterised the 1930-45 period. In 1948 a visiting grassland expert from New Zealand,a man called Holmes,reported that "the country's grasslands were producing the minimum possible under an Irish sky"(Bolger,1977;244). At the same time the Marshall Aid Programme for European recovery and reconstruction was underway. Special delegates had been assigned by the US Government to each country in Europe to administer the programme. In 1948,the Irish delegate,a man named Carrigan, was invited to speak at a meeting of the Agricultural Science Society, an undergraduate society, in University College Dublin. He used this platform to argue that Ireland was too small a country to have multiple agencies conducting research in agriculture without coordination. At the time the Department of Agriculture, the Universities and some State-owned and private enterprises were independently engaged in agricultural research without any overall coherent strategy. Carrigan's proposal was that the US Government would be favourably disposed to lending financial and other support, through the Marshall Aid Program, for the establishment of a national agricultural institute. According to O'Sullivan(1973;158):

> "The original American intention was that the new Institute would be responsible for teaching at University level in agriculture,veterinary science,horticulture and forestry; research in these subjects; the dissemination of research results and that it would take over the Advisory Services".

This proposal gave rise to much conflict and controversy. It was to be nearly ten years before the new national institute finally opened its doors. The proposal threatened a number of powerful interests that were already engaged in the activities that were earmarked for the new institute under the American model. Among these interests were the Universities,the Catholic Hierarchy,the Department of Agriculture and some farming bodies. Conflict arose among these interests over the proposed domain of the new institute and over the form of control. By 1954 the Governments of the US and Ireland had concluded the formal arrangements for the establishment of the new institute and in 1955 the Minister for Agriculture,Mr James Dillon,publicly announced his plan for the reorganisation of higher agricultural education in Ireland. Essentially what the Minister wanted was to centralise all third level teaching and research in Agriculture into a single institution modelled on the Dutch agricultural university at Wageningen,which was believed to have had much to do with making Dutch agriculture among the most efficient in the world. At this time,three of the universities already had faculties of agriculture and a fourth was agitating for one. The Minister argued in an interview given to the Irish Independent on 20-7-55 that:

> "It was manifest that we had not available the trained personnel to man four faculties of agriculture adequately,and that the only consequence of attempting to do so would be to leave us with four inadequate faculties of agricultural science instead of one good centre for agricultural education and research".

University and farming interests were the main opponents of the Minister's plan but they managed to harness powerful support from the Catholic Hierarchy. They appealed to Catholic social teaching on the organisation of society,as then most recently ennunciated in the papal encyclical of Pope Pius XI, 'Quadragesimo Anno',published in 1931. The two main elements in Catholic social thought reflected in this encyclical were a philosophical concern with the extension of direct state involvement in social organisation and the idea that Vocationalism represented the best principle along which to develop the organisation of society. The Pope had argued that there was a basic principle in social philosophy,the principle of subsidiary function, and that 'it is an injustice and at the same time a grave evil and disturbance of right order to assign to a greater and higher association what lesser and sub-ordinate organisations can do'(Quoted in Whyte,1980;67). The period 1946-58 was when Catholic social thinking,as reflected in Quadregisimo Anno,was at its most influential in Ireland. It defined its main issue as one of Vocationalism -v- State bureaucracy in Irish social organisation. By harnessing this issue the university and farming interests were able to mobilise a number of influential Irish bishops in their opposition to the Minister's plan.

The Archbishop of Tuam,the Bishop of Galway and the Bishop of Cork all entered the public debate on the side of those opposed to the proposal. The Bishop of Cork's intervention illustrates just how effective the opponents of the Minister's plan were in harnessing Catholic social thought to their position. At a meeting in Cork the Bishop said:

> "The accepted principle is that in agriculture as in industry,commerce and professions,etc.,the proper function of the State is to help the private citizen and his organisation rather than edge them out with its own agencies..
> The people of this country would vote down a government that openly committed itself to a policy of Socialisation. But Socialisation can be a gradual,hidden and undeclared process. One department after another can nibble more and more from the field of private entreprise until finally little worthwhile remains outside civil service control. That is why it is so necessary to examine the proposed Institute and see if it be part of the larger trend or movement towards out-and-out Statism.."(cited in Whyte,1980;310).

In the face of opposition on such a scale,the Minister had to modify his proposal. The teaching function was dropped and left with the universities. The advisory services were left with the Department of Agriculture. In the end the supporters of the new Institute had to fight to have it retain an active research brief. There were many who wanted it to be reduced to a mere co-ordinating body,with no direct research activity. There were also many who questioned the need for the new Institute to be an independent, autonomous body. According to the interview data it is believed within AFT by some senior people that " there was tremendous political activity by the Department of Agriculture in particular, and possibly by the Department of Finance, to deny the autonomy that the American Government was particularly anxious to assign to the new institute". A report was commissioned by the Government which actually recommended that an independent agricultural research institute was neither necessary nor desireable. However,one of the commissioners dissented from the majority view saying in effect that 'no one would have any respect for it unless it was independent of friend and foe alike'. In the end the government of the day decided in favour of an independent institute but excluded from its remit responsibility for university teaching, veterinary research and the Advisory Services.

In sum, the formation of AFT was characterised by conflict over its autonomy and over the extent of its legitimate domain. These issues of autonomy and domain are still concerns for AFT more than 25 years on and remain only quasi resolved.

1958-68 Establishment and Early Growth

Dr Tom Walsh was seconded from the research staff at the Department of Agriculture to be the new Institute's first Director. The initial funding for AFT came from the Marshall Aid fund in the form of a capital grant of £840000 and an endowment fund of £1m. The interest from the endowment fund was meant to contribute towards the operating expenses of AFT though it was always accepted that an annual grant-in-aid would be needed from the State to supplement it.

AFT had been born in controversy and powerful institutional interests,by then already long established in the field of agricultural education and research, were critically watching the early development of AFT and jealously guarding their own traditional domains. In Walsh's own words AFT expanded quickly "and this fact raised the ire of some people in the Department and in the universities". Right from the word go 'the Doc',as Dr Walsh came to be known by all his staff,had to fight for his operational scope and freedom. He was clear on what he wanted as he recalled in interview:

> "The Institute was set up to develop the agriculture of the country. Agriculture included food,this is very important. It did not just mean farming. It brought in the socio-economic structure and behavioural sciences as well.The model was the State college of agriculture(in the US)"

His own vision for the new institute was not fully shared by vested interests outside of AFT. There were objections to him setting up a rural economy division because "it was said that the Institute's focus was production" but the Doc "never saw it that way". He won this battle but lost others in this formative period. For example,he ran into stout resistance from the Department of Agriculture which refused to transfer their cerial breeding and barley breeding research programmes over to AFT. The Department continued to maintain a research division in spite of the strong representations made to Government by Walsh and his council to have all of the Department's existing research activities transferred over to the new institute.

Undaunted by these difficulties the Doc quickly set about defining the major fields for research in the new institute. He structured the initial research programmes under the broad categories of soils, animal production, plant sciences and crop husbandry, horticulture and forestry, and rural economy. In his initial structure he set up two special liaison activities, scientific liaison and agricultural liaison. The first was chartered with maintaining ready access to the research output of similiar institutions across the globe and the second with developing the dissemmination channels and relationships that would bring the scientific information that was generated,or acquired,by AFT out into the field as quickly as possible.

He assembled the physical and human resources to fulfill his vision for AFT with the minimum of bureaucratic procedure. He negotiated personally for the transfer of existing facilities and staff from the Department and from the Universities. Decisions were often made at a single informal meeting between himself and the other principals involved. With the Marshall Aid money,he and his senior staff went out and bought land and buildings in the same informal way,haggling personally over the terms and conditions as if they were dealing for themselves. In this way the initial resources for AFT were quickly acquired and assembled. He hired a mix of experienced graduates, some of them non-nationals,and a crop of fresh young Irish graduates. He moved quickly to build up the skill base of the Institute to the highest of international standards. In these first years of the Institute's life he sent off scores of his newly minted Irish graduates on Kellogg Foundation scholarships to take higher degrees in reputable US universities; at one point he had as many as 100 such graduates on this programme concurrently.

By 1961 AFT had already grown to 705 personnel and by 1967 this had expanded further to 1076. According to one senior manager in AFT "officially the Department of Agriculture were very alarmed at the rate of AFT's early expansion" and clearly had never intended nor expected that it would grow so large,so fast.

AFT's rapid growth during the 1958-68 period was due to a number of factors. Firstly the early work of AFT had an immediate impact. "One of the success elements of AFT in the early years was that we were starting out from such a low base that anything that was done was going to make an immediate impact" was how one interviewee put it. Another illustrated the point by giving the example of the country's production of silage which was 120,000 tons in 1950 and is 20,000,000 tons today from the same land area with "the Institute's work..largely responsible for such an increase". One of the difficulties which has dogged AFT over the years is that progressively greater research effort and sophistication has seemed to be needed to make a comparable impact.

The second major factor in AFT's rapid early growth was that the new Institute had "emerged at a time of revolutionary thinking in national policy"(O'Sullivan,1973;158). As we saw in chapter 4,the year 1958 marked a major watershed in the development of modern Ireland. Throughout the 50's the country was stagnating as emigration reached levels that were unprecedented since the foundation of the State. There was a prevailing mood of despondency. In 1958,the same year that AFT was founded,Whitaker's 'Economic Development' was published. In this highly influential and now historic document,Whitaker,a senior executive in the Department of Finance argued for a national programme of productive investment in order to expand the economy. For Whitaker(1958;par 12)there was also "a sound 'psychological' reason for having an integrated development programme" and "a real need to buttress confidence in the country's future". A 'dynamic' needed to be released in the economy to bring it from its clearly under-developed state to take-off and a national indicative programme seemed to Whitaker to provide a possible answer. Lemass accepted the Whitaker analysis and supplied the political leadership that resulted in the development of The First Programme for Economic Expansion to cover the five year period 1958-63.

The First Programme laid a strong emphasis on agriculture. Agriculture was an important export sector and a significant net earner of foreign exchange. To expand industry in the Ireland of the time involved an increase in imports of capital equipment and raw materials. An increase in the export-earning potential of Irish agriculture was looked to in the Programme to help generate the foreign exchange necessary to allow industry to expand without any balance of payments difficulties. Investment in applied research in agriculture was looked on as productive in the Whitaker and Lemass development scheme. AFT's rapid growth over the 1958-63 period took place within the context of the First Programme as is clearly seen in this extract from the Annual Report of 1963-64:

"At the request of the Minister for Agriculture a report on developments in

(AFT) in relation to the first Economic Expansion Programme was prepared and submitted..In line with the objectives of the Programme a comprehensive organisation with competent staff was built up to carry out research in the fields of plant sciences and crop husbandry,animal production, horticulture and finally rural economy.."

Encouraged by the success of the First Programme,which had exceeded all expectations in terms of overall growth in the economy,the Government decided to extend the policy of indicative planning through to the end of the decade. When the Second Programme For Economic Expansion came to be formulated the Institute was required to advise on the research needs for agriculture up to 1970. AFT's proposed programme,on approval by the Government,was directly incorporated as an integral element in the Second Programme's plans and objectives for the agricultural sector,which again was pivotal to the overall national strategy. Further investment in research was still regarded as productive in the Second Programme:

"While labour and capital are the essential ingredients of economic growth, research and education are now regarded as the essential "third factor", being the basis for innovation and the invention of new processes and materials as well as the improved utilisation of available resources. In the Second Programme for Economic Expansion the role of research in this respect is fully recognised"(Annual Report,1964-65).

During the period covered by the Second Programme the Institute got the only multi-year budgetary allocation in its history. This was a three year financial committment from the government to cover the planned development of AFT over the 1963-66 period.

In sum,over the first decade of its existence public funding was available for investment in research as part of a national strategy for planned economic expansion. As one senior manager remembered it:

"There was great growth and buoyancy associated with the Programme for Economic Expansion. The rising tide was raising all boats..it raised our boat"

AFT was also fortunate during this general expansionary period in "having an advocate in court" to counterbalance the less than satisfactory relationship between the Institute and the Department of Agriculture. As the Doc put it "the Department were not friendly..there wasn't the right level of goodwill between the Institute and the Department" but he "knew Ken Whitaker and the Minister Jim Ryan in the Department of Finance". This 'in' with the Department of Finance was a help in securing the multi-year funding over over the 1963-66 period. It also allowed the Doc to maintain control over AFT salary levels during the first decade of AFT's development in spite of considerable opposition and resentment from the Department of Agriculture. AFT's ability to pay above the general public service rates helped the Doc to attract and to keep a cadre of well qualified and highly motivated researchers. The skills and energies of these professionals allowed the Doc to build AFT into an institution of considerable national importance and impact in less than a decade after its foundation.

A third factor of significance was the Marshall Aid itself and the Institute's control over its disposition. According to AFT's Finance Officer the capital fund "was entirely under AFT control and this bought the farms and built the buildings. It gave the Institute the freedom to expand as it did without having to refer back to the State. When that ran out your expansion slowed down and you had to go back to the State and they could say yes or no. This had a noticeable effect on AFT's rate of expansion". The Marshall Aid funding,and the inter-governmental agreement that went with it, allowed AFT a level of operational autonomy in this first decade that facilitated its growth and development. This operating freedom was felt to be an important factor in AFT's early development,given the attitude and concern that appeared to exist within the Department of Agriculture to the new Institute and its first Director. As the Doc himself recalled in interview:

"There was a certain resentment within the Department to the Institute. We were doing things,getting a lot of publicity in the press and this created some jealousies. The Department expected me to go cap in hand to them and say we'll be good boys..The Department of Agriculture had a long background of paternalism..(However) the Director of AFT was...a statutory entity in his own right..a government appointee. Along with the (Director's) contract you had the inter-governmental agreement..the Director (therefore) had a lot of strength..The Department wanted a lot of control. I was operating the autonomy of the Institute. It was a continual struggle day in,day out".

Last,but not least, within AFT itself there is little doubt that the personal characteristics, beliefs and operating style of the Institute's first Director,Dr. Tom Walsh, had a decisive influence on AFT's early expansion and ultimate size. As one senior manager, in AFT since its foundation, put it "the Doc was the driving force...it would never have been as big as it is..never have been what it is today ..if it had not been for the Doc". Another said of Walsh that "he was the outstanding character". He went on to remark that he and others, when looking back over AFT's early expansion and development, have often asked themselves "who else could have done it".

The Doc was growth orientated and "anything that anybody was doing in agriculture,food or environment Doc Walsh threw his beady eye on it ..arguing against fragmentation". He "just grew and grew in not a very planned manner. He was an opportunist". He "had no concept of, and did not want discussed, when the end of the expansion of AFT was to be". His strategy around recruiting was to "get the best people, motivate them, turn them loose and they will define the programme". He was aided in this by having control of the salary structure of AFT during the early years, and by not being constrained by general public service rates. He was a cavalier and a builder who attracted like-minded people into AFT and encouraged them to be innovative and to build up their departments and programmes. With the ferment that he generated it was almost inevitable that difficulties would arise;some people in key positions were moved,others resigned. Some were not cavalier enough,others were too much so. "The main thing was to get the job done". Walsh fired his young staff up with a belief in themselves and in the importance of their mission to the nation. He was driven by his own deep nationalist convictions.He described his own management approach in this way:

"My main job was building morale..to get to know each person and their capacity..The big thing was the motivation of the staff and how they could be motivated. They had a national job to do. They might have thought that they were small cogs but the work that they were doing was important.."

He "had a charisma of leadership where young scientists identified for themselves individually and collectively a mission in the revival of Irish agriculture". He infused in them a spirit and a belief that "as scientists, even though from a small country,we were equal to the best and better than most". He saw himself and his young staff as "bringing science to the people" and the Doc believed passionately in the potential of the application of science for the development of the economy in the national interest. As one long serving senior executive recalled:

"he had the idea that there was no problem that could not be solved by AFT..

Science and technology could be harnessed to do anything and to hell with the politicians and people who got in the way..He saw no limit to the growth of agriculture in Ireland and he saw agriculture as the primary engine of the economy.."

The Doc continually pointed to native renewable resources as a primary source of the nation's wealth and one of his favourite metaphors for Irish agriculture was 'the mine on the top of the land'. The Doc always saw AFT as part of a larger national effort. Many of the young pioneering scientists that he had attracted to AFT in the early days later left to take up key positions in the meat and dairy processing industries which,as Institute scientists,they had been helping to develop and modernise. This was a matter of pride for the Doc who looked on this process as a natural extension and valuable by-product of the developmental role of AFT:

"There is the whole thing about the intellectual investment..the resource pool..the training of staff provided a pool of scientifically trained manpower to this country in a real sense..to the meat processing sector, to the universities etc.."

1968-73 Review and Reorganisation

After its initial rapid expansion, the late 60's saw AFT confronting some new issues. The easy gains from investment in agricultural research had been made and it was now becoming harder for AFT to demonstrate the impact and value to the economy of its research programme. It had grown to a full establishment of just over 1000 personnel in permanent and pensionable public sector jobs and it was facing concerns about its continued relevance and its future resource support. It was also finding it more difficult to maintain its relative freedom of action.

Up until 1967/68 the Department of Agriculture had no direct representation on the AFT Council. The appointment of a new council in 1967/68 brought two officials of the Department onto the governing body of the Institute, "the two men that the Department put in to control me" as Walsh himself recently put it. According to one senior manager of AFT " there was head-on conflict between the Department Secretary and the Institute..fierce controversies.. even walk outs..that no one talks about" in AFT's relationships with the Department at that time. Furthermore the capital fund was almost completely expended by 1964 and the interest on the endowment fund was contributing a a very small and declining proportion of the Institue's operating expenditure. At AFT they knew that they would have to seek continued and expanded support through the annual estimates for the Department of Agriculture and they were expecting difficulties.

Walsh met the new situation by organising a major review of the Institute's programme for relevance and scientific quality. He involved major external interest groups and highly reputable external scientific expertise in these reviews. From this major review a 5 year plan for AFT called 'Research for Agriculture 1970-75' was produced and published. The plan called for moderate expansion at a rate of 5% per annum over the period covered. The major review and the consequent 5 year plan were seen within AFT as "Walsh's reposte to the new situation that the Government had imposed...He knew he was going to have a new chairman and a new council that were going to be difficult. The question was how to contend with this..how to keep them at arm's length..His answer was to draw up a charter". The plan ,it would appear, was a mechanism for seeking legitimacy for AFT's current programme and intended new activities and by extension a staking of its claims on resources in support of them. As the Doc himself recalled the 1970-75 plan was "addressed at the government of the day to get more money" though its impact fell far short of his own high aspirations in this regard.

If AFT did not get all the financial support that it sought in this period, nevertheless it was able to continue its expansion though at a more modest rate. The production of the 1970-75 plan,with its strong external validation element,did help. However,it alone was not sufficient to overcome the concern and scepticism of the Department of Agriculture which by then was having an increasing influence on the AFT funding. Some of the Department officials are known,in AFT,to have believed that "the initial expansion of AFT was wrong and that it would come home to roost". Yet by the late 60's,after a decade of service to agriculture,there were important countervailing influences that supported AFT. "The media, particularly the Farmers Journal, which..lionised the work that was being done at the Centres" was a major influence in shaping opinion throughout the sector. In addition there were "certain political forces motivated (to support the Institute) through grassroots feedback..people down the country could see their lot improving and could connect it with the work of AFT". This countervailing support did not,however, remove the sense of uncertainty that pervade right down through the organisation at that time. One department head remembers it as a "very sticky (period)..from a resource point of view and from a sense of direction. AFT was a little bit uncertain about where it was going and about how it slotted in with other organisations".

As AFT undertook its major review of the research programme and the development of the programme priorities for the 1970-75 period it began to take a close look at its organisation structure and administration systems. There were concerns that "the system had begun to creak" under the strains of growth. AFT had expanded rapidly throughout most of the decade and Walsh was no longer able to direct and control the organisation using direct personal supervision as the primary coordinating mechanism. The original organisation structure had been developed around scientific disciplines but the facilities had been built up and clustered around commodities. There were many instances under this structure where a department from one division would be physically located in facilities primarily dedicated to,and under the facility direction of,another division. This was causing "all kinds of difficulties of dual control and dual command". The Doc himself was concerned that AFT was becoming institutionalised and losing some of its early vigour and dynamism in the process:

"..the organisation had settled down and maybe settled down too much. The divisional structure had created a sense of division. It was a problem of ensuring a flow of knowledge across divisions. It was a sense that the divisional structure was seen as inhibitive in some way. It was getting too structured in terms of mobility and action"

The question of whether to organise primarily around disciplines or commodities was one that concerned other national agricultural research institutions at the time and was being discussed by Walsh with his counterparts in Canada and New Zealand. He persuaded the Council of AFT to engage the services of Dr.J.A. Anderson from the University of Manitoba to advise on a reorganisation. According to the annual report of 1970/71 "the latest developments in the organisation of research in many countries were examined in public, scientific, commercial and industrial institutions" and were taken into account. The main change in the organisation structure,that emerged from the Anderson study was that staff and facilities were now to be organised around 7 main Research Centres with a programme/commodity focus rather than around 6 Divisions with a scientific discipline focus. Five of the seven new research centres were focussed specifically on commodities. The five commodities were beef,dairying,horticulture, soils/grasslands,and tillage crops. A sixth centre was devoted to rural economics and welfare. The setting up of the seventh centre was,itself, a strategic departure and an exception to the overall reorganisational rationale. It was to have a regional rather than a commodity focus. The Doc described the reason for setting up a centre for the Western region:

"There was always political pressure to develop the West. The West demands a different orientation for research..We were raising the development of the land in the West to a national priority level..The Western area was not moving. People from our council came from the East and there were big problems getting people focused on the West.."

It is clear from his later writings(Walsh,1981) that the Doc had a deep personal conviction about the importance of developing the Western region in the interests of the people of that region and in the overall national interest. It was more than a matter of economics,it was about preserving the "rural way of life with its fundamental and intrinsic values"(p2) in the disadvataged areas of the country that accounted for nearly 50% of the nation's land. It was also about restoring a culture of self-reliance and self-confidence to these areas where "over many generations the people on the land have been disadvantaged,resulting..in frustration,lack of motivation, reduced living standards and static in relation to change"(p8). The problems of these areas demanded an integrated approach to rural development that involved "agriculture, human resources,non-agricultural and service activities,each of which interacts synergistically when the balance is right"(p15) and a research programme for the West would have to reflect this need.

The reorganisation brought about a significant change in the pattern of resource deployment within the Institute. Along with the change in overall reporting structure there were some new decision making structures introduced at this time. A Central Directorate was set up that was to consist of the Director, the Deputy Director, Headquarters Associates and the Heads of the Research Centres. This was to be a new corporate structure which "evaluates and develops a unified research programme in line with Council policy" as described in the annual report 70/71. The Doc explained in interview why he wanted to set up this Central Directorate:

"I wanted cohesion and sharing in the administration..They (the division directors) were beginning to run these divisions as independent entities.. running several institutes instead of one..The concept of a central directorate (was one) where the head of Centre was part of the corporate management team...It gave each Centre director the right to talk about how the other Centres were managed"

There was also to be, "a consultative management committee..representative of all personnel categories..at each Centre" which would ensure "staff participation in programme development, evaluation and review".

The Deputy Director post was another novel feature of the 1970/71 reorganisation and later events were to show that this was in effect a Director-in-waiting position. A further development directly connected with this reorganisation was the setting up of a Planning Information and Analysis Department (PIAD) at headquarters because it had become "even more important that the right decisions are made on research priorities having regard for the resources available. Our Planning Information and Analysis Department plays a significant role here..Planning is therefore all important" as the 1971/72 annual report heralded this new subunit. An early contribution from the PIAD was the development and introduction of the ARMIS system, a computerised Agricultural Research Management Information System, which was intended to "provide a comprehensive database on programme activities for all the staff in the organisation" (Higgins,1973:182). According to Higgins(1973: 184) the introduction of the ARMIS system meant that "forward planning, describing the desired configuration of resources over the short to medium term planning periods (1 to 5 years) is now possible and progress towards these configurations can be monitored and controlled using ARMIS. On this basis we can apply a conscious and planned approach to the problems of resource reallocation and redeployment"(Higgins,1973:184).

The 1970-71 reorganisation was not an unqualified success for a number of reasons. There was a serious controversy over the appointment of one of the new Centre directors which led to the resignation of one of the Doc's most talented cavaliers. The Doc and Mick Walshe clashed openly on the latter's appointment to the newly established Western Centre.Mick Walshe had wanted, and had been generally expected to get,the directorship of the Dairy Centre at Moorepark and he refused to accept the outcome of the Doc's reorganisation. After months of controversy,which extended beyond the Institute into the media and the political system,Mick Walshe eventually resigned. When the irresistable force met the immovable object in this reorganisation episode AFT lost a talent that in the Doc's own view "had the attributes..had a good chance of being a future Director (of AFT)".

There were further difficulties which tended to undermine the effectiveness of the reorganisation blueprint. The Doc,by personality,was not suited to the participative structures that emerged from the reorganisation. His dominating style meant that none of the new administrative supports, the Deputy Directorship,the Central Directorate nor the consultative committees,were used to anywhere near full effect under his leadership. The Doc himself came in time to regret the organisation of 1970-71 in that it went too far too fast. It was not primarily new structures that he wanted out of the reorganisation process; these were somewhat forced upon him by the Anderson study. What he really wanted was to "keep the pot stirring in some ways" because of his conviction that "in any research organisation there has to be agitation or nothing will get done". He later came to feel that "there was a mistake made in terms of reorganising all at one time" instead of reviewing and reorganising a department or centre a year just to keep things on the boil. Furthermore,the ARMIS system never really came to full fruition during the Doc's regime. He wanted AFT to be seen to have a comprehensive formal planning system but he also wanted the flexibility to manage intuitively and opportunistically as he had always done. According to one of those most involved with the introduction and implementation of ARMIS:

> "Walsh never believed that he needed all the planning paraphernalia. He believed that research was managed best through the personal touch. (The Doc) lacked major commitment to a planning function".

1973-79 EEC and Contract Funding

"If a man from Mars was to look at the Institute from the beginning the most significant change that he would see would be the growth in the Institute's contribution to its own finances". This statement was made by AFT's Finance Officer and the major change that he was referring to was set in train by developments that took place in the period 1973-79.

A new confluence of factors developed in AFT's environment during this the 1973-79 period. The first of these was the decision of the Irish people, through a referendum, to join the EEC. "The decision to join the EEC dominated the farming scene..(the) early realisation of the benefits of EEC membership has had considerable influence on the farmer's outlook and willingness to invest"(Annual Report 72/73). AFT reasserted its national role in its annual report 72/73, stating that " the primary national objective of An Foras Taluntais's research is to help achieve the goal of maximising net export earnings from the agricultural sector..The fundamental oportunity..(is to help the sector) produce, process and market more efficiently". While the early emphasis of AFT had been on production research directed at increasing the productivity of the primary producers, it now proclaimed an expanding role for itself 'beyond the farm gate'. Closer links with the processors and marketers of farm produce was the signalled intention and the development in the programme of increasing emphasis on Food Science and Technology was to be the mechanism. In addition, EEC entry meant not only the opportunity to play an expanding role in helping Irish Agriculture to maximise earnings from the enlarged tariff-free market but it also offered a new role to AFT as a major Irish contributor to Community approaches to EEC agricultural development. After 1972, AFT was to seek and be sought for an increasing involvement in EEC research projects. It opened up a valuable new source of funding for AFT and offered the Doc and his Institute continued opportunity to expand its research activities at a time when,as we will see shortly, additional public funding for agricultural research began to become progressively more difficult to get.

As well as entry into the EEC there were other developments of importance for AFT taking place. In 1973 there was a change of government in Ireland for the first time in 16 years. AFT had a new political master. The new Minister for Agriculture and the new Government appointed a new council for AFT. The new government was only months into office when the Western World was confronted with a major oil crisis that signalled an end to cheap energy and started a period of very rapid inflation for Western economies including Ireland. This inflationary spiral threw public financing into disarray. Annual estimates of expenditure for the coming year, drawn up in late 1973 and incorporated into the January '74 Budget of the Government proved totally inadequate to cover the 1974 outurn. Uncertainty and financial crisis seeped down from the Government and its operating bureaucracy into the State-owned entreprises and public service agencies, including AFT, during this "period of extreme uncertainty and depression"(annual report 74). Putting added pressure on AFT was the operating deficit of £.5M that had been run up by 31/3/74 which the annual report of 73/74 highlighted as "the difficult liquidity position..the culmination of under financing over a number of years, heavily accentuated by rapid inflation".

1974 was "a watershed " in other ways. The energy crisis had caused rapid inflation in the price of many farm inputs, putting pressure on farm incomes and bursting the bubble of optimism that had spread throughout the whole agricultural sector on EEC entry. Over the two years since entry farmers' incomes had risen by on average 80% creating new prosperity and confidence in farmers and a willingness to invest in new methods and machinery. Farm incomes dropped by 12% in 1974. Adding to the effects of the rising cost of inputs there was a surplus of output in the beef sector, leading to a fall in beef prices. This "hiatus about livestock production was the first cold douche that the EEC was no bonanza..the air of optimism of the 60's was burst". 1974 proved to be just a temporary set back but it gave rise to a new air of realism with regard to the prospects for agriculture within the EEC. The following year saw a return to growth in the agricultural sector generally and in the dairy sector in particular, which continued on up to to 1979. Farm incomes,which throughout most of the 60's had been at or below 85% of the average industrial wage,rose to 112% in 1973,fell back to 71% in 1974 and then rose steadily again to exceed parity in 1977 and 1978.

The growing prosperity of the agricultural sector throughout most of the 70's led to a developing sentiment within the polity at large that the sector should do more to pay its own way. The agricultural sector was seen as the primary beneficiary of the country's entry into the EEC and the sector's moral claim on the public purse was weakened as a result. Moreover,since the late 60's the priority for public investment had shifted to industry and the need to create employment opportunities for rising number of well-educated young people who were coming onto the job market every year. While agricultural income was rising employment in the sector continued to fall as productivity improved. The sector's claim for further public investment was therefore also weakened in a context where the national priority was job creation. Furthermore the supply of public funds was under pressure from the high level of wage inflation in the public sector that persisted right on throughout the 70's.

In the post-1973 period AFT began to find itself having to look more and more to the generation of user funding in order to further develop and expand its research programme. The new Minister for Agriculture made it clear at the outset that no further public funding for agricultural research beyond the maintenance of the State's then current commitment would be forthcoming without matching contributions from the agricultural industry itself. Only in this way could he envisage any further expansion of AFT's activities. There was much subsequent argument and confusion between AFT and the Department of Agriculture about the nature and intent of the Minister's statement,and about what was actually said. AFT's interpretation of the proposal was contained in the 1974 Annual Report which records that " one government proposal was that in relation to the financing of our activities we should seek support from the agricultural sector, with the Government to contribute matching funds over and above a sum to be decided, based on what we have been receiving by way of Government grant". History came to show that the Government did not operate this pound for pound formula. As one interviewee simply stated "the Department welched on this and did not meet the expansion pound for pound". However AFT acted on their own interpretation of the Minister's message and went out in search of funding from the sector. A variety of mechanisms were developed to operationalise this policy shift towards user-funding. With some users specific research projects were contracted directly on a commercial basis,most notably with CSET(the Sugar Company) and the chemical companies. In other cases a commodity levy was agreed and the funding made available from the levy was then applied towards projects directly associated with the levy. The milk levy,in the dairy sector, was the prime example of this approach.

Finally,this 1973-79 period was notable for a major non-event of strategic significance to the Institute.The 1973/74 annual report records that in his speech to the new Council the Minister for Agriculture of the new National Coalition Government, Mr Clinton, said that "there should be close working arrangements between the research, development, advisory and educational agencies" and added that he looked forward to " the early integration and streamlining of the various services available to the farmer". The full implications of the Minister's thinking emerged in the form of a white paper in 1975 wherein he set out his proposal to establish a 'National Agricultural Advisory, Education and Research Authority'. The setting up of the proposed new body, whose title was later shortened to the National Agricultural

Authority (NAA), was to involve the dissolution of AFT as a separate entity and the amalgamation of its then current activities, facilities and personnel with those of the existing Advisory Service. The Advisory Service was at that time under the joint administration of the Department of Agriculture and the local County Councils.

There followed on from this proposal a major political struggle within AFT. It had raised the collective consciousness of the research staff in their opposition to the dissolution of AFT and its merging with the Advisory Service. Their fears were summed up by one senior manager who said that "the two services were incompatible. Give an organisation two areas of responsibility and you create chaos..the one with the political strength at the user level(in this case ,the Advisory Service)..will get more funds when the organisation as a whole is strapped for funds and the other piece, the research piece will be starved". The Director, on the other hand, was totally in favour of the proposed merger and was perceived by the researchers as not seeing and sharing their concerns because "he was after power..he wanted to expand his power base". The issue was fought in public through the media and in the Dail chamber. The researchers found a strong supporter for their position in the main opposition party's front bench spokesman on Agriculture and Minister designate if returned to government. The legislation was drawn up to proceed with the establishment of the NAA but before it was enacted there was a general election and the opposition party was returned to power. AFT was excluded from the brief of the new Authority when the legislation finally came before the Dail. By an accident of history, as it were, AFT maintained its independent identity.

1979-86 New Director, Commodity Surpluses, Resource Contraction and Programme Reorientation.

In 1979 the first Director of AFT,Dr.Tom Walsh,retired from the Institute and took up the appointment as the first Director of ACOT, the newly constituted advisory service that was set up after the amalgamation moves had failed. Dr Pierce Ryan, Deputy Director of the Institute since the 1971 reorganisation, succeeded him as Director of AFT. The two immediate effects of this change were,a change in leadership style and a change in the dominant coalition.

In contrast to the direct, driving, expansionist, authoritative style of Walsh, the Ryan style has been characterised as "quieter but equally committed to the advances that science and technology can make", a man who has "a vision..a more balanced view of where the Institute should be going", a man whose inclination is towards a "more collegiate approach". Various epithets and adjectives were offered in an attempt by various interviees to convey the contrast in approaches; Walsh as a motivator of men, Ryan as a logician,systems-man and diplomat; Walsh as more of a Chief, Ryan as more of a Chairman.

The other effect of the change of leadership was the consequential creation of 3 Deputy Director posts at headquarters. At the apex of the organisation there was now an 'Executive', an inner circle , that shared power with the new Director. The three new Deputy Directors were each given a major strategic focus, one on the resource allocation and control of the organisation as the effective director of operations; another as the architect of the research programme with a brief to keep the programme as a whole relevant and to identify the research technologies and skills needed to support it; and the third was focused on external relations with a particular brief to develop the links with the EEC. The role of Deputy

Director under Walsh's leadership was perceived to have had relatively little impact because of Walsh's personality and his natural tendency to keep power at the centre. Walsh's relationship with his Deputy Director was perceived in terms of "a dominant Director who had a deputy director in name only..The Deputy Director had no influence on programme composition..this was influenced by external events and the Director". Walsh only delegated " the things he did not want to handle himself..like personnel (issues)..". Under Ryan's Directorship the role of Deputy Director has had content, clout and responsibility. In terms of the dispersion of power within AFT, these 1979 changes were descibed by a head of department as "more significant" than the changes resulting from the 1971 reorganisation.

The new Director and his new directorate,or executive,came to the helm at a time when the operating environment of AFT began to undergo some dramatic changes which presented them with unprecedented and threatening challenges. These challenges came from a combination of factors. The most notable were the dramatic change in EEC policy towards agricultural production and the related change in national agri-product strategy, the gathering crisis in the country's public finances,and some structural rigidities in AFT itself.

The 1980's saw the EEC move way beyond self-sufficiency in many major commodities after years of expansion in agricultural production throughout the Community,largely in response to the price support incentives in the CAP. This expansion in production was mirrored right across the world's major food producing blocks so that the international situation in the 80's became broadly one of increasing supply and falling demand. Serious surpluses began to mount in many of the Community's main commodities. The mounting surpluses put an increasing strain on the Community's finances and put the CAP under threat of breakdown. Throughout the 1980's the Commission adopted various measures designed to curtail production and to control the surpluses,each one more drastic than the previous one. In the case of milk production,for example,they first reduced the level of the price supports in real terms. When this alone proved insufficient the Commission decided in 1984 to impose a system of production quotas on the member states with a superlevy penalty on producers that exceeded the quota. Even this superlevy system proved to be inadequate and in late 1986 the Commission resorted to the most drastic action of all by imposing cutbacks on production quotas across the Community.

These changes have had massive implications for AFT. Restrictions and cutbacks on production have meant that the primary thrust of AFT's research had to undergo major reorientation. AFT's major drive over the years was to increase the output of Irish agriculture. In the 1980's this had to change to take account of production restrictions and cutbacks. The new goal in production research had to become how to optimise the input/output ratio in a situation of restricted output. Furthermore the problems of commodity surpluses confronted Irish agriculture generally with the need to reduce its dependence on low value intervention type commodities which were more than ever subject to the whims of the political system. National strategists emphasised the need to bring about a major shift in product strategy across the board in Irish agriculture towards a greater reliance on higher value-added branded products with a high level of consumer acceptance.
To maintain its relevance and impact in this changing situation AFT was faced with the need to bring about a reorientation in its programme emphasis that would be the most fundamental and far-reaching in its history to date.
As one senior manager explained:

" the priorities (in the research programme had been broadly).. increased efficiency and productivity..This ethic ran right up to 1984 until we had the confrontation over the Superlevy. This motivation ran through all

> the systems..There is an absolutely new ball game now..restrictions on production now..a whole revolution taking place. The changes that take place in any one year since 1983 are as important as any that took place in decades before that. These changes have enormous implications for research".

In the post-1980 environment,then,AFT faced the need to bring about a fundamental re-alignment of its research programme. The Institute's difficulties as it turned to address this strategic priority were compounded by what was becoming a more stringent and more critical resource environment. Throughout the 1980-86 period the problem with the public finances,described in detail in chapter 4,progressively deepened to crisis proportions. AFT's annual grant-in-aid from the State became progressively tighter and covered a declining proportion of the Institute's current expenditure. By failing to maintain the real value of AFT's grant-in-aid the government forced AFT to either rationalise or to become more self-supporting through the increasing commercialisation of its services. This in turn had the effect of changing the basic nature and operant mission of the organisation though its statutory mission was never altered. Long-term,basic,infrastructural research began to get pushed out of the programme to make way for an increase in user-funded, user-defined, short-term applied or problem-solving projects. As the public finances got tighter not only did AFT's state-aid contract in real terms but the Institute faced a more critical and sceptical resource environment. The Institute felt itself under increasing pressure to justify its existence and its continuing right to even the diminishing support that was forthcoming from the public purse. A typical example of this more critical environment was the inclusion of AFT in a list of State-sponsored bodies which "test the taxpayers' tolerance" in an Irish Independent article on 27/4/83. These developments led to an increasing sense of identity crisis and concern for the future within AFT itself. As a senior financial executive put it:

> "What (was) happening as the budgets (were) being reduced (was) that people (were asking) the question why? Why are they reducing ours? Either there are no votes in it or they do not see us as contributing.."

The problem of bringing about a strategic realignment of the programme in this resource situation was particularly formidable. In the past resources were moved to emerging priority areas by channeling the incremental or marginal funds that were associated with growth,however modest,towards those priority areas while letting the lower priority areas run down through natural attrition. Now,in the 80's,the situation was different. Dramatic change was needed in a relatively short timeframe and in a situation of contracting resource. This could only be accommodated by carrying out a major redeployment and redirection of existing resources. In AFT this had to involve the major redeployment of research professionals since these are the strategic resource around which the programme is built and towards which the support resources flow. However,by the 1980's,there were some demographic and social rigidities in AFT that made this difficult. The complement of AFT researchers had not changed significantly since the late 60's with the result that the profile of the 'typical' AFT researcher,by 1985,was a 40-50 year old with 15 to 20 years of cumulative specialist experience in a given discipline and an employee of AFT since graduation. Reassigning such people to new research areas,requiring the newer disciplines like biotechnology,was inevitably going to prove difficult. Moreover,since the AFT research centres are geographically dispersed throughout the country,strategic reallocation of professionals across centres implied unwelcome domestic upheaval for many.

In additional to these demographic and social rigidities there were also substantial ideological and political difficulties. Ideologically there were many within AFT that found it hard to accept the changing emphasis away from long-term, basic,developmental research towards short-term,applied, problem-solving research that was carried out in many cases under specific contract. They felt that the traditional distinctive character of AFT,its sense of national mission and the quality of its scientific base,were under threat. Politically there were substantial internal vested interests at all levels, professional,departmental and centre, in the traditional balance and emphasis of the research programme which had emerged over many years. For example,the attempt to bring about a fundamental shift in programme emphasis from a farm-based production orientation to a consumer-based processing orientation had major resource and status implications right across the Institute. This change threatened the traditional status and dominance of the production researchers and of their departments and centres in AFT.

As early as 1980 the new Director and his team instigated a major internal review of AFT's research programme in order to bring it up to date with the new priorities emerging in agriculture and with the latest developments in science and technology. This review process involved all of the professional staff in an attempt to systematically evaluate the programme and to develop a fair degree of consensus around future priorities. Under Pierce Ryan's patient and persistent leadership the Institute began to make steady,if slow, progress in the task of transforming the programme. In fact the ARMIS system, which had "done just about enough to keep it alive over the years" since its introduction,was revitalised by Ryan and his team as one of the procedures used in this overall transformation effort. However,it was difficult for the reasons discussed above,to get the need for change widely recognised within AFT and to build up a strong enough momentum for change to bring it about. As the 80's progressed,however,the sense of urgency increased. As the EEC policy on agricultural production began to change dramatically and as the resourcing environment became more stringent and more critical,more and more of the AFT staff came to accept the new realities facing the Institute. In October 1985 AFT produced a major document outlining the progress of this internal review process over the 1980-85 period and the priorities and plans for the Institute's programme for the 1985-89 timeframe. In this document AFT publicly recognised the new realities facing it:

"The mid-eighties is a time of major significance to the future of An Foras Taluntais. It coincides with a time of rapid advances in scientific and technological achievements,of diminishing support for agriculture within the EEC,of increasing competitiveness in export markets for food,and of reduced State finances for R&D for the agriculture and food industries"(p1).

By 1985 the realignment and rationalisation efforts of Ryan and his team had already resulted in the closure of six individual research stations,a reduction in total staff from 1345 to 1201 and the transfer and redeployment of 55 staff. Within the programme itself 69% of the discrete projects were new and the inside farm-gate/beyond farm-gate ratio was running at around 60/40 with a sustained effort underway to move further towards 50/50. Though the redeployment of resources across departments and centres still remained relatively small in scale, considerable progress had been made in transforming the programme at the discrete project level.

Post 1985 - Cashman Report, Realignment and Rationalisation

The pace of events quickened for AFT as the country's fiscal problems became more acute. In April 1985 the FitzGerald Government set up a commission,under the chairmanship of farm leader Donal Cashman,to examine the operation of the Institute and of the related advisory body ACOT. Cashman's brief was to recommend how the existing resources of the two bodies might be better deployed and coordinated. This was the first major review of the Institute's activities to be commissioned by a government in the lifetime of the organisation and was itself a manifestation of the new realities facing the Institute. Successive governments had kept the operation of AFT at arm's length for most of its history. However,as public funds became more scarce government evaluation and control of expenditure in the public sector became more stringent and commissioned reviews of the affairs and operations of state agencies became more prevalent. The Cashman study took place in the context of the government's own programme for the economy called 'Building on Reality 1985-87':

> "Both ACOT and AFT have important roles in helping farmers to increase productivity through the adoption of cost-effective new technology. However,because of the growing cost to the Exchequer of maintaining both bodies it is imperative to ensure that the services provided by both organisations are fully coordinated and that their resources are used effectively in helping agricultural industry to expand"(par 2.44).

In the case of AFT the Cashman Report highlighted publicly some of the structural difficulties that beset the organisation and impaired its performance. Cashman addressed his study primarily to the issue of how the research activities of the Institute might be expanded and extended into new areas without any increase in overall resource input. Among the problems given prominence in the Cashman Report was the high age profile and low ratio of research to non-research staff in AFT. Cashman lay the responsibility for the reform of these structural problems primarily within AFT itself. AFT,which had already begun the painful process of major transformation in its research programme and resource alignment in its internal review process over the 1980-85 period,now came under substantial public pressure to speed up the process,whatever the internal difficulties. This public pressure actually helped Pierce Ryan and his executive in dramatising the need for urgent change internally and in getting it even more widely accepted within AFT.

In December 1986,with the external pressure for change continuing to mount the Director of AFT and his Council decided to accelerate the process of transformation. AFT's morale had been badly dented at a meeting of agricultural interests convened by the FitzGerald Government in late 1986. They met to try to map out a national strategy for agriculture in the light of the dramatic changes happening in the Common Agricultural Policy and in the international marketplace,taking due account of the acute resource constraints in the public sector. At this meeting the influential chief executive of one of the largest dairy cooperatives in the country publicly dismissed AFT's effort on food research as largely ineffective. Though AFT could fairly question the objective merits of this sweeping criticism, nevertheless it was a damaging blow to Institute's public image. The Council,at a crunch meeting on 3-Dec-86,decided on "a number of substantial changes in the research programme and in the structure of the organisation". It highlighted 5 strategic priorities for the programme. These were:

(a) raising net farm output and profitability through increased efficiency in crop and animal production.
(b) developing profitable alternative land uses.

(c) improving the efficiency of the food processing industry.
(d) identifying alternative(non food) economic uses for agricultural products.
(e) supporting the expansion of markets,especially into Europe.

Along with further rationalisation, reallocation of resources and project realignment,the major change to emerge from this exercise was the decision to set up a separate research centre for food research. Prior to 1986 food research had been carried on right across the Institute in a number of the commodity-focused centres. For over two decades the Institute had been stressing the need to give more attention to food research in its research programme. It had always stopped short of setting up a separate research centre for food,partly for internal political reasons and to a large extent also because the question of whose rightful domain food research was a politically sensitive matter across a number of different research agencies. In the context of late 1986 AFT decided that the situation was critical enough for it to confront these difficulties head on. It finally gave food research the resource concentration and status of a full centre in its overall structure.

Since the General Election of February 1987 there have been even more dramatic developments. This general election did not produce a decisive result. It returned a Haughey-led minority Fianna Fail administration. However,Fianna Fail's late conversion to fiscal rectitude effected a broad consensus of the centre and centre-right in the Dail. The Haughey Government was given an unprecedented prior commitment of broad support by the main opposition party over two budgetary periods to concentrate on getting the public finances back under control. Since then the Haughey Administration has pursued fiscal rectitude with the zeal of the convert. No administration since the fiscal difficulties began in the post-1979 period has been in a stronger position politically to bring about radical change in the public sector,in spite of its minority position. The implications of this development for the whole semi-State sector,including AFT,have been enormous. The Government softened up the public sector for the biggest rationalisation in its history by closing down one of the smaller agencies, An Foras Forbatha. This raised the level of reality among the rest. An article in the Sunday Independent on 7-Feb-88,under the headline of 'The great shakeout' in the public sector described the significance of what was happening as follows:

> "The era of the all-powerful state promotional body is gone for good..There is a new breeze blowing through the state sector which may yet blow the most familiar names into oblivion..The budgets of the top handful of agencies have been savaged...The fear engendered by the abolition (of An Foras Forbatha) ensured that management(of the rest) would take cuts.. There is virtually no agency that has been unaffected by job losses..But the really big job losses were coming in those agencies where the Government forced mergers"

In late 1987 the Minister for Agriculture announced his intention to merge AFT with ACOT,the advisory service,in order to achieve substantial rationalisation. The combined budgets of the two organisations were targeted in the 1988 budget for a cutback from £35m to £20m. This cutback was to involve a cut of the order of 500 in the combined staff of 2100. In 1977 the move to set up a single National Agricultural Authority,which had as its centre-piece the merging of AFT and the Advisory Service,failed because of the resistance of AFT staff who were supported by Fianna Fail Party,then in opposition.A Fianna Fail administration,barely a decade later but in totally new circumstances,is brooking no opposition as it drives through essentially the same merger in 1988. The merging of AFT with ACOT to form a new corporate entity,Teagasc,is the most significant development for AFT since its its foundation in 1958 and represents a fundamentally new phase in its history. It will have major implications,not only for AFT's present leadership and staff,but also for the future role of public sector agricultural research in the ongoing development of Irish agriculture.

CHAPTER SIX

CASE STUDY - IRISH DISTILLERS GROUP PLC AND THE IRISH DISTILLING INDUSTRY

The second case narrative in this research covers the evolution of the Irish distilling industry and focuses in particular on the genesis and strategic history of Irish Distillers Group Plc.

Introduction to Irish Distillers Group Plc.

The Irish Distillers Group in June 1988 are the sole producers of Irish whiskey.The company owns two distilleries, a modern plant at Midleton, County Cork, and the Bushmills distillery in County Antrim.In addition to providing stocks for their own brands,IDG also supply a whiskey-based ingredient for the production of a range of Irish liqueurs, including Bailey's Irish Cream. IDG also produces a range of other potable products,including gin ,vodka and a range of liqueurs including several Irish Coffee related products.

IDG dominates its domestic market,accounting for two thirds of spirit sales. The trend in recent times has been for this share to increase rather than come under pressure,with Irish whiskey squeezing out imported whiskey. After considerable growth throughout the 60's and 70's the domestic market for spirits has been largely stagnant throughout the 80's.

The UK and European regions have provided promising export growth for IDG but the company has concentrated strategically on the US market as offering the major growth oportunities for the company's core business. Though the US market for spirits generally has been in slow decline during the 1980's Irish Whiskey was the fastest growing category of mature spirits in this market for several years. With a starting base of less than 1% the potential for for growth remains enormous,in spite of the downward trend in the overall market.

Irish whiskey can be taken as broadly equivalent in market position to Scotch malt whiskeys and like these is a premium product relative to the blended Scotch,which is considered the 'commodity' whisky. This quality differential with blended Scotch forms the basis of the main promotional message in overseas markets. The company's flagship brands are its main assets and IDG's best known whiskey brands are Power,Paddy,Jameson,Bushmills and Tullamore Dew.

Main Phases in the history IDG

The history of IDG is essentially the modern history of the Irish distilling industry. The concentration of Irish whiskey production within a single organisation began in 1966 when the traditional family firms of Powers, Jameson,and the Cork Distilleries Company merged to form the United Distillers of Ireland,later styled Irish Distillers Ltd. This concentration was completed when the firm of Old Bushmills became wholly owned by the merged entity in 1978. This consolidation of Irish Whiskey production in one organisation was the most recent major structural phase in the evolution of an industry which has its roots in the mists of time. The acquisition by IDG of a controlling stake in Bushmills in 1974 was heralded by the chairman of IDG at the time as the fourth major date in the historical evolution of Irish distilling.

The year 1988 will now undoubtedly become the fifth. In May 1988 IDG became the object of a unwelcome takeover bid . The company initially sought to defend itself against the hostile bid on its own but when this became no longer possible it persuaded Pernod Ricard to enter the takeover battle as a white knight. Pernod Ricard eventually became the new owner of IDG and with the success of the Pernod Ricard bid the company and the industry would appear to have entered a totally new phase in their historical development.

The main phases in the evolution of Irish distilling and the main phases in the history of IDG,as the focal entity at organisational level in this case study,are now described. The description of the evolution of the industry from the mists of time up to the 1966 merger draws heavily on the excellent histories of Irish distilling by McGuire(1973) and Magee(1980).

Evolution of the Irish distilling industry up to 1966

It is believed that the art of distilling spirits was brought to Ireland by Irish missionaries returning from the Mediterranean regions and that the early use of spirits was for curative purposes. The word 'whiskey' is believed by some to have been coined by the soldiers of King Henry II as they became partial to the native 'uisce beatha'(water of life) and had difficulty with pronouncing the full Gaelic name.

Evidence for the distillation of spirits in Ireland becomes much stronger from the beginning of the 15th century. By the mid-17th century the distillation and drinking of spirituous beverages was widespread. The first statute governing the sale of intoxicating liquour in Ireland was enacted in 1635,during the reign of Charles I. This act was designed to curb the "many mischiefs and inconveniences (that) doe arise from the excessive numbers of ale-houses..in woods,bogges and other unfit places..and kept by unknown persons..for whereby many times they become resceptacles for rebels and other malefactors,and harbours for gamesters and other idle,disordered and unprofitable livers..". The purpose of the act was specifically to "reduce those needlesse multitudes of ale-houses to a fewer number,to more fit persons,and to more convenient places"(extracts from the preamble,Magee,1980; 75) by a system of licensing. In 1661,after the restoration of Charles II, the first duty was introduced on the production of distilled spirits,at 4d per gallon for home spirits and 1s per gallon for imports of high quality. By the mid-17th century the basic pattern of the complex relationship between the authorities and the industry,that has characterised distilling for most of its history,was already being established. From then on the authorities were to have mixed motives with regard to the growth of the industry. They wanted to control and contain it in the interests of maintaining social and political order;yet the industry was a valuable source of revenue which automatically expanded with any growth in consumption. The 1661 act also gave the home industry its first measure of protection through the provision of differential duties for home-produced and imported spirits.

Emergence of the factory system - early consolidation

Over the next hundred years the distilling of spirits in Ireland grew substantially and became widely dispersed throughout the country. Over time the duties imposed on the production of spirits rose. Excise collection methods,in the early days,were crude and control on distilling was loose. The rise in duties and the loose administration encouraged all kinds of evasive and illegal distilling practices,particularly in the remoter rural areas of the country. Faced with this development the Government passed an act in 1757 prescribing a legal minimum size for a commercial still at 200 gallons of capacity. The establishment of this minimum,though not particularly large, represented an important first step in the structural evolution of the industry towards larger units and greater concentration. Growth in the size of individual distilleries was also encouraged by the growth that took place in the overall domestic market for home-produced spirits from 134000 gallons in 1730 to 1115352 gallons in 1777(McGuire,1973;119). The larger units tended to develop close to the large ports and Dublin quickly emerged as the main distilling centre. Dublin provided a large concentrated local market. Furthermore,the large ports provided more economic access to imported coal and grain than inland centres.

Government legislation in 1779 provided further and far-reaching impetus for consolidation. In spite of the 1757 measure the extent of illegal distilling grew with the overall growth in the industry,even in the legally registered distilleries. The 1779 act changed the mode of assessment for excise duty. Excise officers had difficulty establishing the true volume and strength of still production in order to properly assess duty on an actual production basis and the Revenue Commissioners were convinced that as much as two thirds of total still production was evading duty. The new mode of assessment levied duty on capacity,as well as production.A minimum still charge was introduced.

Over the 1779-1823 period this system of a minimum charge had the unintended consequence of bringing about the first major consolidation in the industry. The minimum charge was assessed on still volume and levied over a 28-day period.Initially the minimum still charge was supposed to be a supplement and was expected to be a small percentage of total excise assessment. Because of its convenience as a mode of assessment and because of the continued widespread evasion in the volume-related duty the Revenue Commissioners came to look to the minimum still charge to provide an ever increasing proportion of the excise duty. The minimum charges were progressively raised,raising the fixed costs associated with running a still. The effect of the escalating minimum still charge was to drive more and more of the smaller legal distillers out of business, those unable to increase their production rates and/or their market outlets in line with the escalation in their fixed costs. It also acted as a disincentive to the development of very large scale units.

By the 1820's the system of a minimum still charge was totally discredited. It had led to a deterioration in distilling standards as distillers were pressured into seeking volume at the expense of quality. Furthermore,abuses were rampant and most distillers,even the most reputable,were forced to engage in evasive practises,supported by illegitimate payments to excise officers,in order to survive. In 1823 the whole system of minimum still charges was abolished. By this time the number of legal distillers had fallen from 1228 in 1779 to 40 in 1823. The small family-owned operation had been driven out of business or outside the law. It was during this 1779 to 1823 period that the family-firms of John Jameson & Sons Ltd(founded in 1780) and John Power & Sons Ltd(founded in 1791) first came to prominence in the industry. Furthermore,the Old Bushmills distillery in County Antrim,which was originally licenced in 1608,became an officially registered company in 1784. The firms of Jameson,Power and Old Bushmills,along with that of Murphy which was founded in 1825,were to become the dominant players in the future evolution of the industry right up to and beyond the merger in 1966.

The abolition of the still license system of assessment in 1823 meant a return to the system of assessing duty on the basis of the volume and strength of spirit produced. This was facilitated by the perfection of a satisfactory sacchrometer and hydrometer which helped to eliminate many of the problems of physical measurement that had plagued the system of assessment by output prior to 1779. The return to a system based on output,not capacity,brought new incentives for development within the industry. Under the still license system distillers were pressured into developing still types that could produce faster,usually at the expense of quality and of efficiency in the use of energy and raw materials.In the post-1823 situation distillers had the incentive to return to a concentration on quality and efficiency in the development of distilling equipment. This once more opened the way for the development of larger scale,more efficient, operations. Meanwhile the domestic market for Irish whiskey continued to grow as the quality of the product improved and its reputation became enhanced. Whiskey became the preferred drink,outstripping beer,wine and rum along the way. Developments in engineering and in transportation and communication throughout the 19th century also encouraged the evolution of larger scale units. In 1823 a total of 40 distilleries produced 3.0m proof gallons. By 1900 a total of 30 distilleries were producing 14.0m proof gallons. During this period of expansion and consolidation there were a number of mergers and amalgamations including the merger of Murphy's(founded in 1825) with four other distillers in the Cork area to form the Cork Distilleries Company Ltd(CDC) in 1868.

Technological breakthrough - The column still

The one major technolgical discontinuity in the history of the distilling industry happened around 1830 when an Irish excise officer,Aeneas Coffey, invented a fundamentally new type of distillation process. The Coffey still became known in the industry as the continuous column still to distinguish it from the traditional pot-still. The basic object in distilling is to produce ethyl alcohol. In the pot stilling process small quantities of other alcohols and ethers are produced as extraneous elements to the main process. However, it is these extraneous elements,retained in the proper proportion and derived from the proper raw materials,that give the pot-stilled product its distinctive character and flavour. The continuous still process,as developed by Coffey,produces a very pure neutral spirit with virtually none of these flavouring elements. The column-still was a more efficient process for producing pure alcohol. Moreover since it removed nearly all of the flavouring elements there was no need to use expensive high quality malted barley as the primary raw material when much cheaper grains produced essentially the same result. In consequence column-stilled spirit came to be commonly referred to as grain spirit.

It seems most likely that Coffey invented the column still as a more efficient process for the production of industrial alcohol and of grain-neutral spirit. Just over twenty years later,however, Andrew Usher,a prominent wine and spirits merchant in Edinburgh,began to experiment in the blending of column-stilled and pot-stilled spirits. His experiments marked the earliest foundations of the future blended Scotch whisky industry. Blending was given an important impetus in 1860 when the revenue authorities agreed to allow the blending of plain spirit in bond,and spirit dealers were allowed to mix pot-stilled spirit from any part of the United Kingdom with neutral spirit that was also of United Kingdom origin. By tradition the pot-stilled product in Ireland and in Scotland was laid down in oak casks and allowed to mature for years,an expensive process which added to the quality of the product though it was not required by regulations. This process added little to column-stilled spirit. In the 1860's various spirit dealers throughout Britain were able to put column-stilled spirit onto the market directly after distillation,flavoured with small quantities of matured Irish pot-stilled spirit,and market it as blended Irish whiskey.

The whiskey controversy and the emergence of the blended Scotch industry

The initial reaction of the major Irish distillers to the blended product was that the market would soon come to see it as inferior and to reject it. Indeed in the early days of whiskey blending there were many abuses and much of the blended product was of doubtful content and origin. The domestic market largely reflected the views of the large distillers and rejected the blended product. However,as time went by,the new blended product began to find a growing acceptance in export markets,particularly in the important English market. It was cheaper and lighter than the pot-stilled product and began to find favour with more price-sensitive and less discerning spirit drinkers. In the 1870's the large Irish distillers joined together in a campaign to discredit the blended spirit,which they claimed was not true whiskey and should not be marketed as whiskey. They published a book to disseminate their argument called "Truths About Whiskey". They were given support in a London Times leader of 1-Feb-1876 which roundly condemned 'the fraudulent imitations masquerading as Irish whiskey' and were further supported by The Lancet and the Medical Examiner which were concerned at the health hazards posed by the widespread marketing of dubious blended whiskies(Magee,1980;27-9).

The major Irish distillers continued in this purist opposition to the blended product right through to the mid-20th century. They kept the whiskey controversy alive at every opportunity and continued to seek to exclude the blended product from the right to term itself whiskey. The great whiskey controversy raged on until 1909. In November 1905 a judgement was handed down in an Islington Courthouse to the effect that liquor comprising of column-stilled spirit to which a dash of pot-stilled spirit was added could not be classified as Irish or Scotch whiskey. The clear implication of the judgement was that the blended whiskey trade was illegal. The furore and controversy that followed led to the setting up of a Royal Commission of Inquiry in order to clarify the situation with respect to the blended spirit for once and for all. After over twelve months of taking and evaluating evidence from more than 100 witnesses the Commission,in its final report in July 1909, reversed the findings of the Islington ruling and vindicated the blended product. The Irish and Scottish pot-distillers had finally failed in their thirty year mission to have the blended product excluded from the right to be called whiskey. An interesting footnote to the great whiskey controversy is that the historical spelling difference for the spirit across the Irish and the Scottish industries took on a new and deeper significance for insiders in this war over what was and what was not entitled to be classed as whiskey. For the traditional Irish distillers whiskey "with an e" signified the authentic Irish pot-stilled product while whisky, the spelling used for most of the blended spirits,signified the adulterated imitator.

In the early 1900's,at the height of the great whiskey controversy,Irish was still the "sovereign whiskey" at home and abroad and more Irish pot-stilled whiskey was exported than any other type(Magee,1980;83). However, history came to show that the Irish distillers,entrenched in their opposition to the new blended product,totally underestimated its future potential. True, the new product took time to become a serious competitor and its early diffusion throughout the market-place had been hindered by the presence of the many dubious offerings from get-rich-quick charlatans with little interest in building up a longer term consumer franchise. However,underneath all the controversy and fly-by night activity a more reputable blended whisky industry was beginning to take strong root in the lowlands of Scotland. It was spear-headed by well established spirits merchants who were more market-led than the primary distillers of the pot-stilled flavouring whiskies in either Scotland or Ireland.

This industry began to emerge in the 1860's when several large column-still operations were established to exploit the oportunities presented by blended whisky. In 1877 six of these firms amalgamated to form the Distillers Company Ltd. which was to play a prominent part in the future evolution of the blended Scotch industry. During the 1914-18 war years the blended Scotch industry went through further consolidation. As part of his 1915 Budget the Chancellor of the Exchequer,Lloyd George,introduced a compulsory three-year bonding period for all whiskies. The Immature Spirits (Restriction) Act which gave this measure the force of law led to a major rationalisation in the blended whisky industry. The new requirement posed no difficulties to the pot-stilled industries of Ireland and the Scottish highlands because it had long been the practice in pot-stilling to mature the spirit in cask for a numbers of years before sale. It also posed little difficulty to the larger and more reputable producers of blended Scotch because it had also been their practice to age their product. For those operators that did not age their product it meant a once off suspension of sales for the initial three years and a large investment in maturing whisky stocks and storage. Many of the smaller blended whisky producers did not have the resources to meet these new requirements and were driven out of the business,leaving the blended Scotch industry much more concentrated than before. During the 20's the industry further consolidated as the Distillers Company Ltd expanded to bring in the top names in the industry,the Dewars,the Haigs,the Walkers and the Buchanans.

The inter-war period - a difficult time for the whiskey industry

The period from 1918 to 1945 was a difficult one for the whiskey industry generally. The groundwork for the export-led growth of the blended Scotch industry was firmly laid in the structural consolidation of the industry in the post-1920 period. It was only after the Second World War,however,that the blended Scotch industry really took off in such spectacular fashion and the real market potential of the blended spirit became fully apparent. It was only then that the traditional myopia of the Irish distilling industry with respect to the blended product became fully exposed.

Exports of Irish whiskey fell from over 1 million proof gallons in 1925 to just over 100,000 proof gallons by 1945. There were a number of reasons for this. Irish whiskey began to lose market share in the British market to the cheaper blends and to beer. Rising spirit duties and prolonged economic depression pushed all spirits,and particularly Irish pot-stilled whiskey,into the expensive luxury category and this undermined its position in the British mass market. During the depths of the Great Depression,in the 1930's,the market for all spirits had so declined in Ireland and Britain that a number of Irish and Scotish distillers actually suspended production or ceased operations altogether. The interwar years resulted in a major shake-out and consolidation of both the Irish and Scotish industries. Export potential beyond the British Isles was also severely limited during this period. During the period 1919 to 1933 the United States operated prohibition which effectively closed off this market. The US emerged from the prohibition era with its own budding whisky industry. The 1930's were characterised by general depression and high unemployment in export markets and by the spread of protectionism in international trade,all of which presented an unfavourable context for the development of the whiskey industry.

In 1922 Ireland separated politically from the United Kingdom and the Irish Free State was established. In 1926 the compulsory bonding period in the Irish Free State was raised from three to five years. The extended period strengthened the position of the Irish distiller on the home market and penalised the blended spirits because the imposition of a longer storage time helped to eliminate some of their cost advantage. However,the measure proved to have a down side for the domestic industry. The spirit laws in the US prescribed that no spirit could be marketed there that could not be sold in the exporting country. Irish whiskey exports to the US had to be therefore 5 years old whereas British exports needed only to be 3 years old. This presented a comparative disadvantage to Irish whiskey exports. Later,in the 1930's Irish whiskey exports to Britain became seriously impaired by the so-called 'Economic War' between the two countries which raged on from 1933 to 1938. The with-holding of the land annuities by the DeValera Government in contravention of the terms of the 1921 Anglo-Irish Treaty was met with severe economic sanctions by Britain in the form of penal ad valorem duties on Irish imports. In the 1939-45 Emergency years,the Government introduced curtailments on production in order to conserve cerials for food stocks. They also prohibited exports in order to conserve the limited production for the home market and to maintain excise revenue. This was in sharp contrast to the policy of the British Government which facilitated the dollar exports of Scotch whisky while leaving the domestic market short.

Post-war recovery - the spectacular rise of blended Scotch

The post-war period saw the spectacular rise of blended Scotch to prominence in the international spirits market. By the early 50's it was clear that the world market for whiskey outside of Ireland clearly favoured the lighter, blended whisky of the Scots. This preference was skillfully cultivated and fully exploited by the blended Scotch industry. Their post-war success in penetrating the US market,and their dominance of the British market,were particularly important. The seeds of success in the US market had already been set in the period after prohibition was abandoned and the continued supply of Scotch to the US troops serving in Europe during the 1939-45 war helped to establish the product with the servicemen who remained loyal to it on their return to America. By the end of the war the blended Scotch industry had a high degree of consolidation and a significant concentration in marketing resources to put behind their leading brands.

By early 50's the spectacular success of the blended Scotch industry on export markets contrasted sharply with that of the Irish pot still industry. In 1952 exports of Scotch amounted to £32.5m. Exports of Irish whiskey in the same year were only £0.5m. This poor relative performance of Irish whiskey exports became a matter for public debate and was raised in the Dail. In 1953 An Coras Trachtala,the Irish Export Board,was directed to help the distillers to assess the market potential for a blended Irish whiskey,particularly in the US,and a market survey was carried out to this end. The following year an independent deputy in the Dail introduced a private members measure proposing that steps should be taken to promote the exports of Irish whiskey. He urged the Irish distillers to come together to build a new distillery for the production of a blended Irish whiskey and went so far as to suggest the setting up of a state-sponsored company to produce a suitably blended Irish whiskey should the distillers themselves fail to respond. Though some concerted effort was made by the industry to actively promote the consumption of Irish whiskey on export markets at this time through the formation of a trade association nevertheless the Irish distillers,as independent entities, remained largely fragmented and conservative in their approach to export marketing and to product policy. They emerged from the interwar period with a dominant position on the domestic market but had yielded the high ground on export markets to Scotch. They were not sufficiently organised as an industry to mount the kind of concentrated marketing effort required to win over the foreign consumer to the Irish pot-stilled product in large numbers. And they continued to fear that any attempt to market a blended Irish whiskey of the Scotch type would confuse the consumer and undermine their existing export trade.

1966-1970 The Merger and its Immediate Aftermath

By the mid-60's the distilling industry in Ireland was concentrated in the hands of four firms. The difficulties of the interwar years had forced many of the other players out of the industry. Some steep increases in spirit duties in the budgets of the early 50's added to the pressures on the remaining marginal producers and led to further concentration. The four firms that remained were Power & Sons, Jameson & Sons, and the Cork Distilleries Company in the Republic of Ireland and the firm of Bushmills in Northern Ireland. The year 1966 brought a new phase in the industry's evolution when the three Southern distillers merged to form the United Distillers of Ireland Ltd,a publicly quoted company.

The idea that the major Irish distillers should come together and put their combined resource power behind a drive to revitalise the industry had,as we saw earlier,been a matter for speculation and debate within the industry and in the public arena for more than a decade. The spectacular post-war success of the Scotch industry in developing substantial export markets for whisky products,and the comparatively poor export performance of the Irish distilling industry,keep the debate and the pressures on the industry for consolidation alive at both industry and national levels. Though the commercial rationale for a higher level of resource concentration in the industry became more convincing as the 50's progressed there were still some formidable obstacles to be overcome. These were mainly to be found in the traditional conservatism of the older generation of distillers,in the long tradition of rivalry between the firms and their flagship products,and in the reluctance of the family firms to surrender any control of their traditional pre-eminence within the industry to a larger corporate entity.

The post 1958 period saw the Lemass administration officially abandon the protectionist policy of economic self-sufficiency. The programmes for economic expansion involved the deliberate opening up of the Irish economy to direct foreign investment and a national commitment to greater liberalisation in international trade. Lemass signalled his intention to join the EEC at the earliest oportunity. Then,when the initial application was turned down and deferred indefinitely in 1963,he set about negotiating the Anglo-Irish Free Trade Agreement with the country's major trading partner,the United Kingdom. He concluded this trade agreement in 1965. The opening up of the economy to direct foreign investment and the general policy of trade liberalistion had major implications for the Irish distilling industry. The domestic market,which the Irish distillers had long dominated and had grown to depend on for most of their sales and profits,was going to be more open to competitive pressures from imported whiskies than before. Some of the larger producers of Scotch had productivity levels and scale economies that far exceeded those of the Irish family firms. Furthermore,since 1958 the direct investment by large British interests in the drinks trade in Ireland had increased,mainly in the wholesale and distribution areas. In 1964 Bass Charrington acquired Bushmills in Northern Ireland and Allied Brewers were making inroads into the Southern drinks trade. They acquired a number of wine and spirits merchants and the Irish distillers became vulnerable to this concentration of buying power. There were particular fears that the weakest of the three distilling companies financially,Jameson & Sons,had become vulnerable to take-over in the face of these developments(Brophy,1985;144).

The threat of entry of large British brewing or distilling interests into the Irish distilling industry,through the possible acquisition of one of the major players,provided the impetus for the merger that took place in 1966. A resourceful new entrant would have posed major uncertainties for the future evolution of the industry and threatened to severely limit the influence of the Irish distillers over their industry's future structure. To meet this threat,and to maintain control over their industry,the three main distilling companies in the South of Ireland merged into a single corporate structure in 1966.

To attribute the reasons for this merger solely to the threat of takeover of one of the companies would be very unfair to the more far-sighted of the leaders of the industry at the time. By the mid-60's a new generation of businessmen were in positions of influence in the three distilling companies. This new generation was more empirical and less tradition-bound than their predecessors. They were reflections of the new generation of leadership that the Lemass era heralded right across Irish society in both the public and private sectors. Men like Frank O'Reilly,the chairman of Powers,wanted the merger in order to secure the competitiveness of the industry at home,to provide a concentrated resource base from which to intensify the effort to expand exports and to provide wider access to equity for further growth and development. The threat posed by the credible and imminent danger of a resourceful new entry helped him and others who wanted the merger to overcome the substantial inertia and opposition that they had faced within the industry itself.

O'Reilly was one of the "architect(s) of the merger" and he became the first chairman of the newly merged entity. His address to the shareholders in the first annual report of UDI Ltd,in 1966, outlined the aims and philosophy behind the merger. It also recognised the interdependence of industry interests and national policy,particularly in relation to the domestic market; and it sought the ongoing support of national policy makers by linking the welfare of the new entity with prevailing national economic policy and with the wider national interest,as the following extracts show:

"These three long-established and famous companies have united together in a spirit of partnership to enable our industry to make its maximum contribution to economic development in Ireland by utilising all our resources to the fullest extent.....

By combining the technical skill,experience and tradition of the three Companies your Board is confident that an even better service can be rendered in future to consumers in Ireland,and we are sure that the oportunities for expansion of exports will be increased as a result of the merger.....

We look to export markets for long-term expansion of our activities.Our ability to sustain long-term effort depends in a large part on the stability of the home market. It is now widely recognised throughout the world that export success is generally founded on a firm base at home.For this reason it is our ernest hope that increases in Excise duties and taxation will be restrained....
As to the future,we trust that Ireland's economic development will continue to increase rapidly so that real benefits will result from freer trade,not only with Britain,but also with Europe.....Our fortunes in large part are derived from the soil. A distilling industry is surely ideal inasmuch as native agricultural raw materials are processed in Ireland so that the balance of payments is substantially increased when sales are made not only abroad but also in the home market..."

However merging legally and making the merger work operationally proved to be two different problems ,the first much easier to achieve than the second. As one executive put it "for some time after the merger, no merger took place except on paper. Each company went their own separate way. There was little attempt at rationalisation". For a start there were different expectations among the parties to the merger about how far the merger would go operationally. The main difficulty was with the Cork Distilleries Company partner. Prior to the merger CDC was a family firm headed up by Norbert Murphy. Murphy was a strong independent-minded force in the industry. He was a far-sighted and progressive distiller who had diversified CDC into white spirits,through the adoption of column-still technology,and had developed the brand leader in the Irish gin market. By the mid-60's he had accepted the need for the three Irish distilling companies to pool their efforts,in order to secure and develop their industry. However,in the aftermath of the merger he remained reluctant to surrender any of his former operational control over CDC to the new corporate entity. As one senior executive recalled,"Cork looked on UDI as a trade protection association (and) as a joint venture on exports".

Whatever the strength of the economic rationale which brought them together under one corporate structure there were enormous difficulties in trying to forge a unitary organisation out of three different cultures,polities and systems,especially when unity of purpose and outlook had still not been established at the level of the Board. O'Reilly,as an architect of the merger and as the former chairman of the only public company involved in the merger,was an obvious and uncontroversial choice for chairman of UDI,as mentioned earlier. However great difficulties arose when it came to considering the selection of senior management. The most immediate development of strategic significance in the post merger situation was the appointment of an outside professional manager as managing director. For some months after the merger there was a "struggle for supremacy" among the parties to the merger. It soon became clear to the Chairman that little progress would be made on realising the full downstream potential of the merger until an outsider was brought in,"with no axe to grind",in order to best manage the business in the overall corporate interest.

In 1968 Kevin Mc Court was hired into UDI as Managing Director on a ten year contract. He had a marketing background and was an experienced chief executive. In the early part of his career he had worked for P.J.Carroll Ltd.,the large Irish tobacco manufacturer in the sales and marketing end of the business. He later worked as MD of the UK firm Hunter Douglas. On his return to Ireland he had taken up a five year contract as Director General of the national television service. When this contract expired he came to UDI. The partnership of O'Reilly and Mc Court proved to be important in getting the merger to work. O'Reilly,as chairman,skillfully managed to "smooth oil on troubled waters" in the boardroom while Mc Court "brought through very difficult decisions..forced the families to agree..was the man for the time". As one senior executive recalled,"I don't think that the need for an external MD was seen before the merger. I don't think that Norbert Murphy bargained for Kevin Mc Court. (Murphy) did not (for)see a unitary hierarchy developing as quickly as it did".

To make the merger operationally effective difficult decisions had to be taken and implemented. Initially "the biggest decision was to bypass the wholesalers and sell direct to the publicans through the merging of the 3 salesforces into one".The Board had to get government approval for this merging of the saleforces.Furthermore,the merging itself "was not without problems. Afterall these salesmen had been competing against each other for years and had been indoctrinated in the belief that their company's brands were superior and that the brands of the other parties to the merger,which they now had to promote as well,were inferior". The bypassing of the wholesalers and the selling of a distillery-bottled product direct to the retail trade involved a fundamental change in the industry structure in the home market. It was a bold stroke which invoked a "vitriolic" response in the wholesale trade. The reasons for this move and some of the risks involved were described by one long-serving executive as follows:

"The marketing (rationale) was the need to get closer to the point of sale to promote the products. There were other things too. The wholesale trade was largely linked to wholesale bottling and we wanted to get away from that. Also the majority of the traditional wholesale distribution channels were controlled by the British brewers that had moved in. This move was defensive to get some independence from these branches of the seven or eight British brewers. This strategy involved us in a lot of extra working capital and this was a risk. We were taking on the financing of the receivables of the wholesale trade so there was a combination of capital required plus the bad debt risk".

Kevin Mc Court brought a new professionalism and market orientation to the management of UDI. Within O'Reilly's backing he quickly put in place a senior executive structure built around the three primary functions of marketing, finance and production and he set about forging UDI into an integrated unitary corporate entity in earnest. The traditional strength of the Irish distillers was production and he inherited inside expertise to head up this function. To head up the other two functions,however,he went outside the company for two experienced professionals with proven track records. Archie Cook was brought in to head up marketing in 1969 and shortly afterwards Gene Savage was hired in as financial controller. Finance and marketing were the first functions to be integrated and the problems were formidable. The problems involved in the merging of saleforces were described earlier and according to the controller the integration of the financial systems "took about two or three years..having regard to the disparate cultures it was not an easy task to do..had to shake people away from the previous system,they were very different,you just would not believe that three systems could be so different".

While forging three disparate cultures and systems into one integrated organisation presented many challenging difficulties at the operating level there were also major obstacles to full integration and downstream rationalisation and modernisation,in the immediate aftermath of the merger, to be found in board level. As one senior executive recalled:

"It was often said (during) 1968-75 that the staffs and managements of the companies went with the merger but that the lack of acceptance was at board level. Mc Court had (major difficulties) with the Board..Powers were the more committed to complete integration and rationalisation. Cork did not want (it) to happen,they wanted it to go away..(However) after you got together,no matter how much you may have felt you misunderstood each other,you now had a responsibility to the shareholders".

1970-79 Strategic alignment,modernisation and expansion

The new company's grand strategic intentions were clearly signalled from the time of the merger and did not change in any fundamental way throughout the 1970-79 period. The Chairman in the Annual Report of 1972 took the oportunity "to emphasize again two fundamental aims which are essential to our strategy. Firstly,we have set ourselves the task of equipping your company with the capability to produce our existing and new products at costs which will be competitive in both the home and export markets.Secondly,we have sought to make our industry capable of greatly enlarging our export trade. This second objective is of great importance to the Irish economy"(p8). Broadly the company's post-merger grand strategy has been to dominate the home market and to use the profits from the home market to largely finance company growth through expansion abroad. Developments in the 1970-79 period have mainly been related to implementing this grand strategy. Some of these developments were initiated,planned and implemented by the company itself while others were environmental oportunities that were taken advantage of when they arose. Among the more prominent developments during this period were the development of new products for export markets, the rationalisation and modernisation of distilling operations, the association with the Distillers-Seagrams company and the acquisition of Bushmills,and the leadership succession of Richard Burrows to Kevin Mc Court.

New products,new emphasis on marketing and intensifying competition

The O'Reilly/Mc Court partnership brought a stronger market orientation to the new corporate entity. In 1971 the corporate name was changed to Irish Distillers Ltd to help promote a more readily identifiable corporate image to both home and export markets. In the same year the company introduced four new products,a whiskey,a white rum,a vodka and a dry gin. These were the first major corporate brands not traditionally associated with any of the pre-merger entities. Their arrival helped to further establish a more unitary corporate identity within the company and in the marketplace. The chairman,in the 1971 address to the shareholders,underlined the growing marketing orientation of this traditionally production-orientated industry when he proclaimed that:

"We operate in an increasingly competitive world and I am convinced that we must all be salesmen for our products. This is a responsibility,not alone for of our sales force,but of all who have an interest in the Company"(p4).

The company's new marketing emphasis was best illustrated in its introduction,in 1972,of a new "North American Blend" for Jameson whiskey to cater for the empirically researched tastes of that market. This was quickly followed,in 1973,by the introduction of a new blend of Tullamore Dew,the company's other flagship export brand in the US market,which was also "specially blended to meet the requirements of that particular market". In the early 70's the company showed a greater willingness to experiment with blended whiskies in order to find a product with most appeal to the overseas consumer than at any time in the previous history of Irish distilling.

On the home front the full harmonisation of duties with the UK was implemented in 1972 under the terms of the Anglo-Irish Free Trade Agreement of 1965. The protective duties on imported spirits of UK origin were eliminated and the domestic market opened up to the unbridled competition from imported Scotch. This added significantly to the competitive pressures on the industry. On the more positive side it provided more open access for the company's products to the large British spirits market and provided a substantial oportunity for export growth. This development intensified the need for a stronger marketing orientation within the company.

Midleton- the rationalisation and modernisation of distilling operations

The varying tastes of consumers and the intensifying competitive pressures were important considerations in the company's decision to implement a major capital programme of modernisation and rationalisation of the distilling operations. This programme "dominated the period 1970-75". The centrepiece of the programme was the decision to concentrate all the distilling operations of the company in a single new purpose-built unit at Midleton in County Cork.The Chairman signalled his intention to implement rationalisation measures in the Annual Report of 1968 and in July 1969 the shareholders were notified of the Board's conclusion "that we should concentrate production in one location". He outlined the rationale for this conclusion in the annual report of 1969:

> "..We already have four distilleries with very considerable capacity. Modern techniques could increase the output of each of them greatly,but we must face up to the certainty of ever-increasing costs. We consider that costs can best be controlled by building a single,large production facility. It will be designed and constructed so as to ensure flexibility for the Group's complete range of present and future products"

The possibility of a major rationalisation and concentration of distilling operations was not anticipated by all the parties to the merger though it was probably in some shape or form "in the minds of those more far-thinking". As one senior executive recalled:

> "I suppose Midleton was seen from the beginning but not by all parties to the merger. Particularly Cork would not have seen it at the time of the merger. It was a lot more difficult for Jameson and Power to accept. They had to see their 150 year old distilleries close"

The consulting firm of A.D.Little were brought in to review the distilling operations and make recommendations for future distilling strategy. However the role of the consultants was largely "to confirm the Board's innate feeling that they needed to do something" and to "take the personal politics out of the situation" at board level. Elaborating on this last remark the executive who made it said:

> "If you bring someone as expensive as A.D.Little in and pay them large fees you cannot walk away from the decision after that."

It seems,also,that Midleton was not the automatic choice as the ideal location but the company had land there and a distilling tradition. Other proposed sites did not have compensating factors strong enough to swing the location away from Midleton.

While the initial decision was communicated by the Board to the shareholders in July 1969,work did not commence on the facility until early 1973 and the new distillery was not finally commissioned until 1976. The issues involved were complex,even apart from the political difficulties at board level. There were some concerns about writing off the traditional distilleries with little anticipated salvage value relative to the cost of the new facility. The initial cost estimate for the new distillery at £2m proved to be way too low when more detailed planning was carried out and the cost estimate had to be revise upwards by a factor of three to £6m. With the rapid inflation unleashed in the wake of the 1973 Oil Crisis,the project outturned on completion in 1976 at cost of £9m. There were concerns also that the nature of product itself might be compromised in some way or that,even if not,the consumer's perception of the product might be adversely affected. As one executive put the concern,"the product is a traditional product strongly associated with old,slow traditional processing methods. The transfer of the process to new shiny facilities made it seem (to some) like chemical production". Another executive added that "one of the worries was that people would perceive that Power, Jameson and Paddy were now the same product,coming from the same distillation process". The chairman anticipated this last concern in his 1972 address to the AGM when he publicly reassured the shareholders that:

"..the new Midleton will not be a single distillery but,effectively,a number of distilleries in one. It has been so planned in order that we may continue to produce,in the traditional manner of our industry,the whiskeys of unique character and flavour for which your company is famous. Our determination to do this has made the planning and engineering of the new Midleton more difficult,and certainly,more expensive,but we are quite convinced that ours are valuable heritages that must be preserved.."

In spite of these very real concerns which continued to linger even after the decision in principle had been taken,an internal momentum in support of the new distilling complex gradually gathered force across the different functional areas.According to one senior executive "it became more imperative as time went on. Marketing were asking for things which could not be done". The overseas market,particularly the US,demanded a lighter colour and taste than the home market."The decision arose on the negative side..the problems with the existing distilleries..the age of the equipment for brewing and distilling....the water supply situation in the city was not that great.. effluent disposal (was) an increasing problem. The main area of concerns would have been raised by the production people.The main thing was that they did not have the flexibility to tailor or fine-tune the whiskey production to meet the demands of marketing for a smoother product". According to this same executive who was involved in the decision process "the decision was tested on all counts". Costs,"when compared to the other advantages" were considered light and "when all was said and done a lot of it was qualitative..we had to get new distilling facilities..(and)..it did prove financially successful to the end". On the economics of the decision "one of the major economic factors was that the old facilities were very labour intensive and the proposed new one was energy intensive". The project was already underway when the 1973 Oil Crisis occurred. This "was a major negative feature associated with the project" that was unpredictable at the outset. Once the project got rolling, however,there was no attempt to turn back,even after the Oil Crisis and the rapid inflation in the overall cost as a senior financial executive recalled:

"Once it was rolling we never had a review to say go-nogo. Denis Cotter(the project leader) and Clem Ryan(the production director) had it in their minds and they knew what they wanted. I suppose as I think about it you could say that this project was like a Japanese decision - it took a long time to reach decision point but once there everyone was committed to do it. Confidence in Cotter,Ryan and McCourt was a major element in the whole thing".

The decision to concentrate production in Midleton meant the end of distilling in Dublin. It meant redundancy for certain categories of worker and it broke a centuries old link between certain inner city communities and the distilling industry. An article in the Irish Times of 30-7-76 focused attention on "...the social implications of switching from family firms of four generations' traditions or longer to the just-flick-a-switch style of distilling in Midleton" and pointed out that "the last members of the St Patrick's Guild of Coopers belong to a trade founded in 1501". The coopering trade in Dublin did in fact survive for several more years in order to provide coopering for the pipeline stock of maturing whiskey that still remained in Dublin warehousing and which were run down gradually after Midleton was commissioned. Among the many reasons for centralising distilling in Midleton and not in Dublin was that Dublin workers had a reputation and tradition for being more militant trade unionists than the workers down the country. The industry was particularly vulnerable to strike pressure because supply interruption inevitably led to loss of market share which always proved very expensive to regain. One of the major risks in centralising operations was that it meant that it concentrated the power of the workers to shut down the entire distilling production in one location and Midleton, rather than Dublin,was felt to present less risk in that regard. However, Midleton later proved to provide a much tougher industrial relations challenge to the company than had been anticipated at the time of decision. In a special Business and Finance feature on 13-9-84 the production director of Irish Distillers went on record and summed up the company's industrial relations in Midleton with the local union organisation as follows:

"We really have had more than our fair share of problems - strikes,partial strikes,go-slows,the lot.It is not a happy place for us.."

The association with Seagrams and the acquisition of Bushmills

If the Midleton project tended to dominate the early 70's nevertheless there were other strategic developments during this period of far-reaching significance. The most important of these was the formation of an association with Distillers-Seagrams and,through this association,the acquisition by the company of a controlling interest in Bushmills.

On 24-Nov-72 IDG formed an association with the Distillers-Seagrams company. To quote from the Annual Report of 1972 "in brief, this agreement has resulted in Distillers-Seagrams,through their main United States subsidiary, Joseph E. Seagram & Sons, Inc., acquiring 15% of our enlarged ordinary share capital. We,in turn,have acquired a 25% minority holding in the 'Old Bushmills' Distillery Company Ltd. which Distillers-Seagrams purchased in October 1972"(p.7). Seagrams were in fact interested initially in a full take-over of Irish Distillers but the group board wished to maintain the company's independence and to retain the ownership of the company under Irish control. The deal eventually struck involved the acquisition by Seagrams of 15% of the equity of Irish Distillers and a restriction on the possible future size of the Seagrams stake to an upper limit of 20%.

The expected benefits to be gained from this association were outlined by chairman further on in the same annual report."We have thus available to us additional resources,outlets and promotional support,in major export markets, which would have taken us an incalculable time to attain by our own individual efforts and from our own financial strength...Additionally, Irish Whiskey, for the first time, will now present a united front in its attack on the export markets of the world.This can only be to the mutual advantage of both Old Bushmills and ourselves, and there are further considerable benefits to be expected from the pooling of our knowledge and expertise in production and marketing"(p7).Distillers-Seagrams was the largest distilling company in the world with wide global interests. Their interest in Bushmills and in IDG was presented to the IDG shareholders in the 1972 Annual Report as "the direct outcome of the successes we,and Old Bushmills,have been achieving in export markets; it was..Distillers-Seagrams' appraisal of those successes and of the great potential of Irish Whiskey that led to their desire for association.."(p7).

IDG raised their equity holding in Bushmills to 80% in 1974. The Chairman, in the 1974 Annual Report,called this development one of historic significance for the distilling industry in Ireland. He felt that "..future historians (would) mark four major dates in the history of the Irish Whiskey industry". The major dates that he referred to were the founding of the companies in the group almost 200 years ago; the formation,through the merger of five companies in the region, of Cork Distilleries Company in 1868; the merger in 1966 that led to the formation of IDG; and finally 1974 when Bushmills came under IDG control. In 1977 IDG finally acquired the remaining 20% of Bushmills equity .

The main strategic significance in the acquisition of Bushmills was the consolidation of the total production of Irish whiskey under one corporate entity. This enable Irish Distillers to approach the strategic marketing of Irish whiskey as a generic product. The acquisition of Bushmills by Irish Distillers brought the entire Irish Distilling industry under the control of a single corporate entity. The acquisition had other benefits. The Bushmills flagship whiskey brands were well established in the US and UK markets and provided a strategic product base for export-led growth in these markets. In addition the Bushmills distillery was the oldest in the world. This had a certain market value in an industry in which tradition plays an important part in the overall image of the product. Moreover,the traditional distillery was well located in a rural setting with a pure and plentiful water supply and was pretty efficient by industry standards as a result of the modernisation programme which Seagrams had implemented when they took it over initially. Finally,it provided Irish Distillers with a second production location which helped to mitigate the industrial relations risk associated with the centralisation of the rest of its distilling operations in the modern Midleton complex.

The association with Seagrams,through which IDG acquired an interest in Bushmills,was also expected to provide synergies in marketing and distribution for both companies. This association became a contentious issue between the management and a vociferous segment of the shareholders. The question of what the 'quid pro quo' was for IDG in the IDG-Seagrams relationship was hotly debated at several AGM's and reported in the press. Reporting on the 1974 AGM an Irish Times article 1-3-75 records that "various shareholders ..demanded the exact export figures to North America" so that the could assess the impact that the Seagram link was making towards the development of this market.The chairman,Frank O'Reilly, refused to provide the figures claiming that "they would be very advantageous to our competitors".The shareholders saw this as evasive and persisted in their demands but O'Reilly persisted in his refusal. At the 1975 AGM, as reported in article in the Irish Press of 25-2-76, "..it was the export situation, particularly in the US, that was of most concern among the more than 100 shareholders at the meeting,at which the Distillers board came under repeated criticism for failing to disclose US sales figures".Again the feeling was that the IDG-Seagrams link was proving much more beneficial to Seagrams than to IDG.The issue persisted into subsequent AGMs with shareholders continuing to request information on the exact level of US sales and the Board firmly refusing to provide the information. Speaking about IDG's US involvement generally one executive said that "the Press have given us a hard time on the US involvement over the years because it has not developed as fast as hoped, thus challenging the wisdom of the strategy". Unrealised expectations from the Seagrams link may have been part of the reason why the US market had not developed as fast,or as far,as had been hoped for. However,there were other important contributory factors. These included some organisational difficulties in IDG's own marketing effort and the underlying trend away from spirits to lower alcohol drinks in the US market itself.

New managing director - Richard Burrows

Kevin Mc Court had been appointed MD of UDI in 1967 on a ten year contract. He was in his late 50's by the time this contract had expired and he signalled his intention to retire. Richard Burrows, according to one executive interviewed,"was clearly being groomed for succession". He had been MD of Bushmills. When it became clear that Mc Court intended to retire,Burrows was brought in to IDG headquarters as his "right hand man" for an overlap period of approximately 12 months,and was given the title of general manager. He became MD of IDG in 1977,at just 31 years of age.

Richard Burrows had started out as a chartered accountant in the firm of Stokes Brothers and Pim,Dublin, the auditors for Irish Distillers. He was familiar to,and with,the company from the beginning of his career. His uncle, Nigel Beamish, was chairman and MD of Edward Dillon & Co., the Southern Ireland distributors for Bushmills and a company in which IDG had at the time,a 65% stake. Burrows spent a short time working in Edward Dillon & Co. after leaving the audit firm before being hired by Seagrams to become MD of Bushmills which they had just taken over. Seagrams,through the leadership of Burrows,"brought in the 20th century into Bushmills and spent money on it". As the new MD of IDG he was both professionally qualified for the position and raised in the tradition of the industry. Though there would be changes in style,structure and tactics, the appointment of Richard Burrows was a signal for continuity,rather than for change, in the overall grand strategy. Frank O' Reilly was still Chairman of the Board and was to remain so until 1981. Kevin Mc Court was to remain on the Board until 1982.

While there was no major change in overall strategic thrust on the succession of Richard Burrows,there were some organisational changes. Mc Kinsey Consultants were hired to advise on organisation so that the new MD could "start with a clean slate". The job of the consultants was perceived by some insiders to have been partly to "confirm the people that (the new MD) wanted anyway" and to minimise the political fallout as the new MD went about putting his own management team in place. Whatever about their perceived political role the consultants were clearly expected to provide substantive advice on organisational design. With Midleton on stream the primary focus shifted from distilling onto marketing. The Mc Kinsey study was "focused on the need to develop markets overseas" and to advise on the most effective sales and marketing structure for this purpose. It also looked at the overall corporate management structure. The existing structure involved an Executive Committee "which ran the day to day affairs" of the company and consisted of the MD and the heads of functions. "When Mc Kinseys had a go at this they changed its membership and called it the Group Operating Committee. They dropped a number of people..and changed it slightly". In this overall organisational review McKinseys also recommended that a Supply Operations function be set up to integrate the bottling and distribution activities organisationally and operationally.

The post-merger period 1966-79 - summary

In the post-merger period up to the end of the 70's much had been achieved and if the expansion in exports was still less that had been hoped for, nevertheless,the company looked forward with considerable confidence to the future. The company had carried out a major rationalisation and restructuring of the domestic sales activity. It had rationalised and modernised its distilling capacity and had sufficient capacity to handle the expected expansion in output for years ahead. It had acquired Bushmills and finally consolidated the production of Irish whiskey under the one corporate entity. This helped to further its dominance of the home market and strengthen the profit base with which it hoped to resource its strategic drive for export-led growth. The lowering of protection and the general liberalisation in trade with other nations,which was manifest in the Anglo-Irish Free Trade Agreement in 1965 and later in EEC entry in 1972,had led to greater competitive pressure on the company but the company had responded well in its rationalisation and modernisation efforts.

In all,over the 1967-79 period,turnover had increased by 105%,net assets by 206% ,and PBIT by 293% in real terms. Productivity in terms of case sales per employee had grown by almost 300%. In terms of volume sales the case sales of whiskey to international markets had grown by nearly 400% over the 1968-78 period. Exports of whiskey had risen from around 21% of total whiskey volume to almost 34%. One of the notable features in the first decade or so after the merger was the expansion in the home market. While the company had planned to strengthen its position on the domestic front it foresaw its main growth coming from exports. However,volume sales of Irish whiskey on the domestic market rose by 163% over the 1968-78 period,an increase which in fact exceeded in absolute terms the expansion in export volume. One major factor in this was the success of the national effort to expand the economy and to reverse the decline in the overall population. Between 1966 and 1979 the population increased by 17% and the underlying domestic demand for Irish whiskey expanded in line with this trend. A further factor of significance in this domestic expansion was the substantial improvement in farm incomes and agricultural living standards that followed on from EEC entry. The momentum of this expansion in domestic sales was broken for a period when a 14 week industrial dispute closed down all distilling,bottling and domestic distribution operations in 1974-75. It took two years for the company to return to growth in domestic sales volume,a reflection of the strategic relationship between continuity of supply and the maintainence of market position in this fast-moving consumer goods business.

Overall,by 1979,the industry had been placed on a more secure footing. Considerable progress had been made in the operational implementation of the merger though it had been more difficult than company strategists had expected or outside interests realised. The main elements of the post-merger strategy were in place and working. There was still more scope for rationalisation downstream from distilling. However,by the end of the 70's the company had still not achieved the self-sustaining breakthrough in the strategic US market. Case sales to the US market had grown from 8% of total volume in 1971 to around 15% in 1979. This was still far off the take-off level that was a central objective in the overall post-merger strategy. The achievement of take-off in the US market had proved to be more difficult and more expensive than the industry leaders had expected. The Midleton project,the acquisition of Bushmills and the full exploitation of the natural increase in domestic demand had taken up a lot of company resources and management attention. By the late 70's,however,it seemed that the company was at last in a position to concentrate its resource power on export development and accelerate the drive for take-off in the US market. An Irish Times article on 23-2-79 captured the prevailing mood when announcing details of a £30m expansion programme at Irish Distillers:

"Full of confidence for the long-term future of the distilling industry, Irish Distillers is to spend over £30m in a drive to step-up production and capture a larger share of the lucrative US market..at the end of five years output is expected to have increased by 50%....the primary export target will be the US,followed by West Germany,Holland and France"

The difficult 1980's - retrenchment and realignment

The year 1979 proved to be a major milestone and watershed in the fortunes of Irish Distillers. Sales on the domestic market had reached a record level and exports to all markets outside the Republic of Ireland had passed the level of 1m cases. A £30m physical development programme had been embarked on and the distilleries at Midleton and Bushmills were on full 7-day operation. The Irish Distillers management were looking forward to the future with confidence,as we have just seen. Within a year,however,the environment of the company began to change dramatically. Richard Burrows and his team found themselves confronted with tough new challenges which undermined their company's future prospects and threatened the whole basis of the post-merger strategy. The company experienced new pressures on both the domestic and the export fronts.

Contraction and stagnation in the domestic market

In the wake of the 1979 Oil Crisis the international trading environment went into a period of prolonged recession. Many trading economies found themselves facing a combination of low growth and high inflationary pressure. In Ireland these problems were compounded by the high level of debt in the public finances. The domestic demand for the company's products has been largely determined by population trends,the level of consumer expenditure and the price of spirits relative to other consumer goods. Recession led to a decline in the level of real incomes. The Government's fiscal difficulties led to high levels of personal taxation which depressed real incomes further. They also led to steep increases in the taxation on spirits which raised sharply the relative price of the company's products. In addition,there was a dramatic slowdown in the growth rate of the general population to one third of the level that prevailed throughout the 70's. The overall effect of all of these factors was that the domestic market for IDG's products was stagnant or in decline throughout most of the 80's.

The sharpest decline in domestic demand was experienced in the early 80's. Over the 1979-83 period the excise duty per bottle increased by over 200% and over the 1981-83 period the sales of IDG's branded goods in the domestic market fell in volume from 1.4m to 1.02m cases,a fall of 27%. This was only partially compensated for by the related rise in the 'displaced' demand(i.e. the volume of spirits which is bought in Northern Ireland and re-imported,legally or illegally,for consumption in the Republic).The margins on the displaced demand were lower and the overall effect was one of decline in volume and profit from the total Irish market,North and South. While overall consumer expenditure per capita was in decline by 2.3% per annum,in contrast to the average increase of 2.3% per annum which characterised the 1960-79 period,the company had little doubt as to what the major factor was that brought about the serious decline in its domestic market volume:

> "The size of the fall in volume is a very considerable blow to (IDG). Whilst the general economic conditions undoubtedly depressed demand for spirits,the excessively high rate of duty now applying in the Republic of Ireland is,in our view,the main cause of the sharp decline"(Annual Report,1982;6).

As one senior executive put it:

> "...throughout the history of distilling, the single constant factor which has brought change to the industry has been excise".

The government's take in excise duty from domestic spirit sales rose from £39.9m in 1979 to £66.8m in 1981. By 1983,however,the onward rise in excise duties had depressed the market to such an extent that the overall return to the exchequer had actually declined to £55m on the contracting sales volume. In 1984 the company was successful in persuading the Government that the excise revenue from spirits had passed the point of declining returns and the duty was cut by 20% in October 1984. This led to a recovery of 15% in total spirit sales over the following twelve months. However, IDG's recovery of its domestic sales volume,in the aftermath of this cut in duty,was temporarily delayed by a seven week strike which disrupted production and distribution to the home market. In 1986 the Government once more increased the duty on spirits and once more the domestic market declined. By the end of 1987 the company's sales of branded products to the domestic market stood at around 1.1m cases,an overall decline of 20% since 1981. This prolonged pressure on the domestic front was clearly seen by the company as undermining its strategy of export-led growth where,in the words of the chairman in his address to the shareholders in the 1980 Annual Report,the company faced "mammoth competition" and "where its success is directly dependent upon heavy promotional investment that must,in turn,be funded from a strong home market".

The acquisition of BWG

Over the 1968-84 period the structure of the industry downstream of the company had been undergoing substantial change. One of the most significant developments was the shift away from the public house as the dominant retail outlet towards the off-license and supermarket stores. The large multiples dealt directly with the company and were serviced through the company's own domestic sales and distribution organisation. Much of the smaller supermarket and off-license trade came to be supplied through independent cash and carry wholesalers and this mode of distribution was continuing to develop into the 80's.

One of IDG biggest strategic investments during the 1980's was into the cash and carry business. In 1984 IDG acquired BWG for its food and drink division. The net cost of this strategic investment,after the engineering division and 71% of the pharmaceutical division of BWG were disposed of by IDG, was £10m. This acquisition gave IDG direct control over a nationwide wholesale and cash and carry network. This strengthened the company's domestic distribution network. It also increased IDG's power to market its products directly to the substantial cash and carry customer base and helped it protect and strengthen its domestic profit margins. Richard Burrows explained that the acquisition was made because "the fall in the home market has eroded our home base so we need to consolidate the home base"(Sunday Tribune,8-4-84) and the company felt that it had been losing contact with its customer base with the growth in the cash and carry trade.

The acquisition was perceived as defensive by the stock market. The market's initial immediate response to the news of the acquisition was a drop of 10p in the share price which reduced the company's market capitalisation by £7m. The company was perceived to have invested strategically in a stagnant market with no prospect for growth. The market would have preferred to see any acquisition by the company focused on the export front,where IDG's best prospects for growth in the 1980's,and beyond,were seen to lie. According to a feature article in the Sunday Tribune at the time(8-4-84) the news of the BWG acquisition had been met by a "torrent of criticism from the press" and the move was "attacked by some commentators as dull and unimaginative because it represent(ed) a substantial investment in the Irish home market". The BWG acquisition marked a turning point in the attitude of stock market to IDG. Up to 1984 the market had been relatively uncritical of the company and had kept faith with its basic strategic thrust. Progress on exports continued to be promising. After a sharp fall in EPS over the 1979-81 period from 17.55p to 11.56p the company's profit performance recovered steadily in difficult trading conditions to an EPS of 17.55p in 1983. The stock market had responded very favourably to this recovery and the quadrupling of IDG's stock price over the 1982-84 period prior to the acquisition reflected the market's confidence in the company's future export potential. After the BWG acquisition,however,the attitude of the market appeared to have become more critical of the company and less confident in the company's will or capability to realise its full export potential. This was reflected in the share price trend which began to lose ground against the general market index after 1984.

Decline in the US market and major revision of marketing strategy

The underlying trend in the US market for whiskey has been in decline since the early 70's. This decline reflects an underlying trend in consumption away from spirits generally to beverages with lower alcohol content and a shift,within the spirits category itself,from brown to white spirits. Over the 1970-79 period the US market for alcoholic beverages experienced general growth as a result of rising disposable incomes and expansion in the overall population. However,the level of per capita consumption of distilled spirits grew by just 10% over the decade in contrast to beer at 30% and wines at 71%,indicating the clear trend away from spirits. Within the spirits category the white spirits and liquers enjoyed fairly good growth in marked contrast to brown spirits. Over the period from 1960 to 1986 whiskey's share of the US spirits market declined from 74% to less less than 40%. The trend away from distilled spirits to drinks with lower

alcohol reflected a growing concern among the population at large with fitness and health. This trend away from spirits for lifestyle reasons continued throughout the 1980s and spread to the international market.
In addition,world recession after 1979 led to a general downward trend in disposable incomes. As a result of these developments the international market for spirits declined in volume over the 1979-87 period by 13% overall,with the greatest decline taking place in the brown spirits segment.

In spite of the underlying trend away from whiskey in the US market from the early 70's onwards the market potential remained vast for IDG. The US whiskey market,even after years of decline,still accounted for over 40% of the global market for whiskey in 1986 with a total volume of 68m cases.
For IDG,with a market share of less than 0.5% in the late 70's,this 68m case market,even in decline,still represented a major oportunity for its generically distinct,high quality,products. A gain of just 1% in market share in the US market promised a 33% growth in overall IDG sales volume. The company's sales of branded whiskeys to the US increased from .04m cases at the time of the merger to almost .35m cases in the early 80's. This growth was achieved against the underlying trend in the overall US whiskey market. Over the 1976 to 1982 period IDG increased its sales volume in the US by more than 70% in a market that declined overall by 10% in volume for all categories of whiskey and the market share of Irish whiskey doubled over this period,albeit from a very low base. Irish whiskey was the fastest growing mature spirit in the US market during these years. In 1983 the company and the stock market continued to look forward with confidence to good medium to longer term growth prospects for IDG based on its still far from realised export potential in the US.

In the 1980's,as we have seen,the company faced difficulties from unfavourable underlying trends in the strategic US market as it continued to work for a self-sustaining breakthrough on the export front. However,its marketing efforts in the early 80's were also hindered by internal organisational difficulties. When Richard Burrows took over from Kevin Mc Court as managing director he brought the Mc Kinsey organisation in to help him develop his own senior management structure. The new structure split the marketing function into two senior positions,one focused on the domestic market and the other focused on exports. The marketing director that Burrows had initially inherited from Mc Court resigned in 1979.
In 1982 Richard Burrows decided to revert to a structure that gave one senior executive overall responsibility for the marketing function and he went outside the company to make a strategic appointment in this area. A new marketing director was appointed but the new man did not fit in with the culture in IDG and left quietly within a year of his appointment.
Meanwhile the company had difficulties with its direct marketing presence in the US. IDG's marketing strategy in the US,since the early 70's,was to have each of its flagship brands handled by a different importer. Thus Seagrams had Jameson,Brown-Forman had Bushmills and Heublein had Tullamore Dew. In 1981 IDG set up a direct marketing presence in the US to provide a closer involvement by IDG in the promotional and marketing efforts of the importers. This operation had three different coordinators over the 1981-86 period. Then it was scaled down and relocated as IDG struggled to find the most effective role for this direct marketing presence. One of the major strategic difficulties that developed as the decline in the overall US market for whiskey continued was how to keep the importers motivated to push IDG brands when their own flagship brands were under severe pressure.

The upward movement of IDG exports to the US against the underlying trend in the market stopped in 1984. In the post-1984 period the US sales volume stagnated at around .3m cases for a couple of years and then declined to a level of around .27m in 1987. The decline reflected the large drop in the consumption of spirits that followed on from the sharp increase of 19% in federal excise tax in 1985. This stagnation in the company's US performance and the company's 'defensive' acquisition of BWG began to raise new doubts within the business community that IDG might not have the resources or the will to really make a breakthrough on the export front. In particular,the company's export performance looked lack-lustre in comparison to the phenomenal export success of Baileys Irish Cream. Baileys Original Irish Cream was by far the biggest whiskey-based new product success in decades and it was developed outside of IDG. Its introduction by Gilbeys,a traditional Dublin wine and spirit merchant,gave rise to a whole new genre,the cream liqueur. Gilbeys became a wholly-owned subsidiary of Grand Metropolitan,a large British conglomerate,in 1973. Backed by the enormous resources of the parent company Gilbeys achieved an export breakthrough with Baileys and by 1987 was exporting 2.6m cases,which exceeded the total exports of all IDG brands by a wide margin. Baileys was taken as a benchmark for what could be achieved on export markets with a distinctive product concept backed by resourceful and creative marketing.

In 1985,with the momentum on US exports broken and the investment community becoming more critical of the company,Burrows and his board decided that the time had come for a fundamental review of export marketing strategy. The existing strategy had achieved some notable gains in export volume over the 1976-82 period but,in spite of a costly and sustained effort,had not achieved the hoped for breakthrough. The reversal in the trend after 1984 undermined confidence in the existing approach. The company brought in outside consultancy support to help them in this review. One of the lessons which emerged from the US experience was that the company's premium brands had withstood the overall decline in the US whiskey market much better than its lower-priced brands. This review set in train a major reorientation in the the company's product strategy for export markets. The metaphor used to describe this reorientation was the change from a 'shotgun' approach to a 'rifle' approach to product/market targeting. The shift in strategic thinking towards the rifle approach was heavily influenced by the company's performance in the UK market where it was using a highly focused two-brand strategy.Sales of Irish whiskey had doubled in the UK over the 1981-85 period from a base of around .027m cases. This success formed the basis for developing a new,and more focused export marketing strategy for all markets. The essence of the new strategy was this: the company would continue to make its products available in many overseas countries and support the traditional demand for particular brands but that it would focus its main marketing efforts only in those geographical areas that showed the most potential for growth. Furthermore,within these specially targeted markets it would concentrate its full promotional effort behind one,or at most two,flagship brands.

The essential conceptual change in the new strategy was that IDG determined to increase its overall share of the international spirits market through seeking a medium to large niche in selected markets rather than by trying to develop and secure a small market niche across the board. The rifle strategy was extended to Europe after 1985 and the West German,French and Dutch markets were targeted as providing the best oportunities for IDG. Over the 1984-87 period Irish whiskey sales to these three strategic markets increased in total by around 45% from a combined base of .062m cases. It took a little longer to extend the strategy to the US because of the changes implied to some long standing relationships with importers there. In 1987 the rifle approach was developed for the US market. IDG decided to put all of its promotional efforts in this market behind its two premium brands,Jameson and Bushmills,"with distinctive but complementary positioning". It decided to phase out all other brands by agreement with its importers. The company also determined to lead the marketing effort directly in the five strategic States selected for intensive market development. The five States chosen for this focused strategy were California,Colorado,Florida,Illinois and Massachusetts,which the company felt offered the greatest potential for growth.

Rationalisation, and takeover bid

Though IDG undertook a major revision in their marketing strategy in 1985 it was only extended to the US market in 1987 and will take some time to prove itself there. Over the 1980-87 period the company made a number of major rationalisation moves designed to improve the quality of the its earnings,through improving the cost competitiveness and productivity of its operations and through reducing its overheads. In 1985 Richard Burrows and his team invested nearly £1.5m in a major rationalisation of its domestic transport operation. In 1987 they further invested over £10m in a major cost reduction plan,the central element of which was a reduction in the workforce of the Group's main trading company of 30%. This move was expected to improve the pre-tax earnings of the company by 25%,which would repay back the investment in 2.3 years and strengthen the future earnings flow of the company.

Over the 1980-87 period IDG had become a leaner operation which has undergone a major revision in export marketing strategy,designed to significantly improve its export growth potential over the medium term. It had done this against a background of an international market for spirits which is on a decline. In response to this general decline the larger players in the industry,with the greater exposure to the declining trend,have sought to maintain their earnings growth through acquisition and take-over. The degree of concentration in the whiskey segment has become even greater than that for the spirits industry as a whole. In 1987 the top five spirits companies accounted for over 35% of the market while the top five whiskey producers, Distillers(Guinness),Seagrams,Suntory,Allied Lyons/ Hiram Walker,and IDV accounted for over 60% of the global whiskey market. This trend towards increasing concentration in the global whiskey industry gave rise to increasing speculation in the market that IDG was a possible target for takeover.

By the end of 1987 the effects of the company's rationalisation efforts and revised export strategy had not yet begun to make a significant impression on its bottom line performance. Over the 1979-86 period there had been no growth in EPS and the IDG share had underperformed the market from late 1986 on through into early 1988. In June 1987 Seagrams sold off their remaining interest in the company,a block of 13.8% of the IDG shares. Development Capital Còrporation(DCC) picked up a 5.8% stake in IDG from the Seagrams offloading. DCC increased their holding over the next few months to 14.7%. In October 1987 FII-Fyffes,a large fruit importer,purchased shares in the market representing a total stake of 5.3% in IDG. One month later FII-Fyffes acquired the whole DCC holding to bring its total stake up to 20%. This acquisition of a 20% stake immediately fuelled intense speculation that a takeover bid was imminent.

Richard Burrows,his Chairman Joe Mc Cabe and the Board moved swiftly to galvanise their company's efforts in order to resist any takeover bid. They brought their plans for IDG's future straight to their major institutional investors.These investors had reportedly been "disenchanted for several months with IDG,which they saw as going nowhere"(Sunday Independent, 8-Nov-87).The presentation of the company's rationalisation programme and new marketing strategy went far towards restoring investor confidence in the short term. No public takeover moves were made by FII-Fyffes. Its chief executive,Neil Mc Cann,refused to be drawn on his precise intentions for the IDG holding other than that his company viewed it as a "strategic investment". IDG's half yearly performance figures,published on May 26th 1988 began to show the positive effects of the rationalisation and marketing changes. The company's half yearly EPS rose 37% on the same period in 1987. The EPS outturn for 1988 is expected to be 19-20p,an all time high; the EPS had remained for almost a decade beneath the previous all time high of 18.22p set way back in 1979.

At 7am on Monday May 30th 1988 a new joint venture company GC&C Brands announced that it was making a takeover bid for IDG with the bid price on offer to IDG shareholders at 315p per share. IDG described the bid as "ill-conceived,unsolicited and unwelcome". The company that made the bid was jointly formed for the purpose by Gilbeys and Cantrell & Cochrane. GC&C made their move after they secured the pledge of FII-Fyffes' full 20% stake at the bid price. The two principals to the initial bid were Irish subsidiaries of British-based conglomerates. At the time of the bid Gilbeys was a wholly-owned subsidiary of Grand Metropolitan and Cantrell & Cochrane was owned 51% by Allied Lyons and 49% by Guinness. GC&C's public rationale for the bid was that IDG did not have the resources or the marketing skill to fully exploit the potential of Irish whiskey on the export front. According to one of the principals to the bid IDG had "a very small hand to play,very limited resources. The marketing strategies they have adopted are appropriate to that small hand. What is required is an investment which is beyond the capacity of Irish Distillers"(Sunday Tribune feature,5-Jun-88). IDG retorted that the bid was highly oportunistic and that GC&C had sought to acquire the company on the cheap at a time when its future prospects looked brighter than they had for many years. There was indeed support for IDG's view among some leading drinks sector analysts. According to one in the London Evening Standard of 31-May-88 "the bid comes just as the fruits of what the management is doing are coming through. The prospects for the company are better than for a decade".

It was inevitable that the 'Irishness' of the Irish Distillers Group would be made an issue in the takeover contest. What was at stake in the proposed takeover was not just the future control of a company but the future control of the entire Irish distilling industry. The Irish Times editorial on 31-May-88 reflected the public interest in the takeover battle:

"Irish Distillers is -or should be- one of the jewels in the crown of manufacturing industry here. Its products are quintessentially Irish and of the highest quality,with in some cases hundreds of years of tradition behind them. The company and its products have a claim on the loyalties, not to mention the tastes,of a great proportion of the population"

and it predicted that the events as they unfolded in the takeover saga would be "followed with avid interest by a public which feels that it has a personal interest in the company's fortunes". However, seen in the wider context of the recent ratification of the Single European Act(SEA),and the Government's commitment to the programme for the completion of the internal market of the EC by 1992,it was clear that the scope for IDG to play the 'green card' in the takeover battle was more limited than at any time in the past. Against this background the Government was unlikely to intervene in the takeover battle just to preserve the ownership of Irish Distillers in Irish hands.However,the national interest did demand that the Government take care to ensure that the bidders,whose parent conglomerates together largely controlled the international market for Scotch,were bona fide in their stated intention to develop Irish whiskey. There was a clear risk that the future growth of the Irish whiskey industry under the ownership of the bidders might well be compromised if it threatened the already declining sales of Scotch. As one prominent stockbroker and member of the Irish Senate argued in a feature in the Sunday Independent on 10/Jul/88:

"Roll on 1992 and free competition,and roll back narrow-minded nationalism...Being Irish (owned) should not matter a damn. What does matter is whether Irish jobs,Irish consumers and Irish shareholders are threatened by the bid.."

The Irish Times leader writer on 31/May/88 succinctly summarised the overall implications in the bid for the national interest as follows.

"The positive side of a takeover such as this,if it were to succeed,would be that Irish products could be promoted internationally on a scale hitherto impossible. The negative aspect of that equation would be that control and profits of the expanded entreprise would not wholly be in Irish hands"

This takeover bid for IDG raised some serious issues of national interest, not only for the future of this traditional indigeneous industry,but also for future Irish industrial policy.These were clearly laid out in an Irish Times feature(4-Jun-88) by economics columnist Maev-Ann Wren, in which she addressed herself to this aspect of the takeover bid for IDG:

"Will nothing be sacred in the brave new world of the single European market? If Irish Distillers can pass into foreign ownership what will be left? And why bother struggling to build up strong Irish firms, if they will immediately fall to foreign predators?....

The logic of the development of the single European market almost presupposes that Europe's food industry should become concentrated in fewer large multi-national companies..(The argument in support of this trend is) that if European firms failed to grow,they would be unable to compete with the industry's giants,which are chiefly based in the US... How then can a small country develop its industry in a world which is increasingly dominated by multinational groupings? This question was addressed by the Telesis Consultancy Group in its review of Irish industrial policy over six years ago. Telesis recommended that...a much higher proportion of State funds should be used to build up large Irish firms..Distillers is perhaps just the sort of company which should have received very much greater state aid in return for a state shareholding with the objective of building the company to the size where it might have become an international food industry predator rather than prey..It is probably too late for Distillers but..although the European Commission generally frowns on state subsidies intended to build up companies as so-called "national champions" it is required to adopt a more lenient approach to the industrial development efforts of less developed regions.

The Irish exchequer already spends or forgoes hundreds of millions of pounds every year in the name of industrial development. The Distillers bid underlines the need for that spending to become very much more focused."

Initially IDG attempted to ward off the bid by its own efforts. It sought to persuade the shareholders that the bid grossly undervalued their company. The market valuation of IDG shortly before the bid was made was around £176m. The initial bid by GC&C valued the company at £198m. IDG were successful in persuading the market that this initial bid was too low. Before it could raise its bid GC&C ran into trouble with the European Commission. The Commission took the view that the initial bid was a concerted one by the two principals and it forced the breakup of the consortium. A reconstituted bid was allowed when GC&C was restructured so that it was soley owned,through its subsidiary Gilbeys,by Grand Metropolitan. GC&C raised its initial bid to 400p per share on 19/Aug/88. This valued IDG at £235m. At that point the takeover battle entered a distinctly new phase. It became clear that,short of some unexpected intervention by the Minister or the Fair Trade Commission,the only thing that could now prevent the IDG shareholders from accepting this new bid was a better counter offer. IDG's days as an independent company were numbered. It was then that Pernod Ricard,the giant French drinks company,publicly entered the takeover battle as a friendly bidder,a white knight.

Pernod Ricard entered the contest as a white knight on condition that its offer of 450p per share was to be assured of success. It was not prepared to become involved in an auction with GC&C. Over the weekend of September 3-4 the financial advisors to IDG and Pernod Ricard obtained irrevocable undertakings from various IDG investors,including the FII-Fyffes shareholding,that guaranteed the white knight control of over 50% of the company. GC&C responded with a bid of 525p and the contest entered its final phase which involved the Irish courts and the Take-Over Panel of the London Stock exchange in its eventual resolution. The Irish courts ruled that the irrevocable undertaken given by FII-Fyffes to the Pernod Ricard advisers,though only verbal, was legally binding and that FII-Fyffes were no longer free to entertain the GC&C offer of 525p per share. The Take-Over panel upheld the irrevovable undertakings as not in breach of the Take-Over Code,when challenged by GC&C. The final outcome of this protracted and complex takeover process was that Pernod Ricard acquired IDG for 450p per share.

Throughout the takeover process Richard Burrows,his chairman and his board had shown considerable ingenuity and deftness in their fight to preserve the integrity of IDG as a business entity. In the process they surprised many of their supporters and confounded most of their critics as they succeeded against all the odds in fighting off a powerful and determined predator. The IDG board and management expect that Pernod Ricard will operate IDG as an autonomous and integral subsidiary of the new parent company,preserving the unity of the company and the existing structure of Irish distilling industry. The GC&C takeover would have involved the disintegration of the company and a fundamental change in the structure of the Irish distilling industry,had it succeeded. While the Pernod Ricard takeover signals continuity rather than fundamental change in the near to medium term it is unlikely that this company willingly paid nearly twice the pre-takeover value of IDG just to allow it to operate and perform largely as before. Though the full strategic impact of the Pernod Ricard takeover will take some time to emerge it is clear that the takeover battle of 1988 was an important watershed in the history of IDG and the Irish distilling industry and that the outcome heralds the beginning of an important new phase in the future development of the company and in the ongoing evolution of the industry.

CHAPTER SEVEN

CASE STUDY - COMHLUCHT SIUICRE EIREANN TEO. AND THE IRISH SUGAR INDUSTRY

In this chapter the third case narrative is presented. It covers the evolution of the Irish sugar industry and focuses in particular on the genesis and strategic history of Comhlucht Siuicre Eireann Teo.(CSET), the State-owned sugar company.

Introduction to CSET

CSET is a state-owned entreprise (SOE),or semi-state company as they are known in Ireland. It is the sole producer of sugar in the country and sugar is the company's main product line. CSET dominates the home market for sugar, though in recent times it has come under increasing competitive pressure in its domestic market due to imports from other EEC countries.

CSET has five divisions. Sugar is the largest division and the other four are Food,Engineering,Agrichemicals and Quarries. Sugar is the core business and the main source of company revenue. Food began as a major diversification activity in the 1960's. However its subsequent development fell far short of the high aspirations set for it in that period. It is now a profitable business for CSET and accounted for around 11% of company revenues in 1987. The other three activities are closely related to the core business.

As we shall examine in more detail in the next section the company was founded to be the major vehicle for the development of an indigenous sugar industry in Ireland. This gave it a unique relationship with the beet growing communities which are the source of the major input. Currently the company,and its major publics are wrestling with a basic ideological problem concerning the issue of whether its main mission is developmental or commercial. At this time the total equity is held by the State which is referred to as 'the shareholder' in company documents and annual reports. The question of the possible privatisation of such semi-states as CSET is,in the late 1980's, now moving to centre stage in the national political arena.

The company's operations have been organised regionally around the main sugar plants in Carlow,Thurles,Mallow and Tuam. Carlow,Thurles and Mallow are in the southern region of the country,with Mallow being the most southerly operation. The Tuam plant,recently closed,was in the west. As an SOE the company has been,and continues to be, impacted in its attempts to make decisions on commercial grounds by local and national political pressures.

In 1980 the company started to report losses in PBT after 45 years of almost uninterrupted profitabity. During the 80's the company closed the Tuam plant and carried out a major rationalisation programme. In the late 80's CSET is planning to move tò a two-plant configuration,which will involve the the closure of the Thurles sugar operation. It is also actively searching for oportunities to diversify. CSET currently figures in the national debate concerning the possible privatisation of some SOE's and its present chief executive has gone on public record as supporting the privatisation of the company.

Main Phases in CSET'S history

The interviewees tended to organise their recollections of the main phases of the company's development around particular issues at some stages and around particular leaders at others. In certain cases a large personality spans a number of issues and in others a large issue spans a number of personalities. The main phases with their key events,forces and turning points,are described below.

1926-1939 Gestation,Formation and Early Growth

As early as 1660 sugar from cane was refined in Ireland. By 1766 there were 40 sugar refineries operating in the country. In 1842 the first acres of sugar beet were grown in County Antrim, and in 1851 the first sugar beet factory was built at Mountmellick by the Royal Irish Beet-Root Sugar Company. This early production of home grown sugar failed in 1862. It was not until 1911 that the momentum began to build up for another attempt at establishing an indigenous sugar industry. By 1925 this had resulted in the establishment of the second Irish sugar company. The new Irish Sugar Manufacturing Co. was a private entreprise. It erected a production facility in Carlow in 1926 and began a beet growing campaign in the locality in the same year. By 1932 there were 13400 tons of sugar produced at Carlow which was over 7% of the national requirement.The new entreprise ran into difficulties and was failing in 1933, but not before it had clearly established that quality sugar could be produced in Ireland from beet grown locally. The approach of the first Free State government to the use of state funding for economic and industrial development was piecemeal and cautious,as we saw in chapter four. However, the administration of W.T. Cosgrave did provide an important lifeline to the fledgling Carlow experiment in the form of a state subsidy,which had helped to keep the hopes for an indigenous sugar industry alive for the first seven years of the Carlow experiment,from 1926 to 1933.

The first Fianna Fail Government,which came to office in 1932,was committed to a policy of self-sufficiency and industrial expansion.Sean Lemass,the incoming Minister for Industry and Commerce in this administration had clearly signalled his priorities for industrial policy while still in opposition. In a speech to the Dail in 1928 he outlined his party's belief that Ireland could be made "a selfcontained unit,providing all the necessities of living in adequate quantities for the people residing in the island at the moment and probably for a much larger number". In abandoning the policy of laissez-faire/free trade and in turning to protectionism and self-sufficiency the Fianna Fail administration was reflecting the economic doctrine espoused by Griffith when he founded Sinn Fein in 1908. Furthermore, it was also reflecting the wider movement away from free trade and unbridled capitalism that was taking place in many Western nations during this period of the Great Depression. Lemass,in line with this industrial policy, decided to intervene in the failing sugar entreprise and to rescue the entreprise and the fledgling industry in the national interest. However he was not content to just to save the failing Carlow entreprise. He was determined to build on it and to expand it.

Lemass and his colleagues wanted to establish an industrial base in Ireland. The use of State investment and State ownership in cases like the sugar industry was a pragmatic rather than an ideological choice. This new Fianna Fail Administration wanted to accelerate the process of industrialisation. State intervention often happened only after private capital proved unwilling or inadequate to the task in this era of nation building:

"While strenuous efforts were made to encourage private investment (in this period),..despite the protection that the tariff walls provided,private Irish capital investment proved ..shy.By default the state was forced to increase its involvement in Irish manufacturing industry..through the mechanism..(of) the state-sponsored body"(Brown 1985;144).

The Government saw the developmental value to the fledgling Irish economy of an indigenous sugar industry catering at least for total home consumption. This implied a much larger undertaking than the original Carlow effort. The Carlow experience had established the technological viability of an indigenous sugar beet industry this was a significant factor in the State's decision to commit substantial public capital to the development of the industry. As Foy(1976;40) has noted " it gave the Irish Government the the confidence to establish Comhlucht Siuicre Eireann Teo. with authorised capital of £2m " in 1933. The new State-owned entreprise acquired the Carlow plant and by the end of 1934 had established further plants at Thurles, Mallow and Tuam. Eamonn De Valera,the Taoiseach in this first ever Fianna Fail administration,performed the cermonial sod turning for each of the new factories. At the Thurles cermony on 25/Nov/33 he clearly linked the founding of CSET to his government's wider industrial policy when he said that "in establishing factories such as these we are making the way for a self-sufficient and self-supporting State".

The debates in the Dail leading to the passing of the necessary legislation to establish CSET were characterised by an almost absence of any partisan politics. The debate centred largely on the economic viability of the proposed project. Lemass was aware that on firm-level economic grounds alone the project was not a commercial proposition. He justified the State's involvement in the project on wider economic grounds as the following extract from his contribution to the Dail debate on the setting up of CSET in 1933 clearly demonstrated:

"In no country in the world is beet sugar an economic proposition if we regard it from a purely accountancy point of view...But there are other points of view besides the point of view of the accountant and,by giving a measure of protection necessary to put the beet industry into existence,we are going to provide employment...it will be a cash crop for farmers and indirectly create new business for quite a number of industries,and we are going to do that at a cost to the community of an additional halfpenny a pound on sugar"

The high level of agreement in the Dail on the proposed establishment of the new State-owned sugar entreprise was particularly significant in the context of the time. Power had just been transferred for the first time in the Free State's short history. Many of the incoming Fianna Fail government had been apprehensive about whether the transfer would be peaceful,given the fact that the tensions between the two main parties generated during the 1922-23 Civil War remained not far below the surface of Irish political life right into the 1930's. When viewed against the background of the time the high level of cross party support for the setting up of CSET in 1933 meant that the establishment of the new State-owned entreprise had the strongest and widest possible political backing at national level.

While there was a high level of political consensus at national level around the establishment of CSET and the expansion of sugar producing activity in the country,there was intense regional political activity around the possible locations of the proposed three new factories. There was a high level of awareness of the spin off potential to any locality that might have been chosen as a factory site. One long serving CSET senior executive,who is a widely acknowledged expert on the history of his company provided,in interview,the following insight into the intense regional political activity that led up to the selection of the three sites for the new factories:

"The regions were very alert to any advantage that the new government could come up with that would favour their areas.There was keen regional interest once the idea of setting up a national company was established. There was awareness of the developmental spin-off. The 'economic war' with Britain was on and no cattle were being exported.Minds turned towards tillage naturally and the prospect of getting a factory for the region was a major thing. There were literally dozens of committees formed with senior church and political representatives.

These committees adopted different tactics from region to region in their approach to trying to get a sugar factory for their regions.There were main committees and then their were subcommittees. The women played a major role in raising funds to send delegations to Dublin (to lobby government).The men concentrated on lobbying farmers to see would they grow this new crop which was alien to them.The canvas was very much done like a general election. (The message was) 'sow for Ireland instead of fight for Ireland' and farmers were shamed into declaring their willingness to grow.Each committee was determined to show that farmers would uptake the crop and ensure continuity of supply. Other areas offered sites for free etc.

The decision...was made (in favour of the regions with) the committees with the biggest political clout,where the hardest Fianna Fail TD's came from and where the most active Bishops came from.Tuam won against the better judgement of farming hinterland reasons (relative suitability of the soil for beet growing).Mallow likewise.The political element was so strong here - it was not built in the town of Mallow because it was considered a 'shawneen' town (not republican enough when the fight for independence was at its height, a town too accomodating to its British garrison),but was sited in a village 4 miles out,in the town of Russell which was considered to be pure republican.In Thurles the factory was sited where the social need,political wallop and the quality of the committee (were the combined forces in the choice process)".

The significance of the winning of a factory for an area was underlined by the same interviewee who said that "in these areas the families of the committee members that trudged the fields and won the factory still have a special status in these communities" more than 50 years on. The significance for CSET was that these early location decisions were to be among the major character forming decisions for the new company as these locations became the future centres for the expansion of the companies activities.The legacy of the decision to choose Tuam was to become a major issue in later years leading to the protracted effort by the company to close this loss making facility in the late 70's, eventually succeeding as late as 1986.

The early direction of the new entreprise was in the hands of J.B. Connell, a civil servant who was put in by the Government to run the company.Both Connell and his successor,T.O'Hanrahan, were described as "administrators and custodians" by one senior executive. He went on to characterise this this early period as follows:

"You had a paucity of Irish skills and in these first years you had foreign skills involved even down to the level of factory foremen. One of the first things that the Government did was to pick university people and send them abroad to learn sugar technology not just to have the sugar produced in Ireland but to have it in Irish hands".There were six sent out at this stage,Gannell,Daly,Burke,Flynn,Bradley and Twoomey.All were to play important and enduring roles in the future development of the native sugar industry.The 1939-45 World War dominated the latter end of this formative period. (The main effect of the war in the development of the company was) that the Irish had to take over totally the operation of the entreprise. They had to be self-sufficient earlier that expected because the non-nationals (Belgians,Austrians,Germans and other central European nationals)returned to their homelands".

Ireland chose a position of neutrality in the 1939-45 war and this period in modern Irish history is known as 'the emergency'.The strategic benefits of self-sufficiency in a commodity such as sugar became very apparent much sooner than those instumental in establishing the entreprise some 5 short years earlier had anticipated.The company was able during the emergency to supply the country's basic needs in this commodity.However,the hostilities did lead to severe difficulties in the aquisition of vital spares for the beet processing equipment which were unobtainable from the original suppliers. Furthermore as Foy(1976;48)relates "apart from the scarcity of equipment,grease,oil and formalin were in short supply as were the vital beet knives..Beet seed,not available from abroad,had to be grown at home and fertilisers were in extremely short supply".

The state of the entreprise and the industry at the end of this formative period was described by one interviewee as follows:

"Because self-sufficiency was forced upon CSET during these years,by the end of the War the company was ready for further development"

However,there was a difficulty at this time,as he went on to point out:

"Basically in 1945 you had a group of very experienced people but they had expended their energies on stop gap measures (to cope with the difficulties of maintaining production throughout the emergency).The industry had proved itself but the industry was not in a very coherent state. They were strong people technically (the Irish pioneers of the industry) but they were not leaders or strategists".

1945-1966 General M.J.Costello

At the end of the emergency,during which the industry had proved its worth,the Government was concerned to secure its future. According to Lynch(1886;12):

"Lemass and his associated Ministers were looking around for a man who had proved himself not alone as possessing the ability and strength of character to shoulder a major industrial appointment,but who had proven his patriotism to the hilt".

It was an indication of Lemass's own pragmatic approach that he "crossed the political lines",as one interviewee put it,in appointing Costello,since they had both taken opposite stands in the Civil War.

Costello credentials were impressive.In the first year of the new State's existence after the treaty,Costello was promoted to Colonel Commandant of the newly established Free State Army.He was not yet 20 years old.It was a time when young men of exceptional ability were being called upon to play major roles in the fledgling state.He was to rise to GOC of the Ist Division South before his retirement from the army in 1945 at the age of 41.During his army career he was chosen,with four other officers of outstanding ability,for a special two year training programme at the US Staff College at Fort Leavenworth,Kansas, the US military academy for Senior Officers.As one senior executive put it:

"Lemass was basically an Army man himself-he had fought in the GPO (in the Easter 1916 Rising)..the General as an army man was a servant of the State and committed to the state in a very basic way and Lemass liked

that kind of individual".
What Lemass,it seems,wanted for CSET at this time was someone to "loosen the grip of the Civil Service" on the company because they "were not business orientated".

The 'General',as he came to be referred to by all connected with the industry inside and out,is a towering figure in the history of CSET and there were two phases in the development of the company under his leadership.

1945-59 Securing the Supply Side

As was pointed out earlier,the industry was exhausted by its efforts to keep going during the difficulties presented by the Emergency. The fields had been over tilled. The factories were in need of modernisation. The saving of the crop was still a very laborious task and the crop itself was exposed to all kinds of pests and crop diseases.

Foy(1986;18-23) describes the main thrust of the General's strategy during this period and provides useful insight into his managerial style:

"The General on joining,took a general's view. A 'campaign' was needed.The fields must be made fertile if the industry was to have a future. The programme he set had research as the key. That soon brought to light a bewildering range of problems:disease in the beet was rife and threatening the industry's very existence. So were the pests. Appalling shortages of essential limes on the beet fields showed. No suitable fertiliser system existed-indeed no system existed. Beet seed purity was at a low level.An unsustainable high labour input per acre was involved (660 manhours in 1945 as against 22 manhours in 1986);soil testing (was) non-existent.
The General set up field stations at each factory.They became the country's first soil-testing units..The tests showed just how lacking in lime Ireland was-and while there were private quarries in existence,the General saw the need was greater than their collective capacity. He opened quarries on a scale not known here but then found the farmers had not the equipment or the resources to avail of them as the need demanded. The General had recruited for the company a group of army officers who had served under him. One of them was his director of transport,Capt.John O'Brien.Soon the sugar company had purchased 300 British army trucks(which had seen service in the North African campaign against Rommel and had become surplus).These were fitted with spreading equipment and they not alone took the lime to the farms but spread it as well.The war on want of lime was on,weather conditions were ignored. Work on Irish farms now spanned the four seasons. A new excitement gripped farming Ireland.."

As well as expanding the company's involvement in the industry to the provision of essential lime and to R&D activities,the General also dedicated company resources to the problem of the inordinately high labour and drudgery content in the harvesting of the crop.The first approach was to examine the harvesting machinery available in Britain and other countries. Trials found this equipment to be unsuitable for Irish soil conditions during the winter months.The General solicited the help of Austin Armer,an eminent American engineer,who was highly experienced in the design of agricultural machinery. Under Armer's expert guidance a beet harvester was developed in Carlow and named the Armer Mk 1 in recognition of Armer's crucial input into its development. In the General's own words "It wasn't the invention of the harvester which caused us the most trouble,but rather it was the task of convincing a farmer to let us in to test it on his crop". Winning farmer confidence to adopt new techniques and to apply the results of scientific research on the methods and conditions for growing the crop took up a large part of the General's energies.The company was to later export to other beet growing countries,machinery designed and built at the Carlow facility. The General,himself,was to become one of the best known men in the industry in Europe and he came to hold the presidency of the International Institute for Beet Research. In his efforts to secure the beet supply the General went so far as to have his engineering works develop a turf-cutting machine so that farmers in the West would have more time away from the traditional turf-cutting to concentrate on the growing and harvesting of the beet crop. His was a fully intergrated and cooperative approach to the production and processing of sugar.

The General was a benevolent autocrat in his managerial style. He believed in consultation, in informing and in being kept informed,and he was willing to take on board good suggestions and ideas.He believed in using peoples talents to the full but took full responsibility for,and full charge of the direction of CSET while at the helm."He attracted the best into the industry and extracted the best from those attracted".He knew his employees and his suppliers and kept close links with them."He was not a man to pass a dirty beet field without stopping to find the owner! and ..he organised so many competitions,he presented so many prizes in the course of helping his growers towards excellence,that he knew their fields almost as well as themselves" (Foy,1986;23).He established Works Committees at the plants to give each employee a say in the running of their sections. He established the magazine 'Biatas-The Tillage Farmer'to keep the farmers informed. The cornerstone of the General's managerial philosophy,while at the helm of CSET,is revealed in the booklet,published as a tribute to him by the company on the occasion of of his death in 1986. This tribute identified as his steadfast theme his personal conviction that "the co-operative theories of Horace Plunkett are superior to communism or capitalism and the only workable alternative to those"(CSET,1986;32).

Organisationally the General ran the company through 4 Area General Managers and a few key staff officers.As one executive characterised it:

> "The key men that the General Manager looked to in the industry were the 4 Area General Managers.These were the most powerful second level managers.They made the profits and losses etc.In between you had the Chief Agricultural Officer who was a very key and an important man.His duty was to have built a human link between the big State edifice that the farmers would perceive CSET to be (and the farmers).This was established by having agricultural graduates assigned to the four areas. They would be in the beet catchment areas to reflect the importance of each catchment area.They were directly responsible to this Chief Agricultural Officer for overall company policy on acreage,price,fertiliser price etc., but day to day they were responsible to the Area General Manager..The agricultural officers support(ed) contract men at the parish level called field men..
> The 4 Area General Managers met every month in Dublin with the General Manager,accompanied by his backup staff,i.e. the Chief Agricultural Officer,the Chief Engineer etc. This was the main management coalition until the 60's.Under these the new developments happened within;the quarries, the machinery etc were all integral to this structure."

The General had concentrated up to 1959 on securing the production of the national need for sugar both for personal consumption and for downstream processing in the sugar based industries. The marketing of the product was left in the hands of those concerns that had been the major importers before CSET was set up.By the end of the 50's the General had developed the sugar side to the stage where the home market was fully covered. There was no real prospect for export of sugar as a commodity because the world market was dominated by Britain and the United States and they had plentiful supplies of relatively cheap sugar. The 1959 Annual Report gave this contemporary view of the company's prospects,or lack of them, with respect to the possible export of sugar:

"The total production of sugar in 1958 is estimated to have been fifty million tons.About 80% of this is sold in markets protected by tariffs, by quota restrictions or dominated by subsidies to home producers..The two greatest importers of sugar are the USA and the UK.The USA buys all its sugar under preferential quota arrangements designed to give the producer a fair return.It is the largest buyer from Cuba the country which is by far the largest exporter.The United Kingdom..buys from the Commonwealth and colonies what amounts to about..1.5 million tons..at a negotiated price declared to be reasonable to the producer"

The same report went on to explain that the so called 'free market' for sugar applied,in fact,to only for a very small percentage of the total world production. This free market was composed mainly of surplus stock from the large exporters and stock sold below cost by Eastern Block countries in search of valuable foreign exchange. The price in this market bore no direct relation to the cost of production.

In the late 1950's,therefore,the General and his company started to look seriously at oportunities to diversify.

1960-66 Diversification into Food - under General Costello

In 1960 CSET under the General began a major diversification effort into food processing.It was known in the early 60's simply as the food project. Sugar, as we saw earlier did not offer any significant scope for growth beyond satisfying the requirements of the home market. According to Foy(1976;81), "the concept of a food division was first discussed by the sugar company in the 1950's" so the idea was not new at this time. What gave it particular impetus at the end of the 50's was the Government's national programme to expand the economy.

In spite the success of semi-State entreprises like CSET in helping to develop an indigenous industrial base in the country,the policies of self-sufficiency and protectionism had,over the longer run,led to economic stagnation by the mid-50's. Emigration was running at an all time high and all across the country there was a gathering and pervading sense of national self-doubt and despondency. Ken Whitaker(1958;par12),the young and dynamic Secretary of the Department of Finance at the time,captured the essence of the predicament facing the country in the late 50's in his now historic analysis of the situation,'Economic Development',when he noted that:

"after thirty-five years of native government people are asking whether we can achieve an acceptable degree of economic progress.The common talk among parents in the towns,as well as in rural Ireland,is of their children having to emigrate as soon as their education is completed in order to,secure a reasonable standard of living."

Whitaker,who until this time had been "highly antagonistic to large-scale state involvement in the planning and financing of economic development" (Brown 1985;213),underwent a radical change of outlook when faced with the damning evidence of the failure of the existing policies,namely the massive tide of emigration. According to Whitaker(1958;par4) the policies of self-sufficiency and protectionism "though given a fair trial,(had) not resulted in a viable economy". He went on to recommend to Government a blueprint for accelerating the development of the Irish economy,which had clearly much underdeveloped and latent potential. Sean Lemass,first as Minister for Industry and Commerce and after 1959 as Taoiseach,supplied the political will,imagination and leadership to the Whitaker blueprint in a set of national indicative programmes for economic expansion. This blueprint included greater involvement by the State in investment for productive purposes,increased Central Bank power to direct investment by the commercial banks,and the encouragement of foreign investment by packages of attractive incentives. Economic nationalism was abandoned and a new expansionist outlook replaced it that saw the development of the Irish economy in a wider European and World trade context.

Whitaker(1958;par12) had also argued that there was "a sound 'psychological' reason" for having such an integrated development programme and that was the need to "buttress confidence in the country's future and to stimulate the interest and enthusiasm of the young in particular". He was convinced that with the right leadership such a programme would lead to "a general resurgence of will" by the setting up and pursuit of "targets of national endeavour which appear to be reasonably attainable and mutually consistent". The change in outlook in Ireland that developed over the 1958-63 period covered by the First Programme For Economic Expansion was dramatic. The country entered the 1960's with a new sense of vigour and optimism that was in marked contrast with the situation only a few years earlier. According to Brown(1985;241) "most Irish people would still identify 1958-63 as the period when a new kind of Ireland began to come to life". The transition was more than economic it affected all aspects of Irish political,social,cultural and economic life. Isolationism was abandoned along with self-sufficiency and protectionism and the country became more empirical,cosmopolitan and materialistic in outlook.

This was the era of Ireland Inc. and Sean Lemass was seen as a kind of chief executive,decisive,efficient,impatient and pragmatic. Lemass mobilised the economic effort by challenging the leaders of the country's industries and entreprises directly in support of his government's national programme to develop the economy. He believed that in "a small society with no inherent momentum of its own and with a heritage of stagnation,it was men that mattered. The initiative or lack of it,of a handful of individuals could make or mar important institutions for a generation"(Lee,1979;24). He articulated and personified a new form of patriotism,an economic patriotism,that was relevant to the challenges of Ireland in the second half of the 20th century. He threw down the gauntlet to the country's leaders and institutions in his speech to the Dail on 3/Jun/59 when he declared that it was "the historic challenge of this generation....to secure the economic foundation of independence".

The timing and the manner of the initial diversification moves of CSET can only be fully understood against the backdrop of these broader contextual developments.In 1960 the company was just over 25 years in operation.It had

> "considerable financial strength;excellent working arrangements with farmers;formidable and diverse capacity in human and technological resources;widespread involvement in the rural economy"(Foy,1976;86).

The General and his organisation were ready to respond to the spirit of the national programme for economic expansion in which significant net exporting from the agricultural sector,as we had noted already in chapters four and five,was to be a key element. CSET's response was to be a major diversification into convenience food processing. This was the genesis of the Food business that came to dominate the company's activities from 1960 to 1972.

CSET is still involved in Food,which in 1987 accounted for about 11% of its total revenues. In the heady days of the 60's the company would have forseen their Food business as growing over time to be as significant a component of the overall business as Sugar. The Annual Report of 1962 revealed the aspirations that the company had for this business when it stated that over the 1960-67 period "we hope to build up this new business to a scale which will be larger than any industrial activity now carried on in Ireland". As events were to turn out,the Food project was to be a more difficult undertaking than had been expected and it never made the impact that was hoped for. As one senior executive put it;"from the early 60's until 1972 Food almost dominated the strategic thinking. In that period the Food aspect of CSET could be said to have both developed and declined". Reasonable men within CSET even today still differ in their assessment of the reasons for the failure of the Food project and at the heart of their different interpretations lies the basic ideological issue of the very mission and purpose of a company like CSET.

CSET in the early 60's went into the Food project with great energy and enthusiasm. Food processing plants were established in the company's four sugar factory towns. A new R&D facility was established in Carlow in 1961 and expanded in 1964.New processing technologies were introduced.The first commercial AFD (Accelerated Freeze-Drying, a revolutionary dehydration process) plant in the world was opened in Mallow. It was significant that Lemass personally performed the opening ceremony. The first commercial product,instant potatoe flakes,appeared in 1962. The company was quickly filling out the product line with each passing year. The Government increased its equity in the company to provide funds for the erection of the new facilities but the developmental costs in R&D,Marketing etc were all funded by the retained profits of the company which were generated by the sugar business. The company was enjoying,in 1964,both national and international recognition for its initiative and effort in the food area as the Annual Report of 1964 recorded:

> "We have been encouraged by the enthusiastic recognition of the public in Britain and elsewhere of the importance of our work and the quality of our products.The tributes which appeared in newspapers like the 'Times',the 'Guardian', and 'The Financial Times' are a measure of the prestige which the company already enjoys overseas.
> At home also there is an increasing awareness of the significance of the Company's activities for the welfare of the community.This public appreciation was highlighted by the Taoiseach's tribute in the Dail last July to the 'very positive response' of this Company 'in widening the scope of their activities in areas unrelated to their present operations'.
> This programme of expansion and diversification has appealed to the public imagination,and this in turn has contributed in no small way to the success of our new ventures."(p12).

The same report,reflecting on the experience up to that point,restated the the rationale for moving forward resolutely with the food project:

> "With our experience and knowledge of handling farmers'produce over the years and our intimate knowledge and understanding of the farming problems of our 30,000 beet growers,we tackle these problems with considerable

advantages.We consider it our duty in the national interest to utilize our special knowledge and our very considerable technological resources to exploit the vast oportunities of economic expansion offered by the convenience food business".(p8).

The new Food processing operation grew at first within the existing organisational structure that the General had set up for the Sugar business and its related activities. In 1963 four area managers were appointed "to control all activities of the Company in areas assigned to them. They have under them a manager of the local sugar factory,a manager of the food processing plant,administrative staffs and the services of technical, agricultural and horticultural personnel"(Annual Report,1963;17). Then in 1964 the Government set up a subsidiary company Erin Foods Ltd. with its own board of directors. The 1965 Annual Report described how the new subsidiary was to fit into the overall company structure:

"Erin Foods is primarily a marketing organisation which aims to provide a guaranteed market and a guaranteed price for produce the kind,quantity and quality of which is to be specified by the Board supplied by:(1) The food processing plants operated by CSET..(2) The associated food processing plants at Glencolumbkille,Midleton and Skibbereen (local cooperative ventures).(3)Other Irish food manufacturers who wish to use the marketing resources of Erin Foods".

The company obtained on loan the services of Mr.Henry Roth,a high-level marketing manager from the Grace organisation in the US. Roth was appointed general manager of Erin Foods and was responsible to the General who was still general manager of the parent company,CSET.

By 1965 concern was developing over the accumulated losses that the food project was incurring.Despite the company's technical successes and successful market launches with the new product line it was finding the task of reaching a viable volume of sales in the targeted British market more difficult and more expensive than had been anticipated.The Chairman outlined the objective and the requirements in the 1965 Annual Report as follows:

"The major marketing objective of Erin Foods is to achieve a significant share of the £1000 million food market in the United Kingdom.Even a small percentage share would be a major boost to Irish exports.In this immense market several giant companies are already well established and competition is keen.On our achievement in this market will depend,to a large extent,the ultimate success of Erin Foods...In order to achieve this it is necessary for the company to invest heavily in the development of a competent and highly trained consumer and catering sales force.Wide and efficient distribution must be ensured.We have to develop skill in estimating the demand for our various products.Investment in advertising and promotion on a large scale is necessary in order to reach the desired level of sales. We must earn the support and confidence of the trade and establish our brand image in the consumer's mind. Your Directors are fully conscious of the magnitude of the task which they have undertaken and of its importance to the National economy as a whole"(p12).

However,in the same report the representative of the Minister for Finance, accepting the accounts on behalf of the Minister,revealed the growing concern of 'the shareholder' when he said:

"The loss of almost £1.17m on the group's food-processing activities was,of course,the dominant factor in determining the financial outcome of the group's operations in 1964/65..The Minister has no doubt that Board members and staff alike are fully alive to the need for an early and substantial improvement in the financial results of the project and he trusts that the Company's plans and its heavy investment in promotion and marketing will soon begin to give a return..It is evident...that much remains to be done to reach a volume of sales capable of supporting the heavy overhead and promotional expenses of a pioneer venture of this kind and thus enable the project to be put on a profitable basis.It is in the national interest that this stage be reached as quickly and as economically as possible"(p18).

The position in 1965 in relation to the food-processing activities was that the sales were growing rapidly but the losses were accumulating rapidly also. The General and his Board were calling them 'development costs' and the civil servants were calling them 'losses'.Which were they is now a matter for speculation.The 'development costs/losses' of the food project were in 1965 absorbing nearly all of CSET's total cash flow from operations. The company was attempting this major diversification strategy with what is now seen in hindsight as a major handicap.As one senior executive put it:" In those years Erin could only offer 10% of its total turnover for sale in this country.The State was anxious that State entreprise would not discommode private entreprise or have any advantages (in that regard). This put Erin on an uneven keel from the word go".The conventional wisdom nowadays is that export efforts should be built on a solid home market base where the profits from the home market can underwrite the development efforts on the export front.

The General resigned in October of 1966. The widely held belief within CSET is that his departure was not voluntary but was manoeuvered. In 1966 Lemass resigned from his position as Taoiseach and Leader of Fianna Fail. During his period at the helm of the party he had brought a new young breed of politician into senior government posts as part of his drive for expansion in the economy and change in the country. This new generation of politicians were of the post War of Independence and Civil War era and were of a more modern and materialistic outlook. According to Tobin(1984;159) "Fianna fail had traditionally represented itself as the party of the small man,but had now in the space of a few years,became identified with men of considerable property who were uninhibited in the way that they flaunted their wealth". This new breed of government minister became known cynically as the "men in mohair suits"(Tobin,1984;160). As one senior executive remembers one of this newer breed "was not a great admirer of the General whom he would have seen as yesterday's man. The General's departure was manoeuvered. The General had a habit when he did not get his way of threatening to resign or writing his resignation and he usually got a delegation asking him to stay". On this particular occasion,in late 1966,the General is believed to have sent in his resignation "because of the resistance that his proposals were receiving in the Department of Finance and he blamed the politicians for allowing (the civil servants) to twart his plans for the development of a national food industry". It is believed that word of the General's letter of resignation was leaked deliberately to the national media before the by-then-customary ritual of withdrawl,following the special pleading-by-a-delegation,could take place. The media promptly carried the news of his resignation to the to the nation at large and the General was cornered into publicly standing over his decision or risking public ridicule.

1966-69 CSET under A.J.(Tony) O'Reilly -diversification into Food,phase two

The autumn of 1966 was a period of high drama in the history of CSET. Immediately on the General's 'resignation' B.T.(Bart) Daly was appointed by the Board as General Manager of CSET,directly replacing Costello.Daly was one of the pioneers of the industry and as one executive put it "very much a traditional sugar man rather than a food man". A senior executive recalled what happened next as follows:

"Within two months four stories appeared simultaneously in the four daily newspapers saying that Tony O'Reilly was to become chief of the Sugar Company.This caused consternation within Irish Sugar.Daly spoke to me about it and said he was appalled and that the chairman was on his way to refute it.Before 12noon the chairman discovered that O'Reilly was offered the Managing Directorship of both Sugar and Food. B.T.Daly was left with his title and O'Reilly came in. The workers and management were so stunned by the events of those six weeks that they never really recovered from them".

O'Reilly came to CSET from An Bord Bainne,the Irish Dairy Board. He was closely associated with the major success of the marketing of Irish butter in the UK market under the brand of Kerrygold. He was a young marketing man who was appointed clearly to provide the marketing orientation that was hoped would make the food project successful. O'Reilly had the full backing of the new breed of government ministers and he was given the stronger position of Managing Director.The General had been General Manager and,while he had had the right to attend Board meetings,he had never actually been appointed to the Board. Tony O'Reilly was with CSET,as managing director, for only three years before moving on to a career in the Heinz Corporation that was to take him all the way to his current position as chairman and chief executive of the Heinz Corporation,the first person outside of the Heinz family to be appointed chairman in its 117 year history. He also found the time and energy along the way to complete a PhD thesis in marketing based on the Kerrygold success.He is currently a multi-millionaire. The General and O'Reilly are the two large personalities in the history of CSET,though there had able leaders of the company before,and have been since.

We now know of Tony O'Reilly's extraordinary abilities in hindsight. To put his short career in CSET in perspective however and to understand it in the context of the time we must remember that he was still only at the beginning of his career when he joined the company.As with many marketing men with one spectacular success behind them,there were those who wondered whether there was really any substance behind the image.There had been many people involved in the success of Kerrygold but O'Reilly had managed to become most closely associated with it. There was no doubt that he had the right image. He was playing international rugby for Ireland and was on social terms with very senior politicians. Some insiders viewed his appointment with a sense of excitement while others viewed it with a sense of cynicism and suspicion. He was one of a new breed of Irish executive whose primary commitment was to the advancement of his own career,a professional manager not a nation builder. Like many of the post revolutionary generation his national pride was expressed in striving to be a top class performer,by international standards, in whatever field of endeavour he applied himself to,whether in his rugby or in his professional life. As with any professional in any field,each specific job was taken on primarily for the personal challenge that it offered and for the contribution that it could make to his professional growth and to his own personal advancement as an executive. He would judge himself and be judged on his ability to achieve specific results over agreed timeframes. However,like all profession managers he was mobile and would always be open to better offers.

In 1965,while the General was still at the helm,the Board engaged A.D.Little to do a study of the food project and to make strategic recommendations on it.The 1967 Annual Report summarised the main alternatives that ADL put forward for the company's consideration:

"1.Undertaking a programme of broadening its product range,investing up to £15 million additional funds and incurring losses of at least £5 million over a period of six years before an operating profit could be expected.

2.Reducing the general level of activity,particularly in the Branded Retail Market in the UK.
3.Considering some form of joint operation which would meet the Company's objective of securing outlets for horticultural products,under lower risk terms,and with as much assurance of success."

The option chosen was a joint venture with the Heinz Corporation. This would involve the setting up of a joint company,financed equally by Heinz and Erin.The Government had been closely associated with this move down along the line. The ADL study had been prompted by the Government in 1965. The Minister for Finance,Mr.C.J.Haughey,explained how the arrangement with Heinz would operate in a statement to the Dail on 5-4-67 as follows:

"The essence of the agreement is that a joint company will be formed to promote and develop the sales of Erin products abroad. Erin Foods will sell its products to this joint company,at a price to be agreed.Heinz will do the actual selling in the British market.The joint company will promote and advertise the products sold through it.In brief,therefore,there will be three functions to be discharged by three separate companies with Erin Foods producing,Heinz-Erin marketing,promoting and advertising,and the H.J.Heinz Company doing the actual selling...While the proposed arrangement cannot be fully identified with any one of the specific alternatives mentioned by A.D.Little,it should lead to increased export sales not appreciably lower than those indicated by any of the alternatives mentioned by the consultants,but at far lesser cost.

The increased sales which will be possible under this arrangement will be welcomed both by the farmers who will benefit from the greater and more assured market for their products and by the workers for whom employment is provided in the food factories.The arrangement will also be welcome to the country as a whole as holding out prospects of securing a return on the large national investment involved and of making a welcome contribution to exports.

I would like to emphasise,however,that the agreement holds out no automatic promise that all these benefits will be secured.This is a commercial arrangement between two commercial companies.Whether or not it will be successful depends on the commercial acumen of the parties concerned..

As far as this country is concerned,perhaps the best service we can render the food project at this stage is to recognise the commercial nature of the undertaking and give it a reasonable oportunity to achieve the results we are hoping for".

In the light of the manner of the General's departure and also considering that one of the main effects of the proposed joint venture would be the disbandment of the salesforce that the General had tried to develop in the UK two further extracts from Haughey's statement are worthy of note.The first gave the General credit for providing the energy and initiative behind the food project,and the second suggested that the idea of joint venture was something that the General had actually considered at some stage:

"Thanks largely to the drive and initiative of Lt.General Costello,the (food) project has expanded steadily over the past few years and at present gives employment,both in its own and associated plants,to some 1400 persons...

One of the possibilities mentioned in the A.D.Little report was a joint venture partnership with a marketing oriented firm already having an established position in the UK.This was not a new suggestion.Lt.General Costello had earlier suggested it as a possibility.."

It seems that Haughey,one of the newer breed of post revolutionary government ministers,was anxious to try to create a sense of normality and continuity about a situation that was perceived,within CSET and outside of it,as one of high drama and major change.

Tony O'Reilly was Managing Director of CSET and of Erin Foods simultaneously, reporting to two separate Boards.During his period as MD he expanded sales in the food project from £2.5m to over £7m and he expanded production capacity and acreage sown in line to support this major increase in sales. The average level of employment in the food project in Ireland had risen from 989 in 1966/67 to 1384 in 1968/69.The acreage under food was increased from 4300 to 9200 in the same period.Furthermore the product line was extended with the acquisition of Mattersons,a meat processing and canning company. This was all achieved while reducing the 'development costs/losses' on the project from a level of £1.9m in 1966 to £.3m in 1969.The Heinz-Erin joint venture seemed to be having the hoped for effect of expanding sales while significantly reducing market development and marketing overhead costs. By 1968/69,with the losses on food reduced to the order of £.3m the project was 'breaking even' on cash flow,i.e. the losses were at about the level of the depreciation charges, and the company as a whole was showing an after tax profit for the first time in four years. During the previous four years the food project had been absorbing all of the after tax profits on sugar and related activities and had also been eating into the company's reserves.

Ironically the Heinz-Erin link had the unintended consequence of giving the talents of O'Reilly access to,and visibility to,the Heinz Corporation. In 1969 Heinz attracted O'Reilly away from CSET to head up their UK subsidiary. He remained a Board member of CSET until 1972.In that year the affairs of Erin Foods,along with its assets and liabilities,were reintegrated with the other CSET business activities under a single Board. Food revenues were £8.9m and trading losses were £.76m. Food had reached a peak of 28% of total CSET revenues in 1969/70 but was now declining as a percentage of total business.The great dream of that Erin Foods would be the major instrument in the development of a national food industry was over.CSET were to continue to be involved in food but by 1987 it was to account for only 11% of total revenues. Would it have been different if the General had not gone in 1966 or Tony O'Reilly in 1969? Was the strategy flawed and beyond the ability of even these exceptionally able executives to make it succeed? In reintegrating the activities of Erin with the rest of the company the Board once more examined the position and potential of the food project.The chairman,in the 1971 Annual Report,reassessed the position as follows:

"In view of the long record of losses and the current deterioration in our results ,a complete review of the Food Project has been carried out.To help in this we engaged the firm of cnsultants,A.D.Little Inc., to study the market oportunities for Erin products and to submit a realistic forecast of the company's prospects.The Consultants confirmed that in the short term little can be done with existing products to make an appreciable contribution to a reduction in losses,but over a longer term new production and marketing policies could give a better return than is currently being experienced. They emphasised that competitive pressures are severe in all markets,particularly for bulk products,but saw in formulated products as distinct from purely dehydrated vegetables good medium-term growth and profit potential. The report confirmed the relative small size of and the low growth characteristics of the dehydrated vegetable market.

In addition to revising our market policy we have had to reappraise our production programme.Because of the size and scale of our operations we are at a severe cost disadvantage compared with the large international processors with whom we compete..."

Aspirations were not as easily abandoned as strategies or tactics. Even in the face of its own proposed actions,which implied a significant scaling down in the company's commitment to the project,the Chairman could still say:

"I want to emphasise our faith in the future of the business and its capacity to take its place in the industrial life of the country as a major food

processing and marketing company".
Furthermore,recognising the need for rationalisation was one thing for a State company,implementing it was another,as the remarks made by the senior civil servant accepting the 1972 Annual Report for the Minister for Finance revealed:

"..the Minister considers that any programme for rationalisation of production facilities should be implemented in the context of alternative oportunities becoming available for growers and employees.The reduction of losses will,therefore,be a gradual process,but the ultimate target for the food project must be one of economic viability"

The Food Project and its effect on the internal management of CSET - 1960-72.

The years 1960-72 were very significant in the life of CSET. The company embarked on an ambitious and high profile diversification that kept it in the national limelight throughout this period. The Food Project brought new people with new skills and outlooks to CSET. How did the new business fit in alongside the traditional protected Sugar business and what effect did the Food Project have on the internal polity and culture of CSET generally?

At first the Food Project was spawned and grown organically within the existing CSET structure.As one senior executive described it:

"It was called the Food Project for a long time before it was recognised as Erin Foods.The factories were called canneries.The Food Project was started directly within the existing structure and never really effectively left it from an operational point of view.The food factory managers in the early days still reported to the Area General Managers.

Where the first change occurred was when the (Project) started to expand and the company went back to the State for more funds to fund this growth. The State increased its shareholding but established an independent Board for Erin Foods with the same kind of role as the Sugar Board and appointed by politicians.The Board was established for Erin Foods with General Costello as General Manager..The advent of the Board brought more autonomy to the Erin operation in day to day working..While the day to day role of the Area General Manager of Sugar became less clear,he nevertheless contrived to have the same responsibilities in regard to the field work,trucks,casual labour etc."

The setting up of a separate ,independent board for Erin Foods did create unintended difficulties and divisions within the company as this same executive pointed out:

"The Sugar organisation was underwriting the (Erin Foods) operation. More difficult to understand was that the Board of the Sugar Company was the effective underwriter of the decisions of the Erin Board,and the only link between the two Boards was the General Manager,General Costello. That wasn't the best of arrangements.It led to the people(the professional managers) in Sugar distancing themselves from Food.They felt that they were making the money but they hadn't the decision on the spending of it...

The Sugar company was operating in a sheltered commercial climate.Erin Foods was operating in a commercial environment that was exceptionally hostile to it.The complication of the management structure did not make the direction of Erin Foods any easier to achieve.

What was happening on the ground was that the big factories were the sugar factories.Erin built up its own staff,its factory managers,its negotiations with growers etc.It spored and built up its own kind of empire.It built up a sales team which the Sugar Compamy never had before. That was the beginning of the two ideologies(i.e. developmental v commercial).Even further back you always had rivalry between the chemists,the engineers and the agriculturalists...You had an impreciseness in management.People who were not exposed to commercial reality were driving a piece of the business which was very commercial.."

It would seem that the advent of Tony O'Reilly only served to further dramatise the different sub-cultures that were developing within CSET. The memory of the O'Reilly days has been passed down to successive generations of CSET executives. One who joined the company in the mid 70's provided this perception on the O'Reilly period:

"There was a buzz in the place and a market-oriented approach to the development of the Food business.Sugar receeded into the background and seemed archaic by comparison to the brand new food factories that were going up.Basically the Food people took over the company.If you wanted to be in the fast track at that time you had to be in Food."

One who was there at the time confirmed this overall picture and elaborated:

"He(O'Reilly) was here for two and a half to three years.He did not change the structure but he changed the relative influence of Foods and Sugar.It brought another stage in this division of Sugar company types and Erin Food types..It was a time of vast recruitment in the company.One of the big influxes was into Erin Foods.Chemists and Marketing men were speaking a language etc not known in the industry.They looked differently,dressed differently,and had different interests and pressures. This created its own boundaries.Tony acted as God between these two separate empires. The bright young lads in Sugar saw a challenge in Food and it was easy to get them into it..Food was new and clean in comparison to Sugar. (O'Reilly) met the cold resistance of men in the Sugar division who did not want to know.O'Reilly was an interloper to the Sugar division.O'Reilly went with the areas where he was strong.Sugar was sufficiently strong to fund Erin Foods.The Sugar executives were forceful and tough men who had fought the battles and built the industry and Tony left them alone."

While the 'forceful and tough men' of Sugar maintained their operational autonomy to a large degree,they had little or no influence on the transfer of profits from their division to fund the Food business:

"The Area General Manager had no way of influencing the transfer of funds from Sugar to Food. They were like innocents at large when it came to the distribution of funds. The decision there lay beyond their ken and always did. They made their yearly budgets for what they needed to run the factory which got approval from the Board and that was it."

O'Reilly had two key managers helping him run the Food business that were his men,hired by him after he joined CSET. These men were his Erin Foods General Manager,and the Company Secretary to the Erin Board respectively. Both were very influential executives in CSET during O'Reilly's term. When O'Reilly left in 1969 these men followed him out of CSET shortly afterwards and became key executives in entreprises with which O'Reilly was closely connected outside of his Heinz involvement. By 1972 the Food business was reintegrated with the Sugar business under the one Board and management structure.The Sugar men had regained control of CSET. A major episode in the life of the company was at an end.

1969-74 B.T.(Bart) Daly - Stabilisation & Reassessment

When Tony O'Reilly left CSET to join the Heinz Corporation after only three years as Managing Director "it was a major surprise to the politicians who put him in..The politicians got such a land that the golden boy had (gone) off to give his talents to another company".The contemporary perception within CSET was that at this point the politicians backed off and distanced themselves from the affairs of the company.The young,high profile,managing director that they had sent into CSET to turn around the nationally high-profiled Food Project had left with the task barely begun and within diminishing hopes of it ever succeeding. His departure was a political embarrassment and the Food Project was becoming a political liability.

Industrial development policy nationally was shifting towards a strategy of attracting foreign-owned high technology multi-national firms to set up manufacturing bases in Ireland from which to supply the EEC market. The hope was that manufacturing would be followed in time by R&D and Marketing functions and that a process of technology transfer would take place that would seed a newly emerging indigenous hi-tech sector. It was a bold move for a small country with little industrial tradition. The Industrial Development Authority,under the brilliant leadership of Michael Killeen,became the state agency mechanism through which those industrial projects potentially offering most to the national industrial development strategy were to be targeted and attracted to Ireland with a customised package of state grants and tax incentives. Throughout the 70's the IDA was to bring hope to many localities across the nation in the form of new factories and new jobs.

Political interest in the industrial development potential of CSET waned after O'Reilly's sudden departure.As one CSET executive recalled it:

"As the guys in Government lost interest,they walked away from it (CSET) and were more interested in the IDA and Michael Kileen.They regarded a company like ours as a kept woman.The old concept of the State company as an engine for growth was lost. Our industry was old and dirty-a bit awkward-an agricultural-based industry.A mohair suit would get dirty going up the ladder of a sugar factory but was alright in a centrally heated hi-tech company"

Such was the lack of political interest when O'Reilly left that no successor was appointed.The company was left to its own devices. B.T.(Bart) Daly was still General Manager of CSET and had been appointed to succeed the General in 1966 before O'Reilly had been imposed on the organisation.On O'Reilly's departure, Daly simply reverted to his 1966 role as head of the company. O'Reilly remained on the Board until 1972,which maintained some degree of continuity. In 1971 Daly was given the new title of Chief Executive.

Daly was a long serving sugar executive and was with CSET since the 30's.He was very close to retirement when he took up the helm for the second time. His period of leadership is remembered as one when the company 'ticked over'. As one executive remembers it Daly "maintained the status quo.He did not initiate any activities while he was here..The company was ticking over and making a profit but there was no reinvestment or innovation".

It was a period of reassessment. Firstly, the Food Project peaked in 1970/71 as a percentage of overall turnover at 28%.This was the highest it was ever to be and it represented a significant turning point in the history of CSET's long involvement in food. Though turnover was at a record high in 1971 the losses in the Food Project had begun to rise again and this "forced us to reappraise the direction we had been following in attempting to bring the project to break-even"(Annual Report,1971;5). As we saw earlier, A.D.Little were brought in to advise on a strategy for the Food business.They advised CSET to concentrate on "added-value formulated goods, combined with selling bulk products of high quality to specific major customers"(Annual Report 1973;4).In 1972 the decision was taken "to integrate the operations of the

two companies (Food & Sugar) under a single Board" but "because of the national position regarding unemployment,the planned rationalisation programme was not implemented". The company's competitive position in Food remained weak "because of the comparatively low scale of production,spread over a multiplicity of factories,involving excessive overheads".
A refocused and descaled Food business looked like being profitable but the implementation of the scaling down would have to "be implemented in the context of alternative oportunities becoming available for growers and employees..a gradual process"(quotes from Annual Report,1972;3-5). A milestone in the Food Project in 1972 was that Heinz-Erin,the joint-venture, began to trade profitably for the first time.

A important environmental change for CSET happened during this period when Ireland joined the EEC. This was to have major implications for the Sugar business. The 1973 Annual Report heralded this development as follows:

> "we are now entering a new era involving the termination of the monopoly protection enjoyed in the sugar sector of our business.Our industry must face the cold winds of competition and this will require a realistic approach from our farmer growers towards the price of raw materials and from our employees in exercising wage restraint"(p5).

Production was now to be constrained by a quota system.Ireland's allocated quota on entry to the EEC was 150000tons. The company was already producing at,or above,that level in the early 70's and Ireland's failure to get a better quota at the time presented a major problem for CSET. It made the company hesitant about capacity expansion. Production above the quota was subject to a production levy that could not be matched by cheaper beet because the farmer considered it uneconomical to grow beet for a lower price than that prevailing at the time. This also introduced uncertainty into the the supply side "due mainly to competition for land from other farming entreprises,especially milk and beef production"(Annual Report 1974;3).

During the 60's there was little reinvestment in the Sugar business as all available funds were being channelled into Food. By 1971 the Food business, with 28% of the total turnover,had 49% of the company's net assets in plant and equipment.In 1967 the net assets of Sugar and Related Activities were at the level of 32% of turnover.By 1973 they were down to 18%.The asset base of the Sugar business had gotten old and run down. The need for modernisation in the Sugar business was recognised in the early 70's and a four year programme of modernisation of the sugar factories was set in train.However,in this period of stabilisation and reassessment a hesitant approach was taken in the face of the uncertainties mentioned above."Because of this uncertainty our capital programme is restricted to modernising our factories" (Annual Report,1973;3) to be funded out of retained earnings.

B.T.(Bart) Daly retired from CSET in 1974.

1975-79 Modernisation of the Sugar Industry

Daly was succeeded as Chief Executive Officer of CSET by Maurice Sheehy. When Daly had been first appointed General Manager of CSET when the General resigned in 1966,Sheehy had been taken up from the Carlow plant to HQ in Dublin to become Assistant General Manager. However his eventual succession to Daly in 1974 was not automatic. It was in fact traumatic. After O'Reilly's unexpected departure the Government showed no active interest in leadership succession at CSET but left the company to its own devices. What happened on Daly's retirement,as a senior executive of the company remembered it was as follows:

"When Daly was due to retire you had a Board that realised that the Government did not give a tinker's damn so they decided that they would advertise the position in the Public Press. That was,in my opinion,the worst investment that this industry ever made because all the confusion and the trauma of the previous few years since the General left had brought a new thing into existence (an overtly Political succession process) and while several candidates existed there were several candidates from inside.Two big camps emerged,the Sheehy and the Comerford camps....
The Board had offered the position to an outsider but the money would not attract him in.They were faced with the reality that they had to settle for someone within.The Board was almost 50/50 split between the two (Sheehy and Comerford)".

The process by which the Board eventually came to their decision was loosely structured and highly political. Behind the scenes lobbying of board members was engaged in by both camps. This 1974 leadership struggle was to have ramifications on the internal polity of CSET that were to affect it far into the future. Inevitably the manner of the succession was to be most closely associated with the personalities of the candidates. However,it could also be said that these two able and ambitious men simply played out a succession game the character of which was largely determined by a decision context fashioned by the actions and inactions of the Chairman,his Board and their Political masters.

In 1976 Denis Coakley became Chairman of the Board of CSET. Coakley was:
"A man of exceptional energy and of concern for the advancement of his country and its people..founder of one of Ireland's biggest wholesale businesses..while Chairman of the Sugar Company,gave it the benefit of his exceptional business skills.."(Foy,1987;405)
The Coakley-Sheehy partnership is credited within CSET with having assessed the full implications of Ireland's EEC membership for CSET and with having taken the bold moves to secure the future of the company within this new environment. EEC entry implied new success criteria for CSET's primary business,sugar. Output was to be limited by quota. It was important that Ireland try to secure a much better quota than it had on entry in order to maintain grower confidence and to give the basic business the scope for development. At the same time that output was controlled, protection of the home market was removed and the primary market became more open to other EEC producers. To maintain grower confidence the company had to maintain attractive prices for beet as well as ensure that the quota would not act as a disincentive to the efficient grower by penalising him for high output. There was to be an increasing and persistent competitive pressure on the supply side from attractive alternative uses for land. The future not just of the company but also of the industry was challenged by EEC membership. The central issue for CSET,as Coakley saw it,was to become an efficient processor by international standards with all possible speed. These concerns and priorities were clearly identified by him in his first Annual Report as Chairman:
"Accompanied by the Minister for Agriculture and the Chief Executive,I have studied at first hand the changing face of the European sugar beet industry. By Irish standards the size of the investment currently employed,in streamlining the factories there,is simply staggering.Because these factories are potential competitors of ours we must remain conscious of their pattern of development.That reality alone must ensure against complacency and will continue-at least for some time-to make stiff demands on capital.Our environment is now a European one and we must match-as far as it is practical for us to do so-the standards of would-be competitors." (Annual Report,1976;5).

Competitiveness in an EEC context was to be a constant theme of his term as Chairman.There were new and severe cost pressures in the mid 70's which could not be passed on fully to the consumer in the form of price increases:

"We have been greatly affected in the 1970's by vastly increased fuel costs,inflation,devaluations and our entry into Europe".(Annual Report,1976;3).

And while he could see clearly the limitations of the Sugar business as far as offering scope for future growth and development was concerned:

"It appears to me that EEC market price pressure,coupled with the the beet and sugar price control of the Common Agricultural Policy,presage a low level of of sugar profit in the years immediately ahead.With such a possibility in the offing,we see a need to diversify into some complementary area of the Agri Industry so that the long-term stability of our Group is protected".(Annual Report,1977;3)

yet,he was making a massive recommitment to the core business even in the light of the erosion in profit margins since EEC entry because:

"..we would be tempting fate;we would be risking the future of this industry, if we were not to continue to invest in it".(Annual Report,1977;5).

During the Chairmanship of Denis Coakley CSET spent over £40m on modernising its factories and at the end of his term in 1980 there were plans for a further £5om of capital investment. The share capital in CSET was £6.5m in 1979,up from £4.5m in the early 1960's.The £90m capital investment programme in the modernisation of the Sugar productive capacity was way beyond the resources that were been made available from retained profits.Coakley went to the Government to seek further equity participation from 'the shareholder' but had to be satisfied with "letters of comfort" that would State-guarantee any company borrowings to fund the programme. By 1978 the competitive pressures of the new environment of the 1970's,which were described earlier, were biting very hard into company margins. The high debt content of the capital structure was placing an untenable interest burden on company returns. The company was clearly undercapitalised by commercial standards for a company of its size and nature of business.Company strategists were to continue to press on the shareholder this need for a major injection of new equity on into the 1980's.The issue of inadequate equity,which came to remain near the top of the strategic agenda for years to come, was first flagged as a major issue by Coakley in the 1979 Annual Report as follows:

"The accounts come to you in a format which very clearly emphasises the impact of historically high interest rates on Group trading profits and which identifies the problem of a sharply rising debt/equity ratio.The latter problem reflects the Group's low share capital base,inadequate profit levels in recent years and the necessity of funding essential capital expenditure from borrowings."(p4)

He reemphasised the essential nature of this capital expenditure in the following year's Annual Report when,in reviewing the effects of the capital programme,he said:

"At the factories the benefits of the capital investment programme are making impact with generally increased throughput,faster turnaround times, an increasing sophistication in handling and storage of products-in short, a better service to growers. A factor of this capital programme,which we probably have not explained sufficiently,is that it literally involves the refurbishing of 50 year old factories-the useful lifespan of which had been reached".

Denis Coakley resigned from his position as Chairman and from the Board of CSET in 1980 to concentrate on his own business commitments.He took the oportunity of his last annual report as Chairman to give a state of the company message.In spite of the modernisation programme the company made a trading loss in 1979/80.The company was entering a period of overall losses that was to continue for four years.This was the first time that the company had gone into the red since the early years of the Food Project and it reflected major changes that were happening in the company's overall environment.Coakley had come into CSET fully conscious that he was to preside over a period of major change in the company's history:

"I have come in as chairman at a time of great change in industry generally.I accept the challenge that my present position presents and am prepared to give whatever I can to ensure continued growth and prosperity of this great industry"(Annual Report 1976;3).

He was leaving the company at a time of even greater change:

"There is a need for change in our industry;in fact severe change is called for.We would be failing in a fundamental duty to the shareholder,and to the people of Ireland whom he represents,if we did not fully recognise the present problems and take the necessary remedial measures to set the Company on a profitable course".(Annual Report 1980;9)

He reflected in the Annual Report of 1979 the growing concern that was developing within the company about just exactly what was expected of it and about whether these expectations were now changing in a fundamental way as a reflection of some basic changes taking place in the wider environment:

"..we encounter all the general problems of manufacturing industries in competitive situations.On the other hand we have responsibilities placed upon us by virtue of the nature of our industry and what has been traditionally expected of it.We,therefore,find ourselves engaged in regions and activities which were,in the past at any rate,beyond the capacity or interest of private entreprise..we are part of the fabric of local communities and while it might be more profitable to excise ourselves from such a role,the reality is tied up in history and in the continuing expectations or wishes of the communities among which we work.."(p4-5).

The trading loss in 1980 had the effect of focusing critical public attention on the company and begging the question of just what are companies like CSET all about in the 1980's.Was CSET's role primarily developmental or commercial? This issue of the role of state entreprise in the Ireland of the 80's was to grow to become a important issue in the 1987 election campaign. Coakley,in his state of the company review in the 1980 Annual Report again took up this question as being central to CSET's future development:

"...now that organisations such as ours are subject to having their real worth and contribution swamped in popular,sometimes shallow,criticism,it is necessary to be emphatic on certain matters.

The Irish sugar beet industry retains,I believe,the best qualities of the past.It is a foundation to build a future upon.

That future,however,must be different.Ireland is different.Our relevance to that future will depend entirely on our attitude and response to the challenges and problems which beset us at present-and not in reaction to those who have little respect for,or understanding of,national entreprises such as ours.I believe that all those who are genuinely interested in national effort,and especially people in public life,should,at this stage, respond to the reality of changed circumstances in organisations that have served the nation well.Aims should now be restated,guidelines agreed and ambiguity removed..a review and statement of the Company's role is essential, indeed urgent"(p4-5).

CSET Rationalisation 1980 - 87

The year 1979/80 was a watershed for the Irish economy generally,and for CSET in particular. In that year all Western economies were hit with the second major oil crisis in less than a decade and were thrown into recession. For Ireland there were particular difficulties.In 1977 Fianna Fail had won power in the General Election of that year on the basis of a manifesto designed to stimulate the economy after a four year belt-tightening period following on the 1973 oil crisis. The stimulus was to be one of consumer demand and it was levered by foreign borrowing.As Neary(1984;69) evaluated it:

"It was a brave strategy but a risky one.It gambled on continued growth in the rest of the world;and it gambled on Irish workers being willing to accept lower wage increases than our competitor countries,so we could increase our share of growing world trade.Regrettably,both bets lost.In particular,the second oil crisis of 1979 plunged the Western World into the worst recession since before the Second World War. Our exports faltered but imports,fuelled by foreign borrowing,continued to grow".

In the period 1977-81 public service employment had risen by 13% in the wake of the 1977 stimulus. When recession started to bite hard unemployment rose rapidly from about 94000 in 1977,to 160000 in 1982,and to 208000 in 1984. Most job losses occurred in the private sector as weak and inefficient entreprises went to the wall. The burden of supporting the enlarged public sector became more onerous on the private sector as this wealth creating sector started to contract. Meanwhile,net foreign indebtedness,which in 1977 had stood at £78m,had risen to £1000m by 1979,and had reached £6700m by 1983. Over the 1980-86 period the level of public indebtedness continued to rise as a percentage of GNP,as the malaise grew from serious to critical. As the 80's progressed more and more people in the community came to accept that the high level of government borrowing was a critical road block to economic recovery. The high level of this public borrowing was seen to keep interest rates high while higher levels of taxation were needed from a decreasing tax base just to try to maintain public services. Both higher interest rates and higher taxation were disincentives to private investment and individual initiative and only served to further depress the economy at a time of general world recession. The deepening problem of the public finances came to be the dominant issue in the Irish economy during the 1980's.

As the problem with the public finances deepened the environment of all public service agencies became more stringent and more critical than at any time in their previous history. Government,civil service and the community at large began to take a closer interest in the activities of these agencies and began to more closely evaluate their value to the community. As public funds became progressively more scarce,the question of their allocation and use became more closely scrutinised. This closer public scrutiny led on naturally to an even more fundamental reassessment of the very role of these agencies in the Ireland of the 1980's. The criterion of commercial viability began to be applied more and more to the activities of State-owned entreprises and by the middle of the decade the debate about the possible privatisation of some of these entreprises began to gather momentum. Bristow(1982;173) noted this change that was beginning to take place in the national mindset by the early 80's when he remarked that:

"..there can be no doubt that the general financial environment has generated -in political and official circles and in the public media- an increased questioning as to whether Irish society is getting value for money from its state-sponsored sector".

A parallel shift in mindset took place within CSET over the 1980's which was associated with these wider developments taking place in the country at large. The exposure of the company to the full winds of competition after the 1972 EEC entry, and the hardening of the general international trading environment in the late 70's, had the effect of stimulating the debate within the company as to what was its primary role. The overall losses sustained over the 1979/83 period, and the inevitable critical attention that they drew towards the company and its management, were particularly instrumental in helping to move the company internally towards a less developmental and more commercial ideology. The arrival of James Fitzpatrick as the new Chairman in 1980 was also an important factor in catalysing this internal ideological shift. As one senior executive characterised this change:

"The organisation has been going through a major mindset change from thinking of itself as a development organisation towards thinking of itself as a commercial organisation..

The company's view of itself and the civil service view of the company up to then was that it was a beet processor.The dominant thinking was still that CSET was a development company for the Irish Sugar industry.The company was entering into a loss situation for the first time in its recent history. When James Fitzpatrick came into the organisation as Chairman of the Board he brought about what I think was a major change in the company's way of looking at itself.The change was that there was less emphasis on the performance of an activity as an end in itself and the future viability of the business was the focus. He became an outlet for the commercial approach to the company management.

As well as that it would be fair to say that Comerford was head of Planning and that the ideas were coming forward from him as well.Also the company did not like publishing losses. Some did not see this as a problem.They saw CSET as a state company and felt that the losses could be covered by seeking more equity.Others saw the situation in more commercial terms...

The commercial approach has been building up as far back as 1979 but has been building up since 1981 onwards and is ongoing in that it has not been a great surge which subsequently stopped...

..the mindset was changing within the Civil Service and this was also important.Their reaction was a bit delayed in that they were operating a couple of years behind us.The change would not have come about except that it was happening in there also.There has been an overall change within the Civil Service to the operation of the Semi-States.Rather than manage them in such a way as to minimize political hassle they started speaking the (commercial) truth and supported change to the Minister...

One other thing that must be said is that the Government were amenable to change.If the Government wanted to focus on and emphasise employment we could not have made the changes that we did."

In fact a number of state-sponsored bodies all started to record losses around the same time at the end of the 70's. This refocused the attention of the Government and the Civil Service on the whole semi-state sector after a decade of arm's length management.The Civil Service began to demand corporate plans from these bodies in the early 80's whereas up to then all they were interested in seemed to be annual estimates. A joint committee of the Oireachtais(representative of the two houses of parliament,the Dail and the Senate) was set up to report on a number of state-sponsored bodies. They reported on CSET in December 1980. The company,in preparing their submission to the Committee,presented their financial statements in a format that highlighted what were for them the two major contributing factors to their bottom line losses. One was the 'Tuam Cost Penalty' of keeping the Tuam sugar processing plant in operation of £2m per annum. The second was what they termed 'The Shareholder Deficiency Account'. In this they highlighted the added burden on the bottom line that their debt/equity ratio of more than double the commercial norm was having on the company's financial position. The company's argument was that without the Tuam Cost Penalty and with a proper equity base the company was commercially viable.

The report of the Joint Committee,in its conclusions,focused on:
"..three key areas of decision for the future of the company.These are: the measures necessary to ensure the viability of the sugar operation; the role of diversification in the company's future plans; and the weight to be given to social and regional development responsibilities in the company's overall goals"(p72).
In relation to the viability of the sugar business the report recommended:
"...that the company should in future concentrate its sugar operations on its most viable plants..
..The company needs an immediate injection of £25 million in additional share capital ..Additional capital will be required over the next three years to support the prudent financing of the additional £40m investment programme.
The committee considered whether farmer growers should be invited to invest in the Company as one potential source of additional capital..Farmers might not favour a minority stake in a state company whose objectives were wider than pure profit-maximisation.."

In relation to the role of diversification the Committee concluded that it was "unlikely to provide an answer to the Company's problems at the present time". It recommended that the Company's efforts and resources should be concentrated on making the sugar and related businesses viable. This was significant because the Company's stated objective in pursuing diversification was "to maintain employment on a company-wide basis and,if possible,at all locations". The Committee rejected this as a realistic prospect and by implication it appeared to accept that substantial job losses were inevitable at CSET if the basic business was to be competitive under the EEC regime.Furthermore it added that:
"..even if a profitable oportunity not linked to sugar is identified and it is agreed that this oportunity should be developed within the State-sponsored sector,it is not obvious why this task should be given to the Sugar Company rather than to another State-sponsored company or indeed a new company specially set up for that purpose.." (p76).

As regards the social and regional development responsibilities of the company the report concluded:
"..there was frequent mention of the need to clarify the relative weight to be given to social goals in the future strategy of the company.By social goals was generally meant the Company policy of maintaining in operation plant in scattered locations and of uneconomic size for the purpose of providing employment in these areas..
The Committee accepts that the avoidance of unemployment in the future is a reasonable and legitimate constraint on the activities of the Company. However,it believes the fallacy in the Sugar Company argument is the presumption that it itself must be seen to provide the alternative jobs. This viewpoint looks at the responsibilities of the Company in isolation from a strategy for the State-sponsored sector as a whole,or indeed from the State's industrial policy in general.The Company pioneered rural industrialisation in various localities when it established its plants. It is more difficult to justify this pioneering role now given the diffusion

of industrial employment oportunities throughout rural areas through the last decade...
The Committee recognises however,from the State's point of view..that it makes no sense for the Company to close a plant until alternative employment oportunities have come on stream.."

The report of the Joint Committee of the Oireachtais was to become an important legitimising reference point for the Company in the 1980's as it sought to secure more equity from the State and to close uneconomic facilities. The report even considered the possibility of a widening of the company's equity base. This,in effect, presaged a future debate about the possible privatisation of CSET.

The Closure of Tuam

The seeking of additional equity from the State and the attempt by the Company to close the uneconomic Tuam sugar processing plant were the two primary thrusts of CSET strategy over the 1980-86 period. The company's attempt to close Tuam took nearly 5 years from the time the initial decision was taken by the CSET Board until the closure was finally achieved. It took so long because the proposed closure became a regional and a national political issue. The proposed Tuam closure forced CSET and the community at large to confront the more fundamental question of what exactly the nation expected from its state entreprises in the Ireland of the 1980's. As such the closure was of national as well as company significance. The trajectory of the Tuam closure is now briefly traced in the following paragraphs.

Armed with the backing of the report from the Joint Committee the company set about closing the Tuam plant.The Board took the decision in September 1981 to cease the processing of sugar at the Tuam plant at the end of the 1981/82 season.Tuam was losing money because there was insufficient acreage under beet in its hinterland and the acreage was declining. To maintain factory throughput,beet from distant regions was being transported into Tuam at a substantial cost penalty to CSET. The announcement of the Company's decision was followed by "thirteen days of controversy"(Foy,1981;161) which ended in the Government deciding that the factory would remain in operation for a further season. During these controversial days the issue was aired in the national newspapers and on the airwaves. All kinds of arguments and counter-arguments were put forward. There were delegations to politicians and Ministers. Community and Church leaders got involved on behalf of the Tuam employees.The closure decision had the effect of forcing on the public consciousness the issue of the role of semi-states like CSET in the Ireland of the 80's.The ambiguity within CSET was amplified by the ambiguity at large. The editorial in the Sunday Independent 20/Sept/81 summed it up:
"The dilemma is this.Are semi-State companies to be run commercially or as development agencies? Incredibly,as in the Sugar Company, nobody has formally told them what role they are to play. If they behave commercially and sack workers,all hell breaks loose. If they pursue social objectives and lose money they get hammered. That's a catch 22 with vengence.Somebody had better clear up this contradiction.."

Whatever about the ambiguity at large,within the Sugar Company in the early 80's the commercial viability ideology was becoming the dominant one.The very survival of the Sugar industry was the concern that focused the minds of those who knew the industry best.According to Foy(1981;161-2):
"Competitiveness,responsiveness to change appears to be all.The Sugar Company has- in the circumstances-no choice but to change.That is its belief.Its

responsibility is to the national sugar beet industry.And,in the mood and tenure of these times,to protect that industry is to have it viable, profitable and competitive".

In successive Annual Reports the Chairman,James Fitzpatrick,returned to this theme again and again. The 1981 report,which reviewed the period that included the controversial Tuam decision,delivered a clear message of the dominant thinking within CSET:

"The Board's decision on Tuam sugar factory classically shows the difficulty for us in such matters.I feel it only fair to appeal here for an understanding from all interests,of the commercial pressures upon us-for we are a commercial company..in the Ireland of the 1980's the pressures are such that this Company cannot,within its commercial brief,be expected to maintain activities which are not viable.To attempt otherwise will bring down the whole industry."(p6).

Tuam was to be closed eventually.It took another 4 years and another £8m in cumulative Tuam Cost Penalty, but in a more supportive political context a very direct managing director was to make the final move to close the plant. In the end the closure was achieved in a relatively low key fashion given the storm of controversy that was unleashed after the Board decision of 1981. One senior executive succintly described the trajectory of the Tuam closure:

"There was an off-the-record effort to close Tuam in the late 70's. We started putting it in documents in the 1980's.Then there was a 'maybe' from Alan Dukes(the Minister-FitzGerald administration 1981/82) who said that he would give it a year. Fianna Fail came back into power (Haughey administration 1982) and kept it open. Then Deasy (the Minister-FitzGerald administration 1982-87) said that of course he knew that it was not commercial but that it would be kept open for social reasons. Then most recently there has been acceptance of the closure...the key to the workers acceptance of the closure was the company's claim that keeping it open would involve a 7 month layoff in the year".

As the 80's progressed and Ireland's financial and economic difficulties persisted it became harder and harder to sustain the argument for keeping Tuam open on social grounds. Job losses were mounting in the private sector and were becoming accepted with resigned inevitability. An overtaxed community were becoming more and more unsympathetic to the idea of sustaining of uneconomically viable employment at taxpayer expense. As the economic argument for closure became stronger it became harder to generate and maintain the regional and national political support to counter it. The workers acceptance of the company position and terms of closure in late 1986 preempted any repeat of the storm of controversy of 1981. However it is also the case that the timing of the final move for closure was a crucial element in its success. It was done in the last months of the 1982-87 FitzGerald administration. As the problems with the public finances deepened over the lifetime of the FitzGerald government,the influence of those in cabinet who supported a more commercial ideology for state entreprise steadily grew. Their position finally became enshrined as public policy in their government's three year national plan for economic and social development entitled 'Building on Reality 1985-87'. In this plan it was declared that:

"the Government believe that if public entreprise is to make a major and effective contribution to industrial and economic development in this country,there will have to be an entirely new approach to the role and function of public entreprise. Primary emphasis will have to be placed on developing modern industry with emphasis on commercial viability and profits" ('Building on Reality':p67).

It was known that 1987 had to be an election year. It was also widely believed that the election would come early in the year and that the outgoing administration would be defeated. The Fianna Fail party,which was expected to be returned to power,had publicly associated itself with the opposition to the Tuam closure in the 1981 controversy and had kept it open during its brief term in office in 1982. CSET took the oportunity to make their decisive final move on the Tuam closure at a time when the commercial rationale for their action had strong support in cabinet. This support was not strong enough prior to 1985 and could only have been counted on to survive until 1987,when a change in government was widely anticipated.

The Company rationalised many of its operations in the 1980's with a number of facility closures. Most of these were achieved with relatively little political and public controversy. This was a manifestation of the changing mindset at large with regard to the purpose of,and expectations from,semi-States. As one executive explained:

"Up to recently the politicians believed that State companies were political instruments (to be criticised or praised publicly when politically expedient). There has been a change right across the semi-State sector.The semi-States are more able to stand as operational units. They can take actions which are outside the scope of politicians to interfere with. An example was that we closed Mattersons(a Limerick-based meat processing acquisition). We did have soft interference but nobody said no!"

The closure of Tuam was controversial out of all proportion to the job losses involved compared with other CSET rationalisation moves because the decision was embedded in a context which gave it deeper meaning. It meant the cessation of operations in one of the four historical development centres of CSET and implicitedly abandoned the vision of a previous generation of nation builders. Mattersons was a commercial company that CSET had acquired when the Food project was at its zenith in the late 60's. It had been acquired as a commercial proposition and its closure was more readily acceptable on commercial grounds alone. The Tuam closure was of much deeper significance. It provided a much tougher test of political resolve for those in government,the civil service and the company who espoused the commercial ideology for public entreprise. The ultimate acceptance of this plant closure was an historic milestone in the company's ongoing transition from a developmental agency to a commercial entreprise. The closing of any of the four original development centres would have had this historic significance. However,the closure of Tuam was particularly significant in this regard because it was embedded in a deep emotive issue that has spanned Irish politics since the foundation of the State, the relative neglect and underdevelopment of the West of Ireland. It was never going to be simple. In the end the closure took the best part of a decade.

In the 1980-86 period the Company managed to secure more equity from the shareholder but not as much as it was looking for.The result was that the modernisation of the Sugar facilities continued but at less speed than the company would have wished for. Major rationalisation was carried out in many of the Company's operations in addition to the Tuam closure.The widely dispersed network of Food facilities that was built up in the 60's and early 70's was slimmed down to a "three plant configuration which is considered to be appropriate to its scale of operation and which will permit future planned development of the product range"(Annual Report,1983;6).

The average number of persons employed by the Group declined from 3615 in 1979,through 2864 in 1983 to 2205 in 1986. A reduction of this scale and in this timeframe would have been unthinkable prior to the 80's. That it was achieved with relatively little public controversy,leaving aside the special case of Tuam,is eloquent testimony to the changed context in which CSET has been operating in since the late 1970's,and to the degree to which the Company has been successful to date in getting national awareness of,and acceptance for, its strategy for its longterm commercial viability.

Future challenges and oportunities
- CSET under Chris Comerford in the late 1980's

Maurice Sheehy retired as Managing Director of CSET in early 1985. He was succeeded by Chris Comerford,his rival for the leadership in the 1974 succession contest. Sheehy,along with Coakley,is credited within CSET with leading the development and implementation of the major modernisation programme that helped to secure the basic sugar business in the face of the intensification of comopetition that followed on from EEC entry. In one capacity or another Comerford has also had a major,and an over time a growing,influence on the strategic direction of CSET since the mid 70's. He has been particularly influential in spearheading the transition within CSET from a developmental to a commercial ideology. Comerford has been,and continues to be,a major force in the rationalisation and realignment of CSET throughout the 1980's to improve the quality of CSET earnings and to put the basic business on a more secure and competitive commercial footing. He has publicly advocated the privatisation of CSET in a Sunday Independent feature on 22-Nov-87 where he said that privatisation:

"..would allow commercial decisions to be made in running the company, particularly in regard to pay. It would also open up the possibility of a link-up with another sugar industry to strengthen CSE(T) in protecting its market"

The leadership contest between Sheehy and Comerford in 1974 was controversial and divisive,as we saw earlier in the case narrative. The Board and the senior management of the company were split in their support of these two men for the leadership of CSET in 1974 and Sheehy won the decision of the Board by a very narrow margin. The Board later appointed Chris Comerford to the position of Deputy Chief Executive. When James Fitzpatrick became Chairman in 1980 he became aware of the difficulty faced by both men in this arrangement when viewed in the light of the divisive nature of their earlier contest for the leadership. He persuaded Comerford to move out of Sheehy's direct line and to take responsibility for group strategic planning and corporate development. His move to planning turned out to be of considerable benefit to himself and his company. In the context of the early 80's,when CSET was preparing a defense of itself for the investigation into its affairs and activities by the Joint Committee of the Oireachtais,and when the company was intensifying its efforts to secure a major fresh injection of equity from the shareholder the planning efforts of Comerford and his staff proved to be crucial. As one senior manager recalled:

"In the excellence of what they did in sophisticated 5 year planning etc. they rapidly made the Management Committee irrelevant for the purposes of this type of work..they won the right to bring their plans to the main Board directly and to defend them at that level. They won this right through the forcefulness of Comerford.. That planning thing under Comerford was another phase in the company's movement towards its present management style (the commercial ideology). It was on the strength of the planning department's plans that we eventually got the equity that we were looking for. That plan was sent out by Alan Dukes(FitzGerald's Minister for Finance) to a firm of consultants to report on its viability and effectiveness and we got by Act of Parliament exactly what we asked for".

When Sheehy retired in 1985,Comerford succeeded him as leader of CSET. Comerford is more committed to the commercial ideology for state entreprise than his predecessor. His operating style is also more direct. Sheehy "always tested the water everywhere before going ahead" and was more "responsive to political persuasion" than his successor. Comerford and his new Chairman,Bernard Cahill,were more prepared to take decisive commercial action and deal with the political fallout on a post-hoc basis. In was in this fashion that the final move to close the Tuam plant was taken under their stewardship in 1986,though the nation had been well 'softened up' for the closure by then. Since his accession to the leadership Comerford has accelerated the rationalisation process at CSET and with Cahill has worked strengthen the commercial viability of the company's overall operation. They implemented rationalisation measures,including the closure of Tuam,which has seen the workforce in CSET reduced from 2621 in 1984 to 1855 by the end of 1987. The Food business has been rationalised to a one plant configuration, concentrating on branded business only. The shareholder has upped its stake in the company considerably,from £6.5m in 1981 to £54m in 1984 and to £66m in 1987,though still £9m short of its stated requirement and legally authorised capital of £75m. Trading profits have improved from 5% of turnover in 1985 to 10% in 1987,and net profit after interest inproved from 1% of turnover to 5% over the same period. The operating and financial position of the company has been strengthened and the short term outlook for the company improved.

Further challenges lie ahead. Though the operating and financial position of CSET has indeed been strengthened the rationalisation measures over the 70's and 80's have had the effect of steadily increasing the company's strategic dependence on the core sugar business. Sugar,which at one time in the 70's went as low as 46% of total turnover,accounted for 75% of CSET turnover in 1987. Yet the EEC community is 150% self-sufficient in the commodity which has major implications for CSET's future and this,as the Irish Times leader writer pointed out on 18/Feb/87,places the company at a cross-roads in its history as the 1980's draws to a close:

"It(CSET) is at a cross-roads because the EEC Commission will soon do for sugar what it has recently done for beef,cereals and many other commodities. Sugar production in the EEC is currently running at 150 per cent of the Community's requirements. Sugar production continues to grow but sugar consumption,mainly because of health fears,is not. The possibility of the Commission deciding in favour of increased levies or reduced quotas-or both-is considerable"

CSET in the late 80's faces the need to diversify away from its high level of dependence on sugar. Nevertheless,the lessons learned from its last major diversification in the 1960's have been burned deep into the culture and strategic thinking of the company. In spite of the current sense of urgency any major diversification will be undertaken only with extreme care.
The company is also moving ahead with its plans to concentrate its sugar processing activity in a two plant configuration. This will involve the closure of another of the four historic facilities,the Thurles sugar processing activity. The FitzGerald administration that left office in early 1987 was committed to policy of commercial vaibility for state entreprise. There was growing support also within that administration for the privatisation of companies like CSET. The policy of the incoming Fianna Fail administration on both of these issue is still uncertain and ambiguous in late 1988. Fianna Fail opposed the privatisation of state enterprise in the 1987 election campaign. In the same campaign the incumbent Minister for Agriculture gave an election undertaking to the Thurles workforce that his party would keep the plant,which is in his constituency,open if returned to

office. However the company remains determined to press ahead quickly towards a two plant configuration. The Fianna Fail administration itself has embarked on a radical rationalisation of the public sector,with broad cross party support in the Dail,in order to restore stability to the public finances. Whatever about its pre-election stance the Minister's pledge now seems at odds with the overall thrust of his Government's economic strategy and with the prevailing sentiment within the country at large. Fianna Fail have always been the party of economic pragmatism in Irish politics and the Minister's pledge may now be quietly redeemed through the provision of some viable alternative industry for the region. The next year or two should provide some clearer signal as to just how strongly,and how permanently the commercial ideology for public entreprise has taken root in the Irish political and economic system. As far as Chris Comerford is concerned, however,his company is looking forward to the 1990's with confidence, regardless:

"(CSET) has survived the different roles and different jobs assigned to it in every decade,and it will do the same in the nineties,whatever the the Government decides"(quoted in the Sunday Independent,22/Nov/87).

CHAPTER EIGHT

CASE STUDY - GOLDEN VALE COOP CREAMERIES LTD. AND THE IRISH DAIRY INDUSTRY

This chapter presents the fourth,and final,case narrative and it brings the data section of the dissertation to a close. The chapter covers the historical evolution of the Irish dairy industry and it focuses in particular on the genesis and strategic development of Golden Vale Cooperative Creameries Ltd,one of the six largest processors in the industry.

Introduction to Golden Vale Coop and the Dairy Industry

Golden Vale Cooperative Creameries Ltd is one of the big six producer-cooperatives that have dominated the Irish dairy products industry since the early 1970's. In 1985 it had a turnover of £141.4M in a £2B industry which made it the 6th largest dairy coop and the 36th largest business in Ireland. The company in the same year had over 7500 farmer shareholders and 750 employees. Its main catchment area is in the south west of the country serving counties Clare,Limerick and Cork. Its headquarters and main processing facilities are located in the town of Charleville(also known as Rathluirc) in north County Cork, close to the Cork-Limerick county line.

The main activities of the company are dairy processing and store trading. In 1985 it processed over 92M gallons of milk into 4.9k tonnes of cheese,14.8k tonnes of butter and 36.4k tonnes of milk powder(both for human and animal consumption). The company's main business activities are derived from the major needs of their suppliers. Dairy processing is the core activity but the company is also involved in agricultural trading activities which include the supply and sale of animal feeds,fertilisers and other inputs to the dairy farmer. Golden Vale's trading outlets have mainly been located at branch creameries and milk collection points.

Competition between the processors in the industry has been largely confined to end products for sale on the home market. At various stages in the company's history it has encountered competition for its milk supply. This has involved it in so-called 'milk wars' with other large processors. However,the long standing norms in the industry have tended to restrain and discourage such competition for milk supply. Most of the company's export sales have been channelled to date through An Bord Bainne,the Irish Dairy Board and the industry's central export marketing agency. These exports have been marketed under generic Irish dairy product labels or they have been sold as commodities into EEC intervention stocks under the CAP(Common Agricultural Policy)

The emergence of six large growth centres in the industry happened in the early 70's. At that time the industry consolidated in order to scale up to meet the challenges and oportunities presented by EEC entry.
In 1977 Golden Vale was the second largest dairy processor in the industry in terms of turnover. However,events in the difficult 1980's have led to some major changes in the relative ranking within the big 6:

	1987 Turnover £	Rank	(+%)	1977 Turnover £	Rank	Capital Expenditure (1977-84) £
Kerry	291M	1	(494)	49M	6	51M
Avonmore	257M	2	(278)	68M	4	51M
Waterford	228M	3	(240)	67M	5	49M
Mitchelstown	213M	4	(120)	97M	1	36M
Ballyclough	163M	5	(140)	68M	3	36M
Golden Vale	135M	6	(88)	72M	2	23M

Table 8.1. - The six biggest dairy processors in 1977 and 1987.

Employment among the big six rose marginally over the 1977-86 period from 7583 to 7672 but large rises in Kerry(+750) and Avonmore(+292) were offset by contractions in Ballyclough(-70), Mitchelstown(-112) and Golden Vale(-686).

The nature of the dairy industry

A special team, the Survey Team, was set up by the Lemass Government to examine the affairs and activities of the industry in the early 1960's. The report of this study group contained a description of some of the special structural characteristics of this industry. Much of this description has remained relevant up to the present. The following selected extracts from the report provide a very useful introduction to the industry in general.

Key position in the structure of Irish Agriculture:

"42..In considering the importance of the Irish dairying industry, it is necessary to have regard not only for the size of its output but also the key position which it occupies in the structure of Irish agriculture and the extent to which it is inter-related with other agricultural entreprises. Dairying is in part the basis of the largest item of agricultural production, cattle, since a high proportion of the calves that mature into store animals in the stock rearing and fattening areas are bred in the creamery areas. It is no exaggeration to say that the economy of the beef production areas is heavily dependent on the regular supply of young cattle from the creamery counties"(p21).

Producer/processor relationship:

"73..the milk producer and the creamery to which he supplies his milk must be considered as a single unit rather than as two distinct entreprises(which would be the normal practice in the case of a manufacturer and a raw material supplier). In the creamery industry, both producer and creamery have a common interest in keeping the milk price as high as the economic running of the creamery can possibly allow, whereas in most industries the manufacturer endeavours to secure his raw material at the lowest possible cost"(p34).

Competition for suppliers:

"96..For many years there has been an understanding between creamery proprietors not to accept milk from one another's suppliers except by mutual consent. This arrangement has been regarded by the industry as essential to the proper organisation of creamery milk supplies and in the best interests of the milk suppliers themselves...

97..This understanding is a restraint on competition and represents a type of market sharing,which protects the less efficient creamery and permits it to remain in business,when the normal circumstances of free entreprise would not. Coupled with the price-support arrangements..it perpetuates widely-differing standards of efficiency in the industry..It limits the normal operation of economic forces,lessens the industry's dynamic and tends to keep the structure unduly rigid..

98..Weighty considerations are required to justify the continuation of such a restriction. These considerations do exist and include the following:-

(1) The creamery industry must purchase its raw material daily.. (so) if a creamery is to plan production rationally it must be assured of continuity in its daily intake.
(2) If farmers were free to sell milk as and where they wished, creameries that did not set high standards for milk quality would gain at the expense of those that did. This would militate against improvement in milk quality.
(3) The experience of the 1920's showed that regulation of the market was necessary in the interests of all whose welfare is involved in the industry. If creameries were free to compete for milk there is a danger that competition would become excessive,so inflating milk collection costs and inducing creameries to pay more for milk than their capacity warranted. While farmers,as milk producers,might gain from this in the short term,in the long run,as owners of cooperative creameries and as milk producers they would lose.
(4) Farmers can get financial accomodation from their local creamery using future milk supplies as security...
(5) Effective control on milk transfers is necessary to the organisation of large-scale bulk haulage or multi-can haulage schemes.
(6) Dairying experts in many countries agree that regulation of milk transfers is necessary and such regulation,in one form or another,is operated in nearly all countries.

"99..Considerations such as the foregoing justify the continuance of restriction on milk transfers,but some mechanism is needed to prevent the restriction becoming too rigid and causing hardship to milk producers...

Seasonality of supply:

"111.The achievement of a high degree of plant utilisation in the creamery industry involves difficulties not normally encountered in other industries. The main limiting factor is the seasonality of milk production;almost 60 per cent of the annual milk supply is received in the four-month period May to August and only about 13 per cent in the five-month period November to March. The creamery (manager) must gear his milk-handling capacity to his intake at the height of the milk season and this involves considerable under-utilisation of capacity for most of the year.. The fact that the creamery (manager) must adjust his production capacity to his raw material purchases-the level of which is not controlled or fixed in advance-rather than vice-versa,also militates against the intensive use of equipment"

Need to diversify production

"232.While emphasis has traditionally been on butter production,there is a growing appreciation of the need to divert as much milk as possible into products other than butter which for many years has provided the least remunerative outlet for milk. The prices of various dairy products are inter-related and where not controlled are affected by supply and demand. It is necessary,therefore,to have adequate capacity for the manufacture of non-butter products so that the industry can take maximum advantage of short-term fluctuations in the market prices of the different products. This also involves maintaining at least a minimum volume of continuous supply to retain a foothold in the markets..

Main phases in Golden Vale's history

Golden Vale Cooperative Creameries ltd. developed from a federation of independent creameries formed in 1947 to manufacture and market processed cheese. This in turn emerged from a dairy industry which by the late 40's was dominated by the cooperative movement but which was at that time highly fragmented.

1880-1947 Evolution of the basic character of the industry

Dairying has been a major activity in Irish agriculture for many centuries. Up to the 1880's the production and processing of milk was farm-based. Milk surplus to farm requirements was mostly converted into butter. This butter was marketed in many ways. Some of it was sold directly to local merchants and shopkeepers but the most common way was to pack it in firkins and sell it on established butter markets,like the Cork Butter Exchange,to merchants who then exported it to various countries(Byrne et al,1963). By 1883 the country was producing an estimated 54000 tons of butter and exporting about 50% of it(Lyons,1959).

It was the development of the mechanical cream-separator during the 1870's that made the large scale centralised production of butter a possibility.Ireland was slow to adopt the creamery system.Early efforts to develop proprietary creameries were sporadic and met with very limited success. It was not until Sir Horace Plunkett introduced the cooperative movement into Irish dairying that the creamery system really became widely and firmly established within the country:

"Real progress was not made until the 1890's when Sir Horace Plunkett introduced the co-operative system to the rural community;seeing that the time was oportune and that milk was a suitable product around which to build,he directed his efforts towards organising the farmers in cooperative creameries"(Byrne et al.,1963;14).

After Sir Horace had overcome much initial resistance and sceptism,and had demonstrated success with his early establishments,the creamery system expanded rapidily. By 1899 there were 374 cooperative societies with 36683 members(Knapp,1964;13),mostly involved in dairy processing.

Initially Plunkett and his associates began their work as a philantropic effort to help certain local communities to help themselves in raising their overall standard of living. As the work of the cooperators spread to more and more parts of the country in the early 1890's it soon became apparent that they were the potential catalysts for a major structural transformation dairy industry nationwide and for a major socio-economic movement throughout rural Ireland. In 1894 they set up the Irish Agriculrural Organisation Society(IAOS) in order to establish their work on a more formal basis. The purpose of the IAOS,as stated in the rules of the society,were:

"To improve the condition of the agricultural population of Ireland by teaching the principles and methods of cooperation as applicable to farming and the allied industries,to promote industrial organisation for any purposes which may appear to be beneficial,and generally to counsel and advise those engaged in agricultural pursuits". (quoted in Knapp,1964;9)

Plunkett had visualised that the IAOS itself would be replaced,as the cooperative movement spread:

"In five years at the longest..our Society will no longer be required. In its place,if our scheme works out,the farmers will have their own body-their central Chamber of Agriculture,perhaps they will call it- and through this body they will be able not only to safeguard the general agricultural industry of Ireland,but also to attend to the organisation of fresh societies..."(Annual Report of IAOS,1895).

In 1904,with 876 affiliated societies,the committee of the IAOS decided that the time was right to turn control over to the member societies. The rules of the IAOS were ammended to allow this to happen and the committee was reconstituted to be elected on a provincial basis.

The blueprint for the activities of dairy cooperatives became established from the beginning as the "joint purchase of farming requirements and subsequently the joint sale of produce"(IAOS Annual Report,1895).An early success which illustrated the power of cooperative form of organisation in protecting the producers' interests was described in 1897 Annual Report of the IAOS:

"These Societies have achieved a remarkable feat and have conferred a permanent benefit on the farming community in bringing about the dissolution of the Manure Manufacturers' Alliance,the body which was virtually a ring of manufacturers to fix the minimum prices at which chemical manures were to be sold...The result of the breaking up of this ring has been that chemical manures are now being bought..at far lower prices than they were ever sold before in Ireland"

One of the main activities on the trading side of the large cooperative organisations in Ireland,to the present day,has been the supply of fertiliser and feedstuffs to the producers at advantageous prices. Furthermore,in 1898 the Irish Agricultural Wholesale Society (IAWS) was formed as a cooperative to carry on wholesale trading in agricultural requirements,livestock and general agricultural produce.By 1985 the IAWS had grown to a turnover of £88M with a staff of 250 employees.

The rapid growth in dairy cooperative societies in the 1890's convinced Plunkett that the time was opportune for a major effort on a national scale to improve the practice and productivity of Irish agriculture:

"The new movement,six years after its initiation,had succeeded beyond the most sanguine expectations of its promoters. All over the country self-help was taking firm hold of the imagination of the people... The time had come when a sound system of State aid to agriculture might be fruitfully grafted on to this native growth of local effort and self-reliance"(quoted in the Knapp,J.G.,1964;11)

Plunkett formed a committee of parliamentarians,comprising both nationalists and Unionists,to advance the case for state involvement and to try to determine what form that involvement could best take. This committee became known as the Recess Committee because it had to conduct its business largely during those periods in which the Westminister Parliament was in recess.The Recess Committee reported to the Government in 1896. As a direct result of their efforts a Department of Agriculture and Technical Instruction(DATI) was eventually set up in 1899.

The intended nature of the relationship between the cooperative movement and the State was clearly signposted in the report of the Committee.

"All through the Report it is enjoined that the new Department should supplement the efforts of the voluntary associations but never attempt to provide a substitute for them.."(Anderson,1935;97).

The relationship between the IAOS and the new DATI became difficult when the IAOS became mainly dependent on a state subsidy for its own funding needs. The subsidy was administered through the DATI and the "conditions for obtaining the subsidy (became) steadily more onerous"(Knapp,1964;18) leading Anderson(1935;132)to remark that the frustrations that came from these restrictions "well-nigh killed all cooperative spirit and enthusiasm in us who formed its staff". In 1908 the DATI withdrew the subsidy and the IAOS,left to its own resourcefulness,enjoyed a new period of vigour and independence. It attempted to secure its ongoing funding from within the movement by operating a levy on all the affiliated societies.This was never more than a partial success,however, and this issue of funding and state support for the coordinating body itself was to become a recurring problem.

The years between 1910 and 1919 saw the IAOS rise to the peak of its influence and the Irish agricultural cooperative movement became the centre of world-wide interest. The number of societies had exceeded 1000 by the early part of the decade. While this number did not expand greatly up to 1920,the combined turnover of the societies rose considerably from £3.6M in 1914 to £14.6M in 1920,a figure not to be equalled again until 1944. Over 56%,or £8.2m,of this was in dairying activities(Knapp,1964;25). As early as 1910 a major effort was made to establish a national brand for Irish creamery butter to enable it to command a premium price on the important UK market. While much of the Irish creamery butter reaching the UK market at this time was of high quality,there was also much of it that was inferior. This inferior product was harming the general image and depressing the price. Anderson(1935;185) described the thinking behind this early effort:

"Early in the year 1910,the Irish Agricultural Organisation Society took a very important step in the direction of leveling up the quality of the butter produced in the cooperative creameries to such a standard as would permit a brand or label,guaranteeing its quality,to be affixed to all that reached the required degree of excellence...The text of the scheme itself describes it:..'The object of the scheme is to establish a national brand for Irish creamery butter, of guaranteed purity and uniform excellence of quality for the exclusive use of selected cooperative creameries,affiliated to the IAOS, which are prepared to comply with the rules and conditions herein set forth, which have been laid down by the creameries themselves and have been approved by the Control Committee,in order that the product of creameries participating in the Control may realize its full market value and ultimately obtain such recognition as will secure special classification in the markets of the United Kingdom".

This scheme lasted until 1924. It was allowed to lapse in the difficult market conditions of the 1920's,but not before it had demonstrated its value.The IAOS found that it was no longer able to carry on this work and as the State did not step in so the scheme was discontinued. Further attempts were made in the late 20's,and again in the mid 30's,to coordinate the marketing of Irish butter exports,the first by the cooperative movement and the second by the State. However,a generic brand for Irish dairy produce was not successfully established on the export front until An Bord Bainne(The Irish Dairy Board) was set up by the Lemass administration in the early 60's to coordinate the export marketing of the dairy industry. It was An Bord Bainne that launched the now famous 'Kerrygold' brand as the generic brand for the industry on all overseas markets.

Up to the 1914-18 war the exports of Irish butter to the UK continued at a level of 40k tons per year. Between 1915 and 1919 there was a steep decline from over 40k tons to around 17k tons in response to price controls that kept the price low. However during the same period the price of cheese soared on the UK market and the export of Irish cheese rose from .25K tons to 15k tons in response(Byrne et al,1962;15).While having a basic flexibilty to change quickly from butter to cheese production,the industry as a whole was not sufficiently diversified and flexible. It was overdependent on the markets for these two commodities. Prices fell dramatically on the UK market in the early twenties. The War of Independence further increased the difficulties of the industry by disrupting business and further depressing demand for Irish goods in general in the UK. Irish exports of dairy products dropped considerably,especially exports of cheese which quickly returned to the low pre-1914 level. The industry and the IAOS remained in the doldrums until 1926 when Dr. Henry Kennedy became the new Secretary of the IAOS.

In November 1922,the first year of the new Free State administration,the Minister for Agriculture,Patrick Hogan,appointed a commission to study the depressed state of agriculture and to offer recommendations that could provide a basis for its expansion and prosperity. The Commission's report,which was submitted to the Government in 1924,provided a contemporary analysis of the state of the dairy industry,its structure and its prospects,as they stood in the early years of the new Irish Free State:

"19..We firmly believe in the co-operative system,as calculated to promote better business methods,and,we consider that the State may,with advantage,spend substantial sums in the teaching of practical cooperation..

47..The present system of marketing farm produce is wasteful and uneconomic,and a great extension of cooperative marketing is desireable.If farmers were to combine to sell their produce in larger quantities than at present,many of the economies inherent in large scale transactions could be effected..We merely wish to draw attention to the method of 'self-help through mutual help' as a possible solution to the problem of marketing agricultural commodities..

83....education in the true spirit and practice of cooperation is a proper case for State aid..

84..In arriving at (our) conclusions..it has been our object to discover methods of control (over State aid) which will ensure efficiency without unduly hampering the discretion and initiative of the cooperative movement. We fully realize the immense advantages of unrestrained voluntary effort,and we wish to give them the fullest scope.

87....In the past a substantial number of societies have been promoted and operated with insufficient regard to sound financial practice.A negligible quantity of share capital has been subscribed by members,but the bulk of it has been borrowed from banks and secured by joint and several guarantees.In practice,this means that the burden of financial responsibility is borne by a few 'strong men'and the greater part of the members have no real financial responsibility toward the society. In practice,moreover, societies have been too willing both to give and receive credit.. We consider this laxity in finance a negation of the true purpose of cooperation..

89..It is well-known that the unbusinesslike methods of many societies are evidenced by the imperfection of their accounts..

95..The fact that we find ourselves compelled to make these recommendations leads irresistibly to the conclusion that cooperation is imperfectly understood and practised in Ireland.."

It is clear in the above extracts from the Commission's report that many of the problems that have beset the cooperative movement and tha dairy industry over the years were already very much in evidence at the time the new State was founded.

Much had already been achieved in the area of technical education for the dairy industry through the efforts of the IAOS and the DATI by the time the Irish Free State came into being.In 1886 the Commisioners of National Education had extended their courses in home dairying for women to include practical instruction for men in the working of creameries. In 1894 special courses were initiated to be held during the low production winter months to train men for positions as creamery managers. About the same time the courses for the women were updated to allow some of the girls to be trained in creamery butter-making. When the DATI was formed in 1900 it extended these training activities and introduced a scheme to award certificates of competence to creamery managers who successfully completed an approved programme of professional training(Byrne et al,1962;17).In the wake of the 1922 Commission's report and through the efforts of the IAOS and the Irish Creamery Managers' Association(ICMA) a programme for the training of creamery managers was set up in University College Cork,where a Faculty of Dairy Science was set up in 1926.There was,however,one major weakness in this impressive training effort as Knapp(1964;31) has pointed out:

"Unfortunately,the emphasis was placed upon technical education and little or no instruction was provided in business subjects or in agricultural cooperation".

This difficulty still remained on through to the 1960's as the report of the Survey Team on the Dairy Products Industry(Byrne et al,1963;119) has clearly shown. A significant development in 1924 was the passing of the Dairy Produce Act which according to Byrne et al(1963;17) was:

"..a comprehensive measure covering all creamery operations and designed to ensure cleanliness and freedom from contamination at every stage of dairy produce manufacture. It provided,inter alia,for registration of creamery premises, prescribed conditions of cleanliness and order,standards of water-supply and equipment, technical qualifications of creamery personnel,inspections of premises and plant and quality control on the dairy produce at all stages of production and marketing"

This piece of legislation has made a significant contribution in the establishment and maintenance of a high standard of quality of dairy produce.

In the expansionary period that the dairy industry enjoyed up to the early 1920's the number of creamery premises,both cooperative and proprietary,proliferated,with no overall industry coordination. By 1926 there were 580 central and auxiliary creameries in the Irish Free State, of which 400 were coooperatives. Of the 180 proprietary creameries, 144 of them were controlled by the Condensed Milk Company(CMC). One of the major shareholders in this company was the large British wholesale firm of Lovell&Christmas. This connection gave the CMC favoured access to the important UK market and an distinct competitive advantage vis-a-vis the cooperatives in any competition for supply(Bolger,1977;216).When the post-War depression arrived there was a situation of over-capacity in the industry. Competition for milk supply,or so-called 'milk wars',broke out,mainly between the cooperative and the proprietary creameries,but often,unfortunately from the IAOS's point of view,between the coops themselves,with "the stronger often tending to encroach on the supply area of the weaker societies"(Bolger,1977;205).The industry as a whole was suffering from excessive capital outlay,inflated overheads and running costs at the expense of the producer who was suffering in his milk price.There was clearly a need for rationalisation in the industry to put the whole industry on a sounder footing. Indeed,by 1926 as the milk war came to a head the future role of the cooperative movement in the industry was in serious doubt,as Hoctor has recorded(1971;153-4):

"...many creamery societies found themselves going deeper and deeper into debt,and when refused credit by the banks,they appealed to the government for aid.Towards the end of 1926 the trade war reached its climax and the outlook for cooperative dairying was dismal indeed.. A decision had to be taken as to whether the law of the jungle should be allowed to prevail.If allowed,the result might well be the extinction of cooperative creameries and the transfer of the industry to British capitalist concerns".

The intervention of Dr.Henry Kennedy,who became Secretary of the IAOS in 1926,was crucial. Kennedy was a brother-in-law of the no-nonsense Minister for Agriculture in the first Free State administration, Patrick Hogan.Working in tandem Hogan and Kennedy brought about a reorganisation of the dairy industry which in Bolger's(1977;144)view "saved the cooperative movement from disaster,if not extinction" and secured for the movement its central role in the future development of the industry. Kennedy persuaded the Government to fund a rationalisation programme for the industry which involved the setting up of the state-sponsored Dairy Disposal Company(DDC) in 1927. The DDC bought up most of the proprietary creameries and also took over cooperative creameries that were in severe financial difficulties.It closed down those that were moribund or unnecessary and continued to manage those that were viable until arrangements could be made for an orderly transfer of the latter to cooperative ownership. The Condensed Milk Company,the largest proprietary concern in the industry at the time,had by 1927 grown weary of the milk wars in spite of its advantage. It was easily enticed to sell its interests to the DDC.The Government brought further order to the industry by enacting the 1928 Creamery Act which gave the Minister for Agriculture the power to control,by licencing,the establishment of any new creameries.As well as being a vehicle for closures and consolidations the DDC afforded a means for extending the creamery system,for both social and economic reasons,into parts of the country not previously served.In the 1943 Creameries(Aquisition) Act the Dairy Disposal Company was empowered to purchase compulsorily the remaining proprietary creameries. At this point the industry came totally under the control of the cooperative movement with residual,and intendedly transient,state involvement through the Dairy Disposal Company.

With major rationalisation of production and processing well underway Kennedy and the IAOS turned their energies towards the finance and marketing areas.In 1927,under a great deal of personal lobbying from Kennedy,the Government set up the Agricultural Credit Corporation as a state agency to provide the much needed development capital for Irish agriculture. This capital was not being made available in sufficient quantity through the existing commercial channels.They then turned to marketing. In 1928 a new federal organisation,the Irish Associated Creameries Ltd(IAC),was formed to market Irish creamery butter in the UK. The new federation was set up through a 'binding,terminable and renewable contract' which was to run initially for three years(Knapp, 1964;32). The idea was that all butter produced by the members of the federation for export to Great Britain would be marketed through the IAC. This offered all the advantages of pooled and concentrated marketing resources and economies of scale that such a cooordinated and unified effort should entail.After many meetings and an intensive sign-up campaign roughly 80% of the cooperative creameries joined the scheme. Unfortunately this attempt to market a generic Irish brand in the UK, like its predecessor in 1910,did not last. According to Knapp(1964;33) it was a "noble experiment" that might have survived in less difficult economic circumstances:

"Unfortunately,the great hopes of the IAOS for the IAC were not to be realized.Not all of the cooperative creameries joined in the effort and it was not able to achieve the spectacular results that had been anticipated.The scheme was struck a heavy blow in 1930 by the fall of dairy prices in England-and rather than attempt a re-sign up the organisation was discontinued in 1930"

In spite of all the progress that had been made around quality there was still insufficient standardisation in process and product to the degree necessary to successfully market the produce of many different cooperative entreprises under the one generic brand or label. Furthermore,the lack of cooperative solidarity undermined the initiative and was a major dissappointment to the cooperative idealists. Bolger(1977;220) was much less generous than Knapp in his assessment of the IAC failure:

"The IAC affair was the one really disgraceful episode in the cooperative story.The debacle took place when there were few extenuating circumstances..There was a Minister and a Department of Agriculture very favourably disposed to them.But most of all, cooperative idealists took it particularly hard that the creameries showed such disloyalty and disarray in the face of falling markets and the tough times that were so obviously ahead".

The cooperative form of organisation,it seems,was viewed by many of those involved as mainly a pragmatic expedient that was suited to the operation of Irish creameries.There were still many in the movement who were not sufficiently educated in the principles of cooperation or imbued with the cooperative ideology. This was to be an ongoing problem right up to the present day. As lately as 1987 a radio magazine programme,'Live Line' on RTE radio 1, found the question of 'how cooperative are the cooperatives' to be alive and well as an issue of topical interest and general concern.

The years between 1930 and 1948 were particularly difficult years for the industry. There was a sharp decline in butter prices on the British market between 1929 and 1931 as the great depression took hold. The early 1930's heralded in a new era of protectionism in western economies. The arrival of the first Fianna Fail government in the Free State in 1932,an administration committed to a policy of economic self-sufficiency for Ireland,signalled a major change in government policy towards the industry. Price support measures were introduced in the 1932 Dairy Produce Act to maintain the price of butter on the home market.Under this legislation imports of dairy produce were prohibited except under licence and levies collected on all creamery-made butter were used to subsidise butter exports.When the 'economic war' with Britain broke out over DeValera's with-holding of the land annuities, Britain subjected Ireland's dairy products along with all her other Irish imports to an ad valorem duty of 20%,later raising it to 40%. Creameries were encouraged to diversify by special export subsidies made avaliable for cheese, condensed milk, dried milk and cream.

One of the initiatives taken during this period was the establishment by the Minister for Agriculture,Dr. James Ryan,in 1936 of a Butter Marketing Committee to coordinate and organise the export marketing of creamery butter. The approach of the committee was to encourage Irish butter exporters to link up with British importers of their own choice who were known to be willing to pay a good price for Irish butter if they could be guaranteed a steady supply.There was some initial wrangling with the cooperatives about representation on the committee and there was a certain amount of discontent and distrust of growing state involvement in the operation of the industry(Bolger,1977;222). The committee was just getting into gear when the Second World War broke out and altered the whole marketing environment.During the 'emergency', as this period came to be known in neutral Ireland,there were many difficulties for the cooperative movement and the industry. There were scarcities of supply,fuel shortages and a serious outbreak of foot and mouth disease during this period. Furthermore butter was rationed, prices were controlled and compulsory tillage was in operation. During the war years the milk supply to the creameries remained low at around 130M gallons for most of the 1940's. This was just 30% higher that the level operating in 1922(Bolger,1977,231&223).

The industry went through some significant changes during this 1930-48 period. The process of rationalisation that had begun in 1927 with the establishment of the Dairy Disposal Company continued. The industry's throughput of milk may have risen by only 30% between 1922 and 1948 but the share of that being processed by creameries and by cooperative-owned creameries increased considerably. In addition,many of the cooperatives expanded their stores trading activities so that there was considerable growth in overall cooperative turnover over these two decades. Furthermore,there was considerable consolidation of processing capacity within the industry. The difficult market conditions during these years left many marginal operators in a weak state and vulnerable to takeover. Consolidations through take-over were actively encouraged by the IAOS:
"Henry Kennedy disapproved of the idea of creameries at every

crossroads and set out to build on the foundations of existing strong societies,encouraging the big to absorb the smaller,weaker units and achieve a size where they could be really effective in processing and marketing"(Bolger,1977;225)

Though the industry was yet to enter its major growth phase,a seven-fold increase in milk processing throughput over the 1950-80 timeframe, yet the pattern for that future growth was already clearly emerging from the developments in this period.As Knapp(1964;36) described it:

"There was a marked consolidation of societies and many made gains in operating efficiency and in financial strength under the inspiring leadership of such able general managers as P.J.Power of the Ballyclough Cooperative Creamery;the late Eamonn Roche of the Mitchelstown Cooperative Agricultural and Dairy Society,Ltd.;the late M.McNamara of the Drinagh Cooperative Creamery,Ltd.;and the late E.Maher of Dungarvan Cooperative Creamery,Ltd...Of particular interest was the expansion of general purpose societies,which combined marketing with a business in agricultural goods.In 1920 only 13 per cent of the turnover of creameries was represented by agricultural goods..by 1940 it was 32 per cent.."

The number of creameries was down from 274 in 1929 to 193 in 1951 but turnover had increased from £4.7M in 1931 to £23.8M in 1951. The 46 largest cooperatives together accounted for just over 60% of this figure while the five largest -Mitchelstown, Ballyclough, Dungarvan, Killeshandra and Drinagh- accounted for over 20%. These larger societies were growing faster than the industry average over the 30's and 40's. In 1985 Ballyclough,Mitchelstown and Dungarvan(now Waterford) were in the top six and were ranked 5,4 and 3 respectively, while Killeshandra ranked 9th and Drinagh 11th.

By the late 1940's the industry was poised for major growth. In 1948 a New Zealand grassland expert stated publicly after a visit to the country that Ireland's grasslands were producing the minimum possible under an Irish sky. With the help of the Marshall Aid programme various schemes were initiated to redress this situation.The soil had become overworked and undernourished during the war years.A technical breakthrough at this time was the emergence of ground limestone as suitable and economic fertiliser for grassland. A transport subsidy was used to encourage the liberal use of ground limestone by enabling farmers,wherever they lived,to attain it at the same cost. The Friesan breed was introduced into the country at this time and proved successful in improving milk yields. Various land reclamation and disease eradication programmes were undertaken.A new state-sponsored research institute,An Foras Taluntais,was proposed for the provision research backup to the industry. The extension of rural electrification to all parts of the country made milking machine technology feasible. This was at a time when agricultural labour was becoming scarce as the flight from the land and emigration rose to heights unprecedented since the foundation of the state. The widespread adoption of the milking machine was a major breakthrough in production because it enabled the farmer to milk an expanded herd with minimal labour and have more time free from the milking activity to concentrate on other related farm activities and to improve the efficiency of his overall production system. The milking machine,if managed properly,promoted hygiene and consistently high quality and increased his return from each gallon of milk. Expansion in the processing side(outside the farm gate)was heavily dependent on expansion in production(inside the farm gate). This in turn could only come from increasing the size of the national dairy herd and/or increasing the milk yield per cow, and it was widely believed in the late 40's that there was considerable room for both.

Golden Vale - Formation and Early Growth 1947-68

In the late 40's,as we have seen,the industry was poised for expansion. By this time also,a number of industry leaders had emerged and these were continuing to grow at a faster rate than the industry.The five big players at the time were Mitchelstown, Ballyclough, Dungarvan, Killeshandra and Drinagh and their emergence as industry leaders was attributed by Knapp,as we noted earlier,to the inspiring leadership of their general managers. At this formative period for the industry as a whole the quality and vision of the creamery manager,it seems,was a critical factor in determining the future growth centres for the industry. As one of the interviewees,a former Secretary of ICOS said:

"How good the creamery manager was determined to a large extent the prosperity of the local community...the influence of the creamery manager was such that to a large extent the reason why some coops grew and others did not was directly related to the abilities of these people"

Another critical factor was the concentration of dairy farming and in this the areas around Cork, Limerick, and Waterford in the south of the country had a distinct advantage. Dairying was less developed in other parts of the country and least of all in the West. Mitchelstown, Ballyclough and Drinagh were all County Cork creameries and Dungarvan served County Waterford. Killeshandra was the exception in the big five being located in the northern county of Cavan.

Golden Vale Cooperative Creameries,as it is known today,did not develop from one of the big established centres of the late 40's. It was formed in 1947 largely on the initiative of Captain David John Barry,who was at the time the Secretary of the Irish Creamery Managers Association. The researcher was fortunate enough to secure an interview with Captain Barry,now in his eighties,and the following description of the formation Golden Vale,"now part of the history of the Irish dairy industry" as the leader-writer of 'The Kerryman' put it on the 6/Nov/81,is in the interviewee's own words:

"The circumstances were these. Around 1933/34 the head of Mitchelstown was a man called Eamon Roche,a man of outstanding initiative,a member of the Dail who had fought against the Treaty(Note:Captain Barry was also on the anti-Treaty side).He investigated the processed cheese business on the Continent and got a license to manufacture it. He had a monopoly up to the time that Golden Vale started in 1948.

Most of the creameries within a 15 to 20 mile radius of Charleville were selling milk to Ballyclough for the manufacture of milk powder and chocolate crumb,to Rathmore for the manufacture of chocolate crumb,to the Condensed Milk Company in Limerick for the manufacture of condensed milk and to Mitchelstown for the manufacture of cheese.The prices being paid by some of the larger processors were somewhat greater than it was possible for any of the relatively smaller butter or cheddar cheese making creameries to afford. The farmers supplying a number of the creameries within a 15 mile radius of Charleville began organising to send lorryloads of milk to the large processors to get the better prices.

In 1945 I became Secretary of the Irish Creamery Managers Association and automatically then also Secretary of the Irish Cheese Manufacturers Association for the manufacturers of cheddar cheese. I convened a meeting for Charleville in 1947,in my capacity as Secretary of the Cheese Manufacturers Association,at which concern was expressed regarding the potential loss of milk supplies to some of the large processors,i.e.Ballyclough,Mitchelstown etc. The Secretary(the interviewee himself) suggested forming a federation of cheese manufacturers to establish a processed cheese factory and expressed the opinion that a license could be obtained from the Department of Agriculture. The creamery managers present requested that they be allowed to put this suggestion before their respective committees and to arrange to have their chairmen at the next meeting. The next meeting was held shortly afterwards and it was unanimously decided to make representations with regard to a license and to ascertain the approximate cost of buildings and process cheese-making plant. At a subsequent meeting it was decided that a total of £30000 would be subscribed in paid-up share capital.

We approached the IAOS and Kennedy said that we were daft and he refused to support it. Mitchelstown were paying £1000 per annum into the IAOS (whereas) the smaller cooperatives were paying maybe £20 per annum. Two professors from UCC,Professor Lyons(Dairy Technology) and Professor McGrath(Engineering) did up the plans and specifications. The rules for the federation were drawn up by Owen Binchy and myself. We could not affiliate to the IAOS because of the 1927 episode(the IAC episode)-feelings were (still) high. We affiliated to 'an Irish cooperative society'.

The plans were provided by Lyons and McGrath and the assistance of Mr.Sean Moylan,Minister for Lands(in the DeValera administration of 1944-48), was most essential.Moylan was a native of Kilmallock in North Cork(6 miles from Charleville) where he had been active in his IRA days. His representations and those of Donacha O'Brien TD for West Limerick were very important. We had to use this to counteract Roche (of Mitchelstown). Roche was in the IRA and had taken part in a hunger strike in England,a hunger strike during the Civil War. We felt that he would go to Dev to block it,he was well in with Dev,but Dev would not let the monopoly go on forever. We got the license from the Minister. The factory was opened in 1948 by Mr.James Dillon,Minister for Agriculture(in the first interparty coalition government)".

In all twelve cheese producing cooperatives federated initially to form Golden Vale Food Products Ltd, located at Charleville in north County Cork. As Golden Vale grew and incorporated more member creameries,first through an expansion of the federation and later through amalgamation,these twelve founder members came to be known within the group as the 'twelve apostles'.These founder members were Ballyagran, Drombanna, Effin, Feenagh, Freemount, Glin, Herbertstown, Kantoher, Kilmallock, Milford, Newmarket and Shandrum.At that time around a third of the milk supply of these creameries was being used for the production of natural cheese for the home market and for export.

The quality of the milk was not always of a sufficiently high standard for cheese and the end product was not always first grade. The downgraded volume was often 5 or 6% of total output. When blended with first grade cheese and reprocessed,however,the output was marketable as processed cheese. Furthermore,processed cheese had by this time achieved a high degree of consumer acceptance in the Irish market. It had made considerable inroads into the market for natural cheese since Mitchelstown first introduced it onto the Irish market some years earlier. By setting up Golden Vale Food Products the founder members of the federation had established their own production capacity for processed cheese,along with a marketing organisation through which to channel much of their other cheese production as well. In this way they were able "to improve their profitability and to take (themselves) out of the grips of a small number of cheese brokers who were giving them a miserable price".This in turn allowed them to pay a better price for milk and so protect their milk pool.However they still continued to operate independently in the manufacture of their butter and in the disposal of their excess whole,and skim,milk.

This period in the late forties and early fifties is remembered in the history of the cooperative movement as a period in which there was a burst of federal activity.Close on the heels of the Golden Vale initiative another major federal development took place in 1951 when 38 cooperative creameries in the Carrick-on-Suir area joined with a number of English capitalist interests to form a kind of federation,called the Miloko Cooperative Society Ltd.,for the manufacture of chocolate crumb.

The new federation recorded a turnover of £5857 and a loss of £974 on an asset base of £52414,funded by £15377 in share capital and £29288 in bank overdraft, in its first year of operation in 1948. By 1955 it had grown to a turnover of £436694 and a profit of £5396 with assets of over a quarter of a million pounds, £50578 in share capital and £131696 in overdraft. The first two managers at the helm of the new federation were essentially technical men. Magrath,the first manager,"had made processed cheese before in England and in New Zealand. He was a production manager more than a people manager" as one interviewee recalled. After a successful performance in 1949,in which the business appeared to be taking off,the turnover and profitability of the business fell in 1950. Magrath was then replaced by John O'Mahony and he remained at the helm until 1956. Like Magrath before him,O'Mahony's expertise was mainly technical. By the mid-fifties it was felt that the business was not developing to its potential under his leadership and O'Mahony was replaced by Dave O'Loughlin in 1956. O'Loughlin remained as general manager of the federation until his untimely death in 1971.Dave O'Loughlin is the legendary figure in the history of Golden Vale. He is generally credited with the main developments that set the company on the road from being a small joint venture of 12 cheese-making creameries,with a turnover of less than half a million,to becoming number two in the industry by the mid 70's with a turnover of over £70M. O'Loughlin's father was the manager of one of the federated creameries so that Dave had a background in the industry. He had an MSc in dairy science and had been a senior representative with a dairy engineering firm,that supplied plant to creameries,before joining the federation.

The O'Loughlin Years 1956-68 - Golden Vale's Rise to Prominence

O'Loughlin's first venture as the head Golden Vale Food Products was to develop an engineering division. He began this venture in 1956. In that year the turnover from engineering was £37000. By 1958 it reached over £166000,and by 1974 it had become a £3M-plus business. There had been a small engineering activity at Golden Vale before he took over as general manager but "O'Loughlin developed this at a fierce rate,a rate of knots".He did this by being able to exploit oportunities that were being created by changes taking place in the industry at that time. One senior executive described the early nature of this engineering business and its development in the context of the time as follows:

"In 1956 Golden Vale Engineering was established doing various bits and pieces of stainless steel installations. There was a change of regulation concerning pasteurisation so that stainless steel had to be used for pumps,tanks,piping etc.,throughout the whole industry.Also, there was a little bit of building for the future- Mitchelstown, Ballyclough, the Condensed Milk Company at Landsdowne-those places were building for spray-drying of skim-milk powder and/or full cream milk powder. That gave oportunities for rapid development of the engineering idea. They got a few agencies for valves and pumps and they started fabrication. It grew like topsy for a few years.The major chunks of significant processing equipment were imported so they never got into this specialised area.Engineering developed away throughout the early 60's and had involvement in cheese-making plants. There was also a lot of reequipment of cheese factories because of new regulations"

Captain David Barry,the man on whose initiative Golden Vale Food Products was set up in the first place felt that the development of an engineering capability should have been "set up separately as a national effort (ie.a central engineering resource to benefit the whole dairy cooperative movement) but the managers wanted it kept within the federation".Captain Barry gave this as an example of a central tension that ran right throughout the cooperative movement,the tension between parochial interests and cooperative ideals.

The three decades between 1950 and 1980 saw a major expansion in dairy production at the farm level with the national milk pool available for further processing into manufactured dairy products rising from 130M gallons in late 40's to 860M gallons by the late 70's. This change had a significant impact on the development of the industry as a whole and on its evolving structure. It came in three waves which more or less ran into each other and gave rise to an unrelenting expansion up to 1978. The first wave came in the 1948-58 period. The industry during this period emerged from its contracted and entrenched position of the war years when the level of milk production was "the lowest possible under an Irish sky". The availability of a plentiful supply of relatively inexpensive fertiliser,the growing adoption of the milking machine, the development of infrastructure especially road improvements and the extension of rural electrification, developments in farm mechanisation generally and the spread of motorised transport with cheap fuel, developments in the education of farmers and the establishment of a dedicated national research back-up, all contributed to a growing confidence among producers in their industry and its potential future and to a gradual but steady increase in milk production. This expansion was accelerated in the climate created by the Programmes for Economic Expansion in the 1958-68 period and then accelerated further by Ireland's anticipated and eventual entry into the EEC in 1972.

At the farm level producers became more specialised in dairying,a development aided particularly by the widespread adoption of the milking machine as well as by the other infrastructural developments mentioned above.At the level of the individual creamery this development had two effects.Firstly the level of the milk supply from their shareholders and traditional suppliers increased beyond their capacity to process it. Secondly,as the dairy farmers became more specialised they tended to decrease their calve and pig rearing activities and had less use for the skim milk that the butter-making creameries normally returned to them. The creamery manager came under increasing pressure from his suppliers to find outlets for disposing of excess whole and skim milk supplies. For many of the smaller creameries this meant a reliance on the larger processors like Ballyclough. However the larger processors gave preferential treatment to their own shareholders and traditional suppliers. Non-affiliated creameries had to be satisfied with a quota from the larger processor which usually did not cover their full output and which came with terms more favourable to the processor than to the supplier. The creameries within the federation "were involved in trying to get rid of milk other than through processed cheese.The 12 creameries were dependent on Ballyclough and Ballyclough was only giving them a quota so there was still much surplus to be taken care of.Inevitably they turned towards doing their own processing". The federation, under O'Loughlin's leadership began to expand their processing capabilities in the early 60's. A grading system introduced by the Department of Agriculture around this time to improve the quality and consistency of Irish cheese in the marketplace meant that cheese making became rather difficult for the small cheese-maker who did not have the volume necessary to keep up with the technology. So Golden Vale established a central facility for the production of natural cheese in 1960. Then,in 1962,O'Loughlin took the first small,but significant,step towards diversification when he invested in a skim-milk powder processing facility,designed around a Silke-Borg drier,at the central Charleville site.

At this time in the early 60's there was a general feeling of momentum in the industry,a feeling of an industry really on the move. Irish Milk Powder Exports Ltd.,a small cooperative marketing agency,was set up in 1959 by Ballyclough,Dungarvan and Mitchelstown to market their output of powdered milk products. They were joined later by the Dairy Disposal Company and in 1962 by Golden Vale when O'Loughlin diversified into the powder area. By this time the combined volume was large enough for Irish Milk Powder Exports Ltd. to coordinate the marketing of Irish milk powder in Britain through association with the giant Unigate company. Unigate,like a number of other foreign concerns,already had long associations with the Irish dairy processing sector.During the self-sufficiency era,when the Irish market was heavily protected with tarrifs,this company and others maintained their access to the Irish market by licensing the manufacture of a range of their products to the larger Irish coops. These links were strengthened in the late 40's when the first interparty government came into power and the industry became accessible to foreign investment. For many of the UK concerns that invested in the industry in the late 40's and early 50' the immediate attraction was the strategic access to sources of supply outside the UK in a country with a declared policy of neutralty. Companies like Unigate,Cadburys,Bordens and Rowntree Mackintosh had been severely affected by the restrictions and rationing on milk that operated in Britain during the War and were anxious to spread their risk for the future.When the self-sufficiency policy was officially abandoned in the late 50's,not only was the industry made more accessible to foreign capital but foreign investment was actively sought and encouraged for export-oriented projects through export tax relief and other such incentives.By the early 1960's these companies,and others like Glaxo, were an important element in the expansion of dairy processing capacity in the industry,often through the mechanism of joint-venture with large cooperatives. Ballyclough's joint ventures with Unigate and Rowntree Mackintosh,and Waterford's links with Unigate were among the more prominent examples of this development.

In 1961 the Butter Marketing Committee was replaced as the central marketing coordinator for Irish butter by An Bord Bainne,the new semi-state agency set up during the First Programme for Economic Expansion to intensify dairy export marketing efforts and to accelerate export expansion.One of the first major efforts of the new agency was to develop and establish a generic brand for Irish creamery butter on the important UK market. Under the leadership of Tony O'Reilly (later to become Managing Director of Comhluct Siuicre Eireann Teo.) An Bord Bainne achieved a successful launch for the Kerrygold brand and moved Irish dairy products into a higher quality/price segment in the marketplace. The sector was gearing up quickly at this time for entry into the EEC. When Ireland's first application was turned down along with that of Britain the Lemass administration concentrated on securing free access to the important UK market as an interim step. This was achieved through the terms of the Anglo-Irish Free Trade Agreement of 1965. Free access to the British market and the expectation that EEC entry would be achieved before the end of the decade created within the industry a climate of confidence for further investment. All in all,the industry was characterised,at the time,by a pervading sense of flux and momentum as the following description by a senior executive of Golden Vale graphically portrayed:

> "..there was a hell of a development in the Dairy Industry generally. Volumes were increasing and ..there was a big drive to add value,to upgrade the industry and at that time you had the formation of An Bord Bainne..Bord Bainne gave a big impetus and there were probably a few significant people who gave a lead. Power of Ballyclough was regarded as the 'Dean of the Industry'.Godsil went to Rathmore,to Cadbury's. There was a background,there were people who gave a lead,and economic circumstances- 'the rising tide'(note:this is a reference to Lemass's favourite metaphor to describe his expansionary economic strategy.The full expression was that 'the rising tide lifts all boats')..Round about this time there was a surge of forward thinking...The managers were developing the thinking..An element of credit must go to Davy-John Barry(Capt. Barry,founder of Golden Vale and Secretary of the Irish Creamery Managers Association at the time) for this. He encouraged them to go on Irish Management Institute courses and encouraged them to go on overseas trips in the late 50's.This was a real eye opener to some of them. They had an oportunity to see what was happening in Denmark,even in England. This accelerated and encouraged their thinking."

The new outward-looking empiricism that was developing throughout the national socio-economic life in the Lemass era was clearly reflected in the change in outlook developing within the dairy industry generally at this time.

Golden Vale expanded under O'Loughlin throughout the 60's in all of its major product lines. Turnover increased by 473% from just under £.55M to almost £2.6M in the 1960-66 period. The 1966 Annual Report highlighted the growing demand for cheese products on the domestic and export front, and the winning by Golden Vale of the "accolade for the best European Cheddar Cheese at the World's Cheddar Cheese Contest in Wisconsin".It reported on the continued growth in the Dairy Engineering Department that necessitated an extension of facilities to cope with rising demand and oportunities. Not only was the general expansion in the Dairy Industry creating oportunities for Golden Vale Engineering but the company was "awarded major industrial contracts from Cork Distillers and Mineral Water Distributors Ltd.," which were cited as evidence of "the high quality of our stainless steel products,allied to the unique technical and marketing skill of the personnel" in this area. The report also highlighted the commissioning of additional milk drying capacity in 1966 as "against a background of increasing milk yields,and conscious of the necessity to maintain a consistently high return for every gallon of milk received,the Board of Golden Vale continued to endorse its established policy of active diversification".

The oportunities opened up by Golden Vale's diversification into the skim-milk powder business enabled O'Loughlin to offer the benefits of federation to a wider number of cooperatives,including those that were not in cheese production by the mid 60's. He also sought to extend the federation at this time to secure Golden Vale's future in an industry that was beginning to undergo a significant change in structure. In the mid 60's the final shape that this change was to take was still uncertain. The industry was in flux and 'up for grabs'. Three important reports on the industry,all commissioned by the Minister for Agriculture,were published during the 1962-68 period. The Government was looking to the dairy sector to play a major role in their overall economic strategy for export-led expansion of the economy,and it was anxious to strengthen the industry's overall structure and to improve its international competitiveness. The three reports that the Government commissioned were the Survey Team Report(1963) on the 'Dairy Products Industry',the Knapp Report(1964) on 'An Appraisement of Agricultural Cooperation in Ireland',and the Cook & Sprague Report on 'Irish Dairy Industry Organisation'. All three reports identified the lack of concentration as a major structural weakness retarding the industry's growth and undermining its competitiveness. They argued that more concentration of capital was needed in the industry to achieve economies of scale,and to maintain sufficient reinvestment levels in technological developments,to become,and to stay,cost competitive in international terms. Concentration of capital was also needed to fund the substantial R&D and marketing expenditures that were key to the development and promotion of high value-added branded products,the type of products that offered the best means of securing the industry's fortunes from the uncertainties of commodity markets.

Some of the more farsighted and ambitious players in the industry were taking steps to secure their position in the shake-up that,in one form or another seemed to be inevitable. O'Loughlin could see that capital was already concentrating in certain quarters of the industry by the mid 60's and some of the future growth centres were beginning to emerge. In 1964 Dungarvan Cooperative doubled its milk supply by amalgamating with four smaller coops in its hinterland to form the Waterford Cooperative Society Ltd. Ballyclough had by 1966 emerged as the largest creamery organisation in Ireland through a long series of acquisitions of smaller units that began as far back as the 1927 rationalisation and continued at various intervals into the 1960's.Mitchelstown invested £2M in a major extension to their processed-cheese manufacturing capacity in

1964. In 1965 it began a series of acquisitions and mergers of smaller units so that by 1969 it had 17 branch creameries and was purchasing milk from another dozen or more independents. In order to develop further processing capacity O'Loughlin had to be sure of a larger milk pool and to this end he approached and persuaded 9 additional creameries to join the Golden Vale federation between 1964 and 1966. The additions were Askeaton, Belville Deel Bridge, Boherbue, Bruree, Castlemahon, Clouncagh, Glenwilliam, Greybridge and Shanagolden.

The manager of one of the nine newcomers to the federation recalled in interview how he viewed the prospect of federating at the time:

> "The Auditor of Golden Vale approached me and recommended that we join up with Golden Vale in a federation rather than an amalgamation. The concept seemed to have a lot of appeal to the managers of the individual coops because we had been depending for 10 or 12 years on Ballyclough over whom we had no control..About nine creameries came together in a group and decided that we had nothing to lose by joining this federation..We were happy with this situation.We were having all our skim processed by Golden Vale..".

He also recalled the developments that influenced O'Loughlin to extend the federation:

> "...amalgamations were taking place on a small scale.There were a number of creameries going in with Ballyclough for example...you had the IAOS plan for rationalisation..Golden Vale and its 12 creameries, with O'Loughlin as manager,were aware that things were going to change with amalgamations. They could see that things were going to change anyway and that if they did not develop they would lose out. They brought the creamery managers behind (them).They tried to extend the federation".

Many of the smaller creameries felt that they had no secure long-term future in the industry as independents and that some form of association with one of the larger processors was almost inevitable.Many were courted by a number of suitors and neighbouring creameries often decided to throw their lot in with different processors with little regard for what made the most rational geographical sense.The same interviewee recalled his own experience in this regard:

> "Nine of us federated with Golden Vale...With that much milk Golden Vale began to be noticed by Ballyclough etc.I was approached by Mitchelstown with a very attractive offer.It was a concept that was catching on.Ballyclough and Mitchelstown both began to get concerned at the development of Golden Vale...A neighbouring manager to me did it(went in with one of GV's major competitors) and was paying a much better price for milk that was embarrassing to me being alongside him. When a creamery went into a relationship with Mitchelstown(for example) it neglected (to develop its) separation and churning and found it hard to go back later..locked in".

The large processors were jockeying for position in any restructuring of the industry that might be evolving.Control over milk supply would be a major factor in determining which organisations would come to prominence in the restructuring.The smaller creameries were expecting some rationalisation and were hedging on reinvestment in their existing facilities.This in turn was constraining their capacity and pressurising them into actively seeking an association with a larger concern.

Having extended the federation to 21 creameries O'Loughlin then diversified into what was to become Golden Vale's main product line, fat-filled milk powder. To produce this product cream is first separated from the whole milk and made available for the manufacture of butter in the usual way. The next step is to add back a cheaper fat,for example sunflower oil or the like,to the skim-milk and then to dry the fat-filled milk into a powder. Fat-filled milk powder manufactured in this way was a very acceptable substitute for whole-milk powder in human and animal applications. One important application was as a milk-replacer for new-born calves. Used in this way the whole-milk normally consumed by new-born calves,a substantial gallonage when aggregated over all milk suppliers,became available to the industry for further processing. The 1967 Annual Report noted this important strategic development for the federation:

"The quantity of milk processed was a record.To cater for the increasing volume,the Board in keeping with its policy of active diversification,has decided to extend into the specialised field of edible 'filled' milk products, in which skim milk will be the main constituent"

The first fat-filled processing unit,the NIRO 1,came on stream at the end of 1968. Golden Vale,backed by this new development,brought onto the Irish market a milk-replacer for calves which was an immediate market success. Their 'Golden Maverick' milk-replacer has remained their flag-ship brand,and market leader,on through to the late 1980's.

By 1968 then Golden Vale had made two significant strategic moves that were to have a bearing on their future role in the restructuring of the industry. They had expanded their potential milk pool through expanding the federation and they had established an important first successful market presence in a specialised area of dairy processing with a strong future market potential. By this time the talk of possible amalgamations had gone beyond speculation and as the 1968 Annual Report records was "under active consideration" with the IAOS proposals on the rationalisation of the industry as the main working blueprint. Impending EEC entry was the environmental catalyst that gave urgency to the discussion and movement towards rationalisation and the major players in this lead up period were jockeying for position. A senior executive provided the following description of what was happening in the industry at the time:

"Everybody was getting themselves ready and jockeying for position for the EEC entry.The foreplay for the amalgamations was taking place. No significant(developments took place) in the amalgamatins area until the 1970's. In readiness for the EEC,fellows were jockeying for suppliers,jockeying for product dominance and all trying to anticipate where our development should be- i.e.what products to be in. Preliminary talks about amalgamations were taking place in the IAOS and in the ICMSA.The industry would have been looking around to the managers of these big processors for a lead and each of the big processors would have been presenting himself as the best. Preliminary indications might have been coming out about the amalgamation."

The 1968 Annual Report commented on the rate of development at the time:

"As you know,Golden Vale has had some very strenuous years,major expansions and development going ahead uninteruptedly. Investment in buildings,plant and machinery in recent years amounted to £1.6M.."

During the 1968-75 period this expansion was to intensify considerably as Golden Vale's turnover grew from £3.5M in 1968 to £45M in 1975 and a capital investment programme of over £10M implemented. The major capital projects involved included a fat filled milk plant;a process cheese factory;two drying plants,NIRO II and NIRO III; a milk intake/butter factory;a central laboratory;two stainless steel factories;a valve factory and an administration block. This major investment programme in physical assets was the major physical development phase in the company's history. It was planned,initiated and progressed during a period in which Golden Vale was going through, and growing through, a process of amalgamation that was part of the nationwide rationalisation of the industry.

Amalgamation and Physical Development - 1968-74

Throughout the 1960's there had been much discussion in national circles about the need to rationalise the dairy industry.The focii for these discussions were three important reports which appeared during the decade and mentioned previously,namely,the Survey Team Report(1963),the Knapp Report(1964) and the Cook and Sprague Report(1968). The catalyst for this activity was the application of Ireland to join the EEC which was first made in 1961,vetoed along with that of Britain by De Gaulle in 1963 but not withdrawn. The applications of both Britain and Ireland were reactivated in 1967 and both finally signed the treaty of accession in 1972. In Ireland the prospect of Irish participation in freer trade with Europe was raised to national attention in Whitaker's(1958) document 'Economic Development':

"The establishment of a Free Trade Area in Europe will,whether we join or not,and irrespective of the conditions on which we become a member, call for a special effort on our part if output and living standards are not to lag behind those of neighbouring countries"

The Lemass Government in adopting the Whitaker analysis officially abandoned the self-sufficiency policy and began the process of preparing Ireland for an outward-looking economic strategy. They signalled their intention to apply for membership of the EEC and they commissioned a number of studies to determine Ireland's readiness for this important step and to prepare the country's economy for EEC membership. The Survey Team Report(1963)on the 'Dairy Products Industry' was one of these studies and the introduction to the report clearly indicated the brief:

"The Dairy Products Survey Team was appointed to make a survey of the Irish dairying industry in relation to the country's application for membership of the European Economic Community. The purpose of the survey was to appraise the efficiency of the industry,to examine the difficulties that it might experience in Common Market conditions and to formulate,where necessary,measures of adjustment and adaptation"

The Survey Team's study was extensive. It surveyed 210 processors in the industry and examined the dairy industries of the six EEC countries and those of the UK,Denmark and Norway. France,West Germany,Holland and Denmark were investigated 'on-the-spot'. The recommendations in the report were wide ranging and covered many issues from product quality and standardisation to the education and training of creamery staff. The report in one of its major recommendations called for a reorganisation of the industry.The Survey Team found "a pronounced trend towards rationalisation and concentration in the creamery industry" in countries like Holland,Denmark,Germany and France and added:

"The tendency in all cases is to get away from the concept of the 'village' creamery which for so long has restricted the industry's economic development.It should be stressed that the main motivating factor in the trend towards concentration has not been to secure a saving in operating costs..What is principally being aimed at is a flexible and cohesive dairying industry,based on a relatively small number of large units,and strong financially,organisationally and administratively in a way that the traditional type of organisation has not allowed.The advantages of such a structure are many.The prime advantage is flexibility."(Par:135)

The Survey Team stressed the urgency of the need to rationalise the industry by referring to the speed with which these structural changes were happening elsewhere and to the dangers of being left behind:

"The zeal with which these organisational developments are being tackled in Holland and Denmark,for example,is in our opinion very significant.The dairy industry in each of these countries is more closely integrated than the Irish one..If therefore the arguments for concentration have proved so compelling in the circumstances of their industries,we are strongly of the opinion that they have even greater relevance for the Irish industry.It would be near folly for it to persist with a structure that is rapidly becoming out of date in competitor countries;to do so can only result in its being at a serious disadvantage in the approaching conditions of freer trade. When Western European countries last made inroads into what had been a traditional market for Irish dairy produce,it was because the Irish dairying industry had remained more or less static in a period of transition.We must not allow ourselves to lag behind again"(Par:64)

The Team recognised that "it was one thing to decide that reorganisation of the creamery industry is necessary,another to have to put it into effect". It saw "little prospects" of it happening on a "purely voluntary basis" and felt that what was needed was "a method that would have the confidence of the industry and in which the industry would play a significant part,but which at the same time would have the power to generate the necessary driving force to get the reorganisation carried out quickly and effectively". It recommended the formation of a permanent "superstructure" for the industry which should have "adequate independence,virility and power" and added significantly:

"We are slow to recommend compulsory powers for this body,but should they be found necessary they should be provided.This body would have the responsibility of promoting and coordinating reorganisation,of seeing that it is carried through efficiently and of providing assistance and guidance in this connection. The actual reorganising would,however,be carried out by the industry itself.What we envisage is that under the stimulus of the guiding organisation and of (state) financial aid..,creameries would come together in suitable groups and merge to form large co-operative undertakings to carry on jointly the business of the individual societies."(Par.138)

The larger groupings would be based on combined milk supply and the Survey Team envisaged the then national milk pool of over 300M gallons being organised into 30,or so,large units controlling from 10-15M gallons each.In relation to the superstructure which was a key element in their proposal the Team said that "it would be invidious for us to express a view on the appropriateness of any existing organisations in the dairying industry to undertake the reorganisation"(Par.138) but it nevertheless went on to comment on the fitness of the IAOS for such role:

"We are aware that the Irish Agricultural Organisation Society Ltd., has done valuable work in organising the co-operative creamery movement and in promoting moves towards joint creamery efforts but its powers over its affiliated co-operatives are very limited.Some creamery societies are not affiliated to it at all.Without a fundamental alteration in its constitution,including the vesting in it of an extensive measure of control over co-operative societies,it is doubtful whether it can provide the super-structure which is needed"(Par:140).

The Survey Team Report was published in February 1963. The Lemass Government immediately set about commissioning "a general appraisement of the present position of the cooperative movement in (Ireland)" and involved the IAOS in the choice of consultant. The IAOS recommended Dr.Joseph Knapp,an American who had been closely connected with the development of American farmer coperatives in a research and educational capacity for almost 40 years and who had active links with the movement in Ireland. Knapp was approached by the Government in April 1963 to carry out this appraisement and "to make such recommendations as he might deem desireable with a view to further strengthening the movement and increasing its influence".Knapp reported in November 1963 and the sense of urgency surrounding his task was revealed an accompanying letter in which he said:

"I know that time is running swiftly in Ireland today and that you would have liked to have my report at an earlier date.However the subject assigned to me is so important to the future of your country that I could not rush the job more without injury to its helpfulness".

The Knapp Report was published in January 1964. Knapp's brief was wide ranging with respect to the cooperative movement but a major section of his report was devoted to 'The Dairy Reorganisation Plan'. Knapp accepted that rationalisation was necessary but he differed from the Survey Team on the question of how it should be done(pp70-71):

"It is believed that an alternative programme to the one proposed can be suggested that would work from the known to the unknown or from the bottom up rather than from the top down.This would accept the idea of consolidation as desireable-and in fact no one questions this- but it would achieve this through giving cooperatives encouragement to consolidate or federate or otherwise to strengthen their existing organisations. Studies would be made for logical areas to determine what advantages could be achieved through better combinations or better organisation.This approach has proven very useful in bringing about desireable consolidations in other countries."

Knapp felt that there were some basic flaws and dangers in the Survey Team's approach to rationalising the industry. In particular,he thought that the Team had overrelied on the "fatalistic" argument of economic imperative to convince the industry to restructure and had largely ignored the important political task of how to build up the necessary support within the industry to make the consolidations a reality:

"It is difficult to see how mergers can be consummated unless members are given assurance that they will benefit in some tangible way.Few farmers will support merger proposals just to belong to a larger organisation...

Motivation to gain acceptance for this programme,other than its necessity for survival is lacking.Efficiency as a goal in itself, rather than benefits to producers,seemed to be the aim of the Team...

The report provides little information to show how the creameries are located,how they might be grouped,or anything on their operating character.It does not recognise the existence of such strong cooperative organisations as Mitchelstown,Dungarvan,Ballyclough, Drinagh and Kileshandra,and the productive developments taking place in them. Such strong and promising federations as Golden Vale and Miloko are also ignored...

Knapp's main recommendations in relation to the restructuring of the dairy industry was "that the IAOS should be given full responsibility for working out general reorganisation plans for the industry" in the belief that under its leadership "the dairy cooperatives have the ability to achieve the consolidations and mergers which are required to improve the structure of the dairy industry".He called for "analytical studies of merger possibilities and careful negotiations between interested cooperatives" to be got underway in order to progress the restructuring that was generally recognised as necessary.
He made several recommendations in relation to the restructuring of the IAOS itself to strengthen its central role in the future development of the cooperative movement.

After the publication of these two reports the IAOS came under increasing pressure to develop a set of proposals for the restructuring of the industry. Lemass,the Taoiseach with his corporate approach to the nation's economic management,was anxious that the work commence.He was convinced by the Survey Team's economic argument and of the urgency of the need. Furthermore rapid expansion in dairying and particularly in dairy exporting was fundamental to his overall economic strategy of of export-led growth.He was also aware of the political difficulties inherent in any imposed restructuring raised by Knapp and would clearly have preferred to build on the work of the cooperative movement that was there already. In the Second Programme for Economic Expansion the IAOS was charged with the responsibility of "encouraging the co-operative creamery societies to achieve such voluntary consolidations and mergers as are designed to bring to the industry the operating and marketing advantages to be gained from economies of scale and diversification of production"(Chp9,VII).However it was clear to the IAOS that if they did not move on it soon then the Government would achieve its objectives for the industry through some other mechanism. The State was already directly involved in the industry through the activities of two state agencies,the Dairy Disposal Company as a dairy processor and An Bord Bainne as the central marketing agency for the industry.It can be safely said that the future character of the industry was on the line at this time. As one senior executive of IAOS remembered it:

"Sometime in 1965 the Minister for Agriculture was saying that we could not sit our hands forever and that if we were not going to do it then he was going to do it(restructure the industry),by mandatory legislation if necessary. We were getting quiet but firm warnings that if we did not do it then they would. Lemass was thinking that the alternative to the coops doing it was state entreprise.Lemass's philosophy was never far removed from state entreprise.We were confronted with a dual threat. One was that the Department(of Agriculture) might publish its own document and two that they might go for state entreprise. We were leaked a copy of what the Department were doing (in their proposals) when we had just finished our own.The two plans were very close(in terms of the proposed groupings,the means to achieve them i.e.amalgamation,and the philosophy in terms of product range and flexibility for the amalgamated units).This gave us the confidence that we were going the right way and that we would get Department support.

Our document went three times to our Council. I remember Paddy Kelly (Secretary of IAOS) saying 'this is your last chance-if you don't publish after today's meeting the Minister will publish (his document). The Department was the licensing authority,it could influence 100% where the grant aid from the IDA was going and the industry was heavily subsidised. These were the pressures on the industry to get into line in a voluntary way. It would not have been impossible to see the Department nationalising the cooperatives under the Dairy Disposal Company. The Government's attitude then to state entreprises was pragmatic,not philsophical,the same as it is today".

The IAOS published its first 'Proposals for Re-Organisation of the Dairying Industry' in February 1966. It proposed a total of 19 groupings for amalgamation,ranging in milk supply from just 2.1M Gallons for Group III in the North Western Area,where the density of existing creameries was very low,to 38.7M Gallons for Group VII in the Midland and South Eastern area,where the density of existing creameries was very high. It was clear right from the publication of these proposals that the process was going to be difficult. Up to this point the discussions had been around general principles and policies. These proposals attempted to get down to the specifics and all the interested parties in the industry could now begin to see more clearly the implications for their own future. As a senior executive of the IAOS,who was associated with the production of the proposals,said:

"No sooner had we got our document out than the big opposition from the committees of management of the dairy coops and also of the industry, particularly the ICMSA (began)".

With Ireland's entry to the EEC blocked,at least for the time being,the 'imperative' that had helped to focus the minds of those involved was temporarily removed. Furthermore,Lemass had retired in late 1965. His successor did not have the same driving,corporate style of economic management for which Lemass has become legendary.The pressure from the Government then began to come mainly from the Department. Progress on actual amalgamations was painfully slow. In 1967 Ireland's application for membership of the EEC was reactivated and entry was then expected before the end of the decade. In this context the Minister for Agriculture commissioned a further study on the industry. The two American consultants Cook and Sprague were asked "to examine the present organisation of the creamery and milk processing industry in Ireland and make recommendations as to the type of reorganisation best calculated to meet the needs of the future". They reported in July 1968.

The dairy industry in Ireland and abroad had been growing rapidly throughout the 60's and technological developments in butter-making and cheese-making since the two previous reports pointed to the necessity for even larger consolidations than had previously been envisaged.Cook and Sprague also highlighted the strategic importance of the develpment of skim-milk processing capacity and its location in the future development of the Irish dairy industry. However on the major question of reorganisation the report reaffirmed the desireability and urgency of rationalisation.The IAOS issued a memorandum as a considered response to the report in September 1968. In it they concluded:

"There is one point that comes out clearly and decisively from the text of the Report and from the recommendations and that is the urgent necessity for re-organisation and rationalisation in the Irish dairy industry.This confirms in principle the conclusions arrived at in the Report of the Survey Team and the IAOS proposals..(p7)

The necessity for rationalisation is now confirmed from the expert, independent and unbiased source that some have demanded.Amalgamations of Societies is the procedure recommended.The arguments which clouded these issues should now cease.The aim should be to accept the overall principles and to concentrate on the detailed procedures to ensure that the work will be accomplished in the most efficient manner possible and in the best interests of the farmers involved"(p24).

Elsewhere in the memorandum there was evidence that the support for amalgamation was slowly building up and the need for it was beginning to percolate more rapidly throughout the industry.In this context,while saying that "the Report does not add anything new"(Par.57),the IAOS welcomed it as a timely addition to keeping the issue alive and keeping the momentum going:

"..the timing of the Report was important,particularly from the point of view that since the publication of the IAOS proposals in February, 1966,there has been a change in attitudes in the industry from outright rejection in many instances,to a willingness to examine the ideas put forward in a more positive and constructive manner.This would seem to indicate that the main conclusions in the Consultants' Report,namely the necessity for rationalisation,will have a greater chance of general acceptance through the work that has already been accomplished by the IAOS and the Societies. Interest in varying intensity had already been expressed by the majority of Co-operative Societies in the amalgamation proposals and by the end of 1967, a number of amalgamations in accordance with the proposals had already been accomplished"(Par.8).

When the IAOS amalgamation proposals came out first Dave O'Loughlin opposed them.A senior executive of the IAOS recalled in interview that the general meeting of IAOS in the year that the proposals were published "was a fairly tough one with the amalgamation quite vehemently opposed at the General Meeting".The opposition had come from the ICMA, individual creamery managers and the ICMSA,among others. He recalled that " O'Loughlin on the surface vehemently opposed it because his own owners(the creamery managers and their committees in the Golden Vale federation) vehemently opposed it" but "he very quickly saw the advantages in amalgamation because he saw it as strengthening Golden Vale Food Products by (means of) a reverse take-over of his owners". O'Loughlin was in the peculiar position of having some processing capacity but no committed milk supply.There was a shortage of processing capacity in the country at the time and if O'Loughlin wanted to take advantage of that situation to develop Golden Vale then he needed to be sure of a greatly expanded milk supply.His experience with the federal type of organisation was that it did not give him the kind of control over supply on which to base a major development programme and he had plans for major development.

Having decided that he wanted to form a consolidated unit around Golden Vale Food Products O'Loughlin approached the IAOS for their professional help in bringing the amalgamations about. A senior executive of the IAOS,Mr Gerry Curley,was placed at his service on a full-time basis to pursue this task. Gerry,in interview,gave the following description of how they went about,and finally succeeded in,their endeavour:

"We started early in January 1968. In 5 days we had meetings with members of about 20 member committees. We got a reasonable reception from them but there were a lot that were totally opposed to it.It was a general softening up situation.What O'Loughlin did was that he got the idea and started to do lots of homework..sort of what would happen if we got all the milk supply..what sort of facilities would be needed here..what would it cost and what were the benefits.

O'Loughlin took the bull by the horns and more or less decided that he was going to provide the facilities anyway. Again,at the same time,he was developing the 'Maverick' fat-filled products.He was in more and more need of milk. The people outside(the small creamery managers) were beginning to let their plants run down with all the talk of amalgamation,consciously or unconsciously. O'Loughlin then set up the Structural Subcommittee chartered to progress the amalgamation. It consisted of the managers and chairmen who had agreed to look at the possibility of amalgamation.While ostensibly the purpose was to progress amalgamation,it was really to indoctrinate the chairmen and societies who were leaning towards,waivering towards,amalgamation on the benefits of amalgamation.It also very unwillingly consisted of the Auditor..who was auditor of about 80% of the member societies.During that time the Structural Subcommittee was discussing structure and tactics.At the same time O'Loughlin,Hyland and Curley were going to the AGM's of the member societies to get the 'principle' accepted,never forcing a vote if we thought it would go against us.

While the end result was economic in its nature the means by which we did it was political. All the time we were trying to get the thought leaders committed all along the line,a sort of preaching the gospel effort. That went on for three years before we got any real breaks. At the same time this complex was being developed and he(O'Loughlin) was pushing forward with that and sailing very close to the financial wind. He had an extraordinary capacity to take risks,pushing it to the limit..The total initial share capital was £120000. He was pushing the debt/equity ratio at an enormous rate.

There were at the same time the amalgamation efforts going on in other areas;Avonmore, Waterford etc. Whatever progress was being made was being made here and mainly on a propaganda basis. The burden on O'Loughlin and Hyland was very heavy at that time. They were under enormous pressure in their day to day work,developing a totally new business and totally new products and at night they were out on one amalgamation junket after another. At the same stage he was developing engineering...

Many of the better (creamery) managers saw that this was coming and saw their future in the larger organisation. We worked on these groups..Generally speaking there were a number of them who could see this and others with a quite disinterested view supported it. We were always afraid to go for a critical breakthrough.It was attrition the whole time. Often you had a guy 5/8ths of the way and he would fall back to 4/8ths. You just kept at it and at it. Between O'Loughlin, Hyland and myself we must have attended 500 meetings.To give you an example of O'Loughlin's attention to detail.We were coming home from a meeting and we went into a pub..He started chatting with the publican, started telling her the benefits of amalgamation.He never missed an oportunity to progress amalgamation.The critical thing was O'Loughlin's initial decision to develop the place with large scale capital expenditure and an uncommitted milk supply.

Eventually how it all came into being was this. When we were really satisfied that we had it fairly well wrapped up before moving(on it) we went out and brought in an independent auditor..and we valued all the assets in each place...In May of 1971 we made a decision that we would start the amalgamation procedure in August of that year - we felt that we had it.On July 14th ..Dave O'Loughlin died suddenly on holiday..There was quite a gap before O'Loughlin's successor was appointed..The (formal) amalgamation started in April 1972 and went on until 1974".

The process by which the amalgamations were brought about was long and arduous for the principals concerned as the above description reveals. The change that was taking place in the industry at that time had significant sociological,as well as economic implications,and it is little wonder that the process of structural change proved to be difficult. The evolution of the creamery system in the late 1800's had been parish-based. Initially the logistics of transporting a highly perishable commodity by horse-drawn cart dictated that it had to be so. Creameries typically served a hinterland within a 4-6 mile radius of the facility. Since mass transportation did not develop in any significant way in rural Ireland until after World War II the parish creamery structure became interwoven with the social structure of parish life.The creamery manager was part of the parish elite. As one senior executive described it:

"They were..very important people in their rural parishes.After the parish priest came the creamery manager,the teacher and then the biggest farmer.They had a certain status.It brought another kind of graduate to the parish.Their advice was sought..".

Moreover the local creamery manager served as a banker for many of his farmer suppliers. His knowledge of the cyclical pattern of their cash flow made him a comfortable extender of credit on no other security than the good name of the farmer. The local creamery was a place where the farmer was known personally and over which he felt some influence. Furthermore,the delivery of milk to the creamery was partly a social occasion where neighbouring farmers caught up on the local news. The rationalisation of the dairy industry that was been brought about by the amalgamations was accelerating the decline of a way of life that was still valued by the older generation of milk producers and creamery managers. A senior executive described the difficulties of selling the amalgamation in this way:

"Essentially the amalgamation process was going to take everything away from the small coops,the creamery manager and the farmer representatives. It was going to take away their status. These were people of standing in their own localities..The problem with the amalgamation was to persuade them to give up everything in order to come in to the colossus..there was a need to place these people in various jobs in the structure of Golden Vale that did emerge".

The farmers were split on the issue. The younger,more specialised, farmers were attracted to the economic advantages of the bigger units. The older farmers were concerned about the passing of a way of life. Their representative organisations were split on the issue with the National Farmers Association(NFA) backing the rationalisation process and the ICMSA opposing it. Many of the creamery managers,mostly the younger ones,perceived more interesting and more enhanced career prospects for themselves in the larger units. Others,mainly the older ones,did not relish the change in their social position and influence in the communities into which they had settled as part of the older social structure. Golden Vale had to face two particular difficulties. Firstly the ICMSA had a higher than normal representation on the Golden Vale management committee because the organisation was particularly strong in the Golden Vale hinterland. Secondly,there was a ready-made federal alternative which complicated the amalgamation debates. One of the creamery managers in the Golden Vale federation at the time recalled,in interview,how the issues looked from his point of view and how his own creamery eventually made its decision:

"On the Board (of the federation) you had chairmen who were pushing for amalgamation.The ICMSA were taking the federation view. There was disappointment at the lack of progress and cross purposes in the federation thing. A number of creameries left the federation.This was a body blow..The strategies were forced upon us by the speed at which the Ballyclough and Mitchelstown (developments) were happening. He (O'Loughlin) saw the possibility of massive amounts of milk committed elsewhere so that he could see himself with not enough to keep the processing facility going..

The decision came from various sources.It was pretty unanimous when it did come. It came from within the small coops and their own boards. The managers were pushing for it..A lot of the old committee members,the hierarchy of the parish,were going to be upset by it all.I was always called Sir and Mr.. in the parish where I came from. There were a lot of creameries that stayed on their own and did benefit.My own view was that the federation could have worked but we were not capable of it because of the politics of the situation.. After my experience with the federation I could see that it was not going to work..because of selfishness within the original 12 creameries who saw Golden Vale as theirs..The original 12 were always reluctant to take in more because they would be outvoted on the Board..There were too many personalities with too much say in the federal set-up..In the federation the decision making was too slow.It left a mark on the industry.It was seen as a federation experiment that failed.It was not capable of being controlled effectively... We were a relatively small creamery.The chairman and the majority of my committee could see that the federation was not working.Two of them adamantly stuck it out.The other 10 rowed in with the concept(of amalgamation)..".

In 1972 the IAOS,to encourage the process of rationalisation throughout the industry,issued a second set of proposed amalgamations. Since 1966, the scale of the industry had changed and EEC membership was imminent:

"The tremendous escalation of the cost of building and equiping milk processing plants,the great strides in dairying technology and the decision on EEC membership have..all helped to confirm the view that the 1966 proposals are now seriously out of date..
It is becoming increasingly evident that if the smaller type groups proposed in 1966 had to equip themselves for processing at this time, they would be placed at a serious disadvantage in relation to existing processing Co-operatives which are well established and have considerable financial resources built up over the years. The IAOS believes that as far as possible development of milk processing should be based on expansion of existing processing Co-operatives rather than on the establishment of new Co-operatives for this purpose".

The 1972 IAOS rationalisation plan proposed the formation of 8 large units organised largely around the emergent growth centres of the period. This contrasts with the 19 proposed in 1966.The milk pools to be associated with these groupings ranged from 24.5M gallons to 90.6M in contrast to the 1966 range of 2.1M to 38.7M. Furthermore the groupings in the 1972 plan were clearly identified with existing processing centres unlike the case in 1966 where the groups were presented as simply rational geographical groupings with no preeminent organising core. The 1972 group of 8 and their assigned milk pools were:

Group	No.of Societies in amalgamation	Milk Pool (M Gallons)
BALLYCLOUGH	10	90.6
GOLDEN VALE	36	74.5
AVONMORE	29	61.9
MITCHELSTOWN	6	56.4
WATERFORD	4	49.6
CLARE-GALWAY-N.TIPP	4*	40.9
NORTH KERRY	13	39.3
SOUTH KERRY	5	24.5

(* This includes the Dairy Disposal Companies in Clare as one unit)

Table 8.2 - Milk pool allocations in the 1972 IAOS plan.

This 1972 plan reflected the evolution of the industry since 1966 and largely confirmed the preeminence of five of the current big six.The only surprise in terms of what was to happen subsequently was the emergence of one large grouping in Kerry. The amalgamation process accelerated within the industry during the 1972-74 period. The end result was the emergence of six large units;BALLYCLOUGH, GOLDEN VALE, AVONMORE, MITCHELSTOWN, WATERFORD and KERRY and to this extent the 1972 IAOS plan was realised. However the process was,as we have seen,far from smooth and there were many problems and disappointments. Many large societies like Drinagh(assigned to Ballyclough)and Kantogher (assigned to Golden Vale) chose to remain independent. There were many tug-a-wars over the destinations of other societies in the competitive scramble to secure milk supply and the outcome often did not make geographic sense. A senior executive of the IAOS recalled one of the major conflicts as an example of this problem:

"The biggest row that broke out initially was between Waterford and Mitchelstown over Castlelyons. Castlelyons was allocated to Mitchelstown and was negotiating with Waterford at the same time and eventually went to Waterford against the geography. Mitchelstown retaliated by taking Imokilly which (on any rational geographical basis) should have gone to Waterford".

One of the major disappointments from the IAOS's point of view was the failure to consolidate in the northern half of the country,particularly in the North East. The same senior executive of the IAOS gave the following explanation with his view of the consequences for the industry:

"Virtually nothing happened in the northern half of the country and nothing in the North East. As a consequence of not doing anything,most of the processing in the North East is (now) owned by the Express Dairy Company which is part of the Grand Metropolitan Hotels Group. The same group is in West Cork where no movement on amalgamation took place either.

It did not happen in the North East because you did not have the leadership at management or board levels at the time. The philosophy was to let the multi-nationals do the processing and the cooperatives would bargain on price. For example,John O'Neill of Kileshandra used to claim that 'the farmers' money was best reinvested in his farm and not in milk processing.Let the capitalists do that'".

If there were disappointments for the IAOS in the way that some elements of the rationalisation process turned out,there were also some welcome developments. The issue of the Dairy Disposal Company was finally resolved during this rationalisation process. The DDC had,as we saw earlier,its origins in an earlier rationalisation of the industry in 1927.It was always intended that it should be 'cooperativised'. Yet in over 40 years this had failed to materialise and it had remained a contentious issue between the State and the cooperative movement.The DDC became,in effect,a bargaining chip in the rationalisation of the industry that started in the late 60's. It was both a bait and a threat. The threat was that the State would use the DDC as the means through which to force rationalisation with the probability of extending state involvement in the industry if the cooperative movement failed bring about the desired consolidation itself. On the other hand the Minister, in the early 70's reconfirmed that the State's involvement in the industry was pragmatic and not philosophical. As a senior executive of the IAOS put it:

"Once the industry showed that it was going to get its own house in order the Minister said that the Dairy Disposal Company was yours (the movement's) whenever you want it".

The Dairy Disposal Company disappeared as an entity in the 1972-74 rationalisation process. Its main concentration had been in Clare and Kerry in the south western area of the country The Clare DDC creameries were acquired by Golden Vale and the Kerry DDC creameries became an integral part of the emergent Kerry cooperative consolidation.

For Golden Vale the rationalisation of the industry confirmed its status as one of the major future growth centres. This was a significant achievement for an organisation that came on the scene late on in the industry's evolution and which grew as the joint-venture of a federated group of relatively small players in the industry. However,the amalgamation was not a total success for the company. Quite a number of the 36 societies allocated in the IAOS plan to the Group stayed independent or went elsewhere. In addition to the political difficulties inherently involved in the process,the federation were faced with two other problems. Firstly, Golden Vale was late in establishing a central facility for butter production and one executive,then a creamery manager within the federation attributed this to the federal structure:

"We did a stupid thing in Golden Vale within the federation.We decided to keep separating and churning in the local creameries but this had the effect of not being able to attract those creameries with no separating or churning.The management of Golden Vale realised this mistake and wanted to set up centralised churning. The federated creameries did not want it. A decision at one meeting was overturned at a follow-up meeting in the late 60's".

It was 1973 before this facility was established and there seems little doubt that the failure to provide it earlier led some of the targeted societies to seek amalgamation with other processors. The other difficulty that caused these coops to look elsewhere was the perception, prevalent at the time that the amalgamation process was getting underway,that Golden Vale was not in a financially strong position. This problem was significant enough for the chairman to refer to it in the 1968 Annual Report:

"I feel that a statement on the financial position is necessary at this point of time,to counter rumours which appear to have originated among propagandists,who appear to lack pride and satisfaction in the achievements of Golden Vale".

The upshot of all the difficulties was that 12 of the societies allocated to Golden Vale under the 1972 IAOS proposals on rationalisation did not amalgamate with it. Four of the twelve were previously members of the federation and their failure to amalgamate was particularly disappointing. These four chose to remain independent. Of the eight others,originally designated for Golden Vale in the IAOS plan, five went to Ballyclough, two to Mitchelstown and one amalgamated with Nenagh Cooperative. In all 25 societies,including one not allocated to it in the plan, amalgamated to form Golden Vale Cooperative Creameries Ltd. The combined milk pool of the new entity was 47M gallons; this was 30M short of the total proposed for Golden Vale under the IAOS blueprint. Since the company had been actively expanding milk processing capacity over the period in which the amalgamation process was taking place,in order to be ready to process to a level of 77M gallons, the 30M shortfall gave rise to a serious over-capacity situation. Golden Vale acquired Clare Dairies in late 1974 from the Dairy Disposal Company in a somewhat desparate move to secure an additional 19M gallons for its milk pool.

The Lenihan Years 1972-80 - Financial Crisis,Turnaround and Expansion

Dave O'Loughlin's sudden death in 1971 gave rise to major difficulties for Golden Vale. The amalgamation process was reaching a critical and decisive stage.The momentum had been built up to the level where O'Loughlin was almost ready to move on the formal procedure. Moreover the groundwork for a major capital development programme to provide milk processing capacity at a level in excess of 100M gallons,the level that Golden Vale expected to exceed by the latter half of the decade, had been laid. To make matters worse O'Loughlin's heir apparent, Jim Hyland, had become ill a short time earlier. It is believed by some executives that the enormous pressures and burdens of the period had taken a heavy toll on both men. Hyland was offered the job as O'Loughlin's successor but had to decline on the insistence of his doctors. The company spent some 6 to 8 months looking for a new chief executive,searching extensively externally as well as internally. One senior executive gave this perception on the succession search:

> "There was an interregnum period while there was jockeying for succession. The 12 'apostles'(the original members of the federation) held control. You can imagine the shemozzle and the canvassing that went on for the job".

Early in 1972,they appointed Michael Lenihan to the position.

Mick Lenihan was the manager of the Shandrum Coop,one of the larger creameries in the federation. He was not as well qualified academically as O'Loughlin and he was not perceived to be a builder or a strategist in the O'Loughlin mold. However he was a successful operator as was evidenced by the success of Shandrum and he was well versed,from this experience,in the politics of the farmer-processor relationship. Furthermore he was well respected by his peers in the federation who recognised him as a successful creamery manager in his own right. Lenihan is mainly credited within Golden Vale for his part in implementing the amalgamation. According to one senior executive:

> "They appointed a guy called Mick Lenihan who was one of the creamery managers. Politically that was one of the things that moved the amalgamation forward. Lenihan was one of their own. O'Loughlin was dynamic but was perceived as being a bit threatening...he was a very dogmatic man and he was not one of the creamery manager types...Mick

Lenihan did a lot of those deals (with the creamery managers) on his own personal touch 'over pints'...He knew what made them tick. He knew how to allay their fears".

However he was generally viewed to have been a conservative choice by Golden Vale,chosen to implement the grand strategic blueprint that O'Loughlin had drawn up for the company's future.According to another executive:

"Lenihan's tenure of office here was very much as an interim pope..(He) did not carry the same clout that O'Loughlin did. On the other hand, Lenihan was more acceptable to the creamery managers - he was one of their own...Lenihan looked at his whole function as carrying out O'Loughlin's plan".

O'Loughlin was an entrepreneurial leader who dominated his Board and his senior management team. "The general perception was that Dave O' was standing way above the whole lot" as one executive recalled. Another described O'Loughlin as "very much the boss..forceful,driven,a risk-taker (whose) basic strategic decisions were very right". Lenihan, on the other hand,was not as powerful relative to his management team, which he had inherited from O'Loughlin,or to his Board. The management team were perceived as having been "highly articulate,aggressive and had worked together" and to them Lenihan was "an outsider". Without the same dominating position as his predecessor Mick Lenihan survived at the top, it would seem by operating a more political style of management. "Lenihan in some ways was very cute,he rarely gave explicit direction to the guys.." was how one senior manager perceived him,and it appears that Lenihan was often able to use the ambiguity that his style created to disperse the political fallout whenever problems arose.Another remembered him as "not really as technically strong as O'Loughlin but..probably more astute..a political man" and added this further insight into Lenihan's approach to the business:

"His perception of the critical issue was the farming community and the holding of the milk supply. Custom and practice did not allow for major transfers at the time but part for the reason that (the milk pool) was not under threat was because of his ability to hold 'gentleman's agreements'. This was the sound man concept. Here it is mainly a sound man business. Agreements are not worth the paper they are written on.."

It was during Lenihan's term as chief executive that Golden Vale faced, and survived,its biggest crisis.

Financial Crisis and Turnaround

The failure of Golden Vale to bring about the scale of amalgamation designated to it in the IAOS plans left it with a major shortfall in anticipated milk supply. At the same time the company had invested heavily in new capacity to provide for a milk pool that was supposed to be 74M gallons by the completion of the amalgamations in 1974 and was expected to rise with a general expansion in dairy production to over 100M by the end of the decade. The shortfall in milk supply and the heavy investment in physical assets together put the company's inappropriate financial structure under severe pressure. This led to a major liquidity crisis for Golden Vale in early 1975,after barely one year in its new form as an amalgamated entity. The events leading up to the crisis and the management of the crisis itself are now described.

By January 1973 a total of 25 societies had amalgamated to form Golden Vale Cooperative Creameries Ltd. Golden Vale now had a committed milk supply for the first time. The group also had access to the milk of a further 6 societies in 1973 and the total milk processed by the group in that year was 66M gallons. This was stretching to capacity the existing centralised processing facilities of the new entity. The expectation within the industry generally,at that time,was that milk yields would rise substantially in 1974,and throughout the rest of the decade,in response to the higher prices and expanded market offered by EEC membership.On the basis of this expectation the Golden Vale board and management decided to proceed with their longterm investment plan and they commissioned the large NIRO III drier to bring the total capacity up to 94.5M gallons.This new drier became operational in May 1974 at a cost of £1.9M. There was a general mood of optimism surrounding the company at this time. The substantial increase in milk price that was made possible by the EEC intervention system led to a total increase of 6% in milk production that year. The new Group,in its first annual report as Golden Vale Cooperative Creameries Ltd. was "pleased to announce substantial growth in sales of all milk products" both on the home and on international markets. It was also pleased to record the successful introduction of new premium fat-filled milk products which led them "into new and exciting markets" and "the most successful year ever enjoyed by" the Engineering Division.

Late in 1973 the Group found itself having to accelerate its investment plan for a new milk intake and centralised butter plant to align with the skim milk processing facilities.The timing of this investment was to a large degree forced on the company by the Department of Agriculture. The Department was unhappy with the temporary facilities that had been set up in Charleville and were threatening to withdraw its license unless the new facilities were provided. These new facilities became operational early in 1976 at a capital cost of £2.9M.

Milk yields were down generally in 1974. In addition,5 of the 6 societies that had been supplying Golden Vale as independents decided to amalgamate with other processors and the company lost their milk supply permanently. Golden Vale had access to 8M gallons of skim milk from Clare Creameries,part of the Dairy Disposal Company. They also faced the possibility of losing this supply if the Department of Agriculture decided to sell off Clare Creameries to some other processor as part of the overall rationalisation happening in the industry. To defend this supply and to make up for some of the shortfall that resulted from amalgamation process,Golden Vale bought Clare Creameries,including a processing facility at Landsdowne in Limerick, from the state for £1M. This purchase "added 18 million gallons to our milk 'pool',but also consolidated 8 million gallons which we had already been purchasing from Clare"(Annual Report,1974;3). The end result of all these developments was that the total milk processed was only 61M gallons,an 8% reduction on the 1973 level as against a budgeted increase of 10%.

The 1974 Annual Report heralded the difficulties facing the company as a result of these developments:

"Agreed IAOS rationalisation plans have been shattered - as a result of which substantial quantities of milk are now moving from West and East Limerick to distant processing centres.Because our long-term plans had been based on an acceptance of the IAOS rationalisation plan,its failure undoubtedly means a temporary setback..
The effects of inflation and the very size of our Group have imposed

enormous financial demands,in terms of both fixed and working capital. The effect of this has been a marked deterioration in the relationship between the Society's equity...and total borrowings. The ratio is at an unacceptable level of 1:2.96; to preserve ownership interest in our Society,this imbalance will need to be adjusted - either by capital injections or profit retentions. The alternative is that control of the Society will be held by outsiders whose policy motives may not be the same as the Society's suppliers and shareholders"

Early in 1975 the Group found itself in financial crisis. Over the 1973 to 74 period turnover had increased from £21.7M to £26.1M but trading profit had fallen from £1.3M to £1.0M. Over the same period the burden of interest payments rose sharply from £0.256M to £1.06M, exceeding the trading profit for that year. The Group was seriously out of gear with £15.4M in borrowings,£10.5M of which was in the form of bank overdraft,and only £6.3M in shareholders' funds. There were in fact several major difficulties giving rise to the liquidity crisis. One was the capital structure of the Group which was too heavily based on borrowings,and mainly short-term borrowings at that, to fund the major long-term physical development programme. Another was that up to early 1975,while amalgamation had taken place,very little in the way of downstream rationalisation had been attempted.Furthermore, the new Group had failed to develop the systems and structures appropriate to its larger size and more diversified activities. The crisis was the catalyst for an outburst of frenetic activity on a number of fronts in an effort to come to terms with these major issues. As one senior executive remembered it:

"The bankers came in first.They were toing and froing with rapid speed for about six months..There was a need for systems.The place was overrun with consultants recommending this,that and the other about organisation,accounts,procedures,financial structure,board structure etc"

It was a critical milestone in Golden Vale's history. The risk was great that the company would lose the backing of the banking community and the confidence of its own supplier-shareholders. To many of those involved the steady hand at the tiller during this stormy period was the Chairman,Martin Flanagan. Flanagan,a farmer from West Limerick,had just taken over as chairman in 1974,shortly before developments had reached the crisis point. He had been described to one senior executive by a partner in a major consulting firm 'as a man who would grace the board of the largest Irish company and do so with tremendous effectiveness'. The same executive went on to describe the significance of Flanagan's chairmanship at this time of crisis:

"During the crisis period it was the bank's confidence in Flanagan that persuaded them to continue their support of Golden Vale - no doubt about that whatsoever. I would put Flanagan's contribution to this place on a par with O'Loughlin's.(He was) the outstanding chairman"

There was pressure on Lenihan's leadership from the shareholders and a deputation of farmer-shareholders wanted to table a resolution calling for his resignation.The Company Secretary recalled that Flanagan's immediate response to this request was to the effect that:

'I was expecting that (but) over my dead body! I don't blame management for the problems that we have but I believe that they can get them right' and the same executive added that:

"Flanagan looked at the Board of Directors as having the power in the Society and that the BOD's job was to create an environment where the managers could manage without interference".

The Board and management of Golden Vale moved quickly under these crisis conditions to implement rationalisation and refinancing plans that were drawn up with the help of the bankers and some external consultants. The crisis situation itself,which in 1975 was public knowledge and widely reported in the media,had the effect of waiving or mitigating to a large extent the perceived political difficulties that had discouraged earlier action. A consultant's report,which provided the following succinct summary of the company's problems,referred to these difficulties:

"The physical characteristics of Golden Vale are such that it has a costly milk assembly system resulting in higher labour,transport and administration costs as compared with other processors.
Interest charges are high due to the use of short term borrowings to finance new plant...
We have been informed that,while there was an awareness of the detrimental effects of these factors on the operating performance of the (company),it was not possible to introduce proposals for rationalisation of its operations at an earlier time. This was due to the pressures of the amalgamation negotiations and also the necessity to maintain the confidence of the amalgamating societies and suppliers.
The over-riding objective of the Group since 1973 appears to have been the development of a substantial milk pool for the long term benefit of the society irrespective of the short term effect on the operating performance".

The comparatively costly milk assembly system,referred to in the above extract,arose largely from the nature of the amalgamation plans for Golden Vale in the IAOS proposals and from the actual course that the amalgamation process eventually took.Golden Vale had been allocated 36 creameries with an average gallonage of 2.06M per creamery .This contrasts,for example,with the cases of Ballyclough,allocated 9 creameries with an average gallonage of 4.77M;and Waterford,allocated 3 creameries with an average gallonage of 4.33M. The reason for the smaller,more concentrated allocations to Ballyclough and Waterford was that they represented additions to an substantial existing committed milk supply in both cases.When Golden Vale failed to secure the amalgamation of 12 of the allocated creameries it found itself,as we saw earlier,forced to buy Clare Creameries as a rearguard action. This added 38 branches to the Golden Vale milk supply network that were more distant from the processing centre at Charleville than the 12 that were in the original plan. By the end of the consolidation moves Golden Vale had a total of 84 branch creameries spread over a wide catchment area, with one of the lowest bulk collection rates in the industry at only 17% of total supply.

At a Board meeting in August 1975 the Chairman tabled major rationalisation proposals for the Group. The preamble in the recorded minutes revealed the general tone of the meeting:

"The chairman stated that the discussion which will be taken today under rationalisation proposals will be the most important discussions ever taken in the Society..He commented on the pressure put on the Committee by organised meetings of suppliers.
The chairman referred to his meetings with the banks - A.I.B. have

every confidence in the business and in the dairy industry in general due mainly to the confidence by the banks in our executives - because in the view of the bank, there is not adequate support from the Committee. It is the duty of the Committee to run this business on a business-like footing. We have got to get a global understanding of the problems not a parochial one. The Committee must stand over their decisions and these must be business decisions"

The tough 'business decisions' taken at that meeting were summarised in the Annual Report of 1975:

"Following a detailed study of the structure and capitalisation of the Group your Board of Directors made the following major policy decisions in October 1975.

1. All processing activities to be centralised at Charleville and Landsdowne, where growth in milk supplies could be handled without additional cost.
2. All uneconomic activities to be discontinued. These included condensed milks, sterilised cream and yogurts.
3. The number of people involved in dairying and trading activities at each milk intake point to be reduced(there are 84 milk intake points).
4. An extensive programme of rationalisation to be undertaken in the assembly and handling of milk throughout North Cork, Limerick and Clare. The distribution fleet to be reduced drastically in the home market.

This programme was implemented between October 1975 and March 1976, and so was completed before the commencement of the 1976 season. The result of this total programme led to some 400 people becoming redundant, at a net cost to the Society of £1.3 million".

The Board and the management sought to complement this rationalisation plan by tackling the related issue of the poorly geared capital structure of the Group. The difficulty in increasing the equity in a producer cooperative like Golden Vale was that there was no effective market for the equity to be traded in. Furthermore, the producer was primarily rewarded in the current price of milk and not in dividends awarded on company profits. The low participation of farmer-producers in the shareholdings of their cooperatives, which has remained a notable feature of the dairy cooperative movement in Ireland right up to the late 1980's, clearly indicated that the benefits of shareholding were not convincing to the producers. This made the raising of further equity through additional share offerings difficult to achieve. There were also difficulties in any scheme based on a levy system, where a portion of the producer's current cash flow would be 'commandeered' in order to protect and enhance his future cash flow prospects. Since the producer was not fully locked-in and since his supplier relationship with his coop was not a tradable commodity, those making the current sacrifice might not be one and the same as those who would come to reap the future benefits.

The Board "unanimously agreed" to introduce a Revolving Fund(5% of the milk value)in order to reduce the dependence of the Society on outside borrowings. This proposal was "narrowly defeated" at a Special General Meeting of shareholders on the 11/3/76(Annual Report 1975). The Board did manage to get a meeting of the shareholders to agree to appoint a consultant "to examine the financial position of the Society and the effect of the proposed fund". The scheme eventually accepted by the shareholders was "a 10% Convertible Loan Stock under which the suppliers will be allotted £900,000 per annum for four years" and beginning with the "declaration of a retrospective milk price bonus of £1.3 million for 1976 by way of 10% Convertible Loan Stock..included in the milk price charged to the 1976 Accounts"(Annual Report 1976). This scheme was intended to run until 1980 and to bring in an additional £4.9M.

The rationalisation programme had an immediate impact and,even before the new financing arrangement took effect,the pressure on the Society's liquidity eased considerably. With the application of the Convertible Loan Stock to the 1976 Accounts,through the retrospective £1.3M milk price bonus mechanism,the Group was able to report on its healthy return to profit with a strengthened balance sheet. The trading loss net of interest payments of £1.38M in 1975 had been turned around to a profit net of interest payments of £1.98M. The relationship between shareholder's interest and total borrowings at 31/12/76 was 1:1.6, in contrast to the 31/12/75 ratio of 1:4.34. Group sales in 1974 were £26.2M on a total asset base of £23M, in 1976 they were £54.9M on a total asset base of £19M. The Annual Report,with much justification, made reference to the "dramatic turnaround" that had taken place and went on to conclude:

> "1976 may come to be regarded as a landmark in our Society's history. Major changes were achieved - all done in the glare of national publicity which only made these changes more difficult".

The crisis period brought with it some changes in the internal polity of the organisation. The first development was that two outside directors were appointed to the Board on the advice of the consultants that had helped the company with its refinancing package. An Irish Times(20/7/77) feature on the appointments reported that the management of the society was "none too happy with the decision to go ahead with the appointments" nor was the IAOS. The consultants had argued that:

> "to survive economically it is essential that the board should have the required expertise at its disposal..people whose range of experience reflect the fact that the complexity of a large modern business unit requires a variety of business skills"

The two appointees were well known senior business executives in the Irish business community; Mr. Martin Rafferty,Chairman of the Brooks-Watson Group and Mr.John Moore,Managing Director of Hygeia. Their presence on the Board reflected the Chairman's determination to "run the business on a business-like footing". Also around this time there emerged a group of relatively young farmer-producers who formed themselves into a pressure group which became known as 'The Study Group'.One executive remembered this development:

> "In Lenihan's time there developed an outside group who were very enthusiastic but not popular enough to get on the Board.They formed themselves as a study group,as a watchdog committee of shareholders. The Board resented them but Mick had to try to work with them..They were a most unlikely bunch.The one thing that they had in common was that they were interested in figures.They started off by attending General Meetings and then occasionally asked for meetings with Management.Ultra-right wing would be a good description,and they were younger than the Board".

Many of the study group were typical of a new breed of dairy farmer that was emerging as the industry grew and dairy farming incomes with it. These specialised dairy farmers were becoming substantial businessmen with significant turnovers.They were better educated than the previous generation and more articulate. Though still in a minority,and finding it difficult to get elected to the Board,they were determined to be active shareholders and to assert their views on the policy and management of the Society. They became "the bane of the lives of the managers" and a new and difficult element in the farmer politics of Golden Vale.

Within the organisation itself this period saw the rise in influence of the Finance Department. The Financial Controller,Tony Curtin,had joined Golden Vale as Chief Accountant in 1972. He became Group Financial Controller in 1975. "It was Curtin",according to a senior executive,"who diagnosed the (liquidity) problem straight away".The same executive went on to describe the effects of the period on Curtin's standing:

"During the rationalisation and refinancing period the refinancing package was largely done by Curtin and his star began to rise. At that stage the 'ism' that was in was rigid financial controls and the accountant was God. The 'ism' before that was technical people - today probably the 'ism' is marketing. The turnaround was quite dramatic. Curtin got enormous credit for that".

In 1978 Tony Curtin was appointed Assistant Chief Executive.In 1980 he succeeded Mick Lenihan as Chief Executive of Golden Vale.

While finance's star was clearly on the rise in the mid to late 70's the same period witnessed the fall from grace of the Engineering Division. The Engineering Division had been O'Loughlin's first major diversification and,during his time at the helm,it was the jewel in the crown. The rationalisation exercise and the introduction of some sophistication into the management accounting reporting systems began to expose some problems in the Engineering business. Up to then the Division had become very powerful and very autonomous under the aggressive and somewhat cavalier leadership of Denis Murphy. According to one senior executive:

"My perception was that Engineering was driving the business I would guess from about 1968 to about 1972 and the power did not begin to wane until 1974. The personality associated with that was Denis Murphy who headed up Engineering..
(In 1974) Engineering was still going great guns and had a high profile to the extent that they bought a site out at Kanturk so that they would not be fettered by strikes in here - they were doing a kind of UDI thing on us.Yet by the end of 1975 and the beginning of 1976 it became apparent that they nearly had us broke...
(During the crisis) Engineering was told to conserve its resources and we were told to feck off - they would not be fettered by our bankruptsy but in fact Engineering were guzzling a lot of working capital..

From very modest beginnings in the mid fifties Golden Vale Engineering had risen to some great achievements by the mid-70's. It had developed to become the major indigenous engineering activity in the Irish dairy industry and had played a major role in the major physical development of the industry throughout the 60's and into the 70's. By then it had diversified into serving the UK dairy industry and had contracts in the brewing,soft drinks and chemicals areas. However it had grown arrogant with its success and when the big physical development phase in the industry was over and some of its major markets declined,the Division had few outside supporters left to help it revive its fortunes. Another senior executive recalled the change in Engineering's situation in the late 70's:

"Engineering was building up an empire.There was no control of

Engineering and no reporting of Engineering...Technologically it was a superb outfit. But the farmers were very critical of it.They saw it (as) siphoning off funds from the milk division which was theirs. Engineering was totally autonomous from here. Murphy was aggressive and strong at protecting his own group's autonomy. Curtin was becoming very critical of the lack of control and integration of the Engineering Division. Curtin began to get very worried about Engineering in Lenihan's last few years".

The 1977 Annual Report recorded that:

"The division is under close scrutiny in relation to its various activities and careful attention is being given to its future role, to ensure its viability".

The following year the Chairman was able to announce,in the Annual Report,that "the role and the scope" of Engineering had been "clearly defined" and that the management structure had been "reorganised". Engineering was reined in and Murphy resigned.

The 70's were a time of major growth in the dairy sector. 1974 had been a temporary setback in production for the industry as a whole. This was due to the uncertainty that was prevalent in the immediate aftermath of the 1973 Oil Crisis,which unleashed a steep rise in the price of inputs and a period of rampant inflation. By 1975 the industry was back on a rapid growth path as the dairy industry settled down to cope with the new economic environment. The beneficial effects of EEC membership,on which the industry had been banking when it invested heavily in physical capacity in the early 70's,were only temporarily masked by the Oil Crisis. Milk production at Golden Vale grew from 61.3M in 1974 to 93.7M in 1978. Turnover at the Society grew from £26.2M to £89.2M over the same period. Even allowing for the rapid inflation of the time this still represented a doubling of the turnover in real terms over the 1974-78 period. Once Golden Vale had implemented its rationalisation programme and strengthened its financial base it literally grew out of its problems with the growth in the industry. The O'Loughlin blueprint,which had almost brought the company to its knees in 1975,was by 1978,a major retrospective success. Even the decision to expand capacity to 94M gallons in the early 70's,when the milk supply was still uncommitted and the amalgamation process was largely incomplete, turned out to be a retrospective boon. It was through proceeding with this major capital expansion in advance of a committed supply that nearly drove the company under in the 1974/75 period. Yet,the same pre-emptive capital expansion programme,which was largely completed before the period of high inflation began,ultimately came to be seen as a 'bargain' when viewed at 1978 prices,as the Society's merchant bankers pointed out in a report to the Society in February 1977:

"The substantial investment in facilities since 1971 totalled approximately £10,000,000.
This plant,built at prices which would not now be possible,in our view represents an outstanding investment for the member/suppliers. As the milk supply rises in the years ahead we are certain that this will be appreciated by all concerned with the Society"

The Society made over £7M in profits during the 1976-78 period. The Chairman was able to report that the Society was "in a strong financial position" with the shareholders "firmly in control". The shareholders' funds to borrowings ratio was 1:.55 and the company Board and management felt in a strong enough financial position to decide to discontinue with the Convertible Loan Stock scheme after only £2.9M of the targeted £4.9M had been collected. In retrospect some senior executives saw this as having been a major strategic mistake. According to one of them:

"There was a strategically bad decision made to discontinue the loan stock. The Society had become so profitable at that stage that a political decision was made that we decided to discontinue it..All that happened was that the D/E ratio had returned to 1.Discontinuing it did not take into account any new development that Golden Vale wanted or needed to do. Having put it in in the first place with great effort,it was let go too easily. It stopped the idea that farmers should finance their own cooperative - we threw away the victory. We perpetuated the idea that we could fund development with cash flow".

In spite of the dramatic turnaround and the strong financial position of the Society,the financial crisis had left its mark on the attitude within the organisation to further investment.No major new projects were initiated in the post-1975 period of Lenihan's leadership. The three main product types were cheese,butter and milk powders and the product profile of the Society had changed considerably since the early 70's. Between 1973 and 1979 the manufactured output of cheese decreased from 11293 to 8239 tonnes,that of butter rose from 4912 to 11502 tonnes and of powders from 18097 to 40053 tonnes. Over this period however the Society had shown a fair degree of flexibility in being able to alter its product mix to take advantage of short term price variations in its major markets. The addition of a casein processing capability would have greatly increased this flexibility and market responsiveness. While the idea was mooted in some quarters of management,an investment in a casein plant had little chance of being approved in the late 70's. According to a senior manager:

"From the mid-70's experiences we were always on the defensive. Our farmers were restless and there was always a fraction on the Board who were uncomfortable. A strategic investment was out of the question because (these people) would have gone banannas"

The Society was to have ample reason in the early 80's to regret their passing up of at least one major investment oportunity that presented itself during this period. The same manager went on:

"We were offered Limerick Dairies - a private liquid milk operator - (for £300,000). After the battering that we took in 1975/6 we were reluctant to buy it. We had the money but we did not have the bottle to do it. It would have been difficult with the Board,and it was a scene that we knew nothing about. Lo and behold Kerry bought Limerick Dairies and then in quick succession bought Deal Dairies.This was the launching pad for Kerry to start poaching some of our milk suppliers.. It was the advent of the change in the liquid milk scene that heralded the milk wars."

The Society did enter the liquid milk business in 1979 by the eventual acquisition of a 50% share in Clare Dairies.

Mick Lenihan retired from his position as chief executive of Golden Vale in 1980.He left the Society in a year in which it had a trading cash flow of £6.2M and its shareholder funds to borrowings ratio was 1:.80. However,by 1980,the signs of difficult times ahead were already visible. Milk supply had peaked in 1978 at 93.7M gallons.By 1980 this had dropped back to 84.9M. In the 1978 Annual Report the Chairman first signalled the Society's awareness of "the actions being taken by the European Economic Community to deal with the surplus of Dairy Products within the Community" and of the need for steps to be taken in company strategy to "minimize the effects of these actions and to maximise returns from our products". Commodity surpluses in the EEC and the slow down in economic growth in the wake of the 1979 Oil Crisis heralded tough times ahead. The Chairman,in the 1979 Annual Report,gave this clear indication of an industry about to undergo a major transition:

"Ireland's entry and accession to full membership of the European Economic Community resulted in a significant growth in milk production and milk prices. Green Pound adjustments and market price increases raised suppliers' incomes and enabled our Society to withstand the effects of high inflation and escalating costs. The last two years saw a slowdown in these price increases,and the introduction of the Co-responsibility Levy. We must now face a period when increased benefits to suppliers may be influenced to a greater extent by their own and the Society's efforts, rather than by political decisions in Dublin or Brussels...

There are challenging times ahead. These challenges confront not only Golden Vale but the entire Dairy Industry. It is reassuring that we are entering the difficulty 1980's backed by a strong Society."

The Curtin Years 1980-85 - Low Growth,EEC Surpluses and Milk Wars

Tony Curtin took over the leadership of Golden Vale in 1980 when Mick Lenihan retired. While Lenihan was able to depart "in a blaze of glory" with profits of £3.7M on a turnover of more than £100M,it was already clear at the time of his departure that the environment of the Society was changing significantly. The oil crisis of 1979,the second oil shock in less than a decade,heralded a new stringent environment of depressed demand and escalating costs in Western Economies. The Chairman,in the 1980 Annual Report,clearly recognised a turning point in the Society's environment when he said that the year 1980 was "a difficult one and was a complete change from the buoyant conditions of the late seventies". He acknowledged that Curtin was taking on the task of chief executive "at a difficult time for the industry". Curtin had come to prominence within the Society during the financial crisis of the mid-70's. The Cork Examiner,in an article(14/May/85) reporting the news of his succession, publicly acknowledged his "key role in directing Golden Vale's financial policies after the Society encountered difficulties in 1975". Yet,in the difficult 1980's the Society was to once more face financial crisis.In 1985 the Society's shareholder's funds to borrowings ratio fell to 1:1.5 after two successive years of losses after interest.Tony Curtin's leadership did not survive this crisis and he resigned in December 1985.Developments within Golden Vale during the Curtin period, and since,must be viewed in the context of an industry undergoing major environmental change from conditions of growth and benignness to those of retrenchment and competitiveness,and it is to a description of this major change that we now turn.

Low Growth and EEC Surpluses

The steep pattern of growth in output and prices that characterised the industry in the 1974-78 was not sustained into the early 80's as can be seen in the table below:

	73	74	75	76	77	78	79	80	81	82	83	84	85
Milk Prod. Total	599	571	625	675	735	841	864	837	825	890	958	1005	1038MGals
Milk Prod.	66	61	73	82	88	94	91	85	85	89	91	92	93MGals
Golden Vale	11%	11%	12%	12%	12%	11%	11%	10%	10%	10%	10%	9%	9%
Price/gal	21	27	31	35	49	52	53	54	61	67	71	73	77p

Table 8.3 - National milk production and milk price 1973-85.

The national output of milk for manufacturing peaked in 1979 and then declined until 1982. The weather conditions operating in 1979,'80 and '81 were unfavourable to dairying and this in itself affected output. In addition,the increases in the price supports of the CAP did not keep pace with the rate of inflation operating in Ireland and farm incomes from dairy production fell considerably in real terms.Producer confidence in the industry suffered and this was also reflected in the sharp decline in national output levels.An improvement in weather conditions in 1983,coupled with the continued exhortations of industry leaders that the farmers' best prospects for increased income still lay in increased production even under smaller margins,encouraged the recovery in output that characterised the 1983-85 period.While output in 1984 exceeded the 1000MGal mark for the first time,the 'euphoria' that characterised the industry in the 70's was clearly a thing of the past. When Ireland was planning its entry into the EEC in the late 60's the expectation then was that the 1000MGal mark would have been exceeded by the mid to late 70's,and that the full potential of the industry would far exceed this level.As it turned out,in 1986 output was back down to 958MGals in response to EEC-imposed restrictions.

The international situation in the industry in the 1980's has broadly been one of increasing supply and falling demand.This had,as An Bord Bainne(The Irish Dairy Board) in its 1985 Annual Report pointed out, "led inevitably to a scramble for market share amongst the major producing blocks".The major producing blocks referred to were the EEC, the US, Australia and New Zealand. The Report also pointed out that the EEC share of the world market had been slowly declining for some years up to 1985. The Community has been over 100% self sufficient in dairy products since the late 1970's and the disposition of the progressively increasing surplus had been a growing problem. The Community's price support system,which was designed to ensure that marginal dairy farmers had a reasonable income and living standard,had encouraged the more efficient farmers in the EEC to over produce.In the early 80's cheaper forms of animal feed,most notably corn-gluten from the US,became available in abundance.As An Bord Bainne's Annual Report of 1982 pointed out the combination of high price supports and cheap feed made "large scale concentrate feeding of cows an attractive financial proposition in other member states",and it went on to say that "this factory style production in turn creates large structural surpluses which work very much against (the Irish dairy industry's) long term strategic interests".

In the context of declining world demand and rising world production,it was becoming increasing clear that the Common Agricultural Policy was not coping with the situation. Rising production within the Community drove up the cost of the CAP in the EEC budget. For some years the EEC Commission tinkered with the price support system to try to reduce its its overall cost to the Community's budget by reducing the effective level of price support. It did this,for example,by increasing the stringency of its quality acceptance standards and by extending the credit period before paying the processor. Then,in 1984,the Council of Ministers decided to impose production quotas on the member states with a superlevy penalty on producers that exceeded the quota.The situation which had resulted in this drastic action was the alarming growth in milk products that were stockpiled in the Community's intervention system. In the Irish dairy industry's main product category,butter,the stockpile in intervention between 1977 and 1982 had not exceeded 300 tonnes.In 1982 it was at a level of 100 tonnes.By 1983 this had risen alarmingly to exceed 800 tonnes.Even with the superlevy in place it had risen to over 1200 tonnes by 1986. In December 1986 it became necessary for the Council of Ministers to impose a cutback of 9.5% in Community milk production over a 3 year timeframe.

The Irish dairy industry was particularly hard hit by these developments in world market conditions and EEC policy changes. The industry in in Ireland was still underdeveloped in EEC terms with lower milk yields per cow than the EEC average. In 1973,the year after Ireland joined the EEC the yields,in gallons per cow,were Ireland-563 and EEC(9)-765. By 1986 both had risen substantially to Ireland-801 and EEC(10)-917. The gap,though significantly narrowed in the intervening period,still indicated some further room for development. If milk yields were to continue to rise,as dairy farmers tried to improve their productivity, then the national dairy herd would have to contract in order to cut back on overall production. The Irish dairy industry was also very dependent on intervention type products.The seasonality of the production pattern, the high proportion of production for export and the geographical remoteness from these export markets had directed Irish processors towards milk products with long shelf lives. They were encouraged in this by the Community's price support mechanism which made the production of these products throughout the 70's most attractive.

As the nature of the industry's environment began to change in a fundamental way in the late 70's and early 80's,interested parties,like An Bord Bainne in its 1982 Annual Report,began to alert the Irish dairy industry of the need for a major strategic reorientation,though it recognised that the changes that were needed would not be easily brought about:

> "It has become evident in 1982 that we are far too dependent on intervention-type products that are highly susceptible to political interference. We have an urgent need to change the product profile and manufacture more products that are in demand by consumers.The seasonality profile of milk production,coupled with the substantial investment in central processing facilities for intervention style products,militates strongly against the type of diversification needed over the next decade".

The Irish dairy industry's product mix had not changed to any significant degree since EEC entry in 1972. In 1972 butter accounted for approximately 70% of wholemilk utilisation with cheese and other wholemilk products accounting for the rest. In 1984 this relationship had become even more butter dependent at 78% to 22%. The IDA in the early 80's echoed the concern of An Bord Bainne about the vulnerability of this product profile and the about the high proportion of the industry's output that could be classed as commodity.The 1980 position was an 83% commodity to 17% higher value-added product mix.The IDA,in 1982,set the industry a goal to shift this profile by 1990 to a 65% commodity and 35% higher valued-added mix. An industry expert,in a state of the Irish dairy industry analysis in 1984(Keane,1984;18),concluded that:

"the outstanding imbalance in the Irish case is seen as the lack of sales of branded consumer products in Continental EEC countries".

Milk Wars,Engineering and Castlemahon

For the Irish dairy industry as a whole the environmental developments reviewed above had a number of industrywide implications.It became clear early in the 80's that aggregate milk production would be constrained by EEC and market forces at a level way below that which the industry,as a whole,had geared itself up to in the major physical expansion that took place in the previous decade. The industry had excess capacity and a cost structure that was becoming more and more untenable as world markets hardened,price supports weakened and margins tightened. Investment oportunities that would provide future profit stability and growth in the new situation were becoming difficult to identify and carried higher risks than those prevailing when the industry was expanding rapidly in the 70's.

In the new environment of the 80's,competitiveness between the major cooperatives intensified at the margin of their activities. The industry had excess capacity. Each major processor had a high effective breakeven point,because of the high fixed costs that typically reflect a capital intensive operation.They also had a tradition of rewarding the producer-owner through the price of the main input,the milk supply. The cost of the main input was effectively determined by the industry and the individual processor had little leeway in that area. All these factors combined with the excess capacity to give marginal gains or losses to milk supply or to market share a major leverage effect on company cash flow and profitability. On the marketing side the bulk of Irish dairy products were exported through the central agency of An Bord Bainne. The one area where the processors marketed directly was to the Irish consumer and competition on the home market intensified considerably. By the mid 80's most of the major processors had extended their activities into the liquid milk area and this further intensified the competition in the domestic market.

Up to the early 80's the norm in the industry was that the processors confined their competition to end products and did not compete for supplies. From 1979 to 1981 the milk supply nationally fell by 40M gallons and all processors felt a consequential squeeze on profits. Supplier loyalty had been weakened by the substantial drop in farm incomes which accompanied the drop in output,and by the failure of the price rises from the CAP to keep any close relationship with high inflation.The ratio of average farm income to average industrial wage had fallen dramatically from 1.04 in 1978 to 0.55 in 1981. Producer confidence in the industry had plumetted from the euphoria of the late seventies and a substantial number left the industry. The 'gentleman's agreement' between the major processors which had restricted and regulated the transfer of suppliers between them began to break down.

Producers were more active in seeking transfers where they perceived a major positive impact on their ultimate receipts.Exhortations not to be tempted by short term gains and to put their longterm welfare first cut little ice with many producers that felt themselves already struggling to survive. The 1980's saw the outbreak of a fresh wave of milk wars between the major processors.

Tony Curtin was only a matter of months in the job as chief executive of Golden Vale when the first major milk battle with the neighbouring Kerry Cooperative broke out. Kerry served notice on the industry early in the '80s that it was not going to be bound by the traditional 'gentleman's aggreement' from expanding and took a competitive 'business is business' approach to the question of milk supply. Over the 1980 to 1985 period Golden Vale was to lose an estimated net 13M Gallons in milk wars,mainly to Kerry but also to other processors,most notably to Kantogher. When milk leaves the pool like this the effect perpetuates since that supply becomes committed elsewhere.The annual effect of this loss on the bottom line was estimated by one senior executive to be around £1.3M. An opportunity to end the milk war before it had really begun in earnest was lost in early 1981. The boards and senior management of both Golden Vale and Kerry Cooperatives met at a Limerick hotel to try to resolve the situation. It was Kerry's purchase of Limerick Dairies that had brought it operationally into the Golden Vale catchment area and it had become the "launching pad" for the milk war between the two. An understanding was arrived at in which the agreement by Golden Vale to purchase Limerick Dairies from Kerry for just under £1M was central. Kerry's chief executive,Denis Brosnan,was reported in the Irish Press of 22-Feb-81 as having described the deal as "the final permanent solution" to the milk war.The deal subsequently fell through. According to one senior manager,the deal fell through as a result of mutual distrust between the two chief executives arising from "a total clash of personalities":

> "Curtin took three months to assess it until Brosnan turned around and said he wasn't going to do it. Curtin had to do the figures... Brosnan's distrust of Curtin was that Curtin was delaying,and Curtin was afraid that Brosnan was selling him a pig in a poke..I believe that a deal could have been done with Brosnan at that stage. He was not financially that strong and was vulnerable"

The two men never developed a personal rapport and the relationship deteriorated after this episode as the milk war progressed.

In 1979 the Board and management of Golden Vale had set up a 'milk development fund'. They had reserved £2.5M from the £3.1M profits for that year in order to "protect suppliers' incomes by encouraging growth and helping milk prices..realising that escalating costs and difficult market conditions would adversely affect milk supplies in 1980". A further £2.0M was reserved in 1980. This investment of £4.5M in total was applied to support milk production over the 1980-83 period. Having invested so heavily in trying to protect and expand its milk pool in such a difficult period,it was particularly frustrating for Golden Vale to see this effort largely negated by its losses in the milk war. It was not surprising,therefore,that the milk war did give rise to such bitterness and that relationships with Kerry did deteriorate in the way that they did.

Golden Vale's ability to ward off the aggressive attacks by others on its milk pool was weakened by a series of difficulties that put an increasing strain on its financial reserves and performance.The accounts for the period 1981-85 show the following provisions under the label of extraordinary items:

YEAR	EXTRAORDINARY ITEM	DESCRIPTION	TRADING PROFIT(LOSS)	TRANSFER TO RESERVES(-)
1981	£0.886M	redundancy	(£0.110M)	(£0.121M)
1982	£2.579M	engineering	(£0.824M)	(£2.086M)
1983	£1.276M	castlemahon	£0.901M	£0.245M
1984	-	-	(£0.471M)	(£0.238M)
1985	£1.346M	redundancy	(£0.505M)	(£1.270M)

Table 8.4 - Golden Vale accounts 1981-85, extraordinary items.

The fall in national milk supply of 40M gallons between 1979 and 1981 affected the performance of all the major cooperatives. As the farming correspondent of the Irish Independent reported on 24-Oct-81:

"Boards of Management of the country's major co-operatives are considering draft plans for the laying off of employees,working short time and temporary close-downs to cut costs. Development or expansion plans by the societies have been shelved. Capital expenditure is to be restricted to the maintenance of existing plant..most of the cooperatives now operating at between 65 per cent and 75 per cent of capacity"

As late as February 1979,Golden Vale had been planning a £25M expansion. Not only were these expansion plans shelved in 1981 but the need to rationalise the milk assembly system had become more urgent.The rationalisation involved the move to bulk collection and the termination of milk processing at branch creameries. The branch creameries were to be reduced to collection points or to trading store centres only.This involved the Society in difficult local politics and progress had been slow when the total supply was expanding and the profits were still healthy.With rising overheads and a smaller throughput in the post 1979 period the issue had to be confronted. In 1981 Golden Vale made some progress in this area and shed 70 of its 1320 workforce in the process. The cost of these redundancies left the Society drawing on its reserves to the tune of £0.121M.

In 1981 and 1982 the Society suffered cumulative trading losses on its engineering activities of £1.55M. Engineering's performance had been erratic since the mid seventies.The business suffered severely from the cut back in capital investment in industry generally and in the dairy industry in particular in the post 1979 recessionary period.It was nevertheless difficult,"psychologically" for the Board and management of Golden Vale to finally axe it since it had been the first major diversification in the Society's history and a major factor in its early growth. Golden Vale finally took the difficult decision to close its engineering activities in 1982 at a winding up cost of almost £2.6M. Its total drain on the Society's resources over this two year period was almost £4.2M.

In 1983,when its cash flow and balance sheet should have improved significantly as a result of the rationalisations of '81 and '82,the Society was faced with a further difficulty. In late 1980 Golden Vale had invested £1M in a rescue package for the troubled Castlemahon Poultry Products company. Four months afterwards the annual audit of the company revealed Castlemahon's financial situation to be much worse than Golden Vale had realised. Golden Vale subsequently took a legal action for negligence and breach of contract against Arthur Andersen and Co., for alleged wrongful advice in regard to the investment. Tony Curtin,in giving evidence in this action in 1986 was reported (Cork Examiner, 19-Jun-86) as having been 'staggered when he became aware of the losses' that the annual audit of the company had revealed. Andersens based their defense on their claim that Golden Vale 'had told them that the acquisition of the poultry company was not primarily investment but a "defensive measure" to prevent the company being acquired by a competitor,..Kerry Cooperative Ltd'(Irish Times 10-Jul-86). In 1983, Golden Vale had to write off its total financial investment in Castlemahon,which by that time had amounted to almost £1.3M.

The financial difficulties associated with the termination of its engineering activities and the write off of the Castlemahon investment led to a growing erosion of supplier confidence in the Society's stability and in its management. The equity to borrowings ratio had deteriorated from 1.35 to .82 over the 1979 to 1983 period. Kerry Cooperative,which had stepped up hostilities in the milk war after the Limerick meeting of 1981 had ended in failure,took further advantage of Golden Vale's difficulties and made a bold take-over bid in 1983. One senior executive gave the following account of this dramatic episode as he remembered it:

> "Denis Brosnan let it be known in a lot of circles around that Golden Vale was on its way out. He whispered sweet nothings that it wasn't going to last. This sort of stuff went on. It created a crisis of confidence with the farmers,along with the fact that we weren't making money. He let it be known that he would welcome all suppliers.. Brosnan was destabilising the situation and it came to a head when (he) came in with Jim Moloney of ICOS to make an offer for this place. The milk war was a softening up process for a takeover. He came with his chairman to meet with Curtin and our chairman..Jim Moloney proposed amalgamation and Brosnan jumped in immediately to explain the detail of what it meant and would entail. (It became evident that) he wanted nothing short of takeover,not cooperation or federation.Golden Vale had not anticipated what was coming..(Our chairman) walked out of the talks..That finished that solution."

An Irish Press report(29-Sep-83) on the publication of Golden Vale's interim report for the year quoted Tony Curtin as saying at the announcement of the results that "Golden Vale is not for takeover by Kerry,or anybody else". The interim report decried what it termed as the "gross lies and malacious rumours" that were being spread within the industry concerning the financial position of Golden Vale "to attempt to undermine milk suppliers confidence in their society". The Irish Press article went on to report that the Golden Vale board of directors had "unanimously rejected an ..ICOS proposal that they have the feasibility of a merger with Kerry examined" though the Society was "anxious to have talks with Kerry on areas of possible mutual cooperation,including the Munster liquid milk market".

Golden Vale's bankers began to get worried about the Society's financial position in early 1984. In February of that year the Society closed its marketing office in London,which it had first opened in 1971. In spite of this further effort at rationalisation,the Society recorded a trading loss of almost £0.5M in 1984. The introduction of the milk Super Levy by the EEC Commission led to an intensification of the milk war in 1985. Under the Super Levy regime each milk producer was assigned a quota. Production in excess of this was to be penalised financially. The processors no longer had the same scope as previously to increase their milk supply by encouraging their suppliers to intensify their production. However,suppliers who transferred between processors brought their quotas with them.Furthermore the new regime allowed for a certain amount of transfer of slack between suppliers without super levy penalty provided the aggregate quota was not exceeded. High volume suppliers could be enticed to transfer not only for more attractive prices but also by the promise of slack transfer. By mid 1985 the milk war hostilities with Kerry had reached new and alarming proportions. In the words of one senior manager Golden Vale's rate of milk loss to Kerry had become a "haemorrhage". By April of 1985 the Irish Press(10-Apr-85) was reporting that:

"Rapid expansion by...Kerry Coop in recent months has raised major fears that one of the 'Big Six' dairy coops may go under and there is now strong speculation that the victim would inevitably be Golden Vale.."

Shortly afterwards,on 20-Apr-85 the Irish Times reported the Golden Vale reaction to the treat to its survival:

"The chairman of Golden Vale..yesterday launched a stinging attack on 'inter-cooperative rivalry',which had led to the poaching of members with their valuable milk quotas. 'Some societies,' Mr.Pat Johnston declared, 'seem to be hell-bent on the destruction of others..Do they want to destroy Golden Vale? If so are we to believe that one group of farmers are actively trying to destroy the work of another,undermining their cooperative and ultimately their livlihood and that of their families".

On the same day the Cork Examiner carried the news that Golden Vale had developed a new price structure which provided for a competitive rate of 77.6p per gallon but which included collection and service charges.The collection and service charges were applied in such a way as to penalise the less efficient forms of milk assembly. It was,in effect,an indirect way of paying the larger producer more per gallon than the norm in an attempt to keep his supply. The large producer was the one most likely to move to a different processor,being economically stronger and having more bargaining power than his smaller counterpart. The new pricing structure was a flawed response to the milk war because it damaged the loyalty of those most likely to stay,while not having a great impact on those most likely to play the market. In particular,Golden Vale lost an estimated 2.5M gallons from about 200 farmers in the Clare area and the collection charge was "the reason for the change",according to a Sunday Tribune article on 7-Jul-85. One of the weapons that Kerry used in the milk war was the operation of a flat rate for milk regardless of fat or protein content. This was a further breach of industry norms and was of questionable legality. Legislation dating back to the 1920's had been enacted to prevent the payment of the flat rate in an effort to encourage a general and sustained upsurge in quality throughout the industry in the national interest. This legislation was hopelessly out of touch with the reality of the 1980's and it provided for a maximum fine of only £20.

The unanticipated loss of revenue through the milk wars forced Golden Vale's management to step up their rationalisation efforts. The rationalisation plans involved further redundancies and the milk war became an issue of national concern. The Minister for Agriculture was asked by the company to intervene. His first response,as reported in the Cork Examiner on 2-Jul-85,was that "we live in a country where free entreprise is the norm and if people adopt normal trading practices there is very little that I or the Government can do". The President of the IFA supported the Minister's view and was reported in the same article as having said that "to describe this as a milk war or poaching is wrong when in fact all farmers are doing is exercising (their) most basic and fundamental right...(to dispose of their produce) to whatever outlet they think fit". However within days of this report an Irish Times article (5-Jul-85) reported that the Minister,under mounting "pressure from the trade unions representing the cooperative workers" was "understood to be considering action to limit the drastic economic effects of transfers if they continue". The action being considered was to seek,through EEC regulation,to have the period of notice for transfer extended from three to twelve months and the updating and enforcement of the legislation on the flat rate payment method. The milk war,which at one level was a commercial competition between two large milk processors for a limited and restricted supply,had become at another level an issue involving directly the livelihoods of two distinct groups,the farmers and the cooperative workers. The Sunday Tribune,in an article on 7-Jul-85,saw the milk war issue as one in which " the farmers can't lose" and "the workers can't win".The same article decried the milk war as having "made a joke out of the whole concept of the cooperative movement" and having led to a situation where "tankers from six coops are constantly crossing each other's collection paths" making "milk collection as a whole..so inefficient that thousands of gallons of diesel are being wasted every week with up to four or five trucks collecting milk from the same area". The article went on to warn that,in the wake of the close down of Golden Vale's engineering activities in 1982 with a loss of 250 jobs,further large scale redundancies as a result of milk war continuing would turn Charleville into "a ghost town".

By the end of 1985 Golden Vale had lost close to 6M gallons in milk wars with Kerry and Kantoher,with an estimated impact on trading profits of £0.6M. The Society reported a trading loss of £0.5M. The rationalisation undertaken during the year cost a further £1.35M and the net total drain on reserves after minority interests was £1.27M. The ratio of shareholders funds to borrowings reached 1:1.49 and the banks were once more concerned about the Society's viability. The rationalisation involved a total of 232 redundancies.The failure to hold on to milk suppliers was depressing returns and leading to financial pressures that were damaging the confidence of the remaining suppliers,leaving the Society even more vulnerable to further poaching. A vicious down-spiral was in motion and had to be arrested quickly if the Society was to survive. When this down-spiral accelerated alarmingly in 1985 the General Manager's position became untenable. Insiders readily acknowledge the great talents and abilities of Tony Curtin and his major role in the dramatic turn-around of the mid 70's. However the situation that Golden Vale faced in the '80's called for a different approach and different management skills at the top. The cost control approach that worked so well to improve the bottom line dramatically when the milk supply and the processing industry was growing,was inadequate to the demands of the harsher environment of the 80's.

Tony Curtin was the first general manager of Golden Vale,and one of the first in the whole industry,to have come up without a background in dairy science or processing management experience. Insiders recalled his style as "very analytical,not intuitive" with a tendency to see the business "mainly in terms of accounts" and not with a full "appreciation of the technology or of the key relationships". His strength was seen to be more as as a "cost-cutter rather than (as) a revenue-raiser" and he was "certainly not a politician". The picture that emerged from a number of such interviewee cameos is of a high rational-analytical manager who was able and willing to implement the tough decisions on downstream post-amalgamation largely avoided during the Lenihan period. The picture is also,however,one of a leader who was impatient and uncomfortable with with the important,and in this period critical,non-rational elements and elements and demands of the business. As one executive explained:

"Tony Curtin was a very capable man,very hard working,but he did not understand the politics of farming. He was politically too straight,if anything.Tony was faced with most of the internal rationalisation problems. His biggest weakness was that he was not able to convince farmers that we were paying a good price for milk. He would introduce schemes that I would have known were unacceptable to farmers. The stop-charges(the collection/service charges) on milk was one of the things...

The politics of farming - you are as good a manager as your last month's price for a gallon of milk. This is a very basic thing. This puts you under a lot of pressure. You must appear to be paying a good price - you may be. There are times of the year when farmers are very sensitive to price.You could pay a good price in February and a lesser price in October. These seem small but they are critical. You need to understand the farmer's own cash flow pattern and his needs.

You have to be seen to be able to keep some people under control and to be able to stamp your authority on them - they respect that. They expect you to be able to cope with their pressure and for you to hold your own.They do not have time to come in and study the books etc. The only thing they can do is to put on pressure and put in the boot and see how it goes..."

The manner of Tony Curtin's selection for the top post made it difficult for him to complement his skills effectively with those of his senior staff. The post of chief executive,on Lenihan's retirement,was advertised and outside candidates had been encouraged to apply. In the end there were three candidates short-listed,all internal executives. The two unsuccessful candidates remained on Curtin's senior management team and undoubtedly had complementary skills in key areas of the business,one on the technological side and the other in the area of farmer politics. However,the succession contest had strained the personal relationships between Curtin and these two senior executives,and the new chief executive was never fully able to "create a management team" approach to the management of the business. The fallout of the succession contest and the chief executive's difficulty in subsequently mending the fences only added to the difficulties that he faced as he attempted to lead the company through the harsher environment of the early 1980's.

The O'Mahony Era - 1986 to the present

In 1986 Golden Vale hired Jim O'Mahony as chief executive. O'Mahony was attracted to Golden Vale from his previous position as the chief executive of North Connaught Farmers Cooperative,which he had successfully managed since 1972. North Connaught Farmers was the seventh largest dairy cooperative with a turnover of £108M in 1985. He was firmly rooted in the dairy industry,his father was deeply involved in the dairy cooperatives before him. He had a dairy science degree from University College Cork,and an MBA from Dublin University (Trinity College). He was a contemporary of Denis Brosnan,the Kerry Cooperative chief executive,at university.

O'Mahony identified the major challenges that faced him on taking over at Golden Vale as the erosion of milk supplies, the high cost of milk assembly,and the lack of farmer confidence. He arrived at Golden Vale in March 1986 just as 200 suppliers were about to transfer their 3.5M gallons of milk to Kerry. O'Mahony moved directly to meet the suppliers individually and in groups. His message,as reported in the Cork Examiner on 30-Apr-86 was 'give me one year to make Golden Vale's milk price one of the best in the land'. As a result of his meetings he managed to save 2.5M of the 3.5M that was about to leave the cooperative. The Golden Vale that O'Mahony inherited was one which employed 750 people,compared with 1800 in the immediate aftermath of the amalgamation and had 5445 suppliers compared with 8180 almost a decade earlier. One executive recalled his arrival on the scene in this way:

"The new manager came in and he was prepared to show strength straight away. He went out and met the farmers and convinced them that he was going to put things right and he won back the farmers' confidence. He is politically more astute than Curtin".

O'Mahony went on record early on about his approach to the long standing poor relationship of Golden Vale with Kerry and with its chief executive:

"As far as I am concerned,the objective is to make as much money as possible for the farmers and Golden Vale cooperative. If that can be helped by cooperating with anybody,no matter who it is,we'll cooperate. I have no hang-ups about personalities or opinions. Facts and figures dominate decisions,but I am not going to let him get any more milk".

National milk production was down in 1986 to 985M gallons in response to EEC cutback policy. Golden Vale was affected by this general cutback and had some further losses through poaching though these were much lower than in 1985. However the combination of the two effects left it with only 84.1M gallons to process,its lowest level since 1976. In spite of this Golden Vale was able to report retained profits of £1M and strengthened balance sheet with shareholders funds to borrowings ratio at 1:0.89. The rationalisations carried out under Tony Curtin and paid for during his tenure of office must be partly credited for the return to profit in 1986. In addition,O'Mahony's moves to stem the milk haemorrhage and to further rationalise the milk assembly system were also reflected in Golden Vale's return to the black after 4 successive years of losses. The number of branches was reduced from 63 in 1985 to 28 in 1986,with many of the branches being turned into simply collection points. The number of trading stores had been reduced from 64 to 30.

Jim O'Mahony brought the milk war to Kerry in December 1986. An Irish Times article on 3-Mar-87 focused on the latest clash and reported that Golden Vale had "hit back hard at Kerry Cooperative's attempts to 'poach' its milk suppliers". The article went on to report that Golden Vale's gain from the latest war was a transfer of 171 suppliers from Kerry with a milk supply total of 6.2M gallons. Kerry,for their part,had taken 45 of Golden Vale's suppliers with 0.7M gallons in total. Overall this latest skirmish represented a new aggressiveness on the part of Golden Vale and a substantial net gain to them. O'Mahony had served notice to all and sundry that further attacks on his milk pool would be met with swift and strong retaliation. Furthermore,the personal animosity that characterised the Curtin-Brosnan relationship does not appear to be a feature in the O'Mahony-Brosnan case.In fact,a Business and Finance article on 24-Sep-87 (p34) reflected on the change in the Golden Vale-Kerry relationship since O'Mahony's arrival on the scene as follows:

> "These two (Kerry and Golden Vale) were pirating each other's farmers goodo up until last year. All that has changed since Jim O'Mahony arrived from North Connaught Farmers to take over as chief executive at Charleville last year.Just how the change in relationship has come about is difficult to say. It is not even clear whether it originates from O'Mahony's diplomacy or a change of heart by Denis Brosnan. Whatever brought it about,however,the two organisations trade with each other now,with Kerry buying milk powder from Golden Vale and selling it on. Brosnan has also declared publicly that he does not intend to poach any more farmers".

O'Mahony has been quoted as saying that "the national reduction in milk supplies will give the coops time to think on the benefits of rationalisation and improved marketing"(Co-op Ireland,May'87;11).The internal changes taking place in Golden Vale since his arrival on the scene have reflected this thinking. He has retained two of the senior executives that he inherited from Curtin,the Company Secretary and the Financial Controller. He has made his own selections for the key areas of Production and Marketing and has added a new hire and a new position to the group executive,the Liquid Milk and Milk Assembly function.This involved the resignation of the senior executive that held the combined Production and Marketing portfolio under Curtin. He has created a more visible Strategic Planning function and placed it,significantly,under Marketing. He has "moved a lot more fire power" into the marketing area with almost twice the number officially identified with marketing than there was under Curtin. The group has developed and is currently working to a corporate plan,though understandibily the details are company confidential. The company "is moving towards (being) market-led, market-driven" in the words of one executive. A major internal renewal and culture change is being attempted to restore the confidence of the staff in their own ability and potential following the morale damaging loss-making years,and to educate executives at all levels on the new business realities and the need for new departures from the customary ways of managing the business. A 'live-in' business consultant has been engaged to help the company with this process of renewal. No dramatic short-term results are expected from these changes. The company is positioning itself for the longer haul. As one senior executive put it:

> "Basically the idea is to get ourselves more profitable by one means or another,and no big committments until we have built up a reserve. There wont be any great improvement in borrowings in 1987 because of our capital programme,but a significant improvement (is expected) in 1988 and 1989 if the Corporate Plan works".

At the end of 1987 Golden Vale was able to report a trading profit of close to £3.5M on a total turnover of £135M. This represented a recovery to a profit level more normal for the industry,as the changes introduced by O'Mahony have already begun to show an impact on the bottom line. The company is still a long way off the pre-eminence that it enjoyed in the industry for most of the 70's,but it is leaner and stronger than it was when O'Mahony took over and is looking to the future with a renewed sense of confidence.

The Industry in the '80s - General developments and prospects

The 1970's was a period of rapid expansion for the dairy processing industry. Under the CAP regime there was a guaranteed demand for Irish dairy products,at acceptable prices,that continued to lead the industry's combined capacity to supply it. This situation continued for most of the decade up to 1978/79. Notwithstanding Golden Vale's temporary financial crisis in 1974/75,all of the major processors grew with the market. Competition between them was comparatively benign with plenty of room for all players. The environment of the 80's has been very different and has presented processors with more difficult challenges than before. The fall in national production in the early 80's and the mounting stocks in EEC intervention clearly signalled that the market ceiling in dairy commodities for Irish processors would be much lower than the industry had been gearing up for throughout the previous decade.

The new challenges of the 80's had the effect of 'sorting out' the industry as the different processors tried to meet these challenges,each in their own way. All of the big six cut back on capital expenditure in the early 80's. All of them felt the pressure on margins from static growth in milk processing coupled with rising costs. Most of them implemented major rationalisation programmes and improved their cash flow and strengthened their balance sheets in the process. While there were similarities in response,there were important differences also. The 'prism effect' of the challenging 80's can be appreciated when the relative performances of three of the big six are briefly compared.

The most spectacular performer of the 1979-86 period was undoubtedly Kerry Coop.In terms of turnover it moved in that period from number 6 to number 1. In the 1979-86 period its turnover increased by 541%,from £49M in 1979 to £265M in 1986. When national milk production began to fall in the early 80's Kerry broke away from the industry norms to maintain its throughput and protect its profits and its cash flow.It aggressively canvassed the milk suppliers of other coops,mainly those of Golden Vale and Ballyclough. Furthermore it broke with tradition,and some would argue with the law as well,to pay a flat rate for its milk supply which was very attractive to the smaller supplier in particular. It was quick,however,to recognise that its milk processing business was no longer a major growth area but having moved to protect its cash flow from this activity it began a major diversification programme in 1981. This programme took Kerry mainly into liquid milk and meat processing,both pigmeat and beef. In 1985 food activities accounted for £62M of £211M turnover,almost 30%. In 1986 Kerry broke new ground for the dairy cooperatives when it sought a quotation on the stock market in order to attract institutional investors to the group. In 1987 further new ground was broken when the group made an investment in casein processing in Wisconsin.They have built up their resources in marketing,both in the UK and US,and also in R&D in recent times. It was one of the first of the big six to develop a formal strategic plan and towards the end of 1985 the Board approved a plan for 1986-90 "which set new goals and ambitious targets..(to) turn Kerry into an international food organisation researching and processing Ireland's natural resources at home and exporting and marketing them to the centres of population throughout the world"(Annual Report,1985).

At the other end of the spectrum was Golden Vale. We have already reviewed in some detail the troubled history of Golden Vale during this challenging period for the industry as a whole. While Kerry was expanding rapidly,Golden Vale was fighting for survival,and it slipped from number two in the industry to number six in terms of turnover. In 1977 the turnover at Kerry was about two thirds that at Golden Vale. By 1986 the turnover at Kerry was over twice that at Golden Vale. In between was the case of Mitchelstown. Mitchelstown,like the other processors,went through programme of rationalisation during the early 80's. It did not experience the kind of difficulties that dogged Golden Vale and but it did not attempt to emulate the growth of Kerry. It developed steadily but unspectacularly during the early 80's and it slipped from number 1 in terms of turnover to number 4 over the 1977-86 timeframe. Its rationalisation and consolidation strategy was effective.Its 1986 results reflected a very healthy company with considerable potential for future growth. Its profit margin of 2.23% compared very favourably with that of Kerry as did its operating cash flow as a percentage of sales at 4.1%. Its debt as a proportion of shareholders' funds was low at 20% so there was considerable capacity for further borrowing. Their chief executive recognised the company's growth potential but clearly preferred a slower,more careful and controlled path to future development with "modest ambitions compared with Kerry"(quoted in Business and Finance 7-May-87;17).

Industry experts have,since the early 80's,been making the case that the longer term future and stability of the Irish dairy industry rests on "the development of branded,consumer-ready products for markets not requiring institutional support,where the element of security lies ultimately in the confidence of obtaining repeat purchases from satisfied customers"(Keane,1984;15).To help the industry make this strategic shift to a long term committment to the sales of branded consumer goods within the EEC,An Bord Bainne instigated a Market Development Fund for the whole industry in 1985,to be levied as a 0.7% charge on the milk price. The purpose of the fund was to "provide market support to expand existing branded products in existing markets,provide market support for existing products in new markets,and develop and launch new products"(Dairynews, Jan-84;3). In its 1986 Annual Report An Bord Bainne devoted a full section to a consideration of the strategic direction for the Irish dairy industry. It reaffirmed that "our best long term interests will be served by increasing our European presence and reducing our dependence on export refunds or production aids for Third Countries". It noted the consensus that was emerging within the industry about the desired direction. However,it warned that "if profitable diversification were as easy as (some) commentators would have us believe it would have happened a long time ago",and it called for a "more reflective and realistic approach". The process of bringing about a strategic diversification in the industry,the Report predicted,would be slow,arduous and cumulative but if carefully selected and executed it could have a major impact. The current low cost seasonal production pattern was still the major factor that tended to keep the industry concentrated largely on long-life storable milk products. Diversification into fresh milk consumables,which many saw as providing a major market oportunity,would require a much flatter national production pattern and would only be attractive if the overall production economics were right. Diversifications would need to be of a type that "either conformed to our present low cost production pattern or provided a sufficient premium to shift producers in Ireland on to winter production".The Report also addressed itself directly to the processors:

"Having regard for the substantial cutback in milk production due to EEC policy decisions,our industry needs to be ruthless in pruning unnecessary and excessive costs in every way open to it...
At the processing level,we need to reflect the lower level of

production with rationalisation,cost reduction and processing cooperation.The time for running personal fiefdoms has long since passed...The real competition is overseas and not (between ourselves) here at home.The tendency to compete with each other at the ultimate expense of our producers is foolish..(We) hope to see a more enlightened approach being developed as our industry matures"

In July 1987 the Irish Cooperative Organisation Society published their "Strategy for the Irish Dairy Industry" blueprint. In it they summarised the major issues facing the industry and proposed a radical restructuring in both processing and marketing. Their identification of the major issues facing the industry echoed closely that of An Bord Bainne reviewed earlier. In a nutshell the ICOS analysis was that the industry had excess capacity and a high (overall) cost structure as it faced into the late 1980's and beyond. Moreover,the industry as a whole was undercapitalised and had inadequate cash flow and profit margins. There was insufficient investment in product and market development and it was over dependent on intervention type products and on EEC support mechanisms and grant aids, which were declining. The industry needed to achieve a much greater concentration in its resources if it was to remain competitive in European and World terms,and if it was to be able to generate the level of funds needed for reinvestment in market,product and process development on the scale being achieved by its major international competitors,i.e.the dairy industries in Denmark,Holland,New Zealand etc. Resource power in the industry was currently being under-utilised and dissipated by excessive home market promotional competition between processors,by the maintainance of separate milk assembly and home market distribution operations with large untapped potential for scale economies,by aggregate excess processing capacity without the flexibility of an intergrated multi-purpose processing structure,and by the continuation of the practice whereby processors compete in some lines on international markets with the industry's centralised marketing agency.

The main proposals in the ICOS strategy were:

"- Three Regional Dairy Co-operatives to be established and to acquire, manage and control all milk and milk related assets in their area.

- Each Regional Co-operative to be controlled by one Board of not more than 12 members. This Board to appoint a Chief Executive and to establish clear objectives for the cooperative.

- Each Regional Co-operative to pay for milk based on a common milk price structure.Payment will be made directly to all suppliers in its region on this basis.

- Central export marketing of dairy products through An Bord Bainne should be continued and developed. To be effective this must incorporate a radical change in the structure of An Bord Bainne.

- There will be a changed structure and role for ICOS consequent on the restructured industry."

(from "Strategy for the Irish Dairy Industry":ICOS,Dublin 1987;4)

For the processors what was being proposed was further amalgamation on a grand scale. The ICOS proposals have remained under review by the boards of the major processors since they were published in mid-1987. In late 1988,they are still an inherent part of the ongoing dabate on the future strategy and structure of the industry,a debate which has taken on an increased sense of urgency in the run up to the proposed completion of the EEC internal market by 1992.

The ICOS blueprint for the future structure of the industry envisioned the formation of three major consolidations,as noted above. These consolidations included a Southern Dairy Co-operative to be formed through the amalgamation of Kerry,Mitchelstown,Ballyclough and Golden Vale,along with twelve smaller processors,into a total unit controlling over 500M gallons; an Eastern Dairy Co-operative amalgamating Avonmore and Waterford,with ten smaller processors,into a single unit controlling 435M gallons; and a Northern & Western Dairy Co-operative involving the amalgamation of twenty one processors,outside of the current big six,into a unit with the control of 229M gallons.

The Irish dairy industry appears to be once more in flux as the 1980's draw to a close. In late 1988 the issue of consolidation remains alive. However,it now seems very unlikely that the detailed ICOS blueprint will be followed to any significant degree. During 1988 there were two historic developments that are likely to ramify far into the future and that contribute to the current sense of flux and structural evolution. In the first months of the year a large private entreprise,Goodman Industries,a meat processing concern,won a takeover battle with Killeshandra Cooperative for the control of the ailing Baileborough Cooperative. The decision of the Baileborough farmer-shareholders to opt for private entreprise sent shock waves through the whole dairy sector in general,and through the cooperative movement in particular. The monopoly of the movement over the dairy processing sector was significantly breached for the first time since 1927,and a new benchmark for comparative performance had entered the industry. How far private entreprise will penetrate the industry from the Baileborough bridgehead is as yet unknown,and a new imponderable,in the future structural evolution of the industry.

The entry of private entreprise into the industry in 1988 was also accompanied by the entry of a number of the major cooperatives into the capital markets. Kerry Cooperative was the leader in this historic development,a development that,as time passes,is likely to change in a fundamental way the very nature of the large cooperatives themselves. Kerry,as we saw earlier,first sought a stock market quotation in 1986. Kerry's strategic approach to the restrictions on the future growth of the national milk supply was to reduce its overall dependence on the Irish dairy sector through a programme of active and agressive diversification. Kerry redefined its mission and set about becoming an international food business. In 1987 it broke new ground by investing in a casein plant in Wisconsin. In September 1988 it followed this up with with the purchase of Beatreme Food Ingredients,a former subsidiary of Beatrice Foods,for $130M(£90M). Kerry's lead into the capital markets,and into new business areas,is being actively followed by both the Avonmore and Waterford Co-operatives. The initial reaction of the capital markets to the arrival of Kerry and Avonmore,and to the prospect of more to follow has been very favourable. In fact,according to the business correspondent of the Sunday Independent on 24/Jul/88 the "food industry has become one of the sexiest market sectors" in the Irish economy where many of the potential market newcomers were likely to come from over the near future. The same writer went on to speculate that even "the once-stricken Golden Vale (which) has been spectacularly revived by Jim O'Mahony" might be expected to "come to the market when it gets a reasonable track record reestablished".

The Irish dairy industry, in the late 1980's, seems once again to be in the process of transition to a major new phase in its historical evolution, as private interests enter the sector, and as more and more of the major cooperatives look to the capital markets for new equity, and increasingly look outside the sector for growth oportunities. Moreover, the programme for the completion of the EEC internal market in 1992 brings the realistic prospect of new cross-national alignments and consolidations in the wider Community dairy sector. It is far from clear at this time how the structure Irish dairy industry will evolve during the transition, or how long this latest transitionary phase will last, but there is a growing sense throughout the sector that changes of a very fundamental, and far reaching, nature are already in process.

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VOLUME 2 OF 2

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Volume 2 of 2

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CHAPTER NINE

THE SITUATIONAL CONTEXT

Part three of the dissertation covers the next two chapters. In this part the empirical data are analysed and the major analytical categories for subsequent synthesis and theory building are developed from the data. Here,in chapter nine,the main contextual factors that were found to shape strategy in the four organisations under study are isolated and empirically examined. This is followed in chapter ten by an examination of the effect of autonomous organisational action on strategy formation in the four organisations. The approach taken in this part of the dissertation is to avoid the determinist-voluntarist debate for the time being and to seek initial insight through analysing the same empirical data sequentially and independently through first a deterministic(this chapter),and then through a voluntaristic(next chapter),perspective. This approach,as mentioned in chapter one,owes its inspiration to Allison(1971). The empirical findings that emerge from this analysis will then be used in the search for conceptual synthesis, and for the purpose of theory generation,in the final part of the study,covering chapters eleven to thirteen inclusive.

The situational context of any organisation is a complex web of political,economic,technological,social and cultural features as reflected in the chapter on the national context and in the case naratives. The researcher,through a process of reflexive interaction with this data, has identified FIVE,analytically separable though empirically linked,FACTORS that appear to have had the most salient influence on strategy formation in the organisations under study. These are TECHNOLOGY,including production economics and asset specialisation; INDUSTRY STRUCTURE,nationally and internationally; the INTERNATIONAL TRADING ENVIRONMENT; NATIONAL PUBLIC POLICY AND LEADERSHIP; and national SOCIAL AND CULTURAL TRANSFORMATION. These five factors and their effects on the strategic development of the four organisations under study are now analytically examined.

Factor 1: TECHNOLOGY

Technology is seen from the data to affect strategy formation in a number of ways. Technological breakthrough can enable the development and organisation of whole industries to move onto a new plane. In the case of the dairy industry it was the development of the mechanical cream separator in the 1870's that made the centralised production of butter possible. It was the availability of this technology that enabled and stimulated the structural reorganisation of the dairy industry from a cottage industry to a 'factory' system. In the case of sugar,without the initial development of beet processing technology the Irish sugar industry would have been a refining industry only,with a low level of vertical integration. It would probably have been in the hands of private entreprise and would have had no developmental role in Irish agriculture.

Even when technological breakthroughs become available,however, individual companies can chose to adopt them or not,with strategic consequences either way. This is most clearly seen in the Irish Distillers case where historically the Irish distilling industry rejected the technological breakthrough that allowed for the production of cheaper grain whisky using the continuous column still. The adoption of the new technology by the Scottish industry enabled it to broaden the the international market for the spirit and to secure for itself an unassailable dominance in the largest 'commodity' segment. The major differences in the generic strategies of the two industries can be traced,in no small measure,to the historic differences in the choice that they made in relation to grain distilling in the nineteenth century. Scotch became the high profile popular genre with mass market acceptance. Irish,by making a virtue out of its distinctive 'pot-stilled' character and by believing that the 'inferior' product would not receive wide consumer acceptance,had unwittingly chosen a differentatied high premium niche strategy which constrained its growth.

The data show how expansion at one stage in an industry chain can be dependent on technological breakthroughs at a previously stage.
In the case of the dairy industry the widespread adoption of the milking machine at farm level was a major factor in the expansion of the milk

processing industry. In the first place,the adoption of milking machine technology was the major factor in the restructuring of milk production at farm level. Its arrival,alongside the development of an indigeneous source of fertiliser,made specialised dairy farming an economically attractive,and physically manageable,proposition for many farmers. This, in turn,enabled the growth of the dairy processing industry to accelerate in the post-1950 period. Furthermore the traditional seasonal production system in Irish dairy farming,a reflection of the economics of farm level production,has in large part restricted the product-market scope of the processors to storable milk products,like butter,cheese, milk powder and the like.In the sugar industry it was the recognition of this important relationship between its own prospects for growth and the state of the technology at farm level that prompted the processor to develop its own engineering activity in order to develop and supply beet harvesters for Irish conditions and to put its energies into the difficult task of getting the new technology adopted by the growers. The development of the distilling industry,in contrast,was largely unaffected by the national growth rate in barley production,its main agricultural raw material,because it uses a relatively small percentage of the total national output.

The trend over time in the development of milk processing,sugar processing and distilling has been towards increasing concentration in physical capacity. Ongoing technological development has yielded economies of scale in the processing systems in all three cases,in terms of both capacity per £ invested and operating cost per unit produced. This tendency towards the adoption of more centralised,high volume,automated processing capacity has also been influenced by important marketing considerations. The maintenance of consumer and trade loyalty,which is difficult to win and easy to lose in all three industries,depend on consistent quality and continuity of supply. Production scheduling and production quality are normally more easily controlled where capacity is concentrated and processes are automated. In the case of the dairy industry this trend towards the concentration of processing capacity was also dependent on the changing economics of raw material assembly. It was developments in motorised transport and refrigeration technology that made technically and economically feasible the evolution of the Irish dairy industry from its early fragmented parish structure to its present structure which is now dominated by large processing centres. Raw material assembly economics were a also an important consideration in the location of the original four sugar beet factories,though less important than in the case of milk,which is more perishable and more prone to contamination. Over time in both cases the scale economies in centralised processing came to outweigh the raw material assembly economies in decentralised processing.In the case of the distilling industry the economics of barley assembly had relatively little impact on the issue of centralised versus decentralised processing because the cost of procurement has always been small relative to the cost of processing.

A further consideration encouraging the trend towards concentration of processing capacity was the desireability of having multipurpose processing facilities located in one complex. This is particularly evident in the case of the dairy industry. The industry largely produces storable commodities and the market for any given commodity can swing considerably from year to year. The ability to adjust production levels across commodities in order to take maximum advantage of the short term variations in the marketplace can have a sizable impact on the profits of the industry as a whole and of the individual participants. These adjustments are more easily made within a single complex managed by a single management hierarchy than across complexes and across organisations. In the distilling industry the move to concentrate distilling capacity was also influenced by considerations of processing flexibility,but to a much lesser extent. This is because the flavouring spirits that give the different brands of whiskey their characteristic flavour must be laid down in cask early in the maturation cycle,which for the pot-still distillates is 8 to 10 years. The flexibility gained was more in terms of being able to make adjustments to certain product attributes,i.e.small variations in colour and taste,to suit the preferences of different national markets. Production level adjustments across the different whiskey distillates is more responsive to long term markets trends than to short term market variations.In any case,short term market fluctuations tend to be much less severe in the case of branded products than in the case of commodities and strong consumer loyalty to particular brands is a noted feature of the distilling industry.

The availability and adoption of new technology can be an important element in diversification. In the case of the sugar company the adoption of accelerated freeze drying technolgy(AFD),a revolutionary dehydration process,became a cornerstone in the company's diversification into food processing. The company opened the world's first commercial AFD processing plant at Mallow in 1961 and developed a new range of branded and commodity food products based on this process. Ironically while this technological development provided basis for a unique success factor in the company's food business strategy,another technological development,refrigeration,and its application to the food industry in the form of frozen foods,went some considerable way to undermine it. In the case of Golden Vale the adoption of processed cheese technology in 1947 was the foundation on which it was built and the adoption of spray-dry technology in the 60's was the basis for its major diversification into what was later to become its main product line, fat-filled milk powder.

The concentration of capacity in specific technologies oftens involves a major commitment of resources to specialised activity. These commitments can then become major contingencies for future strategy formation.They are the resource base or capability on which future strategy will be built.More often than not this commitment to certain technologies is manifest in the large investment in specialised physical assets. The investment of Irish Distillers in the Midleton distillery complex,of CSET in its specialised sugar factories,and of Golden Vale in its Charleville dairy processing complex are the most obvious examples in the data. For organisations like these,the production technology is extensive and mainly embodied in specialised physical assets.
For some organisations the production technology is intensive.It resides primarily in the specialised knowledge and skills of professionals.The fourth organisation included in this study,AFT,falls into this category. The commitment to specialised assets,in this case mainly human assets,is a major contingency for future strategy here also,particularly where the organisation offers longterm security of employment.This was a major factor in AFT's ongoing difficulties in attempting to change the emphasis in its research programme.

Factor 2: INDUSTRY STRUCTURE

Industry structure is usually taken to include basic conditions of supply and demand;and market structure,including the relative concentration of suppliers,competitors and buyers and their competitive strategies(Scherer,1970; Porter,1980). The data reveal an interactive relationship between industry structure and strategy formation and illuminate some of its characteristics.

Galbraith(1963;45-46) noted a typical pattern in many US industries in which "a point of stability is reached with a handful of massive survivors and,usually,a fringe of smaller hangers-on". He pointed out that this tendency towards concentration is "deeply organic" and not simply "the result of some individual's imperial design". He identified a number of structural biases that develop within many industries which favour the existing participants and deter new entrants. These include economies of scale,capital and brand loyalty barriers to entry, preferential access to capital for those with a proven track record, economies of experience,and the like. This same tendency is noticeable in the development of Irish industries but often to a point of stability where there is just one large survivor. The underlying economics of industry structure have been an important consideration in the evolution,over time,of industry organisation.

Irish organisations have a small domestic market. Even in those cases where an industry is dominated by one company this large survivor tends to outgrow the domestic market at a low level of turnover in international terms. Irish Distillers is an example. In 1983 the company's brands accounted for 80% of the domestic market for whiskey. Yet the Irish market for whiskey was only around 1% of the US market by volume,and a fraction of 1% of the world market,in the same year. In the decade between 1975-85 international sales rose from 30% of the total industry sales by volume to 58%,a trend that is continuing. Growth-oriented Irish companies,then,must seek their growth mainly through expansion in the international business arena. The rate at which capital has tended to concentrate in many Irish industries,and the level to which this concentration has progressed,have reflected the developing concentration in the industry internationally and the scale of the industry's international competitors. Few Irish industries can now support more than a handful of indigeneous companies that are significant competitors in international terms and many industries, like distilling,can support only one. Irish Distillers is the Irish distilling industry at the time of writing,and has been the Irish distilling industry for nearly two decades.

Irish Distillers became the Irish distilling industry through the merger of the three main Irish distilling companies in 1966 and through the subsequent acquisition of Bushmills in the 70's. This concentration strengthened the international competitiveness of the Irish distilling industry in a number of important respects. It significantly improved and secured the profitability of the industry's domestic activities through rationalisation and scale economies,first in sales and marketing and later in production and distribution. Prior to consolidation the industry was dissipating resources in inter-company and inter-brand competition.It was failing to make any appreciable impact on its major generic competitor on international markets,scotch whisky,because of there was insufficient funding for product and market development.Capital formation was inadequate and fragmented in an industry in which the productive capacity was in need of modernisation. The industry had a high cost structure as a result of insufficient capital intensity in international terms and there was scope for economies of scale,but not at the scale of the individual competitors.

The domestic consumer's interests were protected in the consolidation through the operation of government price controls and the availability of imported substitutes. The concentration of capital in the industry brought about by the merger allowed the industry to use its improved and more secure domestic profitability to underwrite a consolidated effort aimed at developing overseas markets,particularly in the US. As a result of the merger the industry was able to concentrate,in its export strategy,on promoting Irish whiskey as a generic product while de-emphasising inter-brand competition by selectively promoting the individual brands wherever they were most likely to do well.
The international competitiveness of the Irish distilling industry was, it appears,structurally strengthened by consolidation. However,the data indicate that there were also defensive considerations involved in the

merger. Prior to the merger the industry was dominated by three distilling companies. One of these had become financially weak and was vulnerable to take-over. There were concerns among the others that the the troubled firm might be taken over by a large British brewing company with uncertain,and less controllable, consequences for the future structure of the industry.

The same broad strategic considerations were involved in the progressive concentration that has taken place in the dairy industry over the years. For the Irish dairy industry to develop to its full potential it was necessary to turn for its major growth oportunity to export markets. In 1983 the Irish market absorbed only 20% of the industry's total output with international markets accounting for 80%. Though the international market is vital to the industry,Irish dairying accounts for less than 3% of world output and faces strong international competition. The first major concentration in the industry took place in the export marketing area when An Bord Bainne,the Irish Dairy Board,was set up in the industry in 1962 to be the central agency for the marketing of Irish dairy products abroad. This enabled the industry to promote much of its produce abroad under a generic brand,Kerrygold, which raised the quality image of Irish dairy produce and improved the industry's export earning potential.

The concern to strengthen the industry domestically so that it might be more competitive internationally was also central in the major rationalisations that took place in 1927 and in the 1968-74 period. It remains central to the recent momentum which has built up within the industry for further consolidation. The 1927 rationalisation stabilised and concentrated the profitability of the industry when it was in imminent danger of collapse from a combination of excess capacity and sharply declining demand. The rationalisation of the 1968-74 period brought about a major concentration of capital in a number of large processing units.The large scale capital programmes of these units were a vital element in the expansion and diversification of the industry that characterised this period and would not have been possible had the industry remained fragmented. The greater concentration of capital and organisation allowed for major capacity expansion with economies of scale,in large multipurpose process complexes which facilitated product level adjustments to take advantage of short term market fluctuations. The cost structure and revenue earning capability of the whole industry were enhanced as a result. The potential for further economies of scale is limited by the high transportation costs and highly seasonal pattern of production that still characterise this industry(Porter,1980;197). However the economic rationale for further consolidation in the late 80's is that it would allow for even more process flexibility and enable more concentrated application of capital for further technological improvements but most importantly for product and market development.The profitability of the industry would be enhanced through the reduction of domestic intra-industry competition and through the potential for rationalisation in milk assembly and domestic distribution.

CSET is the Irish sugar industry and has been since it was founded in 1934. Concentration in the sugar industry did not progressively evolve, unlike the situation in distilling and dairying. CSET was set up from its foundation as a state monopoly. This action was taken when the second attempt by private capital to develop an indigeneous sugar industry failed. Private entreprise had established the technical feasibility of an indigeneous sugar industry based on the extraction of sugar from beet,but not its economic feasibility. Concentration of capital and domestic market power,from the outset,were seen at the time of CSET's foundation to be the structural economic prerequisites for the successful development of this industry. The data show that CSET was set up as a state monopoly for pragmatic developmental economic reasons and not because of any underlying political philosophy of social ownership. In the case of dairying Ireland has traditionally had a low cost comparative advantage in the production of milk because of a longer grass growing season relative to its major international competitors. The Irish sugar industry has no such low cost advantage and in fact is a high cost producer in beet production relative to the main European beet growing areas,such as the Paris basin. Irish sugar,though comparable in quality with any produced elsewhere,does not have a premium image internationally,unlike Irish whiskey. Consequently,unlike the cases of distilling and dairying,the output of the Irish sugar industry goes mainly to the domestic market with over 80% of the output disposed of on the island of Ireland.

While CSET,at present,exports less than 20% of its produce,its growth and development have been significantly influenced by the structure of the international sugar industry. The world market for sugar is currently of the order of 100m tons per annum. The total tonnage for disposal on the world spot market,however,is only 15m tons. The remaining 85m is disposed of under price support mechanisms at high domestic prices in the large markets of the US,Australia and the EEC. There has never been a free market for sugar since CSET was founded. Agricultural commodities like sugar and dairy produce present particular problems when supply and demand are left to the operation of the market mechanism alone. Much of agricultural production is characterised by relatively inelastic demand and by the inability of the market mechanism to control supply(Heilbroner&Thurow,1975;133). Agricultural producers must typically make their production decisions simultaneously and short-term adjustments to the production of basic commodities in response to current market prices is always difficult,and usually impossible to any great degree. Producers plan future production levels on the basis of current prices and,under free market conditions, the overall effect would tend to be a 'cobweb' type supply-demand relationship. This,in turn,would lead to sharp fluctuations in prices and to frequent,and drastic,cycles of surplus and shortage. Such an instability would ramify and amplify throughout the economy,through the downstream agricultural-based industries. Consequently the international market for commodities like sugar and dairy products has come to be governed by price support mechanisms,that favour domestic producers and try to stabilise producer income,and by production quotas that attempt to stabilise supply. When CSET sought to grow beyond its domestic market in the early 60's it turned its attention to diversification. This was to a large degree a recognition that the protected structure of the industry internationally,and its own lack of significant comparative advantages,severely restricted its potential for growth through the export of its primary product,sugar.

An Foras Taluntais is different from the other three organisations in this study in that it is not a manufacturing organisation and it does not dispose of the bulk of its 'product' through a market mechanism. Nevertheless its strategic development has been tied inextricably to the structure of the industry which it serves. Agricultural production is by nature difficult to concentrate to any large degree and farming as an industry tends,in Western economies,to be highly fragmented. The industry,taken as a whole,has little consolidated market power and generates little concentrated surplus that can be reinvested in the areas of research and technical development. Furthermore,the individual farmer has little incentive to fund research on an individual basis because he has neither the resources to afford the critical mass of research normally needed to produce a development nor would he be able to prevent most of his innovations from being appropriated by the rest of his industry without it having contributed to the cost of development. It is for reasons such as these that many Western governments have set up state-funded research organisations to support the technical development of agriculture(Galbraith,1963;104).

AFT was described in the case narrative as an state-funded infrastructural R&D organisation for Irish agriculture.It got its raison d'etre from the underlying economic structure of agricultural production and processing. As this underlying structure has changed over the years AFT has persistently found itself having to try to redefine its role in line with the change. The major strategic shifts in AFT's research programme from production research to processing research, from government-funded to user-funded research, and from basic infrastructural research to specific contract research are all manifestations of how the oorganisation's strategic emphasis has changed,over its lifetime,with changes in the underlying economic structure of Irish agriculture.

The data show that all four organisations have at various stages in their development been heavily influenced by organisational and technological developments in their respective industries worldwide. The major capital investments by IDG in Midleton, Golden Vale in the Charleville complex,and CSET in the refurbishments to the sugar plants, were all done with reference to the latest available process technology anywhere in the industry. Furthermore,from the pioneering efforts of Horace Plunkett right down to the major reorganisation efforts of the last two decades the drive to consolidate and strengthen the structure of the Irish dairy industry have been taken with reference to what has been happening elsewhere in the industry internationally,as,for example, the excerpts from the report of the Dairy Survey Team(1963) included in the case narrative most clearly indicate.Similarly the initial concept and structure for AFT owe much to the Dutch model than was then in existence and the major reorganisation that took place in that organisation in 1971 was carried out essentially to a blueprint drawn from the Canadian experience. CSET continues to monitor its comparative performance through the European Sugar Manufacturers Association which publishes annual 'campaign' statistics on the beet harvest and on production yields and costs.IDG picks up what it can on international competitors and on what is happening in the industry generally "from bits and pieces that are published,bits and pieces that you get from personal contact and bits and pieces that you get from visits to other companies",as one senior executive put it. These bits and pieces enable IDG to monitor such comparative measures on their international competition as case sales per employee,return on shareholders funds, debt-equity ratios etc. for the major Scotch and American whisky distillers. AFT and Golden Vale carry out similar monitoring of their comparative positions within their respective industries.

The vertical relationships in the industry structure have also been a significant factor in the formation of strategy in all of the cases. For the sugar and dairy industries the relationship with the sources of supply has been of major importance. The major thrust of the General's first phase as leader of CSET was to secure the source of supply. As the Irish sugar industry sought to grow to its full potential domestically the General invested considerable CSET resources into the expansion of the acreage under beet,and towards the improvement of crop husbandry and crop quality. Under constant threat of competition from alternative uses for the land under beet the company has had to try to ensure, through its own productivity and through its help to the beet growers, that the production of sugar from beet remained a profitable proposition for the supplier as well as for the company. The growth of the dairy processing industry was also totally interdependent with the expansion in milk supply. The amalgamation blueprint of the 1968-74 period was an attempt to chart the orderly expansion of the whole industry through an agreed allocation of the milk supply. So critical has this relationship been in the industry that the processors had developed an industry norm around not competing directly for milk supply. On the few occasions when this norm was breached the ensuing milk wars created major uncertainty and instability in the industry. In the case of Golden Vale,the milk war with Kerry in the early 80's undermined its profitability and was the major factor in its fall from number 2 in the processing industry to number 6. Like the sugar industry,the dairy industry has also had to contend with competition from alternative uses for land and sources of farm income. The major drop in national milk production in the 1980-81 period represented a sharp drop in the confidence of producers in their industry and gave rise to an over-capacity situation in the processing part of the industry chain,which was a direct cause of the milk war that ensued between Kerry and Golden Vale.

A central dynamic in the relationship between producer and processor in these two industries is that it involves both cooperation and competition for profitability at one and the same time. The processors need to generate internal funds for capital maintenance and for further development,yet they must ensure,through the milk price and the beet price,that the producer's income is at least adequate to secure his continued participation in the industry. In spite of their long history of association and interdependence in the development of their respective industries the issue of milk price and beet price,and through them the division of the profits of the industry,remain perennially the most sensitive issue between producer and processor.

For Irish Distillers and An Foras Taluntais it is the vertical relationship at the forward end of the industry chain,the distribution end,that has been most significant strategically.Before the 1966 merger that consolidated the production of Irish Whiskey,the product was brought to the ultimate consumer through an independent wholesale network. Moreover,the wholesalers typically bought the whiskey in cask from the distillers and did their own blending. To gain more control of their product quality,and of its access to the consumer,one of the first major strategic moves of the newly merger entity was to bypass the wholesale network and distribute a bottled product directly from the distillery to the retail outlets. This involved a massive investment in pipeline inventories, that were previously carried by the wholesale trade. It also involved a major political confrontation with the wholesalers,whose power and stake in the industry were being taken away. These risks were assumed by the newly consolidated distilling company as an essential element in a strategy that involved development and domination of the home market as the basis for a future export-led growth drive. Then over the following decade a major structural change developed in the retailing end of the industry. The growth of the off-licence trade,both stand alone and within the large multiple supermarket chains,both shifted and consolidated buying power within the industry so that by the 1980's this off-licence business represented about 40% of IDG's domestic business concentrated in the hands of just 10% of its customer base. It was to increase its own influence over this retailing structure that IDG integrated forward in 1984 and took over the BWG Group. The acquisition,through this takeover,of a large cash and carry business,AWL,gave IDG a more direct influence on the independent off-licence trade.

For An Foras Taluntais the relationship with the advisory service has always had strategic significance. The advisory service was developed to be the primary channel through which the research output of AFT would be distributed to the farming community. Even though these agencies were supported mainly through the political system rather than through the market system,nevertheless,they were still links in an industry value chain(Porter,1985).These agencies,like independent producers and distributors in the market system,have found themselves competing for a share of the 'income' that is generated through the service that they combine to give to the farming community. The 'income' in this parallel between market systems and public arenas is the annual appropriation, which as Wildavsky(1965;34) pointed out in his development of the parallel is the "most essential manifestation of political support",and one could add also of public prestige,for a public agency. Two major efforts have been made to bring about an integration of the two services. The first effort in the mid-seventies was driven by the Minister for Agriculture and by the Director of AFT. The Minister's goal was to achieve the same level of political 'revenue' from a smaller amount of public expenditure through the rationalisation of the two services. The Director's goal was to consolidate and to extend the power and prestige of his organisation within Irish agriculture. This first effort was resisted by a coalition of the professional staff within AFT with the main opposition party in Dail Eireann. A decade later,under severe public service budgetary constraints,the government of the day have succeeded in forcing through a merger of the two organisations which is bringing about a major rationalisation and retrenchment of the two services.

Finally,strategy formation in all of the organisations in the study has at various stages,been significantly influenced by basic structural changes to the supply-demand relationship within the industry and by the development of substitute products. The distilling,dairying and sugar industries have all in recent times experienced significant shifts in consumer demand away from their main product lines because the growing concern among consumers generally about health and diet. The Irish Dairy industry has seen the domestic sales of its main product,butter,fall by almost 40% between 1983 and 1986 as consumer demand shifted to lower fat,lower colesterol substitutes. Dairy processors have reacted through intensive new product efforts industrywide to develop low-fat,low colesterol spreads.The industry as a whole has also begun to recognise the need to diversify its product range considerably and to become more consumer oriented. Excess capacity in the industry internationally and the sharp decline in demand for the industry's traditional product lines are together having a major influence in the strategies that are currently being formed throughout the industry. Furthermore the availability of cheaper forms of animal feed,in particular of corn gluten from the US,has changed the cost structure of the industry.It has made the large scale concentrate-feeding of cows an attractive proposition and has thereby eroded much of the low cost comparative advantage of the Irish industry.It has also encouraged over-production under the price support mechanism in the EEC dairy industry at a time when the overall demand worldwide for dairy commodities is declining.

In distilling the major strategy that IDG developed in the post merger period and persisted with throughout the 70's was to build up a strong profit base in Ireland through dominance of the domestic market,and to use this base to fund its development of the US market. The US market was seen to offer it enormous scope for growth beyond that afforded by the domestic market alone.IDG invested heavily in this strategy, but it became seriously undermined in the late 70's,and early 80's,when the underlying trend in US demand began to move away from the company's main product base. American consumer taste began to shift away from hard liquor to wines and beers,again reflecting a growing concern with health and diet. Furthermore,within the hard liquor category itself there has also been a shift away from brown spirits towards white spirits which has exacerbated,for IDG,the effects of the decline in the spirits market. Starting from such a low base the company managed to develop the US market to the degree that Irish whiskey became the fastest growing category of spirit in the overall declining market. However,the countervailing market trends have limited the potential of the strategy and increased its cost. This development has recently led to a major revision and modification of the company's strategy for export-led growth. Reflecting the overall trend in the liquor market generally the company has also in recent years successfully launched its first non-spirit new product,a new strategic departure, with a fair degree of success. Finally,in the distilling industry internationally, the decline in demand has led to an increase in concentration as the the major players have moved to maintain their earnings growth through acquisition and take-over. As a result of these developments IDG,with its monpoly control over a distinct genre of liquour,Irish whiskey, became an increasingly attractive target for takeover. For six months during 1988 two international players were locked in a battle for the future ownership of the company. The eventual success of Pernod Ricard in this takeover battle will undoubtedly have historic implications for the future of IDG and the Irish distilling industry.

For the sugar industry worldwide the major development affecting the overall level of demand has been the trend away from sugar towards low calorific sweetners and towards more direct substitutes. The natural growth that the sugar industry experienced through the sustained growth in one of its major customers,the soft drink industry,was severely attenuated by the development of isoglucose,as a direct sugar substitute;and aspartame as a low calorific sweetner,more popularly known as nutrasweet. The trend towards the low calorific sweetners is yet another reflection of the underlying consumer concern with health and diet.The trend towards the direct substitutes reflects the desire of the soft-drink industry to reduce its dependence on the sugar industry and to secure a source of supply that is less prone to the periodic shortages that can befall a natural product as a result of a particularly bad harvest. For CSET the effect of these trends has been to reaffirm its strategic confinement in sugar largely to the domestic market and to put it under increasing competitive pressure in this market.

Supply-demand considerations and the availability of substitutes have operated more indirectly in the case of AFT. This organisation has always had a problem in measuring the demand level for its services, in determining the level of consumer satisfaction, and in sensing basic shifts in its consumer's needs. In fact it was precisely because of these difficulties that it evolved fairly elaborate review processes to ensure that its research programme remained current with the changing problems of its clients, and to demonstrate to the resource providers the level of its client support. The early 1970's marked a major change in the financing of the organisation. The government of the day decided that the further development of the organisation would be tied more directly to client support in the form of levies and contract research. The tangible support coming from some sectors, most notably the dairy sector, was higher than that from others and the relatively poor response from the main sector of Irish agriculture, the beef sector, was particularly disappointing to the organisation. Direct government funding of AFT began to decline steadily in real terms from the mid-70's onwards. This forced the organisation to find progressively more revenue directly from the client base and has been a major factor in changing the emphasis in the research programme away from basic research to development research. More recently the demand for production research, for long the bedrock of the AFT programme, has declined dramatically in the light of the developing surpluses in agricultural commodities. The demand for research on processing has increased. However, with the increasing concentration of capital in the processing industry, many of the large processors have begun to develop their own in-house R&D. In-house R&D is a major substitute for the services of an organisation like AFT. This trend towards in-house R&D, therefore, has major implications for AFT's future role in Irish agriculture.

Factor 3: THE INTERNATIONAL TRADING ENVIRONMENT

Strategy formation in the organisations under study was also affected by elements in their situational context analytically separate from their technologies and industry structures. If the world was truly a single market economy then technology and industry structure would be the salient contextual elements in the formation of strategy. The fact that world trade patterns are affected by political as well as economic considerations made it meaningful to distinguish,within the situational variable of industry structure,between the industry structure nationally and internationally. It also suggests that the changing structure and 'rules of the game' of the international trading environment,and the domestic public policies of major trading partners,can have a marked effect on the development of trading organisations,particularly on those of a small open economy like Ireland.The data show that at various times and in various ways developments in the structure and 'rules' of the international trading environment,and in the level of international trade,did affect the development of the focal organisations.

International Conflicts

The two major international conflicts of the twentieth century disrupted the prevailing pattern and level of international trade. After each of the World Wars,the pent-up demand released at the end of the conflict gave rise to post-war booms. For agricultural products with their relatively inelastic demand the immediate boom in both cases was short lived and followed by a dramatic fall in prices. For the developing Irish dairy industry the effects of the first world war and its immediate aftermath were particularly significant. The industry was still in its formative period when hostilities broke out in 1914. Since 1890 the industry had been rapidly transforming from a farm-based to a creamery-based structure,largely due to the initiative of the cooperative movement under the leadership of Sir Horace Plunkett. During the War the industry continued to expand. The pattern of its production changed dramatically,however,in response to the changes that war time conditions brought about in Britain,its primary export market. During 1915-19 butter exports to Britain fell from 40k tons to 17k tons under war-time price controls.This,however, was more than compensated for by the dramatic expansion in cheese exports which rose over the same period from .25k tons to 15k tons as the price of cheese,a wartime scarcity, soared.

Inflated post-war prices for agricultural products generally, including cheese and butter,fell rapidly after 1920,and continued to be depressed for most of the decade. As commodity prices fell,so too did milk prices,and the milk supply to the creameries contracted. The Irish dairy industry,which had expanded rapidly and fragmentally in the 1913-20 period in response to market oportunity,found itself in the post 1922 period with severe excess capacity. The scramble for survival which ensued was so potentially destructive to the whole industry that the Government was persuaded to intervene to rationalise it. The rationalisation of 1927 was significant in history of the industry for two reasons. It consolidated the industry and strengthened its base for further development. It also secured the industry for the cooperative movement at a time when cooperative and private interests were both jockeying for primacy in the organisation of the industry.

For the dairy industry the disruption caused by the Second World War affected the growth rate of the industry more than its structure and organisation. Scarcity of supplies,transport and fuel shortages all made life difficult for the industry. Butter was rationed,prices were controlled and the industry's latest effort to develop the British market,through the recently established Butter Marketing Committee,was disrupted.There was competition for land use from tillage,which was intensified by the Government's emergency compulsory tillage programme. The result of all of these effects was that national milk production remained at a level of 130m gallons throughout most of the 1940's,a level only 30% higher than the level operating in 1922. The take-off of the industry was delayed for almost a decade by the international conflict.

For the sugar industry the advent of the 1939-45 war both accelerated the development of the industry and strained it to near breaking point.

CSET had been set up in 1934. For its early development it relied heavily on the import of European technologists. When the war broke out these strategic resources returned to their homelands and the company was forced by the exigencies of the situation to become self-sufficient with national expertise alone,much sooner than had been forseen at its foundation. The organisation responded to the challenge,and the industry proved its strategic value to the country in being able to supply the home market to its pre-war levels throughout the period of the conflict. However,the hostilities did lead to severe difficulties in the acquisition of vital spares for the beet processing equipment,which were unobtainable from the original suppliers. There were vital shortages also in grease,oil,formalin and beet knives. Beet seed,no longer available from abroad,had to be grown at home,and fertilisers were in short supply. By 1945 the industry "had a group of experienced people but they had expended their efforts on stop gap measures" to keep the industry going during the war. The industry had proved itself but was not in a very coherent state at the end of the conflict.

The Structure of International Trade

The structure of the international trading arena,like that of many industries,is not homogeneous. The structure of international trade is dominated by a small number of major economic powers or trading blocks. The pattern of trade is largely dictated by these major powers,and the majority of international traders have to survive under their 'umbrella' with comparatively little influence on the evolution of the structure,or on the prevailing pattern,of world trade. The structure and pattern of world trade,and the 'theories in use' of the major economies that largely determine this structure and pattern, have gone through a number of major changes since the end of the 1914-18 war. The changes which the data show had most impact on the development of Irish organisations were;the protectionism and isolationism of the interwar years,the formation and development of the European Economic Community and the general trade liberalisation and boom of the 1950-74 period; the emergence of OPEC as an economic power block and the redistribution of world income; and the 'new game' of the 1980's.

Protectionism and Isolationism

The protectionism and isolationism that characterised the international trading arena in the interwar period had its roots in the decline of Free Trade as the governing economic principle,in the unwillingness of the United States to assume a leadership role in the ordering of international economic affairs,and in the Great Depression. The evolution of this protectionism and isolationism is now briefly reviewed,as a prelude to examining its effect on the development of the organisations in the study.

Great Britain was the major economic power of the nineteenth century and a strong and persistent supporter of free trade. Having achieved a significant lead,historically,in the process of industrialisation, Britain had a comparative advantage over less industrialised nations in the international mass marketing of its manufactured goods. Under free trade conditions British manufactures were highly competitive with domestic products in most foreign markets. By the early years of the twentieth century the industrial power bases of the United States and Germany had grown to match that of Britain in the international arena. Both nations had used selective protection to allow their industrial bases to grow to full competitiveness in international terms. The case for free trade as a universal doctrine for international trade was empirically undermined by the evidence of US and German experience.

The United States emerged from the 1914-18 war as the world's leading economic power. However,it was reluctant to accept the political risks that it felt to be associated with any active leadership role in the restructuring and reordering of international economic affairs in the post-war period. "It was willing to participate in internationally-flavoured pacts and agreements but unwilling to bind itself by either machinery or promises to actual involvement in European or Asian affairs",and American statesmen faced at home "a strong determinism to avoid foreign entanglements,keep up trade barriers and emphasize domestic progress"(Nye&Morpugo,1965;651). In the period 1920-32 American public opinion was fairly evenly split between isolationism and internationalism and US foreign policy steered a middle path.
Under this 'middle-path' policy,the US economy expanded rapidly

throughout most of the 1920's. Except for agriculture,mining and textiles,the business profits of America reached new historic heights. US economic development had become the envy of European countries, still struggling with post-war reconstruction. Then the American 1920's boom spiralled out of control.

The seemingly boundless optimism in the future profit growth of US business led,in the late 20's,to a massive rediversion of American capital from investment in European economies under reconstruction,to domestic speculative investment in US stocks. US stock prices rose to grossly inflated levels. When the crash came in October 1929,it was sudden and dramatic. Between 1929 and 1932 economic activity in the world's leading economy had declined sharply and drastically. Stock prices fell by 83%,productive output was down 40%,dividends were down 57%,wages were down 60%,money had depreciated by 50% and,worst of all,unemployment reached 17million(Nye&Morpugo,1965;660). The sudden drop in the level of US imports compounded *the pre-crash impact of* the sudden withdrawl of US foreign investment and the depression quickly spread internationally. Productive output in Britain,France and Germany fell by 16%,28% and 47% respectively between 1929 and 1932 and unemployment rose to unprecedented levels in these major industrial nations.

The Crash of 1929 and the Great Depression that followed created,not just economic,but also ideological,shock waves that affected Western political and economic order. Free trade and laissez-faire were abandoned as guiding principles in many industrial nations. For Britain,in particular,it meant the abandonment of long cherished free trade ideals,at least for the foreseeable future.The influential economist J.M.Keynes,at a public lecture in Dublin in 1933,indicated the change in contemporary intellectual opinion that these events had brought about,particularly in relation to the doctrine of free trade:

"I was brought up,like most Englishmen,to respect Free Trade not only as an economic doctrine..but almost as part of the moral law..Yet the orientation of my mind is changed;and I share this change of mind with many others..It is my central contention that there is no prospect for the next generation of a uniformity of economic system throughout the world,such as existed,broadly speaking during the nineteenth century;

that we need to be as free as possible of interference from economic changes elsewhere,in order to make our own favourite experiments towards the ideal social Republic of the future;and that a greater movement towards national self-sufficiency and economic isolation will make our task easier,in so far as it can be accomplished without excessive cost"(The Finlay Lecture,University College Dublin,19/4/33).

The unprecedented high levels of unemployment in the Great Depression brought to an end the laissez-faire relationship between governments and their industrial complexes. In 1932 the US electorate endorsed F.D.R.'s 'new deal for the American people';a deal he had pledged to deliver through 'bold,persistent experimentation'(Nye&Morpugo,1965;662-4). Likewise in Britain,the MacDonald government,in 1931,"were given a 'doctor's mandate'to try any remedy"(Pollard,1983;123-4). By popular mandate these administrations were given a more active role in the management of their economies and empirical pragmatism replaced economic doctrine as the guiding philosophy for their actions. Later,in 1936, Keynes published his 'General Theory of Employment,Interest and Money' and provided a new and powerful theoretical legitimacy for this new active role.

International trade in the 1929-39 decade,then,was characterised by protectionism and isolationism.The protectionist policies of this era were different in character and motive than those which had allowed the industrial bases of America and Germany the time to take root. In the period of the Great Depression the world's leading traders turned to general protectionism and isolationism in an attempt to 'export' their unemployment and to decouple their economies from the effects of depression elsewhere.International trade became more restricted and its volume fell considerably. International trade became more politicised and tariff barriers came to be used as instruments of political,as well as economic,policy.

For the Irish whiskey industry the interwar years offered little scope for development.The economic boom that the US enjoyed for most of the 20's before the crash might have provided the Irish whiskey industry with an oportunity for major development through export-led growth were it not for the prohibition wave that swept across the United

States during this period. Prohibition was repealed in 1933 but after the Crash of '29,the fall in US domestic demand and the rising tariffs on imports effectively closed off any hope of regaining a substantial presence in this major market for whiskey until after the War.
In the early 1920's Irish pot-stilled whiskey had begun to lose significant ground to blended whiskey on its major export market,the UK market. Then the combination of Great Depression,destructive 'Economic War' and wartime disruption almost totally eroded its position on this market. All in all the total exports of Irish whiskey fell drastically over the 1925-45 period from 1.012m to 0.108m proof gallons. The industry came to concentrate almost entirely on the domestic market during the 30's and 40's and remained fragmented,inward-looking and relatively inefficient behind the Irish tariff walls.

The interwar years were difficult years for the development of dairy production and for the expansion of Irish dairy exports. Britain remained the major export market for Irish dairy products until the 1960's.The British economy did not enjoy the same level of buoyancy that characterised the US economy throughout the 20's. This was largely due to her return to the gold standard and to her maintenance of a grossly overvalued currency throughout this period,at the expence of a low level of economic activity and a high level of unemployment,even before the slump. We saw earlier that the go-stop condition of the British market for dairy products in the early 20's led to a shake-out in the Irish dairy industry and to its first major rationalisation in 1927. Prices recovered somewhat towards the end of the decade and then declined steeply after 1929 as the depression took hold. At that time export prices regulated the price of butter on the home market and this in turn determined the milk price to farmers. By 1931 milk prices had fallen below the 1914-18 levels. It was in these circumstances that a price support system was introduced into the Irish dairy industry for the first time in order to stabilise it and protect it from the harmful effects of external influences.

The British market continued to be of strategic importance to the Irish dairy industry even when the market went into a depressed state after 1929. Britain adopted a policy of protectionism in 1931,reflecting the change in the international arena generally with the onset of the Great

Depression. However the British response to international protectionism was to create a large trading block around itself through a system of imperial preference and protected by a tariff wall from outsiders. The Irish dairy industry might have benefited by continued favoured access to the British market through this imperial preference system because of Ireland's dominion-type status at that time. However the 'Economic War' that broke out between Ireland and Britain during the 1932-38 period was a clear manifestation of the political use of the tariff barrier by both countries. All Irish exports to Britain, including dairy exports, faced a punitive ad valorem duty of first 20%, rising later to 40%. The Government did take action to mitigate the effects of these tariffs by the introduction of export subsidies but between the post-war go-stop conditions in the British market in the 20's, the protectionism and economic war of the 30's and the international conflict of the 40's, the Irish dairy industry found little scope for development in the basic area of milk production and processing.

The industry structure did however change significantly during this period and turnover grew. There was a marked consolidation of societies as stronger units took over weaker units and the industry's current structure began to take shape in this period with the emergence of Ballyclough, Mitchelstown and Dungarvan (now Waterford) as three industry leaders. The price support systems did allow for a more ordered development and in the face of static milk supply levels the industry turned, in this period, to the expansion of its trading activities to increase overall turnover. Agri-goods, which in 1920 accounted for only 13% of the turnover of the cooperative creameries, rose to 32% by 1940.

In contrast to the distilling and dairying industries, whose prospects for development were limited by the prevailing protectionism and isolationism that characterised the international trading arena at this time, the budding Irish sugar industry was saved from extinction and nurtured through its infancy in these same prevailing conditions. The first commercial attempt to develop an indigeneous sugar industry was failing when the State intervened. The State's intervention in 1934 to reorganise the industry as a state-owned monopoly was a reflection of the empirical pragmatism that characterised the prevailing wisdom about state intervention in economic activity.The government of the day recognised that the manufacture of sugar from sugar-beet was not,in itself,a commercial proposition but justified it on the basis of its advantages to the economy as a whole,in terms of agricultural and industrial employment and of social development. The isolationalism and protectionism that had become the 'theories in use' in the international trading arena provided an external supporting rationale for such a view, and for establishing the industry under tariff protection.

International Trade Liberalisation and Expansion and the EEC

The volume of international trade over the 1913-74 period shows two distinct phases:

	1913	1928	1937	1950	1960	1970	1974
Index of volume of world exports	100	113	114	131	244	525	732

(Sodersten,1980;100).

Table 9.1 - Index of volume of world exports 1913-74.

The period up to 1950 was characterised by two world wars and an interwar period that combined a deep depression with an era of isolationism and protectionism. These factors,taken together,severely restricted the growth in international trade.The period 1950-74 presents a marked contrast. During these two decades world production and world trade expanded considerably with trade expanding faster than production, indicating the growing level of interdependency in the international trading arena.

After the Second World War the United States,as the international trading world's leading economy,played a more active role in the reconstruction of European economic activity and in the revitalisation of international trade than it did after the first world conflict earlier in the century. In the late 40's the economies of war-torn Europe struggled painfully to reconstruct their industrial bases and financial systems.Their international trading activities remained constricted because of the severe international liquidity difficulties arising out of lack of confidence in each other's currencies. The Americans "saved the day by their generous and spectacularly successful Marshall Aid Plan,which pumped desparately needed resources into the European economy"(Livingstone,1966;105).

Within Europe itself a new,and historic,economic order evolved from this American aid for European recovery. The first tentative and awkward steps were taken by the establishment of the Organisation for European Economic Cooperation (OEEC),which,while it made some progress on economic cooperation,remained essentially an inter-governmental conference in permanent session(Hallstein,1962;7).The first decisive step beyond economic cooperation and towards economic integration came with the famous 'Schuman declaration' made by Robert Schuman,France's Foreign Minister,on May 9,1950. Schuman proposed the pooling of French and German coal and steel resources under common supranational institutions that would be open to any other European countries able and willing to join. "Europe," declared Schuman,"will not be made all at once,or as a single whole:it will be built by concrete achievements which first create de facto solidarity". Building quickly on the process begun by the Schuman initiative,six European countries,led by those old traditional enemies,France and Germany,signed the Treaty of Rome in 1957 and brought into being the supranational European Economic Community(EEC).

The original six members of the EEC were France,Germany,Belgium,the Netherlands,Luxemburg and Italy. Great Britain had the oportunity, at least in the early stages,of being one of the leading architects in the evolution of the EEC. However she let this oportunity slip and in the process jeopardised her chances of gaining early membership of the Community after the EEC was formed. For this,there were a number of reasons. The maintenance of the imperial preference system,in its then form,would have been incompatible with European economic integration. Furthermore,Britain was reluctant to give up her desire to remain an independent world power. Finally,she was also sceptical that economic integration involving France and Germany could work,however worthy the ideals behind it,and she was reluctant to commit herself in advance of the evidence.During this formative period the British had begun "to accumulate the reputation of being bad Europeans"(Livingstone,1966;111), and Britain's first application for membership of the Community in August 1961 was unsuccessful. Ireland's application for membership was taken in tandem with those of Britain and Denmark and was likewise unsuccessful. The applications were not actually withdrawn and were re-activated later in the decade. In 1972 Britain,Ireland and Denmark were eventually admitted into the EEC. As an interim measure,and as a stepping stone along the way to Community membership,the Irish Government,in 1965,negotiated the Anglo-Irish Free Trade Agreement with her largest trading partner.

The Treaty of Rome provided for the progressive dismantling of tariffs between the member states and establishment of a common set tariffs on imports to the Community,in effect a customs union.It also went beyond this.The Community was to be a free trade area in which there would also be freedom of mobility for the factors of production,i.e of capital and labour.For all practical purposes national frontiers within the EEC were to have little economic significance. Special consideration was given to agriculture because of the complexities involved in freeing up trade in this area.

The formation of the EEC represented a new level of concentration in the structure of international trade and became,in itself,an important catalyst in the general liberalisation of trade.It created a new formidable economic block of 180 million people,a block comparable in size with the United States and likely to exceed it as time went by and membership enlarged. Furthermore,the members of the community began to enjoy economic growth rates that exceeded those of Britain and the US in the early 60's and many trading non-members wanted to participate in this growth.European countries that remained outside the community sought more liberisation of trade among each other and trade association with the Community.Even many of those Commonwealth countries that had been most critical of Britain's intentions to join the EEC in 1962 were,a short time later,making their own approaches to the Community for favourable trading terms. In Britain,Ireland and Denmark the 1962 failure to gain entry was seen as a postponement,rather than an outright rejection. Furthermore,the remarkable growth and bargaining strength of the Community also produced new pressures in the

United States which enabled the Kennedy administration to enact the Trade Expansion Act of 1962. This gave the President the power,among other things,to reduce all tariffs by as much as 50% and to cut tariffs down to zero on those commodities traded predominantly between the US and the Community(Sorensen,1965;454).The President stressed the political as well as the economic significance of the EEC and pressed on Congress for closer trade links between the two through a general reduction of trade barriers.He told Congress that "the two great Atlantic markets (would) either grow together or grow apart"(quoted in Schlesinger,1965;721).

The European recovery plan,the general liberalisation and rising volume of international trade and the development and evolution of the European Economic Community had major implications for all of the organisations in the study.

An Foras Taluntais was a child of the Marshall Aid programme for European recovery. The data show that the primary stimulus for the establishment of an agricultural research institute was the Marshall Aid programme. The US delegate for the programme in Ireland marked the area of agricultural research out as one of strategic importance to Ireland's economic recovery in the immediate post-war period. By international standards the productivity of Irish agriculture,generally,was low; a point brought home to Irish interests by a visiting New Zealand grassland expert in the late 40's. AFT was set up in 1958 with Marshall Aid in the form of a capital fund of £0.84M and an endowment fund of £1.0M. It was always understood that the interest from the endowment fund would not,in itself,be enough to cover the operating expenses of the new institute and that an annual grant-in-aid from the State would be needed to supplement it. However the American funding gave the management of the new institute a high degree of autonomy during its early expansion and basic character forming stage of development, an autonomy which came under increasing pressure as the Marshall Aid funds ran out.

Ireland's entry into the EEC was an important development for all of the organisations in the study as it changed their trading and institutional environments irrevocably.It was particularly significant for the sugar and dairy industries as it brought their future development directly under the umbrella of the EEC's Common Agricultural Policy(CAP) regime. The basic aims of the Community's policy on agriculture were set out in article 39 of the Treaty of Rome and they included;

(i) increased productivity through technical progress and the best use of all the factors of production, in particular manpower;
(ii) a fair income for the farming population;
(iii) the stabilisation of markets;
(iv) security of supply;
(v) reasonable prices to consumers;

and, in practice, the fourth of these principles would appear to have been given the highest priority up to now(Kerr,1980;62).

The production of sugar from beet remains relatively uneconomical in world commodity terms but the sugar beet industry is still of considerable strategic importance to Europe. Entry into the EEC transformed the Irish sugar industry from a nationally protected industry to a Community protected industry. CSET for the first time in its existence faced the 'cold winds of competition' within the larger Community market framework. The future of the industry was challenged on all sides by EEC membership. Production at EEC support prices was limited by quota, protection on the home market was removed and this market became open to all EEC producers. There was also an increased threat of competition on the supply side from attractive alternative uses for land. Prices to the beet grower had to be maintained at levels attractive enough to keep them in the industry. At the same time the price of sugar had to remain competitive in European terms. These were new pressures on margins. The basic business had been relatively neglected in the 60's as profits from sugar were re-invested in the developing food area. With EEC entry the modernisation of the sugar factories became a matter of urgency. Over the 70's and the 80's a major capital programme, totalling £90M was undertaken in order to put the business on a sound commercial footing in European terms.

As in the case of sugar, entry into the EEC brought new competitive pressures to the dairy industry. The major restructuring of the organisation that took place over the 1968-74 period was carried out in order to bring the capital concentration levels and organisation of the industry into line with those prevailing in the industry in Europe. Unlike the case of sugar,the Irish dairy industry was given further scope for growth under the Common Agricultural Policy after EEC entry. Milk production grew unrelentingly from 130M gallons in 1945 to 864M in 1979.This growth came in three waves. The first was associated with the improvement in farm productivity and modernisation that followed on from a return to peace time conditions and the second was associated with the Lemass programme for economic expansion. This programme anticipated Ireland's entry to the EEC and,in the meantime,fostered freer trade with Britain. The third wave came with EEC entry. The enormous expansion in the milk supply from the late 60's onwards was a direct response to the higher prices,and in consequence higher farm incomes,available under the CAP regime,and to the guaranteed market at these high prices for all production in excess of the 200M gallon level,which was the requirement of the home market. The 1972-78 period was a period of rising farm incomes to equal,and for a time to surpass,the average industrial wage.It was also a time of major capital investment in the dairy industry 'within the farm gate'.

In the 1970s',in line with this expansion in milk production,the processing industry,including Golden Vale,went through the most major expansion and capital development phase in the industry's history.Growth within the CAP regime allowed the industry to expand and to diversify its export markets.Irish dairy exports grew by 250% in the decade after EEC entry. Milk production for the home market remained static at 200M gallons. In 1972 the UK market accounted for 85% of Irish dairy exports. Since EEC entry the absolute size of this market has declined somewhat and in 1983 it accounted for just about 30% of the industry's exports. The major growth since joining the EEC has been in exports and the major growth in exports has been beyond the UK market(30%) to other EEC (20%) markets and to world (50%) markets. The Community system of institutional supports,particularly the EEC export restitutions for third country exports,have had a major influence on the development of this trading pattern(Keane,1984;15).

While EEC entry accelerated the growth of the industry and raised it to new heights,development under CAP has left it with some major strategic issues in the late 1980's.The industry has grown to be over-dependent on intervention type commodity products,which in the first decade under the CAP regime had provided the best returns. The world market for these products tends to be volatile and highly susceptible to political interference. It is now recognised,as a matter of growing strategic urgency,that the industry needs to change its product profile dramatically towards branded consumer products for the EEC market in order to secure its future profitability.Growth under CAP is over for the forseeable future and the regime itself is under pressure for reform.The Community is in serious surplus in most dairy commodities.The oportunity for growth,in hindsight,was in the first decade after EEC entry.During this period the Irish dairy industry grew at a spectacular rate relative to its previous history. Yet it did not grow fast enough relative to the general expansion in Community production with the result that when the Community came into serious surplus and had,in the end,to resort to production quotas,the Irish dairy industry was restricted to a level still well below its full potential.

EEC entry was a major milestone for the development of Irish agriculture generally and,as such,had major implications for the organisation that was set up as an infrastructural research and development resource to support the sector,An Foras Taluntais. AFT,in the early 70's,had reached a plateau. It had played a major role in raising the productivity of Irish Agriculture from its very low base in the immediate post-war period. By 1972 the spectacular gains from the initial investment in agricultural research had been made and it had become more difficult for the organisation to demonstrate the impact and value to the economy that further investment in the research programme would yield.EEC entry provided a new challenge.It allowed AFT to carve out for itself an expanding role in helping Irish Agriculture to maximise its earnings from the development oportunies that Community membership presented.It also offered AFT a role as a Community,and not just simply as a national,resource in the development of Community approaches to EEC agricultural development. After 1972,AFT was to seek and be sought for an increasing involvement in EEC research projects,at a time when State funding had begun to contract,and a new supranational dimension entered into the Institute's research programme.

The effects of EEC entry on the Irish distilling industry were, in some ways, more indirect than in the case of sugar or dairying. Entry into the EEC meant the end of protection for the home market. The merger in 1966 was motivated as much by the desire to defend the home market as to consolidate resources for a major export drive in the more liberal international trading environment of the post 1950's. The main export markets for Irish whiskey in 1964 were the UK(45%) and American markets(31%), each with their own indigeneous industry. The post-merger strategy of IDG involved securing the dominance of the domestic market in the absence of protective tariffs and using the profits flow from this market to fund a strategy of export-led growth. Irish distillers continued to target the American market as the one offering the best potential for company growth, even after Ireland had gained entry into the EEC. The EEC market for whiskey was very much under-developed and, even in the absence of tariff restrictions, further development would have required substantial expenditure on product promotion and distribution. America offered the advantage being a well developed market for whiskey as a product form. As a large English-speaking market with existing extensive and concentrated distribution networks it also offered greater possibilities for economies of scale in promotion and distribution. Each one percentage gain in market share in this market would involve an almost 100% increase in Irish whiskey output. However, a characteristic of the liquor drinker is his conservatism and traditionalism. Traditional brand loyalty is a major barrier to market entry and penetration and it requires substantial non-recoverable investment to overcome.

One of the major indirect effects of EEC membership was the growth in the domestic market over the 1972-79 period. This resulted to a large extent from the rise in disposable incomes in the country generally, and in the farming community in particular, that characterised this period. This growth in the domestic market was a major factor in the expansion of industry sales after 1972. Irish distillers focused on the American market but they did not ignore the oportunities offered by freer access to new markets in Europe. The most notable feature of the company's development, since the merger was that it has developed its exports to a level which exceeded 50% of its case sales by the 1980's. This resulted from the more outward-looking strategy of the company in the more liberal trade environment of the post-merger period. Exports accounted for only 12% of case sales in 1971/72. By 1985/86 they had risen to 58%. Taking 1971/72 as a base year(100) the growth in case sales on all of the major markets to 1981/82 were domestic(145), UK(275),America(419) and Europe (389). More recently,as the company's sales to the US became static,and experienced a temporary decline,IDG continued to increase its penetration within the EEC. The company's performance in its major EEC markets,i.e.the UK,Germany,Holland and France showed significant growth rates of between 39% and 69% in the period since 1983. By 1987 the combined case sales to these four EEC countries had reached over 60% of the level of US sales,up from 37% in 1984. Though the US market remained the company's main target for export-led growth since the merger,the EEC market,during the 1980's became progressively more significant. By 1987 it was already beginning to match the US market in strategic importance.

The International Oil Cartel - OPEC

The structure of the international trading environment changed significantly with the emergence of the OPEC cartel which controls an estimated 60% of the world's proven oil reserves. The economic development of the world's more advanced industrialised nations had grown to depend heavily on oil as a form of energy,and on oil-based derivatives as key production materials. Up to and including the 1950's the world's supply of oil,and the world price,was controlled by the 'seven sisters' based in Western economies. When Iran nationalised the Anglo-Iranian Oil Company without compensation in 1951,the large oil companies were able to bring about a large increase in production elsewhere to satisfy world demand. As a result,Iranian oil revenues fell to a fraction of what its royalties had been under foreign ownership. The balance of power over oil at that time still remained within the Western industrialised world.

Over the 50's and 60's,however,world consumption of oil rose exponentially. By the late 60's the world's dependence on Middle East oil was such that there was not enough oil elsewhere to compensate for any drastic cut-back in Middle East production. By 1970,the Organisation of Petroleum-Exporting Countries(OPEC),which had been formed in 1960 with little attention from the world media,was clearly in the driving seat as far as world supply and world prices were concerned. The modern political leaders of the area like the Shah of Iran and Sheik Yamani of Saudi Arabia were sufficiently well versed in the economics of energy to understand both the extent and the limits of their new power over world energy. These leaders determined to use their full economic power over a strategic and non-replaceable resource to accelerate the economic development of their countries. A major change in price level for crude oil was inevitable,given this shift in the balance of power. The price rise,when it came,was sudden and steep and it sent shock waves throughout the developed world. It was preceded by an embargo on supply to those countries that were perceived as pro-Israeli in the Arab-Israeli hostilities that broke out in 1973. This embargo was followed by a price rise that saw the price go from $2.59 per barrel in early 1973 to $11.65 per barrel in early 1974,a massive rise of 450%(Banks,1979;27).

The immediate structural effects of this sharp increase in oil prices were the transfer over $100 billion per annum from the industrial countries to OPEC and the introduction of severe cost-push inflationary pressures into the industrial economies. These economies began to experience double-digit inflation. Classical deflationary policies were introduced across the board leading to a general world recession in 1974/75. The deflationary measures increased idle capacity and unemployment without having a major impact on the rate of inflation, and were eased off,or abandoned,soon afterwards. Inflation remained high throughout the remainder of the decade. A second oil crisis in 1979 presaged a new era of low growth in international trade and production as the advanced industrial countries faced up to the longer term effects of OPEC's new economic power and to the effects of some basic structural changes that had taken place in the international trading environment since the the boom years of the 1960's.

The 1973 Oil Crisis in the international trading arena had a number of immediate effects on the organisations in the study. These effects were generally related to the higher cost of energy and of material inputs and to the high levels of price-wage inflation.

For the dairy industry the main short-term impact of the Oil Crisis was that the sudden rise in production costs,particularly of imported fertilisers,led to a fall in the overall national milk pool of almost 30M gallons. This sudden and steep increase in costs put pressure on farm incomes. Over the two years since entry into the EEC, farm incomes had risen on average by 80%. This had given rise to a new confidence among farmers in the future of their industry,together with a greater willingness to invest in its expansion.In 1974,farm incomes fell by 12% and a new caution prevailed.It had been expected on EEC entry that national milk production would have expanded to 1000M gallons by 1978. The inflation and uncertainty generated as a result of the sudden increase in the price of oil,and of its ramifications throughout the economy,set back and retarded this expansion. The milk pool,after the small decline in 1974,did continue to expand until 1979. By that time, however,it had reached a level of only 864M gallons.

Golden Vale had 94M gallons of capacity on stream in 1974. In that year, because of the fall in national production,and because of the failure of the amalgamation to reach the scale intended,the organisation processed only 61M gallons,or just over 2/3 of its full capacity. In addition, Golden Vale's capital structure was badly out of gear with £15.4M in borrowings, £10.5M of which was in the form of bank overdraft. This weakness in the company's financial structure was stressed to crisis point by the fall in volume and the by the inflationary pressures on energy, wages and especially on debt service charges that flowed from the Oil Crisis of 1973. This company financial crisis,in turn,led to an acceleration of the rationalisation programme to more fully realise the operating economies made possible by the amalgamation.

In the immediate aftermath of the Oil Crisis,An Foras Taluntais also experienced financial difficulties. The rapid inflationary spiral set off by the oil price rise in early 1974 threw the public finances into disarray. Annual estimates of expenditure for the coming year,drawn up in late 1973 and incorporated into the January '74 Budget of the Government,proved totally inadequate to cover the 1974 out-turn.
By 31/3/74 AFT had run up an operating deficit of £0.5M and the annual report of that year referred to the Institute's "difficult liquidity position..the culmination of under financing over a number of

years,heavily accentuated by rapid inflation". It was in the immediate aftermath of the 1973 Oil Crisis,and of the financial pressures which ensued,that AFT accelerated its efforts to acquire direct funding for its research programme. The meetings held between AFT,the Farm Organisations and the Industry,on the recommendation of the Government, resulted in general agreement on the principle of direct funding of research by the agricultural sector. The research profile began to change from this period towards contract and user-directed research priorities. In 1974, there was also a basic shift in the research programme onto the problems posed to the farming community by the Oil Crisis and the consequent inflation. In particular,research attention intensified on the use of energy and of imported fertilisers and feedstuffs across a wide range of agricultural production systems.

For Irish Distillers and CSET the Oil Crisis and its immediate aftermath had similar effects. IDG began its major capital project,the Midleton project,before the crisis began. The bulk of the work,however,took place in the immediate aftermath of the crisis and this added greatly to the capital cost of the project. The project,originally estimated at a cost of £2M,eventually outturned at £9M. Furthermore,the new distilling complex had been designed to replace labour-intensive technology with energy-intensive technology. Moreover,to finance the project the company had to increase its borrowings at a time when interest rates were escalating with the inflationary trend.The project was already underway when the Oil Crisis broke out and the crisis itself caused a certain amount of anxiety within IDG about the wisdom of the investment. The company later invested in a change-over to Irish natural gas in order to decouple it from the direct effects of any further oil shocks. CSET also initiated a major capital programme in this time of escalating inflation,high interest rates and harsh trading conditions. After a decade when re-investment in the basic sugar business was comparatively neglected,the company,facing the cold winds of competition that memebership of the EEC implied,was forced to modernise its facilities on a large scale in the mid-70's when the investment climate had deteriorated. Golden Vale,in contrast,was fortunate in retrospect to have largely completed its major capital programme before the crisis.

It did have the burden of excess capacity to carry until 1978 but,viewed in 1978 replacement cost terms,its capital programme represented an 'outstanding bargain',to quote from its merchant bankers.

Cost inflation,in the wake of the Oil Crisis,hastened the rationalisation process in IDG and CSET. Rapidly rising costs in raw materials,energy and particularly in wage-inflation put the trading profit margins of the companies under increasing pressure. Prices did also rise but the price rises were not always in line with costs and were often implemented after some time-lag. According to the CSET annual report,1974-75 was "probably the most difficult trading year in the history of the company".Production of sugar was down 24% on the previous year because of a substantial drop in the number acres under beet, reflecting the depression in farm production margins from higher input costs. Trading margins on sugar and engineering activities fell from 8% in 1973 to 3.7% in 1975 and hopes of getting the food project into a trading profit receeded with the adverse effects of cost inflation. IDG also experienced trading difficulties with a 'dramatic increase in operating costs'.IDG's problems at that time were exascerbated by a steep rise in excise duty in January 1975,as the Government sought to come to terms with its own cost pressures; and by a damaging 14-week strike over relativities,the longest in the company's history. IDG's profit before tax declined from 8.3% of turnover in 1973 to 3% in 1975.

The 'New Game' of the 1980's

In the late 1980's the structure of the international trading environment,as it has evolved since the 1960's,can be described as consisting of an Advanced Capitalist Block(lead by the United States,the EEC,and Japan),an Eastern Trading Block(lead by the USSR and China),an Oil Producers Block(OPEC),a set of Newly Industrialising Countries (including Taiwan,Korea,Hong-kong,Mexico,Brazil) and a set of Less Developed Countries(including most of the so-called Third World and concentrated in the Southern Hemisphere). Traditionally the Eastern

Block has had very little involvement in international trading and this situation has changed only very slowly up to now. International Trade in the late 1980's is still largely dominated by the Advanced Capitalist Countries(ACCs) but the relative influences of OPEC and the Newly Industrialising Countries(NICs) have increased significantly over the last two decades.

The international trading order in the immediate post-war period was,as we saw earlier,largely controlled by the United States. At that time it accounted for over half the world's GNP,and was the only major economy that had not been destroyed by the war. America's dominance of the ACC block,and hence of the international trading environment,has been on the decline since the late 1950's. Between 1963 and 1980 America's share of world manufacturing output fell from 40.3% to 29.4%.Over the same period the corresponding share for Germany rose from 9.7% to 12.4% and,more spectacularly,that for Japan rose from 5.5% to 15.7%. Over the period from 1963-80 the combined output of Germany and Japan rose from just over one third of US output to almost parity(Dicken,1986;28). America's low rate of capital accumulation relative to Japan and Germany was the main reason for the decline in relative economic strength of the US over the 1950-73 pre Oil Crisis period(Armstrong et al,1984;219). With the enlargement and further development of the EEC,and with the emergence of OPEC and the NICs,the structure of the international trading environment,in the 1980's,has evolved into one with substantial economic power concentrated in a number of different clusters. Though America still remains the leading economy in terms of world manufacturing output,dominance of the international trading arena is no longer possible for any single trading block and coordination of policy in the effort to develop world trade has become increasingly difficult in more recent times(Thurow,1987;259).

Coordination of world trade has also become more complex in recent times because of the increasing internationalisation of production that has taken place over the last few decades. By the mid 80's over 20% of total world production outside of the Eastern Block was produced by Transnational Corporations(TNCs),and the trend has increased with time. An integral part of this trend is that a growing portion of world trade is crossing national boundaries intrafirm. The Transnational Corporation is in effect integrating parts of the economies of individual nations within economic empires that transcend national boundaries,making the control of international trade through national and international public policy more difficult and more complex. In particular,the internal decisions of TNC's have a significant effect on the distribution of capital formation and employment in the world economy. Large TNCs potentially threaten the economic sovereignity of governments and and constrain the ability of governments to manage their economies.

The pattern of direct foreign investment has not only increased,it has also become more diverse geographically and sectorally. The main sources of foreign direct investment over the 1967-78 period remained the United States and Britain,but during this period their relative shares declined. The US share fell from 50.4% to 45.2% and that of Britain from 15.6% to 11.0%. In the same period Germany's share rose from 2.6% to 8.5%,while that of Japan rose from 1.3% to 7.2%. In the late 70's most of the destinations for ACC transnational investment were still other ACCs,which increased their interconnectedness and interdependence. However,transnational investment has also played a major and increasing role in the acceleration of economic growth in the NICs. Direct foreign investment in developing economies rose from $32.8B in 1967 to $88.3B in 1978. More recently some of NICs have,themselves, become significant sources of transnational direct investment.
To date the major TNCs have been quite selective in the sectors that they have chosen for transnational investment. Some industries like computers,pharmaceuticals,motor vehicles,consumer durables,and soft drinks have undergone comparatively extensive transnationalisation, and the list is growing. In addition,the transnationalisation of manufacturing is being closely followed by the transnationalisation of related business services.In short,transnationalisation of manufacturing has been,and continues to be,a major force in the globalisation of the world economy.

The 1950-73 period was the boom period in the international trading environment. Output in the ACCs grew by an average annual rate of 4.9% over that period.The crash of 1974-5,in the wake of the 1973 Oil Crisis, was a major turning point. Output growth rate declined,in the decade after 1973,to less than half of what it was in the 60's. The immediate impact of the 1973 Oil Crisis was the general recession in world output and trade in 1974-5. This was followed by a fragile recovery as many countries reflated in 1976 and expansion resumed until the second oil crisis in 1979:

	1963	1973	1974	1975	1976	1977	1978	1979	1980	1981
Index of volume of world output:	100	197	203	200	216	227	238	249	251	254
Index of volume of world trade:	100	280	304	290	328	344	364	382	398	416

(Dicken,1986;18)

Table 9.2 - Indices of volumes of world output and world trade 1963-81.

After 1979 the international trading environment entered a period of prolonged low growth which continued throughout the 1980's.

The general productivity slowdown experienced by the ACCs since 1973 was the heart of the low-growth problem. The decade after 1973 saw a significant decline in the growth rate of the business capital stock of the ACCs from 5.3% p.a. over 1965-73 to 4.1% p.a. over 1974-82,and by 1982 it had fallen to a rate of 3.5% p.a. Profits are the prime motive for business capital stock accumulation. They are also,as retained earnings,a major source of funds for further investment in capital formation. The profit rate in the ACCs fell from a peak of 17.2% in 1968 to 10.2% in 1981. Falling profit and accumulation rates,in turn,led to a decline in productivity growth rates,which for the ACCs fell from an average rate of 5.1% p.a. over the 1960-73 period to 3.3% over 1973-81(Armstrong et al,1984;341-347).

All of the Advanced Capitalist Countries suffered a slowdown in productivity growth rate since 1973. However the rate of decline has varied significantly across the major economies within this group.

Within the ACCs the two decades between 1960 and 1980 were marked by the relative decline of the US and British economies and the relative rise of Germany and Japan. Over the 1960-78 period the average annual growth rates in labour productivity for these four economic powers were; United States 1.7%, Britain 2.2%, Germany 4.2% and Japan 7.5%(Hayes&Abernathy,1980;5).As the 1970's progressed,and the growth in living standards across the ACCs generally declined,these disparities were thrown into greater relief. Concern mounted within the United States and Britain about the relative decline of these traditional economic powers,their falling productivity and their declining international competitiveness.

This concern was further intensified by the Japanese trading response to the Oil Crisis. It was also intensified by the growing competitiveness of the NICs and by the unfavourable imbalance that evolved in the trade pattern between the ACCs and the NICs. Japan,almost totally dependent on imported oil in 1973,embarked on an aggressive exporting strategy in order to create a substantial dollar trade surplus as a hedge against possible further oil price shocks. The increasing penetration of Japanese exports into Britain and the US heightened the awareness within these economies about their declining international competitiveness. Moreover,the newly industrialising countries of South Korea,Hong Kong and Taiwan continued to expand rapidily even in the wake of the Oil Crisis. By the end of the 70's they were running substantial trade surpluses with the ACCs through their highly competitive exports of leather and footwear,clothing and some engineering goods. These NICs were not,however,running a trade surplus with the ACCs as a whole. They were running a trade surplus with the EEC and the US through their exports of consumer goods while at the same time buying their capital goods from,and running a trade deficit with,Japan. "The NICs were the terrain on which the competition between the advanced countries was fought out"(Armstrong et al,1984;358). This rising loss of domestic markets for consumer goods and export markets for capital goods gave rise to a sense of increasing urgency and resolve within the major Western economic powers to tackle their problem of relative decline.

The period 1975-79 was characterised by the presence of mass unemployment and high levels of inflation throughout the ACCs.

This was a new and unexpected phenomenon. In the then prevalent 'Keynesian' approach to public policy and economic management, rising unemployment was expected to lead to a fall in prices and to deflation, as happened during the Great Depression. The persistence of high inflation in the presence of mass unemployment created new difficulties for public policy-makers. Short-term attempts to reduce the one only exascerbated the other.

In the latter half of the 70's political and economic opinion within the ACCs shifted away from full employment as the number one objective of public policy. The need to reduce and control the inflation level became the major priority. High and variable inflation was seen generally to have a number of undesireable attributes. The main concern in the West was that high and uncontrolled levels of inflation were contributing directly to the two major and related constraints to further economic growth, falling productivity and declining international competitiveness. Uncontrolled inflation discouraged further productive investment because it made future profit flows more uncertain and difficult to predict. The the high and variable interest rates that accompanied uncontrolled inflation acted as a further discentive to invest in productive capital, especially in projects with a medium to long-term payback. In addition, countries with persistently high inflation relative to that of its major trading partners and competitors saw their international competitiveness progressively undermined.

Towards the end of the 1970's the broad consensus about economic policy that had operated across the major political parties in many Western economies since the Second World War had broken down(Donaldson,1984;63). Keynesian doctrine and the notion of the 'mixed economy', which had reigned supreme and was seen to have worked well up to the early 70's, came under strong attack. The first major economy to formally abandon Keynesianism was Britain, with the coming to power of the Thatcher Administration in 1979. In 1980 the America followed with Ronald Reagan's decisive victory in the US presidential race on a platform very close in economic ideology to that of Mrs Thatcher.
The economic thought of Hayek and Friedman replaced that of Keynes in British and American public policy. The "basic proposition" of neo-classical monetarism was that "inflation is primarily a monetary

problem,produced by a more rapid increase in the quantity of money than in output" and that "excessive monetary growth..is produced by governments"(Friedman&Friedman,1980;309). In the case of the US the particular brand of the neo-classical economics that came to be known popularly as "Reaganomics" was a combination of monetarism and supply-side economics. Monetarists advocated the control of the money supply to reduce and control inflation and supply-siders advocated cuts in personal taxation as the means to increase savings and work effort and to facilitate a shift in national income towards productive investment.

The economic policy priorities broadly shared by both the Thatcher and Reagan administrations,and drawing their legitimising rationale from neo-classical economic doctrines,were aimed at controlling inflation, through control of the money supply; substantially reducing the role of the government in the economy through a reduction in public services and through privatisation; reducing protection and subsidies for the uncompetitive and inefficient sectors of the economy; and increasing the flexibility and mobility of labour through the abandonment of full employment as a central objective of public policy. A central unifying theme was the withdrawl of state involvement and the restoration of the market mechanism to progressively wider areas of economic activity. High levels of taxations were stiffling initiative and discouraging savings and investment and high levels of government borrowing were 'crowding out' private investment. Full employment policies and high levels of state expenditure on welfare were encouraging dependence and inflexibility in the labour force and undermining the virtues of hard work and individual entreprise.

While this underlying neo-classical cocktail was being endorsed by the American and British electorates continuously,in one form or another, from 1979 right up to the present,there were many influential thinkers and writers who remained unconvinced about the analysis. Most agreed that productivity and international competitiveness were the main route to future economic growth. However they pointed to the examples of the economies of the trading world's leading competitors,Germany and Japan. The German and Japanese economies have narrower distributions of income than the US,have a higher savings rate,lower unemployment levels,higher levels of gross and R&D investment,and more government intervention in their economies(Thurow,1987: Hayes&Wheelwright,1984).For them the source of America's declining international competitiveness was rather to be found in the adverserial relations between labour and management; the short time perspective of investors,management and labour; the tendency to manage businesses as portfolio's of investment at the expense of due emphasis on customers,markets,products and technologies; and such like. As Thurow's summarised the position:

> "If the foundations of the American economy are to be rebuilt,the rebuilding must begin with a reconception of the theory of the American firm. Conceived as a partnership,structured to promote common long-term goals,and operated to push decision making to the lowest echelons - the American firm can succeed. Operated as it is now operated, it can but fail..What America needs is..better social organisation"(Thurow,1987;228-9).

Monetarist theorists did warn that the long-term benefits of neo-classical economics would involve a short-term price in the form of low growth and high unemployment as the economies of the US and Britain went through structural transformation(Friedman&Friedman,1980;317). In 1981,soon after Reaganomics went into the effect,the US economy went into a recession that was deeper and longer than expected. Given the US's continuing importance to world finance and international trade the recession quickly spread throughout the international trading arena. In particular,many of the newly industrialising countries which had levered their developments on foreign borrowings found themselves facing severe liquidity crises as their export earnings collapsed. It was the impending financial collapse of Mexico in August 1982 that led the Reagan Administration to abandon monetarism. In order to save the US banking system from a major crisis the Reagan Administration advanced a major loan to the Mexican Government to prevent a Mexican default,and in the process greatly expanded the money supply in the US economy.This expansion in the money supply gave rise to what was in effect,though never publicly acknowledged as such,a 'Keynesian' cyclical recovery. This recovery lasted through 1983-84. Growth in the US economy then returned to a low level after 1984. The underlying problem of the decline in international competitiveness was not turned around as was evidenced by the US's large trading deficit. Furthermore,the US's large budget deficit,run up mainly to fund the defense programme,made a return to economic growth increasingly difficult for most of the decade.

Monetarism had been abandoned in the US in 1982. Control of the money supply has proved to be very difficult in practice,even in the UK where no Mexican type crisis accelerated its abandonment. However the broad right-wing philosophy of 'less government and more market' has remained central to the economic and political philosophies of the Thatcher and Reagan Administrations. Whether neo-classicalism is going to continue to dominate the public policies of the United States and Britain or whether the restoration of productivity growth and international competitiveness is going to be pursued along the alternative lines suggested by Thurow and others,expectations for a return to economic growth in the global economy remain modest as the 1980's draw to a close. Right wing and left wing economic analysts have been alike in recognising that major structural transformation was necessary to provide the basis for a return to growth,and that this had to involve a lengthy transitionary period of low growth,while resources were husbanded and reallocated from low to high productivity uses.

In sum,the international trading environment of the 1980's has been characterised by the increasing globalising of international trade. It has become at one and the same time more complex and more interconnected as more and more national economies have come to depend on exports for their economic development,and as the trend towards the increasing transnationalisation of production continues apace. This growth in complexity and interdependency has increased considerably the exposure of the international arena to economic shocks,such as strategic commodity and international liquidity crises,which reverberate and ramify with increasing speed throughout the whole system. The current prolonged period of low growth has given rise to an intensification of international competition and a new isolationism in economic affairs. Trading tensions have increased among the ACCs and between the ACCs and the NICs. There is a growing need for orderly development in the international trading arena and at the same time there seems to be a growing inability to secure it. There is no longer any broad consensus about economic management principles as neo-classicists contend with post-Keynesians and national efforts to stage economic recovery are twarted by a lack of complementarity and coordination internationally. There is no longer any dominant economic power that can impose order, although the international trading world still looks to the largest economy to provide the lead towards recovery and stability. However,a substantial US-led economic recovery seems unlikely for the forseeable future and there seems to be little willingness or capability on the part of the other leading economies,most notably those of Germany and Japan,to take an active lead in world recovery. There is,in the late 80's after almost a decade of Thatcherism and Reaganomics,some encouraging harbingers of recovery,particularly in the recent upsurge in the productivity of the British economy. However,after a decade of difficult transitions with many 'false dawns',the immediate outlook, in late 1988,still remains uncertain.

These changes in the international trading arena had major implications for the development of all four organisations in the study.

The period 1979/80 was a watershed for the Irish economy generally. Since 1972 Ireland's economic development has been closely tied into the development of the European Economic Community. With low economic growth,high unemployment and foreign competition threatening the domestic economies of all of the EEC partners,to a greater or lesser extent,a new wave of economic nationalism developed within the Community in the 1980's. During the early to mid 1980's there was a notable hardening of attitudes within the Community with regard to programmes that involve intra-Community transfers across national boundaries. The funding of the Common Agricultural Policy and of the Regional and Social funds became more contentious and the Community's Budget was the central pre-occupation of the EEC summit meetings for much of the decade. This, as we will see a little later on,has had a major effect on the dairy and sugar industries and also,though somewhat more indirectly,on AFT.

Within the country itself the 1980's heralded particular difficulties. Ireland had attempted to mitigate the recessionary effects of the first oil crisis with an increase in public borrowing for current account. This was a classic Keynesian response to the 1974/75 recession and its had the desired short-term effect. Consistent with Keynesian economic management principles the government of the day had intended to progressively decrease the size of this public debt as the recovery got under way. This process had already begun by 1976/77. Then a new government came to office with a bold,an in hindsight now somewhat reckless economy strategy. They injected a major demand stimulus into the economy to try to once more accelerate the pace of economic growth, which had continued with one small interruption since 1958. As Neary(1984;69),quoted in a previous chapter,had pointed out:

> "It was a brave strategy and a risky one. It gambled on continued growth in the rest of the world; and it gambled on Irish workers being willing to accept lower wage increases than our competitor countries, so that we could increase our share of growing world trade. Regrettably,both bets lost. In particular,the second oil crisis of 1979 plunged the Western World into the worst recession since before the Second World War. Our exports faltered but imports,fuelled by foreign borrowings continued to grow".

Ireland,had attempted to lever its continued economic growth on foreign borrowing. When world trade went into recession in 1980,and Irish exports declined,the country had high debt service charges to meet with no export-led growth to self-finance them. When the recession came the country,because of its large public debt,had little room to manoeuver.

In common with most Western economies Ireland experienced a major expansion in public service employment during the boom years from 1958-73. This trend continued under the 1977 expansionary policy. When the recession came the private sector was the first to be impacted. Mounting trading difficulties led to closures and rationalisations with rising unemployment. The public finance burden on the economy was severely worsened by the contracting private sector and the mounting social welfare expenditure as the dole queues lengthened. Mirroring the developments elsewhere,public opinion shifted to the right. High government borrowing was seen to be 'crowding out' private investment. Rising levels of personal taxation were seen to be killing off initiative and effort. Full employment policies were sidelined. Jobs remained the major priority in political rhetoric but 'meaningful, economically self-sustaining,jobs' were the goal and they could not be provided until economic growth was restored. Control of inflation and containment of rising public debt became the twin aims of government fiscal policy. Public service rationalisations and cuts were the almost inevitable consequences of this development as all manner of public agencies and entreprises were subjected to new levels of financial stringency and public scrutiny.

For Irish Distillers 1979 was a turning point. Home market sales reached their peak in that year. IDG's post-merger strategy for growth was based on the continuation of a strong home market,where the company has a traditional dominance. Though the domestic market offered the company limited potential for growth it provided the funds flow to fuel the company's strategy for the development of the key North American market. The 1980's hurt the company's home market in three ways. The recession brought to an end the 'natural' growth in the market associated with economic expansion and rising disposable incomes. Consumer expenditure fell by an annual average rate of over 1% between 1980-85. The State's financial difficulties led to sharp increases in taxation on the 'the old reliables' in successive budgets further depressing the domestic market. Finally,the depressed condition of world trade has led large international distillers to seek increased sales on a marginal contribution basis to maintain their volumes. IDG's dominance of the domestic market was,as we have seen,a key element in its overall strategy. Yet throughout the 1980's it had to fight harder than ever to protect its dominant market position against intensifying international competition.

Furthermore,the low growth 1980's made it more difficult for the company to make its US strategy succeed. Spirit sales in this strategic market declined in line with economic depression. After several years of of making small gains against the tide case sales in the US market have recently fallen to below their 1981/2 level. In 1986 the combined case sales to the Britain and Europe exceeded those to the US. The failure to achieve any significant growth in this market since the early 80's led to a major reassessment of US market strategy and a major change in approach. IDG more recently modified their hopes for this market and turned from a 'shotgun' approach,promoting a full range of whiskies across the entire US, to a 'rifle' approach,promoting a narrow line intensively in the five most promising states.

For the Irish dairy industry the low growth 80's brought to an end the great expansion that had taken place in the industry over the previous two decades. The fall in national milk production that took place during the 1980/81 recession left the processing industry in Ireland with aggregate excess capacity. Milk production fell because of a loss of of farmer confidence.The farmer's margin came under severe pressure from the sharp rise in input prices. The price supports for milk products under the CAP regime did not keep pace with the inflation in input prices and farm incomes declined. Processed output at the peak 1978 level and higher could still be disposed of at this time under the CAP regime,albeit at lower marginal profits. Consequently processors moved to protect and secure their milk pools. Golden Vale provided for a milk development fund,effectively a use of retained earnings from the peak period,to provide local support for the milk price during the recession. They did this in order to encourage their suppliers to maintain or even to increase their milk production levels. Golden Vale's efforts in this regard were undermined by the milk war that broke out with Kerry. Kerry's response to the fall in national milk supply was to break the industry norm and to compete for additional milk with other processors,principally with Golden Vale. In this way Kerry sought to recession-proof their ambitious drive for growth. The milk wars,in turn,almost brought about the demise of Golden Vale. These wars were a major factor in its decline from number two to number six in the industry over the 1978-86 period. They led directly to a change of chief executive at Golden Vale and to the more recent attempt to develop a new strategy for the Company.

The international situation in the industry over this period was broadly one of increasing supply and declining demand. By the late 70's the EEC had become self-sufficient in dairy products and was still expanding its production. By the early 80's it had changed from being a net importer of dairy commodities to being a net exporter. This led the Community into increased trading tensions with the other major producing blocks, primarily the US,Australia and New Zealand. There was,inevitably,a scramble for market share in the residual world markets and the EEC's share of the world market was slowly declining for some years up to 1985. Meanwhile,within the Community the most efficient dairy farmers continued to respond to the price supports and aggregate production continued to rise. With the advent of cheaper forms of animal feed,most natably of corn gluten from the US,large scale concentrate feeding of cows became an attractive proposition.This 'factory style' production greatly accelerated output at a time when the EEC was losing world market share. As a result large structural surpluses developed within the Community and it became increasingly clear,by the mid 80's,that the Common Agricultural Policy was not coping with the situation. The Community's response was to first establish quotas with severe financial penalties for over production,the so-called superlevies. Even this measure was inadequate and in late 1986 the Community resorted to a cutback of 9.5% in EEC milk production over a 3 year timeframe.

Low growth and intensifying competition in the global economy,and the Community's response in the form of production cutbacks and controls, have had the effect of capping the development of the Irish dairy industry,at least for the forseeable future,at a level well below its full potential. The industry as a whole is currently trying to come to terms with the restraints on production and its over dependence on intervention style commodity products which are most susceptible to political interference. In the late 1980's the industry as a whole appears to be on the threshold of yet another era of major structural change,rationalisation and consolidation as the full implications of the structural changes which have taken place in the international arena become more widely appreciated. Industrywide interests like the Industrial Development Authority and the industry's own central marketing body,An Bord Bainne, have been calling for a major strategic re-orientation in product profile towards greater emphasis on branded consumer goods and away from commodities. In July 1987 the Irish Cooperative Organisation Society proposed a major rationalisation of the industry towards even greater levels of concentration that current exist. The main rationale was to create entities that could generate the funds flow required to mount the marketing and product development efforts needed to bring about the reorientation in product profile that is now generally perceived to be the key to securing the industry's future in an increasingly more uncertain and competitive international trading environment.

At the level of the firm all of the major processors have been trying to come to terms with these changes in the international trading environment. Kerry Cooperative,the largest organisation currently in the industry in terms of turnover,has determined to insulate its ambitious growth plans from structural restriction. Much of its post-1980 growth has come from diversification. In 1986 it made history in the industry by becoming the first of the major cooperatives to raise equity outside of the movement. Kerry is now a plc. In 1987 it broke further new ground for the Irish dairy industry by making a strategic investment in a casein processing facility in the United States. In 1988,it diversified even further away from its traditional dependence on the Irish dairy industry by acquiring Beatreme Food Ingredients,the former food ingredients subsidiary of Beatrice Foods,the large US-based food processor. Several of the other major dairy processors have already taken steps to follow Kerry's lead,both into the equity market,and into new related non-dairying activities. These departures are changing the nature of the major dairy processors in a most fundamental way as they go about redefining their businesses. The major processors have be moved to broaden their scope in this way in order to reduce their dependence on the Irish dairy industry,whose future growth has been restricted by global trading conditions and Community supply policies in the 1980's. In Golden Vale,our focal organisation in the dairy industry,the company has been recently undergoing a major internal reorientation away from being production and finance dominated towards more emphasis and 'fire power' in the marketing and product development areas. This is consistent with the what is generally perceived to reflect the current strategic priority in the industry. Strategic funds flow in the 70's went largely into capital development throughout the industry. In the 80's the priority,as we have seen,has changed towards market and product development and towards diversification. It was, moreover,this shift in emphasis away from capital development, exacerbated by the tight margins that prevailed in the industry throughout the early 80's,that led to the demise of Golden Vale's engineering business,as its main domestic market collapsed.

The Irish sugar industry ran into trouble early in the difficult 1980's. In 1980 it recorded a trading loss; the first trading loss on the sugar business since the foundation of the company almost 50 years earlier. The company was back in trading profit the following year but for the next three years,1982-84 inclusive,the company's trading profit was insufficient to cover its substantial interest charges. These difficulties refocused the attention of the Government and the Civil Service on CSET after a decade of arm's length management. The Joint Committee of the Oireachtais,set up to examine the state of the company, helped to raise the awareness within the political system of the reality of the commercial pressures facing the company in the 1980's.

These commercial and structural pressures were highlighted by the Chairman in the 1986 Annual Report. According to the report the EEC had become 150% self-sufficient in sugar and increased levies or reduced quotas were expected. There was a growing attitude towards the curtailing of surplus production and evidence to suggest that this action would be supported "by sugar companies whose balance sheets are strong and who are prepared to withstand a period of difficulty to quench out the smaller,more marginal,less efficient producer". This report went on to point out that though the Irish sugar industry accounted for less than 2% of EEC production yet there were "determined efforts to make inroads on (the domestic market)" by "major producers on the Continent who are prepared to sell here at marginal prices".The Chairman finally warned "that in an EEC which is beset by financial problems (the Irish sugar industry) will find little sympathy in looking for special concessions".

The report of the Joint Committee of the Oireachtais on CSET's activities provided important support in the political arena for the company's own wish to be free to run its affairs on a commercial basis. It supported the company's repeated calls for more equity participation by the 'shareholder' so that the capital structure of the industry might reflect the kind of debt/equity relationship more common in commercial firms. It went further than the company in that it suggested a degree of privatisation for CSET. The Committee also recommended that the company should in future "concentrate its sugar operations on its most viable plants". Through these and related recommendations the Committee clearly reflected the view that the prime objective for the company must be commercial viability. Its traditional roles as developer of Irish agriculture and provider of industrial employment in regional centres were,in the changed conditions of the 1980's,dependent on its commercial viability.

In the 1980's the company was,finally,able to bring about the closure of the Tuam sugar factory which was known publicly to have been uneconomic,and a substantial drain on CSET resources,for more than a decade. The competitive pressures had become so great and the political resistance to job losses so muted by the prevailing change in economic thinking and conditions that the unthinkable in the mid-70's was achievable in the 1980's. The company were also able to carry out major rationalisation in their food business. Finally,the Government,in spite of the massive problem with the public finances,came to recognise the necessity to inject more equity into the company after decades of comparative neglect.In the changed international trading environment of the 1980's the company could no longer meet the competitive and structural pressures with an uncommercial capital structure.

Like the other organisations in this study,AFT also faced some major new difficulties and challenges in the 1980's. The worsening state of the public finances left it with progressively tighter budgets. It came under increasing pressure to justify and re-justify its expenditure. It was effectively unable to hire any new researchers and was expected to de-scale through natural attrition. Meanwhile the changes happening in the agricultural sector generally presented AFT with tough new challenges for its research programme. In the new international trading environment of the 1980's Irish agricultural faced a world of declining demand,commodity surpluses and falling farm incomes. With the Community's restrictions on the production of many farm commodities the priorities in AFT's research programme had to change in the most fundamental way since the 60's. The main thrust of AFT's programme up to the early 80's was to tackle the poor productivity problem in Irish agriculture. The emphasis across the board was on production; on increasing the volume of output by increasing productivity and efficiency. By 1984 there was "an absolutely new ball game...a whole revolution taking place" as Community measures to restrict output in many farm commodities were introduced and later escalated. The changes that took place "in any one year since 1983" were "as important as any that took place in decades before that" with "enormous implications for research".

The challenge for AFT was to try to bring about a major transformation of its research programme. To meet the new priorities in Irish agriculture it became clearer to more and more people,within the organisation and without,as the 1980's progressed that AFT would have to reorientate its overall programme in some very fundamental ways. It would have to shift the programme away from its traditional emphasis on production research. It would also have to concentrate on production systems that maximised farm incomes at variable levels of output. Moreover,in the new world of production surpluses it would have to increase its emphasis on alternative uses for land and on the socio-economic problems of marginal farming. It would have to re-examine its role in the major areas of beef and dairying. As we have seen the challenge for the Irish dairy industry in the mid to late 80's has been to shift its product profile away from commodities to less volatile and higher margin branded consumer products. A similar challenge has faced the less developed meat processing industry. If AFT was to remain of significant value to these industries it was going to have to be able to reorientate its research emphasis to confront this challenge.

Transforming the research programme at AFT proved to be enormously difficult. AFT had an aging cohort of core researchers,many of them highly specialised and experienced in those areas of research that posed the challenges to the development of Irish agriculture in the pre-1980 era. The organisation had difficulty in maintaining an ideal blend in its research group of youth and experience,of 'new' sciences and 'mature' sciences,because of long time restrictions on hiring at one end and lack of oportunities and motivation for career mobility beyond the organisation at the other. Yet,within these considerable restrictions and with considerable skill and persistence,the executive did make some significant progress in transforming their organisation. One of the most notable developments in this regard was the setting up of a dedicated Food Science Research Centre in 1987,in spite of the internal and external political difficulties that were involved. Events since the General Election of 1987 have overtaken the organisation's own efforts to transform itself. The Government have intervened to accelerate the pace and the extent of the change. They did this through amalgamating AFT with ACOT,the advisory service, and through rationalising the merged entity using an new public service voluntary redundancy scheme. These measures have helped to create the conditions for much more radical change than was possible through internal efforts at transformation alone.

In spite of this most recent radical transformation the newly merged entity,now known as Teagasc,continues to face major questions about its future role in the new conditions of the 1980's and beyond. With high levels of urban unemployment and continuing pressure on public funds the political support for high levels of state involvement in agricultural research has diminished over the years. The meat and dairy processors are now among the largest of Irish businesses. These industries have developed substantially since the late 50's when AFT was founded. Their claim on public resources is no longer as strong as it once was and the role that state-funded agricultural research can or should play in their ongoing development remains problematic.

1992 - The EEC programme for completion of the internal market

One of the major developments already in train in the international trading environment that is likely to have major implications for the organisations,and the industries,in this study in the next decade is the EEC programme for the completion of the internal market by 1992.

It is as yet impossible to predict exactly what changes the post-1992 trading environment will bring about and how extensive they will be. This will depend very much on the level of political commitment among the Community partners to fully realise a true internal market,with few internal cross-national barriers to trade. If the EEC moves decisively towards increasing levels of economic integration then the evolution of national organisations,the structural evolution of national economies and of the Community and Global economy,are all likely to be affected in very fundamental ways. For Ireland,in particular,the very meaning of 'Irish' industries and of 'Irish' industrial policy are likely to be altered in a profound way. New industry structural configurations are probable as the 'domestic' market of the sugar,dairying and distilling industries,for consumers,capital,labour and material acquisition, becomes the Community market rather than the Irish market. New levels of industry concentration can be expected as national industries merge into Community industries and new intra-Commuinty transnational alliances and consolidations in the dairy, sugar and distilling industries are probable. Furthermore,new patterns of direct foreign investment in the Community can also be expected as large transnational corporations in the global economy seek to participate in the "large injection of inflation free growth" in the Community economy that is expected to result from the completion of the internal market(Cecchini,1988;xix). Moreover,the Community's move towards fuller economic integration can be expected to be mirrored in other parts of the world as similiar trading blocks across the globe widen their membership and increase their own internal economic integration. This,in turn,can be expected to alter trading patterns and affect the future evolution of global industry structures.

Some indications of what is to come are already in evidence as the pace of transnational mergers and alliances quickens in the run up to 1992. In Ireland the takeover battle for IDG,that took place during the latter half of 1988, was seen as the first tangible indication of the kind of structural change that is likely to be in store for many Irish organisations,whether as preditors or prey,wooers or wooed, as the programme for full European economic integration proceeds. For the Irish economy as a whole,and for Irish organisations in particular, the post 1992 era seems likely to be very different from anything that has gone before since the foundation of the State.

Factor 4: NATIONAL PUBLIC POLICY AND LEADERSHIP

Strategy formation in the focal organisations was also affected by national public policy and leadership. In the last section we saw how the structural evolution of the international trading arena had affected the development of the organisations in this study. Ireland,as a small open economy,has had very little influence on this structural evolution and must largely deal with its effects as a 'given'. These effects,as we have seen in the last section,were both direct and indirect. Some of the international developments ramified directly into the development of the focal organisations. They did this through their direct effects on the industry structure and competitive conditions prevailing internationally,such as changes to international supply/demand patterns and product/factor price levels. In other cases, developments in the international trading arena have been mediated for the focal organisations through national public policy and leadership.

The data show,however,that national public policy and leadership is also an independent variable in its own right. National public policy and leadership has at times been,itself,directly reactive to international developments as we have seen,again and again,in the previous section. It has also,however,sought at various times to actively harness the 'natural' forces in the international trading context to pursue a positive policy of national economic development. In this regard it has,in turn,both directly and indirectly affected strategy formation in the organisations under study. This more active role of national public policy and leadership will be the main focus of this section.

Ireland 1921 - from a provincial to a national economy

The political developments that led to Ireland's independence as a nation have already been briefly reviewed in chapter 4. The whole country did not opt for independence and the island of Ireland remains divided by a political and economic land frontier. The economic frontier has become less important since the 1960's as a result,firstly,of the Anglo-Irish Free Trade Agreement of 1965; and later,of the simultaneous entry of Ireland and Britain into the EEC in

1972.

The decision to go it alone politically and economically as a nation in its own right in 1921,as a free state within the British Empire with dominion status, was the major watershed in the history of modern Ireland.The declaration of a full republic in 1949 was simply an extension of this development and a formal recognition of what,by then,had long since become the defacto position. The alternative in 1921 was to remain,in some form or other,a major regional province of the United Kingdom. An important ideological justification for Irish separatism had been that the welfare of the Irish people politically, socially and economically,would be better served through self-determination. An assessment of how far and to what extent this assumption has been justified by subsequent history is outside the scope of the present work and any such assessment would indeed be a difficult and complex task. What can be safely asserted,within the confines of this study,is that the change in status from province to nation was of fundamental contextual significance for the development of Irish complex organisations generally,for good or ill,from that time forward.

To begin with,the national economic structure within which Irish organisations were to develop and operate in the future was to be smaller and more immediate after 1921 than before. Medium-sized organisations in international trading terms which would still have been classed as medium-sized organisations in the context of a large traditional economic power like Britain,had Ireland remained a province; became or were to become large organisations in the new context of a small Irish national economy. This,however,also meant that the scope for Irish organisations to grow within their domestic economic context was now to be much more limited than before.

Secondly,the 'Irishness' of Irish organisations took on a new level of distinctiveness and strength of association in the context of an independent national economic structure. It is unlikely,for example, that the developmental roles of the Irish sugar industry and An Foras Taluntais would have been so focused and so energised by economic nationalism had they been regional extensions of a larger British sugar-beet industry and agricultural infrastructure respectively.It seems certain that the structural evolution of the Irish distilling industry would have been very different had it remained a regional element of the British distilling industry. Exactly how is a matter for speculation. However,it seems likely that,in an overall British distilling context,the development of individual brand strength would have become more important than generic distinctions and that the pattern of diversification and concentration of capital within the industry would long since have crossed the historic Scotch-Irish divide and blurred the distinction between the two industries. It seems certain also that the structural evolution of the Irish dairy industry would have been very different in the context of a larger British dairy industry. For one thing,it is unlikely to have remained so firmly in the hands of the cooperative movement for so long. Furthermore,dairying has been a vital economic activity to the Irish economy.It is comparatively less important in the overall economic structure of Britain. This is most clearly evident in the diametrically opposite stances taken by the two countries in relation to the EEC's Common Agricultural Policy.

The third major change was that the locus of public policy and leadership had transferred from London to Dublin. In the context of a much smaller national economic structure the effects of this public policy and leadership on Irish complex organisations were destined to become more immediate and interdependent than would have been the case had Ireland opted to remain a part of the United Kingdom. While we can only speculate on how the structural evolution of the industries represented in this study might have differed historically had Ireland chosen to remain British; we can,from the evidence in the data,be more positive about the effects of public policy and leadership on the development of the organisations in the study.

Early Self-Government - Classical Economic Policy

The public policy of the first Free State administration was broadly classical.This administration concentrated on the orderly assumption and development of the institutions of government and on the establishment of public order. The major problems for the new state were political and the domestic political situation remained volatile in the wake of the

1922 civil strife over the Anglo-Irish Treaty of 1921. The first administration was slow to intervene in the direct working of the economy. Its approach to intervention,through tariff protection and through state funding for economic and industrial development,was piecemeal and cautious. It saw agriculture as the primary wealth creating activity in the Irish economy. The need for continued ease of access to the British market was seen to be of primary importance and was a disincentive to any interference in the freedom of trade with the major trading partner. This administration's overall approach to the economic management of the country was essentially one of free-trade, laissez-faire classicism.

Under this laissez-faire policy of the 1920's the Irish dairy industry confronted the first major crisis since its structural transformation to the creamery system. For most of the 20's private and cooperative interests jockeyed for position in the industry. This competitive activity became intensified,and potentially destructive of the industry as a whole,when agricultural prices fell sharply after 1920 and remained in a depressed state for the remainder of the decade. The industry was suffering from low profitability and excess aggregate capacity. The industry was saved from almost total collapse when the Government was reluctantly persuaded to intervene directly through the forceful advocacy of Henry Kennedy of the IAOS. The Government's intervention in 1927 was decisive. The State set up the Dairy Disposal Company as a mechanism for bringing about a major rationalisation of the industry through the selective use of state funds. Private interests were bought out and marginal operations were amalgamated or closed. The immediate effects of the State's intervention were to secure the future profitability of the industry and to secure the central position of the cooperative movement,and the cooperative form of organisation,in the industry for a long time into the future. An important unintended consequence arose from the cooperative movement's own failure to buy out and recooperativise the Dairy Disposal Company interests in the near term. The State retained a direct foothold in the industry right through to the 1960's,through the active involvement of the DCC. This foothold was to become a major bargaining counter in the State's attempt to bring about a major rationalisation of the industry in the mid 60s.

This episode in the history of the Irish dairy industry was a case of a laissez-faire public policy almost allowing a vital industry to self-destruct and then,at crisis point,being harnessed and mobilised by one of the key participants,the cooperative movement,to save the industry and to secure the movement's central position within it.

By the 1920's the pattern for the future evolution of the distilling industry in the British Isles had already taken root. The war between the pot-stilled product and the blended product had been fought over the previous two decades. The pot-stillers had won a battle when they influenced the British Government to enact a measure requiring a minimum 3 year maturing period for all classes of whiskey. They lost the war,however,when they failed to have the blended spirit declassified as whiskey and when they subsequently failed to recognise its enormous export potential.The introduction of the three-year compulsory bonding period forced a lot of the marginal producers of blended spirit out of business or into mergers with larger,more resourceful,firms. By the 1920s the blended Scotch whisky industry had achieved a high degree of concentration and had established a number of highly reputable brands. The largest concentration was in the Distillers Company,which had been formed through the amalgamation of the six oldest Scottish grain whisky producers in 1877. By the 1920s most of the major brands were under DCL control including the Dewars,the Haigs,the Walkers and the Buchanans.

Meanwhile the whiskey industry in Ireland had achieved a fair degree of concentration itself and by the 1920's was dominated by the Dublin-based pot-stillers. These Dublin companies continued to maintain their conservative stance with respect to grain whisky,and in 1926 they secured from the new Irish Free State Government an extension of the compulsory bonding period to five years for all whiskey to be sold on the Irish market. This measure did penalise imports of blended whisky from Scotland and Northern Ireland and it strengthened the Irish pot-stillers' dominance of the domestic market. However it proved to be short-sighted. It made future penetration of the American market more difficult for Irish pot-stilled whiskey. In the US the spirit laws prescribed that no spirit could be marketed there which could not be sold in the country of origin. This meant that Irish whiskey,even if blended,had to be at least five years old. In contrast three-year old whiskey from the United Kingdom could be marketed in the US which gave it a decided competitive advantage. Throughout the 20s and 30s blended Scotch was able to establish a significant bridgehead in the American market,which remained restricted until the 14 year prohibition was lifted in 1933. This bridgehead was to be an important springboard for the take-off of Scotch whisky in the US market which accelerated after the Second World War.

As in the case of the dairy industry,government intervention in the distilling industry was in reaction to the pressures coming from the industry itself. In the case of sugar the early development of this industry remained in the hands of private interests from its establishment in 1926 until this first administration finally went out of office in 1932. During this period there was no significant intervention in the industry,or on its behalf,by the state.

Economic Self-Sufficiency and State Entreprise

The first change in government in the Irish Free State was accompanied by a major change in public policy away from classical free-trade and laissez-faire principles to a policy of economic self-sufficiency. The Fianna Fail administration that came to office in 1932 was already committed in advance to this economic self-sufficiency policy. An integral part of that policy was the clear intention to accelerate the development of native industry behind protective tariff walls. Sean Lemass,whose name was later to become synonymous with Irish industrial and economic development,had clearly signalled this philosophy in the Dail as early as 1928 when,in a speech advocating protectionism,he said:

> "We believe that Ireland can be made a self-contained unit,providing all the necessities of living in adequate quantities for the people residing in the island at the moment and probably for a much larger number"(cited in Meenan,1967;74).

As we saw earlier,the international trading arena turned to isolationism and protectionism in the wake of the Crash of 1929,and the subsequent Great Depression in world economic activity. This fragmentation remained the prevailing condition until after the Second World War.

In this context it is important to stress that protectionism as an economic philosphy was positively embraced in Ireland by the government of the day as a strategy for industrial development and not simply as a reaction to contemporary developments in world trade. However,the self-sufficiency policy of the Fianna Fail administration of 1932-48,and its policy of extending state involvement in economic activity and in the management of the economy,were reflected in,and reinforced by,the prevailing practice of the time in the international environment. As a result,these new policy departures were made easier to defend and sustain politically. They were also supported ideologically through the growing influence in this period of the newly emerging Keynesian economic doctrine.

It was in the 1932-48 era,under the self-sufficiency policy,that the semi-state organisation really emerged as a major instrument in Irish economic development. Sean Lemass,the Minister responsible for most of these initiatives later pointed out that this growth in the State's involvement in economic activity was motivated by economic pragmatism and not for any ideological reasons or as part of any philosophy of State socialism(see Chubb&Lynch 1969;177-194). State resources and organisation were mobilised in economic activities deemed important to overall economic development where private capital had proved shy,as in the development of the peat industry; or where private entreprise had tried and failed,as in the case of the sugar industry. In all 18 new semi-state organisations were formed for various purposes during the 1932-45 period.

The beet sugar industry in Ireland was introduced by commercial interests in 1926. A production facility was erected at Carlow and by 1932 the new company was producing 13400 tons of sugar,around 7% of the domestic market requirement. It was only when this entreprise got into financial difficulties in 1933 that the new government intervened. The Government might have taken minimal measures at this time to shore up the failing concern. However,it saw a developmental value in the industry and recognised that private entreprise would not be willing or able to develop it fast enough,or fully enough,in the overall national interest. Lemass,in moving the proposed legislation in the Dail to establish a new semi-state organisation to develop the sugar-beet industry,recognised that the industry was not an economic proposition "from a purely accountancy point of view..(but)..by giving a measure of protection necessary to put the beet crop into existence,we are going to provide employment-it will be a cash crop for farmers and indirectly create new business for quite a number of industries,and we are going to do that at a cost to the community of an extra halfpenny a pound of sugar".

Once the State got involved the aim was clearly to make the country self-sufficient in sugar as quickly as possible.This involved the development of acreage under beet and sugar manufacturing capacity at a level way beyond that reached by the private entrepreneurs when their project ran into difficulties. In addition to taking over the Carlow facility from the private interests the new semi-state organisation,CSET,established three additional factories. At the sod-cutting ceremony for one of the new factories the Taoiseach, Eamonn De Valera declared that "in establishing factories such as these we are making the way for a self-sufficient and self-supporting State". The strategic benefits of being self-sufficient in a basic commodity like sugar were realised much sooner that anyone had expected. During the 1939-45 hostilities the new industry was able to supply the country's basic needs despite severe operational difficulties brought about by the war-time scarcity of industrial materials.

The successful establishment of an indigeneous sugar industry was one of the major successes of the economic self-sufficiency policy. The dairy and whiskey distillates industries had more mixed fortunes throughout the period in which the self-sufficiency policy was in operation. At the time Britain was still the country's dominant trading partner and an important export market for the Irish dairying and distilling industries. The use of protection to develop native industry through import substitution was always likely to be met with some economic retaliatory measures by the major trading partner. However,it had been hoped to minimise these effects on Irish exporting industries through the careful selection of the new industries that would be marked out for development under protection. This hope was shattered by the political developments that led to the Economic War with Britain.

The Fianna Fail administration of 1932-48 was dominated by two men,the political idealist De Valera and the economic pragmatist Sean Lemass. There was no question however but that the economic pragmatism of Lemass was subsumed under the political leadership of De Valera and not in conflict with it. The economic philosophy of self-sufficiency had a clear political ideological basis in self-determination. De Valera was determined to achieve a defacto republic in the 26 counties as quickly as possible and during his first term of office he proceeded,with considerable political skill,to dismantle the 1921 Treaty with this intent. His administration's pursuit of this political objective led to the 'Economic War' with Britain; the immediate causus belli was his with-holding of the land annuity payments to Britain that had been part of the terms of the Treaty. In this era of economic depression and isolationism,Britain,no longer restrained by any ideological commitment to free trade,retaliated with the political use of the tariff in its attempt to bring Ireland into line. Ad valorem duties of first 20% later rising to 40% were imposed on Irish imports.

The British market for dairy products and for spirits was already considerably weakened as the Great Depression took hold and deepened. The imposition of penal duties in extremely depressed market conditions was a critical development for both industries. The Government moved quickly to protect the dairy industry,which was always seen to be of vital national interest,through domestic price supports and export subsidies. It also became directly involved in an attempt to improve the export marketing of Irish dairy products through the establishment of the Butter Marketing Committee in 1936. In contrast,little support was forthcoming for the distilling industry,already suffering severe pressure on the British market from the general economic depression and due to the intensifying competitive pressures from Scotch and from beer. The 'Economic War' was a major element,along with the others just mentioned,in bringing about the almost total collapse of Irish whiskey exports in this period.

During the 1939-45 wartime emergency period the Irish Government imposed restrictions on the export of whiskey in order to conserve home supplies and to maintain excise revenue. This strategy led to the further withdrawl of Irish whiskey from export markets. In contrast,the

British Government during the same period restricted whisky sales on the domestic market in order to protect and develop the export of Scotch,especially throughout the European theatre wherever American soldiers were stationed. When the war was over and the American soldiers returned home they had already,in large numbers,developed a preference for Scotch whisky. This formed a significant nucleus around which the Scotch Whisky industry launched its significant export drive on the US market in the immediate post-war period. By 1952 exports of Scotch,mostly blended whisky,had reached a massive £32m. Exports of Irish whiskey,in contrast,were languishing at a paltry £0.5m. The contrast was so stark by the early fifties that it was raised in Dail Eireann on a number of occasions throughout the decade. One independent deputy went so far as to try to secure a measure to promote the export of Irish whiskey if necessary through the setting up of a semi-state body to produce a suitably blended Irish product. The industry itself, however,remained reluctant to commit extra capacity to the production of a new blended whiskey for export in the absence of a guaranteed market. While the Government continued to pressure the industry on the issue of exports it did not directly intervene.

Sean Lemass,Economic Expansion and Entry to EEC

Sean Lemass,the economic pragmatist in the first Fianna Fail administration,is the legendary public figure most associated with Ireland's industrialisation and transition to from a traditional to a modern society. As Minister for Industry and Commerce in the 1932-48 Fianna Fail administration he lead the economic drive for self-sufficiency. In this period the basic character and structure of the modern Irish economy was formed. He is linked historically with both the rate of Irish economic development and with the structural evolution of the economy,in particular its particular mix and balance between private and state entreprise.

The policy of economic self-sufficiency did have its successes,and any evaluation of its overall effectiveness must take full account of the conditions prevailing internationally during the 30' and 40's when it was in full operation. In the post-war era,serious doubts began to grow about its continuing appropriateness. Many of the new Irish industries,that developed under protectionism,had remained small and inefficient. The flight from the land,typical of modernising economies, became a flight from the country,mainly to the industrial centres of the United Kingdom. Living standards north of the Border were higher than those in the South. The country as a whole began to experience a crisis of national self-doubt. It had won its political independence but was the national economy a viable one,capable of providing enough work and acceptable living standards for its people? In 1958 the policy of self-sufficiency was formally and dramatically abandoned,though the country had been edging away from it since the late 40's. The analysis and blueprint for a change in policy were provided by Ken Whitaker in his now historic document 'Economic Development'. Whitaker's analysis was inspired by the rate of recovery in Europe and influenced by the success of the French economic policy of indicative planning. Under Lemass's leadership the Whitaker blueprint was developed into the First Programme for Economic Expansion, which covered the period 1958-63.

The period 1958-63 is now regarded by most modern historians as a watershed in the development of modern Ireland. The full historical significance of this period has been examined in some detail in chapter 4 and as we move farther beyond it,and gain more perspective on it,its significance seems to grow rather than diminish. Ireland's economy is now generally described as small,mixed and open. Smallness was determined when the Irish people determined to go it alone. Mixed and open are the result of subsequent broad policy choices. As we have seen above the mixed character of the modern Irish economy largely evolved during the 30's and 40's. The self-sufficiency policy was an attempt to close the economy as much as practicable by diverting resources from exporting activities to import substitution. This policy was reversed in the First Programme. The Irish economy was to be opened and a sustained effort made to develop the economy through export-led growth,funded to some extent by direct foreign investment in the country and by the use of public investment for productive purposes. An integral part of this policy was to seek entry into the EEC at the earliest possible oportunity. Among other things,membership of the EEC would help Ireland to diversify its international trade away from over-dependence on a single trading partner,the United Kingdom. The expansion targets for the First Programme were exceeded,national self-confidence was restored,and a sustained policy of economic expansion was embarked on which was to continue to expand the economy right up to the end of the 70's. The first application for EEC membership was turned down in 1962 but eventual membership a decade later was a logical extension of the major policy change which had occurred in the late 50's.

All sectors of the Irish economy were mobilised in support of the programme for economic expansion. This was the era of Ireland Inc. under Lemass's 'corporate style' of management. Many state organisations were directly mobilised,and many non-state entreprises nudged,cajoled, induced and otherwise pressured,into support for the programme for economic expansion and for the drive on exports.

The establishment of a state-sponsored research organisation to support Irish agriculture had its genesis in the Marshall Aid Programme for European recovery,and the proposal was first made by that Programme's representative in Ireland as early as 1948. After many years of wranging by the various interests over different proposals the institute was finally established in 1958,the year that 'Economic Development' was published and the First Programme got under way. The new institute was immediately drawn into the national effort. The close linkage between the institute's early development and the First Programme were clearly revealed in AFT's annual report of 1963-64:

> "At the request of the Minister for Agriculture a report on developments in (AFT) in relation to the first Economic Expansion Programme was prepared and submitted...In line with the objectives of the Programme a comprehensive organisation with competent staff was built up to carry out research in the fields of plant sciences and crop husbandry,animal production,horticulture and finally rural economy.."

The Institute's early formation and development took place in the context of the First Programme and by the end of the period covered by the first programme it had already begun to have a notable impact on the development of Irish agriculture. The Institute grew rapidily in this context,being marked out as an important target for public productive investment under the guiding philosophy in 'Economic

Development'. When the Second Programme for Economic Expansion came to be formulated,the Institute was required to advise on the research needs of agriculture up to 1970. AFT's proposed programme on approval by the Government was directly incorporated as an integral element in the Second Programme's plans and objectives for the agricultural sector. Agriculture was targeted in the Second Programme as an important source of foreign exchange with which to finance the expansion of the industrial sector. It was seen to be an important primer of overall economic development and agricultural research was recognised in the Programme as a vital 'third factor' along with labour and capital in the pursuit of economic growth. "As such",as the Institute's first Director said in his address to the Nominating Organisations to the Council of AFT in 1965, "it (research) is now regarded by planners and economists as basic to economic development and indeed as determining the extent to which investment in capital,equipment and facilities can result in increased productivity..investment in research is investment in growth"(Walsh,1965;2).During the period covered by the Second Programme the Institute got the only multiyear budget in its history,a 3 year financial commitment from government covering its development over the 1963-66 period. The 1958-67 period marked the major formation and growth phase of AFT.

By the end of the fifties Ireland was already self-sufficient in sugar. Due to the structure of the world market for sugar,where most of the world's production is disposed of under price support within large trading blocks,the industry offered little realistic prospect for export-led growth in the basic commodity. The world spot market for sugar is a residual market and under free trade conditions beet-sugar is uncompetitive. Yet,by the time that the First Programme for Economic Expansion was introduced CSET had accumulated considerable experience in the processing of a basic agricultural foodstuff. CSET was,by then, a valuable resource which could be mobilised in support of the First Programme in which significant net exporting from the agricultural sector was to be a major cornerstone. Lemass,in his drive for economic expansion,threw down the gauntlet to organisations like AFT and CSET and they were expected to come up significant tangible contributions to the national effort. CSET had,since the early fifties,been exploring the possibility of a diversification into food. When the economic expansion gauntlet was thrown down the food project was CSET's almost immediate response:

> "With our experience and knowledge of handling farmers' produce over the years and our intimate knowledge and understanding of the farming problems of our 30,000 beet growers,we tackle these problems with considerable advantages. We consider it our duty in the national interest to utilise our special knowledge and our very considerable technological resources to exploit the vast oportunities of economic expansion offered by the convenience food business"(Annual Report 1964;8).

The food project was the most significant diversification in CSET's history. CSET entered into the task with much energy and imagination. New food processing factories were built alongside the sugar processing factories in the company's four regional operating centres. New processing technologies were introduced and the world's first commercial AFD(Accelerated Freeze-Drying) plant was opened in Mallow. A new R&D centre was established in Carlow. The Government supported the project by increasing its equity in CSET to provide funds for the erection of the new facilities but the developmental costs in R&D,Marketing etc were all funded through retained earnings,i.e. through net funds flow from the sugar business to the food project. The government of the day were clearly fully behind the project. Sean Lemass came personally to perform the opening ceremony at the new Mallow plant. In 1963 Lemass,then Taoiseach,paid tribute to the 'very positive response' of CSET 'in widening the scope of (its) activities in areas unrelated to (its) present operations' in support of the drive for economic expansion.

The food project was the major drama in CSET's history. The early aims for the food project were ambitious and they envisioned the building up of a national food business that would "be larger than any industrial activity now carried on in Ireland"(Annual Report,1962;14). However,the task proved more difficult than had been expected and the project never made the impact that had been hoped for it. The main difficulty was the market. The company proved capable of managing the latest in processing technology and of carrying out effective product development to produce a range of new and exciting convenience products. Even with these advantages the market development costs necessary to secure a critical and self-sustaining breakthrough on the vast,but highly competitive,UK market were far greater than anyone had anticipated. The market structure was already dominated by several giant competitors. In addition,the company embarked on the diversification with a major handicap.In order not to discommode private entreprise at home the Government had placed a requirement on CSET that only 10% of the food project's turnover could be offered for sale in the domestic market.If the export market development costs could have been met by funds flowing from a strong and profitable domestic market position,so that the food project as a whole could break even and show an early profit, then perhaps the company would have been allowed to persist longer with the expensive effort to build up its own sales and distribution network in the UK and eventually reach the critical self-sustaining breakthrough that General Costello believed was possible.

Without the substantial home market the project as a whole continued to have difficulty reaching a break-even level. Lemass retired as Taoiseach in 1966. The torch of national leadership passed to a new post-revolutionary generation of Irishmen. This new leadership lost faith in the General's strategy and contrived his departure from CSET with his own unwitting assistance in late 1966. Tony O'Reilly was induced by the Government to take over as leader of CSET with the express purpose of bringing the food diversification to early profit. O'Reilly was chosen for his commercial skills and for his track record in An Bord Bainne,the Irish Dairy Board,where he had played a major role in the successful launch of a generic brand for Irish dairy produce in the UK market,the Kerrygold brand. A new marketing strategy was devised for the food project. The direct sales and distribution network was disbanded and a joint-venture was formed with the Heinz corporation to use the existing Heinz sales and distribution system to bring Erin foods to the UK consumer. Heinz were impressed with O'Reilly and persuaded him to join their UK organisation after less than 3 years as Managing Director of CSET. The project was still not in profit when O'Reilly departed. The Government,disillusioned with O'Reilly's early resignation and with the continuing difficulties associated with making the project successful,effectively withdrew to arm's length and left, the company to its own devices. By 1972,the great experiment was essentially over and by this time the high hopes,harboured in the early days of the drive for economic expansion,that the project would spawn a national food industry and become in time CSET's major activity were abandoned.

The Lemass-led drive for economic expansion played a direct role in bringing about the major rationalisation in the dairy industry in the late 60's. The Government was concerned about the competitiveness of the economy,particularly of vital export sectors like the dairy industry,in the context of its decision to seek full membership of the EEC. In this regard it commissioned two important studies. The first was the survey of the dairy products industry carried out by the Survey Team in 1962. The Survey Team's study was extensive. Many issues requiring urgent attention in order to strengthen the industry were raised and specific recommendations made. The main issue was the Team's call for a major restructuring of the industry. According to the Team's analysis the industry was too fragmented. They saw an urgent need to achieve a greater concentration in capital and expertise in order to bring the industry into line with developments among Europe's other major dairy producing countries. As they put it in their report(Survey Team,1963):

> "What is principally being aimed at is a flexible and cohesive dairying industry,based on a relatively small number of large units,and strong financially,organisationally and administratively..The zeal with which (such structural changes) are being tackled in Holland and Denmark,for example,is in our opinion very significant. The dairy industry in each of these countries is more closely integrated than the Irish one..It be near folly for (the Irish dairy industry) to persist with a structure that is rapidly becoming out of date in competitor countries.."(pars 135,64).

In addition to its call for the urgent restructuring of the industry the Survey Team raised doubts about the capability of the industry to restructure itself. It suggested the setting up of a permanent superstructure for the industry with "adequate independence,virility and power" to lead and guide the industry through its own reorganisation,by mandatory powers if necessary. The dairy industry,arising from its historical evolution,was primarily controlled by the cooperative movement at the time. Yet,the Survey Team was doubtful whether the IAOS,the corporate body of the movement in Ireland,was capable of providing the appropriate superstructure needed.

The Government then promptly set about commissioning a second report,this time on the state and health of the cooperative movement in the country. Dr.Knapp,in this report,devoted a major section to the dairy industry and to the Survey Team analysis. He agreed with the Team that the reorganisation of the industry was indeed necessary and that the need was urgent,in the light of the major national drive for economic expansion. However,he felt strongly that the restructuring should evolve organically with the industry and he did not share the Survey Team's belief that the IAOS were not up to the task of leading the process. On the contrary he recommended that the IAOS should be given "full responsibility for working out general reorganisation plans for the industry" in the belief that under its leadership the dairy cooperatives "have the ability to achieve the consolidations and mergers which are required to improve the structure of the dairy industry"(Knapp,1964;108).

After the publication of these two reports the IAOS came under increasing pressure to develop a set of proposals for the restructuring of the industry. While the Knapp report had been reassuring the Survey Team analysis had clearly shown that there was no room for complacency regarding its central role within the industry. The Lemass Government was anxious that the restructuring of the industry proceed without undue delay. In the Second Programme for Economic Expansion the IAOS was explicitly charged with the responsibility of "encouraging the co-operative creamery societies to achieve such voluntary consolidations and mergers as are designed to bring to the industry the operating and marketing advantages to be gained from economies of scale and diversification of production"(Chp9,VII). However,it was clear to the IAOS that if they did not move on it quickly the Government would seek to achieve its objectives for the industry through some other mechanism. The most likely means was through extension of the State's direct involvement in the industry. The IAOS was left in little doubt that the future character of the dairy industry was on the line. It was made known that the Government had its own rationalisation plan-in-waiting.

A major initiative taken by the State during this period was the formation of An Bord Bainne,the Irish Dairy Board,as a state agency in 1961. The Board was set up to be the central marketing agency for Irish dairy exports. It had been long since recognised that the full potential of Irish dairy exports was not being realised for lack of concentrated marketing effort by the industry. After the first major rationalisation of the industry in 1927 a serious effort had been made to set up such an organisation from within the cooperative movement. The organisation in question,the Irish Associated Creameries Ltd.,was set up within the movement as a federation. In spite of having being strongly supported by the government of the day and the IAOS,the effort failed for lack of commitment from the cooperatives themselves. After this failure the State intervened in 1936 when it set up the Butter Marketing Committee to coordinate and organise the export marketing of creamery butter during the difficult period of the 'Economic War'. The urgency grew for the more effective marketing of dairy exports under the climate generated by the economic expansion drive. Once again the State took the major initiative. The new agency scored an notable achievement early on when it developed and successfully launched a generic brand for Irish dairy exports,the Kerrygold brand, something which the supporters for centralised marketing had been advocating as far back as the 20's.

By the mid 60's the State was directly involved in the processing and marketing of dairy products. Clearly it was not slow to extend its own involvement if it was unsatisfied with the pace of development in the industry. There was every reason to believe,therefore,that the State would spearhead the restructuring of the industry through its own agencies if the cooperative movement was slow to set about the task itself. Faced with this possibility,the IAOS came out with its own proposals for the reorganisation of the industry in 1966. These proposals ran into considerable opposition from within the movement itself because of the political implications that widescale mergers within the industry were going to inevitably involve.

The postponement of Ireland's entry into the EEC and the retirement of Lemass in 1966 removed some of the urgency for the restructuring of the industry. Ireland's application for EEC membership was reactivated in 1967 and membership was then expected towards the end of the decade. Once more the Government intervened and commissioned a third report,this time specifically focused on an examination of the organisation of the industry and charged with making specific recommendations on the restructuring of the industry. In the face of such persistence industry leaders,like Dave O'Loughlin of Golden Vale,came to accept amalgamation as inevitable and began,in earnest,the slow and painful task of bringing it about. Significantly,one of the carrots held out to the cooperative movement,to further move it along the road to amalgamation, was the promise by the then Minister for Agriculture,in the late 60's,to finally hand the Dairy Disposal Company over to the cooperative movement and to thereby withdraw from direct involvement in dairy processing.

The Lemass drive for economic expansion played a significant,if less direct,role in the major rationalisation that took place in the distilling industry in the mid 60's. The distilling industry had been experiencing increasing criticism from without,and growing frustration from within,concerning its poor export performance. As we saw earlier, this was thrown into dramatic relief by the enormous growth in the exports of the blended Scotch industry in the late 40's and early 50's. During the 50's the industry's underdeveloped export potential was the subject of a number of discussions in the Dail chamber. One independent deputy was sufficiently moved by the issue to call for the restructuring of the industry,with state involvement if necessary, to improve its export earning potential and consequently its overall contribution to the development of the economy. The state export development agency,An Coras Tractala,became involved around this time in an exercise to help the industry to assess its presence,prospects and potential in the US market. So for more than a decade there had been a growing awareness among various interests that the industry was far from realising its full potential. There was much speculation on what might have been achievable through greater consolidation of resources within the industry and greater concentration of effort on exports. The industry,however,had been slow to move on the issues under the national policy of self-sufficiency and in the difficult international trading conditions that had pertained up to the end of the war. Under these conditions the home market the industry could remain inefficient, fragmented,inward-looking and conservative; and survive. The dramatic turn that national economic policy took in 1958 was soon to lead to a change in this situation.

Unlike the cases of dairying and sugar,there was no direct state involvement in the reorganisation of the distilling industry. Lemass remained convinced that the distillers themselves,with their conservative attitude to the product,remained the main obstacle to industry rationalisation and to any new drive on exports. His new economic policies,however,did have a significant effect on the industry's evolution. In his drive for economic expansion he officially abandoned protectionism and signalled the opening of the home market, giving freer access to foreign goods and capital. The First Programme for Economic Expansion incorporated the assumption of early entry into the EEC. When the first application was turned down,Lemass set about maintaining the momentum for change in the economy towards freer trade and export-led growth by negotiating the Anglo-Irish Free Trade Agreement of 1965. It became clear to the Irish distilling industry that it was going to face intensifying competition in the home market from imports of Scotch whisky under the terms of the agreement. It also became clear that in more open trading conditions the industry's future growth and development would come to depend more and more on exports. Strongly influenced by these considerations the three companies that comprised the distilling industry in the Republic of Ireland merged in 1966 to strengthen the competitiveness of Irish distilling and to concentrate its resource power for more effective export market development.

In spite of the strong economic rationale favouring consolidation,there were major political obstacles to be overcome in bringing the previously independent leading firms in the industry around to amalgamation.
In this respect,the situation paralleled that of the dairy industry. However,whereas in the dairy industry the Government used direct pressure to bring about the desired concentration and reorganisation of the industry,the merger moves in the distilling industry came mainly from within the industry itself; with some mediating help from the

industry's bankers. Informal discussions had been going on over a number of years concerning how the independent producers in the industry might combine,rather than compete,in the area of export development. Then,with the opening up of the Irish economy to direct foreign capital investment after 1958 several large UK brewing companies began to take a direct interest in the oportunities for growth presented by the Irish brewing and distilling trades. When one of these,Allied Brewers,began to expand its interests in the wholesale and distribution of wines and spirits in Ireland there were very real fears within the distilling industry that one of the three major distillers,Jameson Ltd.,was vulnerable to takeover by the UK-based brewer in the face of this concentration in buying power. This very real threat to the Irish distilling companies' control over the future evolution of their industry provided the impetus necessary to overcome any political resistance to amalgamation. A merger of the three companies which had long since dominated the Irish distilling industry,Power,Jameson and Cork Distillers,took place in 1966.

The first annual report of the new entity,United Distillers of Ireland Ltd,was careful to tie the merger to the country's drive for economic development:

> "These three long-established and famous companies have united in a spirit of partnership to enable our industry to make its maximum contribution to economic development in Ireland by utilising all our resources to the fullest extent"(Annual Report,1966;14)

The chairman of the new company went on to outline the strategy:

> "We look to export markets for long-term expansion of our activities. Our ability to sustain long-term effort depends in a large part on the stability of the home market. It is now widely recognised throughout the world that export success is generally founded on a firm base at home"(p15).

Demand and profit in the home market had always been heavily influenced by government policy because of the traditional importance of the duties and taxes on spirits to the public finances. The Government were being appealed to directly to play their part in facilitating this strategy for the industry by ensuring that "Excise duties and taxation will be restrained"(p15). In a real sense the gauntlet was been reflected back to the Government. IDG was using the Government's own public commitment to a national strategy for export-led economic growth to try to coopt it into maintaining favourable fiscal conditions for the company on the home front.

Ireland's application to join the EEC was reactivated in the late 60's and the country finally entered the Community along with Britain and Denmark in 1972. Entry to the EEC was a logical extension of the major change in direction that public policy had taken since 1958. In that respect,much of change that had taken place in Irish organisational life over the 1958-72 period had happened in anticipation of this development. Entry into the Community was a major landmark in the country's history and the effects of EEC entry on the development of industries and organisations represented in this study have already been fully examined earlier in this chapter.

Public Debt and Fiscal Rectitude

Entry into the EEC allowed Ireland's economic expansion to continue through to the end of the 70's in spite of the economic difficulties arising from the 1973 Oil Crisis and from high and uncontrolled inflation. The second oil crisis in 1979 brought in its wake a new age of low growth in world economic activity. Ireland entered this period of general and prolonged economic slowdown with particular structural difficulties,concerning especially the state of the public finances.

In 1972 the Fianna Fail Government of Jack Lynch abandoned the convention that had governed public financial management up to then, the convention of not running a deficit in the current budget. Though the initial current deficits were small relative to GNP,once the convention had been breached further deficits became a matter of degree not of principle. The first impetus to the growth in the current deficit came during the 1973 Oil Crisis. The quadrupling of the price of oil was bound to have a major depressing effect on an economy such as Ireland's with its high level of dependence on imports of oil and of oil-based raw materials. In order to gradualise and smooth out the necessary deflationary adjustment the newly-elected Cosgrave administration moved to protect living standards,employment and social services by an increase in public borrowing for current expenditure. As the economy began to recover in the mid-70's the Cosgrave administration returned to more conventional budgetary strategies and set about to progressively decrease the size of the budget deficit,consistent with Keynesian-based economic management principles. However,in the General Election of 1977 a new Fianna Fail administration swept into office committed to a political manifesto,and to economic programmes,that were designed to inject a major demand stimulus into the economy,to be funded by much higher current deficits than ever before. It was a big gamble and it failed. It gambled on continued economic growth in the international environment and it gambled on the willingness of Irish workers to accept wage increases that were lower than those in competitor countries. Both bets lost and Ireland entered the difficult 1980's with a high level of public debt and with little room to manoeuver in fiscal policy.

The debt to GNP ratio had grown from 29% in 1976 to a massive 70% in 1985. The state of the public finances remained a central election issue throughout the 80's. Yet several successive administrations had enormous difficulty in tacking this problem. One of the legacies of the economic expansion drive was a vastly increased public sector. Many of the public sector jobs created during the two decades of economic expansion were directly related to the expansion effort. They were created in the various state agencies that were set up or revitalised and expanded at this time to stimulate and support development. With the early success of its expansion efforts,public policy moved to use some of the new prosperity to develop a more equitable and caring society. In particular the fields of public education,health and social welfare were greatly improved and expanded. In addition to all of this,the area of security rose sharply and steeply in the period after 1968 to become a major item of public expenditure,as the troubles in Northern Ireland developed and deepened.It has remained a major element of public expenditure ever since. All in all,public sector current spending rose from 24% to 42% of GNP over the 1958-78 period.

As the recession of the 1980's deepened,the burden of this expanded public sector fell on a progressively contracting private sector.

Pressure mounted from the private sector for cuts in public expenditure. These were stoutly resisted by the powerful public sector unions and by the recipients of public services. Difficult political decisions were called for but the political system failed,for most of the decade,to return a government with sufficient political power and will to risk the electoral fallout. In four general elections over the 1981-87 period power alternated between a single party Fianna Fail administration, politically weakened by internal conflict over the leadership, and a coalition of Fine Gale and Labour,ideologically split over where the burden of the country's economic difficulties should fall within the community. A FitzGerald-led coalition held office from 1982-86. This administration managed to achieve some significant success in reducing and controlling inflation. However,while the major partner to the coalition,Fine Gale,had strong leanings towards right wing policies of fiscal rectitude,it was forced to modify its position in order keep the Labour party in the coalition. This coalition of the right and left failed to make any major progress on the containment of the rising public sector debt.

Throughout the 80's successive administrations continued to run a current deficit until eventually the stage was reached when the country had become over geared and additional debt raising capacity was largely taken up with servicing the existing debt. They also raised the levels of direct and indirect taxation until the point was reached where further tax increases were generating diminishing returns .
In addition there were continuing efforts to curtail public expenditure and most public sector agencies found their budgets coming under increasing stringency.Many of these agencies saw their non-pay expense and capital budgets progressively tightened as budgetary cuts were implemented across the board. Reductions in personnel were limited to the replacement of 'natural' attrition on a one new hire for every three terminations basis. These attempts at fiscal rectitude,however, were grossly inadequate to eliminate the current deficit or even to reduce it sufficiently so that the public sector debt could be stabilised. What was needed,and what successive administrations had balked at up to 1987,were the rationalisation of public services,the closure of uneconomic facilities and major cuts in public sector employment.

By 1987 the country had run out of options. Public opinion has shifted strongly to the right. The high level of government borrowing was seen to be 'crowding out' private investment. High levels of personal taxation were seen to be killing off initiative and effort. National despondency with the political system was high.The February 1987 General Election was indecisive and returned a minority government to Dail Eireann. However,the incoming Haughey-led Fianna Fail administration became a belated convert to fiscal rectitude. In the light of this development a remarkable and unprecedented consensus emerged within Dail Eireann around the need to restore order to the public finances as the number one prerequisite for the restoration of economic growth in the country. In spite of its lack of an overall Dail majority,the current Haughey-led Fianna Fail administration,with its own internal divisions over the leadership now largely exorcised, has found itself in the strongest political position of any administration,since the current depression began,to implement the tough economic policy of fiscal rectitude. In the period since the February 1987 election the Haughey administration has demonstrated that it is prepared to implement such tough measures. The pace of public service rationalisation was stepped up to previously unrecognisable proportions. Radical cutbacks, closures and amalgamations,and proposals for more of the same,have become the order of the day as this latest administration,with the conditional public support of the main right wing opposition parties,has set about implementing its tough three year programme for national recovery.

As noted earlier,the post-1979 period has been a period of major change in the histories of all of the organisations in this study. A major factor in all cases was the change in world economic and trading activity reviewed earlier. However,the State's financial difficulties were also an important element in the changes that took place particularly,though by no means exclusively,in the cases of AFT and CSET,the two public sector organisations.

The 1980's have been particularly difficult for all manner of public agencies because of the State's persistent fiscal problems. Many public agencies had been formed or had experienced their major growth phases during the major economic expansion drive. Indeed many of them contributed vital infrastructural support to that drive. In the late 50's many sectors of the economy were very underdeveloped and the scope for development was great. The initial returns from public investment in many these agencies was quite dramatic. For most of the period during which the economy was expanding there was little attempt by governments to critically assess on any cost-benefit basis the continuing value of these agencies to the economy. In the 1980's this changed dramatically. Budgets became progressively tighter,programmes and services came under close critical scrutiny and agencies felt the 'Sword of Damocles' continually hanging over them as pressure within the community mounted for a descaling of the public service.

AFT is just such an agency. Throughout the 1980's the Institute's annual grant-in-aid from the State became progressively tighter as the problem with the public finances deepened. The gap between the Institute's estimates to government of its expenditure needs and the amount of grant-in-aid that was actually forthcoming widened. Yet AFT was left to its own devices to determine how to operate within the constraints of a budget that was contracting in real terms. The effect of this situation was that that the State,through its inadequate funding,indirectly forced AFT towards the increasing commercialisation of its services. This in turn led to a change in the basic nature and operant mission of the organisation though its statutory mission had never been altered. Within AFT the strong sense of its value and importance in the national economic structure was being eroded. As one senior financial officer in AFT put it:

> "What is happening as the budgets are being reduced is that people (are asking) the question why? Why are they reducing ours. Either there are no votes in it or they do not see us as contributing.."

AFT was progressively troubled during the 80's by a crisis of identity and by concern for the long-term role and future of the Institute in its service to Irish agriculture. Long-term,basic, infrastructural research was being pushed out of the research programme by the increase in user-funded,user-defined, short-term applied or problem solving projects. This shift occurred to a large degree because of public finance exigencies. A senior researcher characterised this change in the organisation's research emphasis and what for him and his peers were its most worrysome implications:

> "..the organisation has changed from one which strongly promoted research activities to one which now demands developmental and applied research. This is a deterimental change ... to short-term, problem-solving,fire-fighting activities..In the long run the fear is that AFT would lose its scientific base..
> It would be wrong to say that this change has been approved and consciously generated by top management....The budgetary problems are dictating (it)"

As we have seen already earlier in this chapter,the major changes in the international environment that have taken place since 1979 had major implications for Irish agriculture. The challenges posed by the post-1980 environment for agriculture in general implied a rate and degree of change for the sector that were unparalleled since the foundation of the State. For AFT it meant "an absolutely new ball game ..a whole revolution taking place" in Irish agriculture with "enormous implications for research" involving new priorities and demanding new sciences and skills. AFT has been trying,since 1980,to bring about an internal transformation in its research programme and resource profile in order to try to meet these new challenges. At a time in its history when the need for transformation and change has never been greater,the Institute has found it particularly difficult to bring it about. One major reason for this was the tightening of the budgetary situation leaving little or no room for manoeuver. The Institute,moreover,was trying to transform itself in an fiscal environment that had become increasingly more critical of its current real value to the economy, regardless of its past contribution. A typical example of this more critical environment was the inclusion of AFT in a list of State--sponsored bodies which "test the taxpayers' tolerence" in an article in the Irish Independent of 27/4/83.A more stinging blow to AFT's morale was the more recent criticism of Denis Brosnan. In a forum convened by the FitzGerald Government in 1986,which was widely representative of Irish agricultural interests,the influential chief executive of Kerry Cooperative dismissed the Institute's effort on food research as largely ineffective. Whatever the objective merits of the criticism,it sent shock waves through the organisation and undermined it in the eyes of the agricultural community.

The pace of events quickened for AFT as the Government's fiscal problems became more acute. In April 1985 the FitzGerald Government set up a commission,under the chairmanship of farm leader Donal Cashman,to examine the operation of the Institute and of the related advisory body,ACOT, and to recommend how the existing resources of the two bodies might be better deployed and coordinated. This was the first major review of the Institute's activities to be commissioned by government in the lifetime of the organisation. The Government had kept the operation of AFT at arm's length for most of the Institute's history. However,as public funds became more scarce,government evaluation and control of expenditure in the state sector became more stringent and commissioned reviews of the affairs of state agencies became more prevalent. In the case of AFT the Cashman Report highlighted a number of structural difficulties which beset the organisation and impaired its performance. It addressed itself primarily to the issue of how the research activities of the Institute might be expanded and extended into new areas without any increase in overall resource input. According to Cashman AFT's age profile was too high and the ratio of research staff to other staff was too low. Cashman lay the responsibility for the reform of these structural problems primarily with AFT itself. AFT,which had already begun the painful process of internal transformation in the wake of its own major internal review,now came under substantial public pressure to speed up the process,whatever the internal difficulties.

Since the General Election of February 1987 there have been even more dramatic developments. This general election did not produce a decisive result. It returned a Haughey-led minority Fianna Fail Government. However,Fianna Fail's conversion to fiscal rectitude has effected a broad consensus of the right in the Dail, and earned it a two budget 'honeymoon' from the main opposition party on condition that its budgetary strategy addressed the fiscal problems of the country,with persistence and determination,as the top priority. The Haughey Administration has purused fiscal rectitude with all the zeal of the convert. The implications for AFT of this most recent development are enormous. In late 1987 the Minister for Agriculture announced his intention to merge AFT and ACOT and he provided for a dramatic cutback in the combined budgets of the two organisations from £35m to £20m for 1988. The savings were to be achieved though staff reductions,estimated to be of the order of 500 personnel over the two organisations. AFT and ACOT were merged in 1988 into a new body called Teagasc. Significant staff reductions across the combined organisation have already been brought about at the time of writing,in September 1988. These reductions were largely achieved through a voluntary redundancy scheme that the Government introduced,as part of its strategy for national recovery,in order to radically descale the whole public sector. By its intervention in pushing through the merger,and by supporting it with the voluntary redundancy scheme,the Government has greatly accelerated the process of transformation that was already underway within AFT,as it strove to realign its research programme to the new priorities of the 1980's and beyond.

This development was a major milestone for AFT. Its timing was of particular significance in the light of AFT's previous history. In the mid 70's there was a previous attempt by the government of the day to merge the Advisory Services with AFT into a single body to be known as the National Agricultural Authority. Legislation was prepared with that intent. The proposed merger was stoutly resisted by the AFT researcher staff. As a group they defied the wishes of their own Director and they fought the issue in the political arena and through the national media. The merger failed to materialise on that occasion because of the fortuitous intervention of the 1977 General Election. The new Minister for Agriculture in the incoming Fianna Fail administration had been publicly committed to the anti-merger position,having been lobbied by AFT professionals. On coming to office he modified the pending legislation in order to maintain two separate services. Just over a decade later,in very different economic and political circumstances,his successor,from the same political party,was able to drive through essentially the same merger with little resistance or opposition. AFT research staff still retained their fundamental concerns about the merging of the two entities. However,in the new context of fiscal rectitude,it was clear that any attempt to overtly resist the Government's merger plans would be futile and damaging to AFT's future political support.

The problems with the public purse,in economic conditions of zero-growth and increased international competitiveness,brought the performance of the commercial semi-State organisations back into the centre of the political arena. For the first time since the economic expansion drive was launched in 1958 the role of these commercial semi-State bodies became a central issue for public discussion and political debate,as the problems of the post-1979 period brought the central dilemma of these organisations into full,and painful,relief.

The Irish sugar industry,as noted earlier,ran into financial problems in the difficult trading conditions of the early 1980's. CSET's first recorded loss in its long history quickly brought it back to the centre of government attention after nearly a decade at arm's length. The fiscal problems of the Government led it to examine closely the affairs of the company. The public purse was in no condition to carry faltering semi-State organisations through the recessionary 80's. The company,along with other state-owned entreprises,became the focus of a special study by a joint committee of the Oireachtais. The commercial viability of the company was being undermined by two major problems. The company was heavily over-geared and in the difficult trading conditions of the 80's interest payments were exceeding trading profit. Moreover,the company was experiencing annual running losses of the order of £2m per annum on its Tuam operation.

The Report of the Joint Committee focused on three key areas for decision; the measures necessary to ensure the viability of the sugar operation, the role of diversification in the company's future plans and the weight to be given to social and regional development responsibilities in the company's overall goals. The Committee's report was significant for CSET. It was the first official recognition that the role of the company in Irish economic and social life had changed. It placed commercial viability of the sugar business as a top priority. It recommended that the company be allowed to concentrate its operations on its most viable plants. It also recommended that the equity base of the company be significantly strengthened in order to reduce the interest burden and to bring its capital structure more into line with commercial norms. Finally,it called on the Government to clarify the criteria under which CSET was expected to operate,both commercial and non-commercial.

The Sunday Independent leader writer(20-Sep-81) succintly summarised the company's dilemma in the difficult trading conditions of the 80's:

"The Dilemma is this. Are semi-State companies to be run commercially or as development agencies?Incredibly,as in the Sugar Company,nobody has formally told them what role they are to play. If they behave commercially and sack workers,all hell breaks loose. If they pursue social objectives and lose money they get hammered. That's a catch 22 with vengence. Somebody had better clear up this contradiction.."

The government of the day accepted the Committee's findings with regard to CSET's equity base and enacted legislation in 1982 to increase the authorised share capital of the company to £75m. Prior to this the State's total equity in the company was £5.5m. The provision of the additional equity was,however,another story. The company needed a major injection of capital to fund a capital investment programme aimed at maintaining the company's competitiveness in international terms. The rationalisation and modernisation taking place in the industry throughut Europe was largely dictating the urgency of this capital need. The flow of the additional equity was hindered by the Government's financial difficulties and it came in stages. In 1983,the Government requested that a Review and Rationalisation Plan be drawn up by CSET and stressed that the future operation of the Group be undertaken on the basis of normal commercial criteria. The company's plan was based on a rationalisation and modernisation that would necessitate a total injection of fresh by the 'Shareholder'(the State) of £68m by 1984. The company received £30m in 1983, followed by a further £20m a year later. It was still £18m short of its expectation in 1986. The company was forced to proceed with the capital programme less rapidly than it felt was necessary and it was forced to rely more heavily on further borrowings than it had planned for. In the Annual Report of 1986 the chairman of CSET was still expressing concern about the weakness of the equity base and about the high burden of interest payments.

In the difficult economic and fiscal conditions of the 1980's CSET has undergone significant rationalisation of its operations in order to secure the competitiveness of its core activity and to secure the company's future commercial viability. Over the 1979-87 period the average number of persons employed by the Group declined from over

3600 to around 1800. The widely dispersed network of food facilities that had been built up during the 60's and the 70's was slimmed down to a three plant configuration in line with the decline and contraction in the food activity. Rationalisations on this scale by a state-owned entreprise would have encountered enormous opposition in the pre-1979 era. The whole thrust of the economic expansion policy had been to stem the tide of emigration by providing more jobs at home. However,as the problems with the public finances deepened in the harsh economic conditions of the 80's it became politically less acceptable and financially more impossible for the State to shore up jobs in the semi-State commercial sector that were not economically self-sustaining.

The company's attempts to rationalise the core sugar processing operation did run into major difficulties. The political system was more prepared to accept the rationalisation of the food business in accordance with commercial criteria than that of sugar. This reflects the differences in the historical origins of the two activities within the company. The sugar project was essentially a developmental one; the food project,in contrast,was always viewed and structured along more commercial lines. The difficulties that the company had in closing the uneconomic sugar processing operation in Tuam were a reflection of the difficulties that the political system had in adjusting to the realities of the fiscal problem. The company,on the strength of the Committee report,moved quickly to close the Tuam facility in 1981. The company had already begun to make off-the-record moves to close the Tuam plant in the late 70's. By the early 80's it had begun to highlight the cost penalty of Tuam,and its desire to close it,in its public statements. The Report of the Joint Committee provided it with influential public support in its efforts to close uneconomic operations and to restructure itself for commercial viability. Armed with the backing of the report from the Joint Committee the CSET Board took the decision on 21-Sep-81 to close the Tuam plant. The announcement of the Board's decision was followed by "thirteen days of controversy"(Foy,1981;161) in which,in the words of the Sunday Independent editorial of 20-Sep-81 quoted above,all hell had broken loose.

In the face of strong national and regional representations from politicians,churchmen and local community leaders the government of the day decided to avoid immediate closure,and it allowed the factory to stay open for another season pending a review of the situation. There were three general elections between June 1981 and November 1982. The Dail positions of the administrations that governed over this period were insecure and the threat of an early General Election was constant. In these political circumstances the Tuam issue became a potential political bananna skin of much greater than normal significance. In such political circumstances,given the degree of controversy over the closure, it is not surprising that the FitzGerald Government opted to buy time on the issue. A Haughey-led Fianna Fail administration returned to power in February 1982,pledged to keep the Tuam plant open. A FitzGerald-led Coalition,with a more secure Dail majority returned to office in November 1982 and stayed in office until January 1987. The early policy of this administration was that they recognised that Tuam was not commercial but that it would remain open for social reasons. As the fiscal difficulties became more acute,however,this approach changed. This same Government's plan for the economic recovery over the 1985-87 period, called 'Building on Reality',indicated a significant change in public policy with regard to state entreprise:

"The Government believe that if public entreprise is to make a major and effective contribution to industrial and economic development in this country,there will have to be an entirely new approach to the role and function of public entreprise. Primary emphasis will have to be placed on developing modern industry with emphasis on commercial viability and profits"(par 3.61).

With a government now more clearly and publicly committed to a philosophy of commercial viability for public entreprise,and with public opinion generally less tolerant of the State subsidising uneconomically viable commercial employment,the company was able to close the Tuam facility with relatively little public outcry in 1986. Events have moved fast since then. The company has signalled its desire to operate the sugar business on a two plant configuration. This implies the closure of a second of the four historical sugar processing centres,the Thurles facility. Once again the need to remain cost competitive in European terms is the pressing concern behind the move. Once again,however,there are political difficulties. Thurles is in the constituency of the present Minister for Agriculture,the Minister politically responsible for CSET.The company's 'Two Factory Plan' became an issue in the 1987 General Election. During the campaign the outgoing Minister and the new incoming Minister both publicly committed themselves to the future of the Thurles factory. In the light of the Haughey Government's sudden conversion to fiscal rectitude,in the wake of the 1987 General Election; the future of the Thurles sugar factory is by no means secure. In spite of the Minister for Agriculture's campaign assurances the Government is currently showing every sign of accepting the company's 'Two Factory Plan' as it continues to proceed with determination in reducing the size of the public sector and the burden of public sector debt.

Furthermore,since 1987 the issue of the possible privatisation of semi-State entreprises has come to the fore in serious public debate. CSET is a possible candidate for privatisation and the Managing Director has expressed himself openly as being in favour of it for his company (Sunday Independent,22-Nov-87). Given the economic policies that have been pursued by the Haughey Administration since early 1987 the possibile privatisation of public entreprises like CSET has become a serious option and one that is now more likely than ever to be pursued.

The fiscal difficulties of the State and the policies pursued to deal with them had a major effect on the two public sector organisations in the study. However,the Government's handling of the economic difficulties brought about by the major recession and uncertainty in world economic activity also had significant implications for organisations in the private sector. The protectionism of the 30's was no longer an option in the 80's. Ireland membership of the EEC limited the extent to which the Government could taken an independent line in industrial policy. In particular,the Government could not take any measures to support domestic industries which would give them an unfair competitive advantage relative to other EEC producers. The Government's fiscal difficulties narrowed its options even further in this regard. More important still,the Government's fiscal difficulties had a direct impact on the level of demand in the home market and on the rate of economic recovery domestically.

Irish Distillers saw their home market decline over the post-1979 period. The company had looked mainly to exports markets for its major growth prospects after the 1966 merger. However,the home market also provided considerable sales growth up to 1979 with an expansion in sales volume of more than 30% over the decade. One major factor in that expansion was the rise in agricultural incomes to equal, and for a short time to exceed,the average industrial wage in the years immediately following Ireland's entry into the EEC. The level of real incomes in general,and farm incomes in particular,declined during the 80's and over the 1980-85 period the level of consumer expenditure in the country fell by an average on 1% per annum. Stagnation in economic activity and the growth in public debt service burden removed this spending power from the economy. The domestic market for whiskey,a luxury product,is particularly sensitive to the level of disposable income in the economy and was inevitably affected. As the Chairman of IDG pointed out in the 1986 Annual Report:

"There is a strong link between national economic performance and sales of our products".

In addition to this link with national economic performance the domestic performance of Irish Distillers was also very closely linked to Government budgetary strategy. As the fiscal difficulties of the State deepened successive governments turned to increased taxation as one of the options to contain the current deficit. Over the 1979-83 period the excise duty per bottle increased by over 200%. Over the 1981-83 period the sales of IDG branded products in the domestic market fell from 1.4m to 1.02m case equivalents,a fall of 27%. Much of the growth that was achieved in the domestic market over the previous decade had been eroded. IDG's major strategic thrust since the merger in 1966 had been to develop export-led growth on the solid foundation of a strong and profitable domestic base. This foundation was undermined in the 1980's as the domestic market declined. The company had little doubt as to what was the major factor in bringing about this decline:

" The size of the fall in volume is a very considerable blow to (IDG). Whilst the general economic conditions undoubtedly depressed demand for spirits,the excessively high rate of duty now applying in the Republic of Ireland is,in our view,the main cause of the sharp decline"(Annual Report,1982;6).

The government's 'take' in excise duty from domestic spirit sales had risen from £39.9m in 1979 to £66.8m in 1981. By 1983,however,the onward rise in excise duties had depressed the market to such an extent that the overall return to the exchequer had actually declined to £55m on the contracting volume of sales. The company was successful in pressing home to government that they were both now hurting from declining sales. The Government reacted by actually cutting the excise duty in October 1984 by 20% and the market responded promptly with a 15% recovery in sales volume over the ensuing twelve months. However,the Government increased the excise duty once more in the 1986 budget causing renewed downward pressure on domestic sales.

In 1979 the sales of IDG products peaked on the domestic market after a prolonged period of growth. In the late 70's the company planned for the continuation of this growth and had built up a domestic transportation system to cater for 1979 peak and higher levels of domestic activity. In 1981 all IDG plants were on short-time working as a result of the rapid downturn in domestic sales. In 1985,the company carried out a major rationalisation of its domestic transportation at a cost of almost £1.5m in redundancy and other related costs,as the domestic market remained stagnant and hopes for any foreseeable recovery to 1979 volumes and beyond were abandoned.

The decline in the home market,largely brought about through Government fiscal policy,was the major consideration in the strategic takeover of BWG in 1984 for £16m. The major target in this acquisition was BWG's cash and carry business. By the early 80's cash and carry had become a major element in the distribution of IDG products and represented a major concentration of buying power in the domestic market. IDG's purchase of BWG in 1984 was to a large extent oportunistic. The acquisition of this cash and carry business was not part of any long-term preconceived strategy,though the company was always on the alert for suitable acquisition oportunities.According to a feature article in the Sunday Tribune(8-Apr-84) the takeover had been met by "a torrent of criticism from the press" and was followed by a "hefty fall in the IDG share price". The market viewed the move as defensive and regressive and felt that any strategic investments by IDG at that time should have been oriented towards the export market where the major growth potential was always said to be. However to IDG the move was a reflection of how important the home market was to their overall strategy. The Managing Director of IDG ,who was quoted in the same article,clearly connected the move with the decline in the home market when he explained that "the fall in the home market has eroded our home base so we need to consolidate the home base".

In the case of the dairy industry the developments in international trading conditions,and in EEC agricultural production under the Common Agricultural Policy regime,tended to dominate over domestic public policy in the industry's development. As one senior industry observer put it:

"The CAP and its fiscal difficulties had more effect on the industry than the Government and its fiscal difficulties".

For the dairy industry the ECC's budgetary difficulties were part of,and reflected,the budgetary difficulties of the member states, including Ireland,in the depressed trading conditions of the 1980's. Since EEC entry in 1972,Brussels had become the locus of public policy making with the main effect on the industry and its constituent organisations. The growth of EEC intervention surpluses,and the moves by the Community to reduce them,first through production quotas with superlevy penalties and later through cutbacks,were the major issues for the industry in the 1980's.

There were,however,some noteworthy effects on the industry due to Government policies and fiscal difficulties since 1979. Government action and inaction were involved in the circumstances that brought about a decline in the national milk supply in the 1980-81 period. Government was later involved in preventing this setback from leading to a too low ceiling for national milk production under the quotas and cutbacks introduced by the Community to curb the build up of commodity surpluses.

In 1979 the Government took the decision to join the European Monetary System. This had the effect of breaking the traditional link with sterling,for the first time since the foundation of the State,as Britain continued to remain outside the system. To some extent the move was made for political reasons; to demonstrate the strength of Ireland's commitment to the Community ideal of to greater European integration. The Government also joined the EMS at this time to try to reduce the level of imported inflation by tying the Irish currency more closely to those of relatively low inflation economies. Unfortunately for Ireland, and for Irish dairy farmers,the British currency began to soar shortly after the link with sterling was broken. In the light of Britain's newly acquired status as an oil producing nation her currency had become a petro-currency. In the wake of the 1979 Oil Crisis the petro-currencies, dollar and pound sterling,rose sharpy in foreign exchanges. The rise in sterling was given further impetus by the advent of a new Tory administration committed,under Mrs Thatcher's leadership,to strong currency policies.

Farm input prices,particularly those of fertiliser imports from Britain, rose sharply with the rise in sterling relative to the Irish pound. However,the price increases for dairy commodities,set under the CAP system and pegged to average European inflation,were very low by comparison and Irish dairy farmers suffered a sharp and severe decline in margins. This dramatic fall in farm incomes led in turn to a decline in national milk production over the 1980-81 period. The Government had little latitude for intervention to protect the development of the industry at farm level. As a member of the EEC it could no longer act unilaterally on the issue of price supports and as a member of the EMS it had little room for manoeuver with regard to adjusting the value of the currency. Had this setback in national milk production not occurred then the industry would probably have been producing at a much higher aggregate volume when the Community was forced to curb production surpluses with quotas and cutbacks. These were to be pegged to the then existing levels of national milk production in the member states. However,the Irish Government managed to offset the effects of the 1980-81 setback somewhat by persuading its EEC partners,only with some considerable difficulty,to set a quota for Ireland that would still allow for some further small expansion in national milk supply.

Finally,government fiscal difficulties were an important factor in the decline of butter on the home market since 1979. Butter had always been a politically sensitive commodity and Governments over the years have interfered with domestic butter prices only with extreme caution. In 1981,the price of butter was subsidised on the home market at a level of 38p per lb. Over the 1981-87 period,as the Government's fiscals difficulties mounted,this subsidy was reduced in successive budgets until it was removed altogether in 1987. Over the same period the domestic market for butter declined from 40,000 tons to around 20,000. Industry observers attribute about half of this decline to the reduction and removal of the subsidies. The other half was due to the development, and introduction onto the market,of new low-fat dairy spreads.

Factor 5: SOCIAL AND CULTURAL TRANSFORMATION

So far four factors have been identified in the situational context that have been major determinants in the formation of strategy for the organisations in the study. These factors were TECHNOLOGY, INDUSTRY STRUCTURE, the INTERNATIONAL TRADING ENVIRONMENT and NATIONAL PUBLIC POLICY AND LEADERSHIP. The data also reveal the importance of a fifth factor,SOCIAL AND CULTURAL TRANSFORMATION. The effects of this factor have not always been as marked on specific developmental episodes of the organisations in the study as has largely been the case in the first four. Nevertheless,the data reveal this fifth factor to have been an important contextual influence,in its own right,in the overall strategic development of these organisations.

At certain times the effects of this factor on the formation of strategy have been direct. At other times its effects have mediated,or been mediated by, some of the other four factors. Social and cultural transformation is ongoing. Usually it is a gradual process. Then again, due to an historic confluence of a number of transforming agents,the process can at times be dramatic. An example of this was the case of Ireland's in the 1960's when,in the words of one historian, the country appeared to have experienced "one of those pivotal periods when a society swings on its axis to face a new direction"(Lee,1979;166). Furthermore,social and cultural transformation also permeates the organisational context as the internal demography of the organisation comes to reflect the demographic transformation taking place in the wider situational context. Evidence from the cases of the effects of this variable on the development of the focal organisations will be now be reviewed.

Traditionalism to Empiricism

One of the major transformations that took place in Irish society during the decade of the 60's was the decline of faith and reliance on traditional authorities,both civil and religious. In their place came the growth in reliance on the empirically verifiable fact in decision processes and debates throughout the political,economic,social and religious life of the country.

The decade of the 60's heralded "a new emphasis on information"(Lee, 1979b;171) that permeated all aspects of Irish life. The drive for economic expansion laid new emphasis on the need for empirical economic research and analysis as the basis for public decision making in the development of the economy. De Valera could lead a less educated Irish people through the power of his personality and could determine public policy by 'looking into his own heart'. Lemass did not have,or want,this luxury. The analysis on which the First Programme for Economic Expansion was based was outward looking. It recognised the role that research and education had played in the development of more advanced economies. Investment in education and research was seen as productive and as providing essential preconditions for economic take-off. There was a shift in emphasis within education towards science and technology. Moreover,the advent of television around this time helped to open up the whole culture to new facts and new influences. A further thrust to the new empirical wave in Irish society was provided by the Pope John XXIII. The Second Vatican Council deliberately lowered the authoritarian image of the Church, opened it up more to the laity and encouraged more dialogue and debate.

This transformation in Irish society is reflected in the development of the organisations in the study,in a variety of ways and at different times.

In the case of CSET it seems certain that the decision on the location of the four sugar factories in 1934,a decision that came to cast a long shadow,would not have resulted in the same configuration had it been taken in a more empirical context like that of the 60's. The data indicate that the locations were primarily chosen on the basis of political clout. There was competition and lobbying by parochial committees from localities all over the twenty six counties where the beet crop had the slightest chance of success. The decision,according to the CSET historian,went "to the committees with the biggest political clout,where the hardest Fianna Fail TD's came from or where the most active Bishops came from". In a more empirical and less traditional context,it seems certain that the economic analysis would have been more sophisticated and more influential on the decision outcome.It seems unlikely,for example,that Tuam would have been selected in such a context.

The formation of AFT in 1958 was very much affected by the prevailing philosophy in the Ireland of the time about social organisation and its relationship to the State. A major influence in this regard was the Catholic Social Movement. In 1931 Pope Pius XI produced an encyclical on Catholic social thought,'Quadragesimo Anno',to update and elaborate on the work of Pope Leo XIII in 'Rerum Novarum' forty years earlier. Pope Pius produced his document at a time when socialism was on the rise throughout Europe and many countries were turning to systems of government that involved a more dominant role for the state in social organisation. The two main elements in this elaboration of Catholic social thought were a philosophical concern with the extension of state involvement in social organisation and the idea that Vocationalism represented the best principle along which to develop the organs of society. Whyte(1980;67) has outlined the main ideas in this influential encyclical:

"The solution it proposed was that the members of each industry or profession be organised in 'vocational groups' or 'corporations', in which employers and workers would collaborate to further their common interests..It would restore the State..to its rightful place..to direct,watch,urge and restrain subsidiary organisations. For,the Pope argued,there is a basic principle in social philosophy,the principle of subsidiary function:'It is an injustice and at the same time a grave evil and disturbance of right order to assign to a greater and higher association what lesser and subordinate organisations can do".

Throughout the forties and fifties any extension of the State's direct involvement in social and economic activities was viewed with extreme caution. In 1948,the idea for an agricultural institution was first put forward by the US representative of the Marshall Aid programme in Ireland,who promised initial financial support under the aegis of the programme. There followed ten years of delays and conflict over what form the new organisation should take. In 1955 the Minister for Agriculture announced his plan for the reorganisation of higher agricultural education in Ireland. Essentially what he wanted to do was to centralise all third level teaching and research in Agriculture into a single institution modelled on the Dutch agricultural university at Wageningen,which it was believed had much to do with making Dutch agriculture among the most efficient in the world. At the time,three of the Irish universities already had faculties of agriculture and a fourth was agitating for one. The Minister argued in an interview given to the Irish Independent on 20-7-55 that:

"It was manifest that we had not available the trained personnel to man four faculties of agriculture adequately,and that the only consequence of attempting to do this would be to leave us with four inadequate faculties of agricultural science instead of one good centre for agricultural education and research"

In the event the Universities,and some farming interests,opposed the Minister's plan for a variety of reasons. In doing so,however,they appealed to Catholic social teaching and centred the debate around concepts like subsidiary function. This allowed them to mobilise a number of influential Irish bishops in their opposition to the Minister's plan. The Archbishop of Tuam,the Bishop of Galway and the Bishop of Cork entered the debate on the side of the opposition to the proposal. The Bishop of Cork's intervention illustrates clearly how effectively Catholic social thought was mobilised by the opponents to the plan:

"The accepted principle is that in agriculture as in industry,commerce and professions,etc.,the proper function of the State is to help the private citizen and his organisations rather than edge them out with its own agencies...

The people of this country would vote down a government that openly committed itself to a policy of Socialisation. But Socialisation can be a gradual,hidden and undeclared process. One department after another can nibble more and more from the field of private entreprise until finally little worthwhile remains outside civil service control. That is why it is so necessary to examine the proposed Institute and see if it be part of the larger trend or movement towards out-and-out Statism.." (cited in Whyte,1980;310).

In the face of opposition on such a scale,the Minister had to revise his proposal for the new institute. The teaching function was dropped and left with the universities. Furthermore,supporters of the new institute had to fight to retain its active research role in the legislation so that it wasn't reduced solely to a coordinating function.

The social and cultural context within which AFT had such a prolonged and troubled gestation contrasts with that within which the Institute developed and grew. The influence of Quadregesimo Anno,though still strong in the mid 50's,was already on the wane. It had reached its nadir in the Church-State clash over the proposed 'Mother and Child' social legislation in 1951. The success of the First Programme for Economic Expansion,in lifting national despondency and self-doubt by mobilising state resources to accelerate economic development,had contributed to a more positive attitude towards direct state involvement in economic and social affairs. Catholic social thinking,itself,had undergone significant modification. In 1961,Pope John XXIII published his encyclical 'Mater et Magistra' in which the principle of subsidiarity was reaffirmed but with a more positive orientation towards state organisation and its potential for good in society,if wisely deployed:

"Recent advances in scientific knowledge and productive techniques give to the public authority much more power than it formerly had to remedy lack of balance,whether between different sectors in the economy,or between different parts of the same country,or even between different peoples of the world"(cited in Whyte,1980;356).

The Catholic social movement in Ireland reflected this change and the new respect for science and empiricism. According to Whyte(1980;332):

"..instead of promoting a ready corpus of doctrine,the (movement) appeared increasingly concerned with empirical investigation of the actual needs of the Irish people".

AFT expanded quickly over its first decade of existence to a position of preeminence in Irish agricultural research,surpassing in influence those of the universities. By 1966,AFT had grown to a complement of over 500 technical staff,more than 200 of them professional researchers. There was little evidence over this period of opposition to the growth of the Institute based on a fear of the extension of Statism in Irish organisational life. Had AFT been conceived in such a context,it seems reasonable to suggest that the Dutch model would have been more closely followed and the Institute would not have had such a long gestation.

Catholic social thought,based on Vocationalism and the principle of subsidiarity,was,as we have just seen,at the height of its influence in the 30's and 40's. One form of social organisation that was particularly favoured by this philosophy was the cooperative form. According to Whyte(1980;63):"The rural co-operative movement was a particular favourite" and Bolger pointed out(1977;124) that many "saw the Irish co-operative movement as a happy example of how the..concepts (vocationalism and cooperation) were successfully blended".

In the late 50's and early 60's the Government commissioned a number of studies of the Irish dairy industry with a view to preparing it for entry into the EEC. The studies recommended the rationalisation and reorganisation of the industry into larger,more resourceful and more flexible processing units. The dairy industry was a major export industry and an important element in the plans for economic expansion. The Lemass Government was clearly anxious that the recommended rationalisation proceed as quickly as possible.

Government pressure was brought to bear directly on the cooperative movement to get the rationalisation under way. It became clear to the Irish Cooperative Organisation Society(ICOS)that if the movement did not bring about the desired reorganisation of the industry then the Government,itself,would do it. To ICOS the most probable form that state-induced rationalisation would have taken was through the extension of state-sponsored entreprise within the industry. ICOS leadership were under little doubt that the Cooperative Movement's traditional dominance of the industry was on the line. It is hard to imagine that such a threat could have been credible if the social and cultural context had been that of a decade or two earlier,when the anti-Statist Catholic social movement was at its zenith. In such a context,as we have seen,any suggestion of an extension of State control into an area long considered the preserve of the cooperative movement would hardly have been conceivable and would undoubtedly have been stoutly resisted.

The change from traditionalism to empiricism that characterised the Ireland of the 60's was a kind of fermentation process that once set in motion began a self-sustaining and self-amplifying chain reaction. The First Programme for Economic Expansion provided much of the initial impetus by setting up or revitalising an applied research infrastructure with a clear and prestigious role in the country's economic and social development. State-sponsored research,training and development bodies in economic and social research,industrial research,industrial and management training,and in agricultural research,to name but some,were all in the vanguard of the economic development effort. Investment in education in the 60's emphasised the sciences and technology. Young Irish graduates were encouraged to study for post-graduate degrees abroad,especially in the US,to bring back the best in technical knowledge and research skills. Direct foreign investment in Ireland, encouraged under the expansion drive,brought new technical processes and skills into the industrial life of the country. The advent of television and the modernisation of the telecommunications,power and road networks all presented new technological challenges and induced new knowledge and skills in their solution. By the mid to late 60's many young Irish people were working in careers that were largely non-existent in their parents time as the application of research-based knowledge became more prevalent right throughout Irish society. These young people carried the value systems of their new professions into society at large and reinforced the cultural changes that were then taking place.

This new empiricism and faith in science and technology that characterised the Ireland of the 60's was reflected in the developments that were taking place within the organisations in the study. The youthful AFT was a product of the times. It was people largely by a young cohort of agricultural science graduates fired up with a strong mission to bring science to the land. Individually and collectively these young scientists had identified for themselves a central role in the revival of Irish agriculture,which was recognised as a key element in the drive for economic expansion. The early application of science to the problems of the land had immediate impact. It quickly earned for AFT,and for agricultural research,a prestigious and valued place in the infrastructure of Irish agriculture,and facilitated its early and rapid expansion. AFT's early efforts were both supported by,and contributed to,the growth of empiricism in Irish life. In a society that was undergoing a transition from tradition to modernity,Irish agriculture was undergoing its own transition from a tradition-based to a knowledge-based industry and AFT was a major element in this transition.

The new empiricism that characterised the Ireland of the 60's was most manifest in organisations like AFT which were specifically set up to be the agencies through which the new emphasis on research and technology would be applied to the development Irish economic and social life. However,the impact of this cultural shift in Irish society can be detected in the other organisations in the study. In particular,it was a time when many Irish organisations considered new ideas and new departures from their traditional modes and fields of operation. These new departures were clearly influenced by diverse case-specific factors, i.e. leadership,industry evolution,public policy etc. However,the openness to new ideas and to the acquisition and application of new knowledge and skills was clearly a reflection of,and encouraged by,the cultural change from traditionalism to empiricism taking place,and gathering pace,in the wider Irish social context of the time.

CSET had been contemplating a diversification into food since the early fifties.The plan received a major impetus from the economic expansion drive.In the ferment of the times the company put its faith in new technology and new R&D skills. It confidently committed itself to the first commercial application of a new convenience food technology, Accelerated Freeze Drying(AFD),when it opened the world's first AFD-based food processing plant at Mallow in 1961. It invested heavily in a new R&D facility to support the food project and this brought a new set of skills,and a new sub-culture,into CSET. In the early days of the project Erin Foods captured the imagination of many,at home and abroad. The company,and its young Irish scientists,were enjoying the challenge and the prestige that came from the national and international recognition that they were pioneering in the field of convenience foods. In the targeted UK market the 'Times','Guardian' and 'Financial Times' were all positively taken by the boldness and imagination of the project. If the strategy was inherently flawed, and even with the benefit of hindsight opinions still differ to this day in this regard,then few at the time were aware of it. The CSET dream in the early 60's was nothing less than the creation of a national food processing industry on a scale "larger than any industrial activity now carried on in Ireland"(Annual Report,1962). In the empiricism of the time,when the economic expansion drive itself was empiricism on a national scale,the trajectory of the CSET food project can only be fully understood when viewed against the cultural change that was taking place in the Ireland of the period.

The period 1958-74 saw fundamental changes in the area of Irish distilling that can also be fully understood only when set within the context of the time. In this period the forces of empiricism within the industry overcame the traditional conservatism which was formerly its most distinctive characteristic. For long Irish distillers had ignored the realities of the marketplace outside of the country. They held to their belief that blended whisky was not true whiskey and had long waited for the world's markets to endorse that belief. The only market that did was the small home market. As late as the 1950's the industry was still holding out; torn,in the words of their clever slogan of the time 'between pride and profit'. Meanwhile,the Scotch industry had been given an almost clear field to develop a mass market for blended whisky and a long head start to consolidate their dominance of it. The 1966-74 period saw a significant break with the past. There was a new willingness to experiment with the centuries old process in order to produce a line of whiskies, still distinctively Irish,yet tailored to the taste and colour requirements of the US and UK markets. This was done through the development and production of new blends. A century of traditional resistance to blended whiskey was finally overcome. The decision to build a new single distillery complex in Midleton,again reflected the triumph of empiricism over tradition. There were fears within the company that the essential character of the product might be somehow compromised by transition to modern technology.

The series of studies of the dairy industry,carried out in connection with the economic expansion drive,very much reflected the new empiricism of the period. In particular,the Survey Team study was the first comprehensive empirical examination of the industry. The Team collected information;

> "..on all important aspects of the industry, e.g. buildings,equipment, capacity,volume and value of output,production costs,employment and marketing"(Survey Team Report,1963;10).

using a detailed questionnaire that was sent out to 210 concerns,widely representative of all aspects of the industry's operation. In addition, the Team;

> "..made a detailed study of the existing documentation on the dairying industries of the six EEC countries and of Denmark,Norway and the United Kingdom,and subsequently supplemented their information by on-the-spot investigation in France,Western Germany,Holland and Denmark"(Survey Team Report,1963;11)

The Survey Team study marked a new departure. The debate on the future development of the industry after this study became more focused on the empirically determined state of the industry and its international competitiveness than on the industry's own history and traditions. The Survey Team study was a very significant factor in creating and sustaining the momentum for change that ultimately led to the major rationalisation that took place in the industry in the late 60's.

Within the industry itself,there was increasing evidence of a new openness to fresh ideas at this time. In Golden Vale,for example,a number of major innovations took place during the 1956-68 period. This was the pioneering period for Golden Vale Engineering. The diversification into engineering represented a major departure for any dairy processor at the time. Golden Vale built up its engineering capability and expertise in the late 50's and early 60's to the point where it had become,to all intents and purposes,the indigeneous engineers for the entire dairy processing sector. The 60's was also the era in which Golden Vale undertook the first major diversification of its dairy product range.The big innovation in this regard was the entry into fat-filled milk powder. Golden Vale did not invent the fat-filled milk powder but,being on the alert for new ideas,it was quick to recognise its commercial potential. Fat-filled milk powder soon became the main product line of the organisation. It quickly built up a distinctive technical competence in this product type and a strong market position of brand leadership,which it has been able to maintain and build on over the years.

The Rise in Careerism

The period 1958-63 had been represented as a period of axial shift in Irish society. Most modern historians and commentators agree that the period was a pivotal one,which marked the beginning of major transition in modern Ireland. Among the most significant of the transitions at the time was the transition in the leadership of Irish society in all spheres; political,economic,social and religious. The period was one in which there was a notable change towards careerism,managerialism and professionalism in all walks of Irish life. This change reflected into the organisational life of the country,and indeed the growth of organisation throughout the fabric of society was both a product of,and a further stimulus to,this change.

In the political sphere,the revolutionary generation was on the decline. The average age in the first Free State cabinet had been 33; in De Valera's first Fianna Fail cabinet,in 1932,it was 41; by 1951,in another Fianna Fail cabinet,it had reached 57. The young revolutionary generation had grown old in power without any significant renewal until the late fifties. When Lemass became Taoiseach in 1959 he accelerated the renewal process. He put a new premium on demonstrated executive talent and he used the junior ministries to grow and prune that talent. He was in many ways the ideal leader to manage the renewal process. He had been a revolutionary,but with strong personal leanings towards managerialism. The revolutionary generation had been obsessed with national issues and constitutional problems which had tended to divert their attention away from pressing social and economic issues.Lemass, however,as Minister for Industry and Commerce,had been closely associated economic development since Fianna Fail first took office in 1932. When economic development became the pressing issue at the end of the fifties Lemass provided the vision that linked the new with the old;anchoring pressure for change to a secure mooring of continuity. "The historic task of this generation", he told the Dail on 3-6-59,"is to secure the economic foundation of independence" and he managed to successfully wed the commitment to economic development in the Republic to the nationalist aspiration for a united Ireland.

By the time Lemass retired in 1966 the transition to careerism and managerialism in public life was well under way. The post-revolutionary politicians were more empirical and material,reflecting the developments in Irish society at large. With the passing of the revolutionary generation loyalty to old comrades-in-arms was no longer a relevant criterion for selection to executive posts in government. The demands of the job and the skills of the imcumbent became the major considerations. The men who governed the country in the post-Lemass era had come to power,not because they were men of destiny,but because they chose politics as their preferred career,and they were men of ambition.

Elsewhere in the Irish society of the time the values of careerism and managerialism were in the ascendency. The economic expansion drive had created the need for an expanding cadre of managers right throughout the public and private sectors. Many of the foreign-owned operations that had been attracted into Ireland by the incentives offered in the various programmes for expansion were in the vanguard in generating the demand for training in modern management knowledge,skills and techniques. The provision of this training grew rapidly through the expansion of the Irish Management Institute,the growth in business schools and MBA programmes in the universities and the growth in in-company training and development activities. Through these developments,reinforcing them and being in turn reinforced by them,the values of managerialism and careerism came to pervade more and more of Irish cultural life.

This change towards careerism and managerialism in Irish society was reflected into,and affected,Irish organisational life. The most obvious example in this research is provided by the succession drama in the CSET case when General Costello was succeeded by Tony O'Reilly in 1966.

CSET was led by General Michael Joseph Costello from 1945 to 1966. CSET had survived its embrionic period and proved its worth to the country during the 1939-45 emergency. By the end of the War,however,the industry was exhausted by its efforts to keep the country supplied during the difficulties and shortages that characterised the 1939-45 period. The fields had been over-tilled and the factories were in need of modernisation. The saving of the crop was still a very laborious task and the crop itself was exposed to all kinds of pests and crop diseases. The industry needed revitalising and Lemass turned to General Costello to provide the leadership required.

Lemass was careful in his choice of such men and had a clear idea of the qualities that they should possess. He was in the process of building the economic foundation of the new nation and he was looking for like-minded nation-builders to lead the state entreprises which were major agencies in this national endeavour. According to Lee(1979;24), Lemass believed that in "a small society with no inherent momentum of its own and with a heritage of stagnation,it was men that mattered..The initiative,or lack of it,of a handful of individuals could make or mar important institutions for a generation". What Lemass and his Ministers were looking for to lead CSET in the post-War period was "a man who had proved himself not alone as possessing the ability and strength of character to shoulder a major industrial appointment,but who had proved his patriotism to the hilt". Such a man was General Costello. The General had a meteoric career in the Irish army since its establishment in 1922.He had proven leadership skills in the military context and as an army man he was,as CSET's own historian pointed out in interview, "committed to the State in a very basic way".

General Costello concentrated on revitalising the sugar industry over the 1945-60 period and organised the logistics of production and processing with military-style efficiency. Farm labour became scarce as the massive flight from the land continued throughout the fifties.

The General met the difficulty by diversifying into engineering and concentrating the engineering resource on the mechanisation of the harvesting operation. New harvesters were developed to suit Irish soil conditions. He initiated R&D activities in the areas of seed improvement and pest control. He diversified into quarrying in order to provide lime to the beet growers and he developed a transport system that was specially adapted to spread the lime as well as transport it. By 1960, the General had rescued the industry from its post-War exhaustion and had systematically developed it into a secure industry capable of serving the national demand for sugar for some considerable time to come.

To the General,the task he had been engaged in was not simply a commercial one. He clearly viewed his role and that of his company as developmental in the most basic sense. He was passionately committed to the development of Irish agriculture to its fullest potential for the social and economic benefit of the rural community itself,and for the nation at large. He took a special interest in the problems of the small producer and continually exhorted them to consider new options and to organise to protect the economic viability of their way of life. His guiding philsophy with respect to producers was his stated belief that "the cooperative theories of Horace Plunkett (were) superior to communism and capitalism and the only workable alternative to those". When CSET,under the General's leadership,diversified into convenience foods,he had nothing less in mind than the creation of a national food industry as his response to the challenge set down in the First Programme for Economic Expansion. He chastised the sceptics roundly:

> "We have to cope with the timid spirits who baulk at every obstacle and cannot bring themselves to believe in the ability of Irishmen to compete with men of other nations. They think our aim is impossibly great. Their imaginations boggle"(quoted in Lynch,1986;17).

In 1966 Sean Lemass retired as Taoiseach and the torch finally passed to a new generation of Irish politicians,the post-revolutionary career politicians. In the same year the leadership of CSET passed from General Costello to A.J.(Tony) O'Reilly. This transition from nation builder to career professional within CSET was a microcosm of the transition taking place in that period at national level. The General resigned essentially because the Government no longer supported his strategy for the Erin Foods project or his dream for a national food industry. The position in relation to the food processing activities was that the sales were growing rapidly but the overall losses were accumulating rapidly also. Achieving the critical breakthrough in the target UK market had proved more difficult and more expensive in market development costs than had been originally anticipated. The General and his Board considered the losses as development costs and still believed that with persistence and more investment the project would eventually prove its worth,not just in commercial terms but in overall developmental terms. The Government were no longer convinced.

As recounted in the case narrative,the General's resignation was somewhat manoeuvered with his own unwitting help. To some of the 'men in the mohair suits' that represented the new generation of political leadership the General,like the rest of the revolutionary generation, were 'yesterday's men'. The young ambitious career politicians that now held the reins of power turned to a young ambitious career manager to take over the leadership of CSET. Tony O'Reilly came to CSET with an impressive success in the marketing field behind him. He was a contemporary of the men that dominated the Lynch administration and and reflected their professional and careerist values. He was a new breed of Irish industrial leader whose primary commitment was to the advancement of his own career,a professional manager not a nation-builder. To the new Government the food project was in trouble for commercial reasons,however laudable the General's grand vision had been. The modern marketing of convenience foods was a complex commercial challenge needing modern management skills. In the food project CSET were meeting international competition,backed by modern management methods and mass marketing professionalism,on a scale that it never had to confront before. The new administration put their faith in a young professional with proven marketing skill. The era of traditional leadership in Irish organisations was passing; the era of professional managerialism had arrived.

The advent of Tony O'Reilly to CSET marked a major change in strategy for the food project. A more limited and less costly strategy was adopted. The costly UK marketing operation was scaled down and a joint venture was set up with the Heinz Corporation. The new joint company, Heinz-Erin,was to concentrate on marketing with CSET handling production and processing and the Heinz organisation handling UK sales through their widely established sales and distribution network in Britain. Unlike practical patriotism,however,professional commercial skill is itself a readily marketable commodity. As with any professional in any field,O'Reilly had taken on the job primarily for the personal challenge that it offered and the contribution that it could make to his professional growth and his marketability as an executive.Professional pride rather than practical patriotism was to be the prime motivator. He would judge himself and be judged on his ability to achieve results as defined between himself and those to whom he was contractually bound. He was playing the professional game,not the patriot game,and like all professionals he would always be open to better offers. The Heinz Corporation became quickly impressed with his undoubted talent and in less than three years he was attracted away from CSET to take up a senior position in the Heinz UK operation.

The Lynch Administration were stunned by his departure after such a short time at the helm of CSET. In the wake of O'Reilly's departure the State once more removed itself to arm's length involvement with the company. However,the replacement of the General with O'Reilly had signalled a new set of expectations from the 'shareholder' to the company. The dominant ideology within the company was no longer so clearly developmental as it had been in the General's time. O'Reilly's appointment and the O'Reilly style of leadership had brought with them a more limited ideology of commercial viability. After O'Reilly's departure CSET was left essentially on its own to work through this dilemma-was the company's primary role a developmental one or a commercial one. This ambiguity has persisted right up to the present. Currently the commercial ideology is the more dominant one within the company,though some ambiguity remains. The decline of the developmental ideology and the rise of the commercial ideology within CSET can be dated back to the leadership changes and dramas of the 1966-70 period.

General Costello was part of a generation of leadership in Irish life that was driven by values forged during the revolutionary times. These were the military patriots,or those sons of military men reared during the ferment of the struggle for independence,who turned their deep nationalism and their leadership talents to the practical patriotism of building up the economic infrastructure of the new State. Many,like General Costello and C.S.(Todd) Andrews,the man Lemass commissioned with the task of developing an indigeneous turf industry, committed themselves to careers in the semi-state sector. They saw their role in this sector as one of national importance and as a natural extension in civilian life of their former military endeavour. Such men were also among the early builders of the dairy industry,men like Eamonn Roche in Mitchelstown and Capt.David Barry,the ex-soldier on whose initiative Golden Vale came into being. These men were unified in their determination,each in his own sphere,to develop the resources of Ireland for the people of Ireland. The first director of AFT,Tom Walsh,was too young at the time of the War of Independence to play any active role in the armed struggle. However,he grew up in the ferment of this period in a family that held strong republican convictions. Walsh's nationalism was the primary motor that drove him as he proceeded with a rare vigour and determination,overcoming all obstacles,to establish and build up AFT. As one long serving AFT executive recalled "the development of the land of Ireland for the people of Ireland was the mission" and he fired up his young scientists to fulfill this endeavour of national importance through "bringing science to the people".

The transition from traditional leadership to modern management accelerated from the early 60's onwards throughout Irish cultural and commercial life. In the semi-state sector,and to a lesser extent in the cooperative sector,it often took the form of a leadership transition from practical patriotism to career professionalism. In industries like distilling careerism was also on the rise. In this case the traditional leadership was characterised by family ownership and industry tradition. The Irish distilling industry was for long dominated by family capitalists. By 1966,some of the more far-sighted of these recognised that tradition alone was no longer enough to successfully manage a modern distilling industry. Tradition,in fact,had played a major role in the industry's poor export performance relative to the Scotch whisky industry. In the post merger period the industry began,in earnest,the transition from family capitalism to managerial capitalism. One of the architects of the historic 1966 merger was Frank O'Reilly,a decendent of the Power family. O'Reilly saw the need to import new professional skills,and a new level of objective commercial detachment to strategic decision-making,within the newly merged entity if the full economic potential of the merger was to be realised. The appointment of the non-family career professional,Kevin Mc Court,as managing director of Irish Distillers in 1968 was a major factor,if not the major factor,in getting the merger to work. His managerial skills and professional detachment were the major catalyst in the transformation of new entity from an uneasy federation of three distinct inward-looking traditional family cultures to a more unitary outward-looking professional management culture. The progressive outlook of businessmen like Frank O'Reilly and the availability of professional executives like Kevin Mc Court were,to a significant extent,reflections of the wider changes taking place in the Ireland of the 1960's.

Transformation in Social Structure

The 60's and 70's were decades of major transition in Irish social and economic structure.

During this period the country became increasingly urbanised. In 1926 less than 33% of the population lived in towns of more than 1500 people; by 1971,the figure had risen to 52% and was still increasing. In 1926 employment in agriculture accounted for 53% of all those employed; by 1971 this had fallen to 25% and by 1981 had reached 17%.

The country also became increasingly industrialised. Over the 1960-79 period the profile of the national output changed substantially as agriculture declined in relative importance. Agriculture's share of GDP fell from 22% to 15% over the period while industry's share rose from 28% to 38% and that of services remained about the same at 48%. Employment in agriculture fell from 397500 to 229000 between 1961-78 while employment in industry and services grew from 257000 to 319000, and from 416000 to 500000,respectively.

Over the two decades the occupational profile of those at work changed considerably. The proportion of those at work classified as employees rose from 56% in 1961 to 69% in 1979. The class profile of those in the employee category changed over the same period from 36% to 50% middle class; 20% to 29% skilled manual; and 44% to 21% unskilled manual. Furthermore,the general educational level in Irish society rose right across the occupational spectrum. Between 1965 and 1979 the number of 15 year olds still at school increased from less than 50% to over 85%. The number of males going on to sit for the State second-level Leaving Certificate rose from 20% to almost 50% over the same period. Participation in third-level education grew by two thirds over the same period, with 20% of each cohort of the young progressing to third-level institutions by the end of the 70's.

Finally,all of these structural changes were accompanied by the growth of direct state involvement in the social and economic sphere. Between 1960 and 1980 the overall numbers employed in the public service increased from 182000 to 295000. Public authority current spending had risen from 24% of GNP in 1958 to 42% in 1978. In addition,over 40 new state-sponsored bodies were formed over the two decades since the 1960 with responsibilities ranging from the export marketing of dairy produce to the improvement in the public's health.

All in all the social and economic structure of the country had become more diversified and more differentiated both horizontally and vertically; the culture had become less rural,less homogenised and more cosmopolitan in outlook and values. The transition was not painless. New tensions arose as these changes progressively diffused throughout the social structure. There were town and country tensions,farmer and industrial worker tensions, private and public sector tensions, tensions between occupational classes and even within occupational classes across different generations and betweem different occupational groupings.

This transformation in the national social and economic structure affected Irish complex organisations. In some cases the organisations, themselves, were the agents of structural change in the wider social context and a clear example of this is provided in the Golden Vale case.

The major rationalisation that was carried out in the dairy industry over the 1968-74 period was brought about in order to insure the international competitiveness of the industry in an EEC context. The initial impetus for the rationalisation came from government pressure and the restructuring of the industry was carried out by the industry itself,with help and guidance from the Irish Cooperative Organisation Society(ICOS). The intent of the rationalisation was to create a greater concentration of physical and financial resources in the industry. The process by which this concentration was brought about was by the voluntary amalgamation of large groupings of smaller units. One major effect of this amalgamation,and the main reason why it was so difficult to accomplish,was that it entailed a fundamental transformation of the industry from a parish structure to a processing centre structure.

Ever since the industry had transformed from a farm-based industry to a creamery-based industry the parish creamery was the basic organisational unit. The parish structure became the organisational unit for the industry at this time because the logistics of transporting a highly perishable commodity by horse-drawn cart determined that it be so. Over time,however,this basic organisational unit became an integral part of the fabric of Irish rural life. For the dairy farmer and his family the main institutions in their way of life were their church,their parish creamery and their primary school. The key figures in the parish structure were the parish priest,the creamery manager, the teacher,and the largest farmer.The creamery manager was an important figure in this structure for many reasons. He was the economic leader of the parish; the rate of economic development in the parish often depended to a large extent on his drive and initiative.In a traditional culture he was an authority figure,second only to the parish priest. His leadership and advice were sought on issues extending way beyond his professional responsibilities. He and his family had social status and prestige within their community. In addition,he was the main regulator of cash flow to the dairy farmers and he served them unofficially as a banker. His knowledge of the cyclical pattern of their cash flow allowed him to be a comfortable extender of credit on no security other than the good name of the farmer. The farmer,for his part,felt that his local creamery was a place where he was known personally and had some influence. Furthermore,the delivery of milk to the creamery was partly a social occasion where neighbouring farmers maintained contact and caught up on local news.

The rationalisation of the dairy industry over 1968-74 helped to accelerate the decline of a way of life and the break up of a social structure that had remained largely unchanged for over 70 years. This was little short of social revolution and it is hardly surprising that the process turned out to be politically difficult to carry through. The farmers were split on the benefits of amalgamation. The younger,more highly educated and more specialised farmers were attracted to the economic advantages of amalgamation and were pragmatic and empirical in their approach to it. The older farmers were slow to abandon what had been for them a way of life and they took a conservative,traditional approach. These young-old,empirical-traditional tensions were concentrated and magnified by the approaches taken by the farmer organisations.The National Farmers Association(NFA) reflected the views of its predominantly younger generation of dairy farmers and supported the rationalisation moves. The Irish Creamery Milk Suppliers Association (ICMSA) reflected the views of its predominantly older generation of dairy farmers and opposed the moves, favouring instead the federation alternative. Among the creamery managers themselves the same broad young-old split was in evidence. Many of the younger cohort perceived more interesting and more enhanced career prospects for themselves in the larger units. Most of the older cohort did not welcome the changes implied in amalgamation for their social position and influence in the communities into which they had settled as part of the older social structure.

CSET and AFT were set up to be developmental agencies and both had direct impact on,as well as being affected by,the transition in Irish social and economic structure. AFT's mission to bring science to the people was directly related,in conjunction with the rising level of education within the community at large, to the evolution of a new generation of farmers, more professional and less traditional than their fathers. The application of research-based knowledge at farm level encouraged a higher level of knowledge of basic husbandry in the farmer.

AFT was directly concerned with catalysing the transition of agriculture from a tradition-based to a knowledge-based industry. As the early adopters of AFT output began to show greater productivity than their neighbours the rate of diffusion of that output accelerated. Research-based knowledge became more and more topical in papers, magazines and telecommunication directed specifically at the farming community. More and more young farmers sought,and were exhorted to seek, specialised training in agricultural science.

From the start AFT was always very conscious that it was not just involved in research but had a wider role to play in economic development and social transformation. The inclusion of the Rural Economy Division as one of the initial five main divisions is tangible evidence that from its inception AFT foresaw the need to balance the introduction of science and technology into farming with a full and careful consideration of the major structural transformation that such changes would inevitably entail. AFT saw itself as an integral part of what,according to its first Director(Walsh,1980;8), was a "mini revolution ...in our farm economy" that was set in motion by the economic expansion drive of the early 60's. This 'mini revolution' was transforming agriculture.It was "no longer a subsistence type entreprise ...and rural people no longer work in isolation but as an integral part of the whole national endeavour..penetrat(ing) deeply into the activities,welfare and livlihood of people in our cities and towns"(Walsh,1984;13). The 'farmer of yesterday' was an isolated economic unit producing primarily for his own needs and disposing of any surplus into cheap food markets. AFT were involved,from the outset, in transforming the basic business of farming from this state of isolation and subsistence into a more sophisticated activity,comparable in importance and in skill to any modern industry,in which:

"..the farmer of tomorrow..(would)be able to bring together numerous inputs - animals,seeds,chemicals,land,capital,machinery and labour,and integrate these into viable systems for the production of commodities which will be marketed or further processed along the line to consumption. This is a complex undertaking,requiring not only scientific training but a deep knowledge of farm business analysis and management,marketing and organisation..A modern,competitive and business-like agriculture is and will continue to be as technically demanding as any other productive activity"(Walsh,1984;21).

CSET was set up in 1934 as a semi-state entreprise to rescue a fledgling and failing sugar beet industry. At the time Ireland was still predominantly an agricultural country. CSET was one of the first public sector initiatives aimed at developing and expanding an indigeneous industrial base in the Irish Free State. As such the organisation was one of the pioneering agencies in the process of industrialisation in Irish society. It was also an agent in the process of urbanisation.

At first,most of the skills and the technology had to be imported from the European sugar beet industry. In the early years of operation most of the Irish labour input was unskilled. By the end of the first decade this had changed considerably. A cadre of young Irish chemistry graduates had been recruited in 1934 and sent off to the Royal Technical College,Glasgow to follow a course of special studies on sugar technology and the sugar beet industry. These young men and others subsequently travelled far and wide to study all aspects of sugar technology at first hand. They brought back their newly acquired expertise to provide a solid indigeneous base of technological skill on which to secure the industry's future. They were the technological pioneers,not just of the Irish sugar industry,but in a wider sense of Irish industrialisation. Within a few years,through inhouse training on-the-job development and apprenticeship schemes,the Irish workforce of CSET acquired the technical and managerial skills needed to run the industry themselves. This initial technological competence was built on to develop research and engineering activities which in turn attracted new skills to the industry. CSET and the other semi-state entreprises set up in the 1932-48 period were the important front-end of the Irish industrialisation process,a process which got underway in the 30's and gathered pace in the economic expansion era of the early 60's.

The CSET processing operations were,by their nature,located in rural heartlands.These area had little or no industrial tradition. CSET brought new wage labour and occupational elements into the economic and social structure of these communities. It also contributed to the economic development and urbanisation of the areas. While the population of the country was in decline over most of the period between 1921 and

1961,the populations of all of the main centres of CSET operations, Carlow,Thurles,Mallow and Tuam, all rose significantly with rises of the order of 30% or more over the same period. The company was also instrumental in transforming the basic structure of the farm unit. It has played,and continues to play,a direct role in bringing about the transition to the Walsh vision of the 'farmer of tomorrow',as outlined earlier. In the period 1945-60,under General Costello's leadership,CSET moved the basic job of beet production far along the way towards this vision.Through its own research and engineering efforts it propelled the basic business of beet farming into the technological era. Between 1950 and 1970 the percentage of beet that was precision sown rose from 0 to 89%,that which was herbicide sprayed from 0 to 88% and that which was mechanically harvested from 0 to 80%(Foy,1976;74). Moreover,in keeping with Costello's fundamental commitment to the cooperative ideal CSET helped their beet growers to form themselves into syndicates of 5 to 7 farmers representing 70 acres or more. As a syndicate they could buy the seeders,sprayers,hoes,harvesters and cleaner loaders to mechanize and technologically advance the production process in a way which would not have been feasible for each acting alone. Each member of the syndicate was encouraged to specialise in particular operations; an industrial engineering approach to work organisation being applied to farming.

From the late 60's onwards the relative influence of semi-state entreprises on the social and economic transformation of Irish society began to decline.By that time the industrial base of the country was rapidly expanding and entreprises like CSET were becoming a progressively smaller part of that base. Ireland's industrial policy took a marked shift in the late 60's. It was recognised that the sunrise industries of the 70's and beyond were in the higher technology,higher value-added areas,like electronics and pharmaceuticals. Ireland went about attracting into the national economy substantial direct foreign investment in these areas. The strategic local inputs for these highly mobile industries were ready supplies of educated labour and of water, and Ireland had an abundant supply of both. Many of these new projects did not need to be located within the large metropolitan areas and could be attracted to diverse regions of the country through specially packaged incentives. The state was able to harness these projects to their wider social goals of regional development. However,semi-states like CSET were in the van of industrialisation in the Irish economy, particularly of regional industrialisation, and up to the early 1960's, at least,they were the most important agency in that process. C.S.(Todd) Andrews, a contemporary of General Costello and a revolutionary who had spent his entire civilian career as a chief executive in the semi-state sector, in 1959 commented on their socio-economic importance as follows:

> "..the companies have given to the administrators and technologists in Ireland oportunities for advancement which would never have been available to them in an economy where the family-owned firm was dominant and the crown prince blocked promotion to the top posts. ...the companies have introduced into Ireland modernity in mechanisation and in management methods,in industrial environment and in training of staff..I believe that without these companies the country would be little better than a cattle ranch,managed by what someone once described as the finest herdsmen in the world" (Andrew's comments are reproduced in Chubb&Lynch 1969;194-8).

Distilling,along with brewing and biscuit making,is one of the oldest traditional industries in Ireland. Distilling had made the transition from a cottage industry to a substantial factory system almost a century earlier than the dairy industry. Distilling had tended to concentrate in the major cities. There were many reasons for this including the desire to be close to major domestic markets; the desire to be close to a major port to facilitate exporting and to facilitate the importation of coal, as energy was a major input; and because the major cities,situated on the banks of large rivers,had a plentiful supply of water. By the time the Irish Free State was founded in 1921,the distilling industry had already achieved a fair degree of concentration in capital,and the distilling companies already had a fair degree of social differentiation in internal organisation. The areas in which they were located were the most industrially advanced in the country. The work organisation of the typical distillery was comprised of family capitalists,clerical office workers,skilled distillers,skilled craftsmen and general workers.

Class,religious and regional differences,reflecting the wider social context, sedimented into the disparate cultures of the different organisations in the industry. For example,Power was predominantly catholic and Jameson was protestant. Power had a policy of hiring their general workers from the regions and bringing them to Dublin to work. Jameson drew their general workers from the urban working class. Cork Distillers had a strong local loyalty and an inate suspicion of,and resistance to,Dublin domination. The family executives in Jameson had a tradition of serving in the British Army prior to returning to take up positions in the firm. Jameson also had a tradition of bringing their first line supervision in from the Army. Power tended to promote theirs from the shop floor. Cork,reflecting strong regional class attitudes, long considered first line supervision as strictly a white collar job and moved personnel into that role from clerical positions.

The history of IDG since the merger has been one of internal social transformation as the company made the transition from a federation of three disparate family capitalist traditions to a single managerial capitalist culture. The strategic development of the merged entity was paced by the rate at which this transformation could take place. It was only as the internal demography of the organisation changed that the forces of modernity were able to overcome the forces of tradition and this was a gradual and incremetal process. The first major step was taken when the board of the newly-merged entity decided to hire in a career professional,Kevin Mc Court,as managing director. Mc Court took the next step by hiring in career professionals to the key senior posts of financial controller and marketing manager.By 1970 production was the only major function that was led by a family executive. After the new Midleton distillery was commissioned in 1976 this last major function came under the control of a career professional. The transition was not easy. For a long time after the merger was concluded tensions remained between the career professionals and the traditional family capitalists as the former tried to implement the new corporate structures,policies and procedures needed to fulfill the full economic potential of the merger at operational level. As managerialism took hold at the top of the organisation the strategic decisions taken to transform the merged entity into a single rationalised modern distilling operation involved major social transformation throughout the organisation.

Over the 1969-86 period,through various closure and rationalisation moves,the total numbers employed in Irish Distillers Ltd. fell by 25%.

An integral part of the descaling process was the strategic buy-out of traditional skills which became redundant under the new centralised and modernised distilling operation. Under this process centuries old trades,like that of coopering in Dublin,passed into history. New skills,more appropriate to the modern plant,were imported into the organisation. These successive rationalisations led,not only to a scaling down in the overall level of personnel in the organisation,but also to a major change in its internal demography. For example,between 1969 and 1986 the ratio of blue-collar to white-collar personnel changed from 69%:31% to 51%:49%. During this period the number of blue-collar employees fell by 44% while that of white-collar employees rose by 14%. In addition,by 1986 the ratio of pre-merger to post-merger hires within the organisation had fallen to 21%:79%. As old skills were bought out or retired out of the organisation,the old pre-merger loyalties and traditions became more and more diluted. The post-merger hires were characterised broadly by having higher formal education levels and/or wider industrial experience.They possessed no traditional loyalties to any of the pre-merger companies with their disparate customs and practices. Finally,they were in general a younger generation that reflected the changing values in Irish society from the 1960's onwards; the empiricism and careerism that came to characterise much of Irish social and economic life. This major demographic transformation that took place in Irish Distillers over the 1969-86 period was,itself, an important element in transforming the company from three disparate traditional cultures into a unitary modern managerial culture. It was an integral part,at the level of the firm,of the larger social and cultural transformation that was taking place in the wider national context over the same period. It was both influenced by,and contributed to,this larger process.

Powerful Interest Groups and Weak Bonding Agents

The effect of the State's fiscal difficulties on the development of the focal organisations was reviewed in detail in an earlier section. Two factors,when taken in tandem,had a major impact on the perpetuation of these fiscal difficulties,and through them on the organisations in this study. These factors are products of the social transformation that took place in Ireland since the early 60's. They are the growth and proliferation of vested interests in the Irish economic structure, and the concurrent weakening of the traditional bonding agents in Irish society.

As mentioned earlier,in the two decades of economic development since the First Programme for Economic Expansion was launched in 1958,the social and economic structure of the country had become more diversified and more differentiated. This process gave rise to new tensions in Irish social and economic life. There were new tensions between town and country,between farmer and industrial worker,between public and private sectors,between occupational classes and within occupational classes across different generations and between different occupational groupings.

This process of diversification and differentiation in the wider social structure came about,to a significant degree,through similar processes of elaboration that took place within individual industries and organisations. For example,as AFT grew from its small beginnings in 1958 it developed its own internal occupational groupings; professional researchers,technicians,general farm workers and administrative staff. These sub-groups developed a common group consciousness with similiar occupational groupings throughout the economic and social structure. AFT also came to develop over time the tensions between professionals and administrators that are common to most professional bureaucracies. CSET elaborated into scientific and technical staff,general workers, skilled workers,farmer-suppliers and general management. Within the professional grouping in CSET there were occupational tensions between the engineers,agricultural scientists and chemists as they competed for influence and control. The consolidation in the dairy industry brought the farmer income versus industrial wage tension within the industry and into the organisations of the large processors

As the economy expanded and elaborated over a period of two decades the problems of distribution of the newly created wealth within the economy became more complex. As time passed the claims of the different occupational groupings came to be more focused on indexation to the cost of living and on the preservation of relativities than on the overall level of performance in the economy. In addition,the development of the economy was accompanied by an expansion of the public sector and an enlargement of the State's position as an employer in the economy. This made it increasingly difficult for the State to mediate between the unions and the employers in its efforts to achieve and maintain wage moderation in order to protect the country's international competitiveness. Moreover,economic expansion had created the means for an expansion in state spending on social welfare,health and education. However,as time passed the extant levels of education,social services and health services came to be perceived as a right and not as contingent on the overall performance of the economy.

In sum,the growth,elaboration and differentiation of the economic and social structure over two decades of economic expansion had led to the growth and proliferation of powerful interest groups in the Irish economy. In addition to the growth in occupational interests,the growth in government,that characterised the economic developemnt era,had resulted in an expanded and diverse range of state agencies which came to develop and consolidate for themselves,over time, positions of considerable autonomy and power in both public policy formulation and in the acquisition and allocation of public resources. As pointed out by Farrell(1986;148-9):

> "The growth of government has been accompanied by what can be described as a new corporatism,the development of institutions and practices through which ministers,civil servants and representatives of the great vocational and sectional interests decide policy and conduct administration...(but)..Legitimising their role has encouraged a feudal tendency for powerful interest groups to challenge and reject openly the legal decisions of government and parliament. Far from inducing some sense of common purpose,the new corporatism has encouraged the pursuit of narrow self-interest; agencies created to stimulate the economy or tackle particular social issues have become vested interests pursuing their own organisational goals".

When the economy entered a prolonged period of low growth in the early 1980's the great vocational and sectional interest groups fought to maintain their economic positions. The electorate,more generally,also resisted any attempts to cut back on the levels of provision in the areas of education,health and social welfare that they had come to perceive as rights. Successive governments over the 1980-87 period did not feel politically secure enough to confront these interests and to resist their demands. Earlier,we traced the origins of the fiscal difficulties that faced the State as Ireland entered the low growth 1980's. However,under these sectional pressures the State's fiscal problems deepened. Government attempts to progressively reduce the size of the current deficit were strongly resisted and the absolute level of government borrowing for current expenditure continued to rise over most of the 80's.

Concurrent with the development of strong and diverse sectional interests,the period since the economic expansion drive began in 1958 has been characterised by the progressive weakening of the traditional bonding agents in Irish society,the aspiration to national unity and the catholic ethos. The aspiration to national unity has weakened since the late 50's for a number of reasons. The passing of time itself,and with it the receding of the revolutionary generation further into the historical past,has led to a progressive weakening of nationalism as a potent cultural force in Irish life (Note: For the vast majority of Irish people the legitimate armed struggle for Irish freedom had ended by the mid 20's. Those who have continued to pursue the national aspiration by force of arms after this period were marginalised in Irish society and were no longer considered in official ideology as legitimate revolutionaries or freedom fighters,but rather as subversive paramilitaries). The potency of nationalism as a bonding agent has been further weakened as result of the troubles in Northern Ireland since 1968. IRA violence carried out in the name of the traditional national aspiration has tainted nationalism as a cultural force for many Irish people.

While the aspiration for national unity remains popular in Southern Ireland, the commitment to it is no longer unconditional(O'Malley, 1983;97). The Northern troubles have raised the level of reality in Southern Ireland about the full cost that immediate unity would entail both to the economy and to the political stability of the country. Southerners are no longer prepared to accept these costs unconditionally. As a result of this weakening of nationalism as a bonding force in Irish society it is no longer as easy in the 1980's to link national aspiration to economic sacrifice as De Valera was able to do in the 30's and 40's,nor is it easy to use it as a motive force for national entreprise as Lemass was able to do in the 1958-66 period. The aspiration to national unity has become conditional,yet the 26 county Republic is still widely regarded among Irish people as being incomplete,as a transient state only,and not in any fundamental sense a 'nation' in itself capable of evoking deep feelings of identification and overriding loyalty. As Fennell(1984;30-1) put it:

"Our first self-definition as a nation began to crumble in the 1950's, was assaulted throughout the 60's,and faded away in the 70's. All that is left in its place,as a public image of Irish identity,is the factual Twenty Six County state,without any cultural or ideological overtones other than 'democratic'"

The cultural bonding power of the Republic's traditional Catholic ethos (in the sense of a shared system of christian values,rather than in any narrow sectarian dogmatic sense) has also been considerably weakened over the post-1958 period. In the post Vatican II period the Church became less authoritarian and more empirical. In addition,economic development and the advances in telecommunications brought in their wake a spreading materialism,secularism and pluralism to Irish society. As Garvin(1982;31-2) observed:

"The process of secularisation,familiar elsewhere in the west,occurred belatedly but rapidly in Ireland,and the Church lost,almost without realising it,the role of intellectual and cultural arbiter that it once had..The demise of the Church's secular leadership has left political society in the Republic in a curiously leaderless condition ...there is no large group of people in the society who have the trust of the population,and can get its cooperation for medium- or long-term goals.."

As a result of the weakening of the traditional cultural bonds of nationalism and catholicism,modern Ireland has evolved with what Lee(1982;13) has described as a "peculiarly weak sense of identity by European criteria".

As mentioned earlier, successive Irish governments throughout the 1980-87 period found it particularly difficult to resist the demands of the strong vested interests that had evolved in the Irish economy and social structure since 1958. As a result these administrations were unable to quickly phase out the current deficit and public sector borrowings continued to accumulate to critical levels. The problem was first diagnosed in 1980 when it became clear that the international economic environment was entering a serious recession. The weakening sense of national identity and of cultural bonding had left it difficult for governments to mobilise the great sectional interests to accept economic retrenchment in the 'national interest', so that order might be restored to the public finances and the conditions for future economic growth might be created. The weakening of the cultural bonds and the development of strong structurally-embedded sectional interests were together major factors in prolonging the public fiscal difficulties and delaying the return to national economic growth. In turn, the prolongation of the State's fiscal difficulties and the delay in national economic recovery had major implications for the organisations in the study. These implications were fully developed already in an earlier section.

CHAPTER TEN

ORGANISATIONAL ACTION

In the last chapter the effect of the situational context on the strategic development of the organisations in the study was examined and analysed. In particular the chapter analytically isolated and empirically explored the five main contextual factors that were found to be the most salient contextual shapers of strategy in the cases under study. In this chapter we re-examine the data base in order to focus on the role that autonomous organisational action played on the strategic development of the four organisations included in this research.

In terms of the conceptual framework developed for this study in chapter two, autonomous organisational action was seen to involve the interaction of key organisational actors and their organisational contexts. For the four organisations in this study the data revealed that the key organisational actors were the chief executives and the chairmen of the boards. The chief executives were generally the most salient influence. However, in certain circumstances the coalition of the chief executive and the chairman was the dominant influence on autonomous organisational action, while in yet other circumstances the contribution of the chairman was the crucial element. The contributions of these key organisational actors were clearly related to the strategic challenges which faced their organisations while they were at the helm. In this respect, it is enlightening to use these different strategic challenge types as an organising principle for the analysis of autonomous organisational action and its effect on the strategic development of the organisations under study.

BUILDERS - Walsh and O'Loughlin

Dr. Tom Walsh of AFT and Dave O'Loughlin of Golden Vale were the builders of their respective organisations at the formative stages in their development.

Dr Tom Walsh - AFT

The personal drive of AFT's first Director,Dr. Tom Walsh,was a major factor,if not the major factor,in the organisation's early growth and development. As one senior long-serving executive of the organisation put it, " ..the Doc was the driving force...it would never have been as big as it is..never have been what it is today..if it had not been for the Doc". The interviews carried out with many AFT and ex-AFT personnel consistently supported this view. The Doc was expansionist in outlook and temperament. In fact,as one interviewee pointed out,the Doc "had no concept of,and did not want discussed,when the end of the expansion of AFT was to be".

Tom Walsh established AFT and expanded it quickly so that at the end of only three years,in 1961,the Institute had already reached a complement of 705 personnel; by 1967 this number had risen to 1076. AFT was established just at the time when the First Programme for Economic Expansion was getting underway and this undoubtedly created a context for its rapid growth. However,the organisation had been born in controversy and powerful institutional interests,already active in the field of agricultural education and research, were jealously guarding their own domains. In the Doc's own words AFT "commenced quickly and this fact raised the ire of some people in the Department and in the Universities".

Right from the start Tom Walsh had to fight for his operational scope and freedom. He was clear on what he wanted as he recalled in interview:

"The Institute was set up to develop the agriculture of the country. Agriculture included Food,this is very important,it did not just mean farming. It brought in the socio-economic structure and behavioural sciences as well. The model was the State College of Agriculture(in the USA)"

Many of the other interests did not agree. There were objections to him setting up the rural economy division "because it was said that the Institute's focus was production-I never saw it that way". He won this battle but lost others. For example,he ran into stout resistance from the Department of Agriculture when they refused to transfer their cerial breeding and barley breeding research programmes over to the new institute. The Department continued to maintain a research division in spite of the strong representations made to government by Walsh and his council to have all of the Department's former research activities transferred to AFT. The question of AFT's autonomy as an independent research institute had been controversial from the organisation's very inception as many different institutional interests sought some degree of control. The Institute was finally set up as an independent institute on the recommendation of a minority report and the director was given a unique position as a statutory entity in his own right between staff and council. The intergovernmental agreement through which the new institute came to be funded initially,as part of the Marshall Aid programme,was also a very important factor in providing AFT with a fair degree of independence from the state bureaucracy. However,as the Doc pointed out in interview,operational autonomy was something that had to be fought for with eternal vigilence:

"The Department wanted a lot of control. I was operating the autonomy of the Institute. It was a continual struggle day in,day out."

In the face of such difficulties the Doc managed to quickly define the major fields for research in the new institute. He structured the initial research programmes under the broad headings of Soils,Animal Production,Plant Sciences and Crop Husbandry,Horticulture and Forestry, and Rural Economy. He was also conscious of the importance of having ready access to research output from like institutions internationally, and of having an effective dissemination system so that research results could be quickly implemented, and he set up the scientific liaison and agricultural liaison departments to carry on these tasks. With this initial structure,drawn from his wide knowledge of what was happening in other countries and his own convictions of what needed to be done,he set the broad outlines of the strategy that was to serve AFT right up to the present. AFT's claims to legitimate involvement,then or at some future time,in the areas of food research,processing and marketing as well as production research,and in rural development were all advanced in this formative period and institutionalised in AFT's initial structure and programme. When asked in interview what were the biggest decisions taken under his stewardship he included the following:

"The biggest decision of all was to develop the Institute as an institute and not just as a coordinating body..The decision to deal,not just with farming but with the whole spectrum from soil to table. The decision to have a rural economy division..."

He assembled the physical and human resources to fulfil his vision for AFT quickly and with the minimum of bureaucratic procedure. He negotiated personally for the transfer of existing facilities and staff from the Department and from the Universities,with decisions often being made at a single informal meeting between himself and the other principals involved. With the Marshall Aid money,he and his senior staff went out and bought buildings and land in the same informal way,haggling personally over terms and conditions as if they were dealing for themselves. In at least one case he even signed a personal cheque so as not to risk losing an opportunity through the possibility of bureaucratic delay. In this way the initial resources for AFT were very quickly acquired and assembled. In his own words "the main thing was to get the work done". He hired experienced scientists,some of them non-nationals,and young Irish graduates and he fired them up with enthusiasm for the work that AFT had to do. Driven by his own deep nationalist convictions he summarised in interview the major part of his management philosophy:

"My main job was building morale..to get to know each person and their capacity..The big thing was the motivation of the staff and how they could be motivated. They had a national job to do. They might have thought that they were small cogs but the work they were doing was important.."

The Doc's management style in the formative years of AFT was to "get the best people,motivate them and turn them loose and they will define the programme". He saw the department as the key operating unit and the ability of the heads of department as key to the success of the Institute's programme:

"Possibly the most important unit in the whole thing was the department. That was where the work was. That was where the staff training and development was. The development of the department depended very much on the energy and vigour of the department head"

The Doc moved quickly to build up the skill base of the new institute to international standard. In the first few years of the Institute's life he sent off young Irish graduates in droves on Kellogg Foundation scholarships to take higher degrees in reputable US universities. At one point he had almost 100 such graduates on this programme concurrently. He was a cavalier and a builder who attracted like people into AFT and encouraged them to be innovative and to build up their departments and their programmes. With the ferment that he encouraged,it was almost inevitable that difficulties would arise; some people in key positions were moved,others resigned. Some were not cavalier enough,others were too much so. Many of the young pioneering scientists that Walsh had attracted to AFT in the early days left to take up key positions in the meat and dairy industries which,as Institute scientists,they had helped to modernise. Walsh took a pride in this process which he viewed as a natural extension and by-product of AFT's role as a developmental agency:

"There is the whole thing about the intellectual investment..the resource pool..the training of staff provided a pool of scientifically trained manpower to this country in a real sense..to the meat processing sector,to the univerities etc.."

At the end of the first decade the Doc undertook a major review of the Institute's research programme and shortly afterwards reorganised. The review was carried out at this stage,partly because the Doc feared that AFT was becoming too institutionalised:

"That 10 year (review) was a crucial one and it was looking forward. AFT was never allowed to settle down into a mundane thing. In any research organisation there has to be agitation or nothing will be done. This is a philosophy of management"

The other reason for the major 10 year review was that AFT's autonomy was at risk. The Marshall Fund money had dwindled down to a small fraction of AFT annual funding and AFT had become progressively more dependent on the public purse,and in consequence on the Department of Agriculture. The 10 year review was partly an exercise in self-justification and external legitimation as a bulwark against the increasing encroachment of the Department. The output of the review was published as the Institute's Plan for Agriculture 1970-75. A major reason for the production and publication of this plan was to assert a prior claim on future public resources in order to sustain a momentum for growth in AFT,and to bolster up this claim by attempting to build up strong external support for the plan throughout the agricultural sector. The context had changed and so the tactics were changed; but the Doc's overall policy thrust was still focused on promoting the growth,and maintaining the autonomy of,the Institute.

In 1973 a new Minister for Agriculture,in a major new shift in public policy,let it be known that further AFT expansion would have to depend substantially on non-exchequer funding from whatever sources. With public funding contracting in real terms as result of the inflationary spiral set in motion by the 1973 Oil Crisis,the Doc set out with characteristic energy to develop external sources of research funding in order to maintain the momentum and growth of AFT. The EEC and the domestic agricultural sector became the main targets for the sourcing of external funding. This mainly took the form of commodity levies in the case of the industry and of direct contract projects in the case of the EEC.

In the wake of the major review that took place at the end of the first decade the Doc and his Council decided to carry out a fundamental internal reorganisation. The main thrust of this restructuring was to create an organisation around commodities rather than around scientific disciplines. One of the major new departures in this reorganisation was the setting up of a Western Research Centre for the development of the West. This move did not receive the wholehearted support of either AFT staff or Council,many of whom felt that the small farms in the West were inherently uneconomic and that a research centre dedicated to this area might be a poor application of scarce research resource. The Doc took a different view,consistent with his deep conviction that AFT had a role to play in the social and economic development of all parts of rural Ireland:

"It was something that was very important. There are two Irelands whatever way you look at it,the (poorer)West and the (richer) East.. We were raising the development of land in the West to a national priority level (in the reorganisation)"

The Doc lent his personal credibility and support to the move by the Cosgrave Government in 1977 to amalgamate AFT and the Advisory Service of the Department of Agriculture into a new body called the National Agricultural Authority. In this he was opposed by his own professional research staff. This confrontation between the Director and his staff extended into the public arena, involving the political parties and the farming organisations, and was fought out in the national media and over the national airwaves. The outcome of this development,described in more detail in the case narrative,was that the proposed amalgamation did not take place. In the wake of this confrontation a credibility gap remained between Director and staff. The Doc eventually left AFT in 1979 to take up the post of first Director of the new independent advisory service body,ACOT.

Dave O'Loughlin - Golden Vale

Unlike the Doc,Dave O'Loughlin was not with his organisation ab-initio. Nevertheless,he is generally recognised as having been the great builder in the early history of Golden Vale Cooperative Society. O'Loughlin is credited with the main strategic developments that set the organisation on the road from being a small operation with a turnover of less than £1m in the mid 50's to a turnover of over £70m by the mid 70's.

Golden Vale had been founded in 1947 largely on the initiative of Capt. David Barry,an ex-soldier of the War of Independence and of the Civil War. At that time in the dairy industry a number of large processing centres had already evolved. A number of natural cheese manufacturers around the North Cork area of Charleville were concerned about the potential loss of milk supplies to some of these larger processors,like Ballyclough and Mitchelstown. David Barry brought them together and suggested that they form a federation for the manufacture of processed cheese. Barry helped them to procure a licence and Golden Vale Food Products Ltd came into being with a subscribed capital of £30000 and a federal ownership structure involving 12 dairy cooperative societies.

The first two general managers that were brought in to develop the new entity had limited success. They were primarily production managers.

By the mid-fifties it was felt that the business was not developing to its potential and the second general manager was replaced by Dave O'Loughlin in 1956. O'Loughlin's father was the manager of one of the federated creameries so that Dave had a strong background in the industry. Dave O'Loughlin was one of the first of a new cadre to enter the dairy industry at this time. Most creamery managers of the time were qualified to diploma level but Dave had an MSc in Dairy Science. Before joining the federation he had been a chief representative of a dairy engineering firm which supplied plant to creameries.He had a combination of background,qualifications and personality traits that was rare at the time in the dairy industry. He was one of the first of a new breed of leader in the industry,a professional manager whose education and training had been directed specifically to gear him for such a role.

O'Loughlin,like Tom Walsh of AFT,was expansionary and oportunistic. He led the small federation into its first major diversification, engineering. There had been a small engineering activity at Golden Vale before O'Loughlin came in as managing director but "O'Loughlin developed this at..a rate of knots". He did this by being able to exploit oportunities that were opening up as a result of the changes that were taking place in the industry in the late 50's. By that time the dairy industry had already entered the first of the three major expansion waves that characterised its development over the 1950-80 period. The expansion itself generated a demand for plant and equipment in the dairy engineering area. At this time also the pasteurised milk business began to expand rapidly. The regulations surrounding the pasteurisation process required that stainless steel had to be used for pumps,tanks, piping etc right throughout the whole industry. In addition,there was a lot of engineering activity involved in the re-equiping of cheese-making plants taking place around this time as well, again because of the advent of new regulations.

Golden Vale Engineering did not get involved in the manufacture of any highly specialised processing equipment. However,it acquired a number of agencies for valves and pumps and carried on an extensive fabrication operation. Under O'Loughlin's leadership,the engineering activity expanded "like topsy" and became the major indigeneous engineering activity in the Irish dairy industry. In 1956,when O'Loughlin first took over as general manager the engineering activity had a turnover of £37000. By 1958,he had expanded this to £166000. By 1974 Golden Vale Engineering had become a £3m per year business. It played a significant role in the major physical development that took place in the industry in the 60's and in the 70's. In addition,it also diversified into serving the developing UK dairy industry and it secured major contracts in other processing industries,most notably the brewing,soft drinks and chemical industries.

Golden Vale expanded under O'Loughlin throughout the 1960's. A new grading system had been introduced by the Department of Agriculture to improve the quality image of Irish natural cheese. It became more difficult for the small cheese manufacturers in the federation to keep up with the technology needed to produce cheese of the highest grade so O'Loughlin developed a central facility for the manufacture of natural cheese. In 1962 he began to diversify Golden Vale into the milk powder business when he invested in a skim-milk powder processing facility at the Charleville site. At this time dairy production at farm level was becoming increasingly more specialised and mechanised. This advancing mechanisation and specialisation contributed to a significant expansion in the national milk pool,while at the same time reducing dramatically the use for skim-milk on the dairy farm. The expansion in whole milk supply and the decline in skim-milk requirement at producer level created an increasing need for the expansion of national processing capacity. O'Loughlin could see the direction that the industry was already taking in the mid-60's. Potentially large processing units were growing around the Mitchelstown, Ballyclough and Dungarvan cooperatives. The Survey Team and the Knapp reports,with their strong recommendations for further concentration of capital in the industry,were being widely discussed. Having developed and diversified Golden Vale's dairy processing activities O'Loughlin set about building the Charleville complex up to be one of the industry's large emergent processing centres. To do this he embarked on a capital expansion programme. At the same time he set about enlarging the federation in order to gain favoured access to a larger milk pool. Over the 1964-66 period he managed to persuade an additional 9 cooperative creameries to join the federation,which enlarged it to 21 members.

With the expanded milk supply that O'Loughlin had gained access to,through extending the federation, Golden Vale "began to be noticed" by the other major processing centres. By the mid-60's Dave O'Loughlin had become firmly established as a major figure in the industry. As a senior executive of the Irish Cooperative Organisation Society recalled:

"In the late 50' and early 60's what was emerging very rapidly was Golden Vale. You had Pat Power in Ballyclough, Jim Lynch in Mitchelstown and Ned Maher in Dungarvan. Very little happened in the 50's in this industry without these people being consulted. More and more I perceived the growing influence of Dave O'Loughlin.."

In 1967, O'Loughlin launched his organisation into a new diversification of immense strategic importance,the specialised field of edible fat-filled milk products.In the production of fat-filled milk a cheaper,edible fat such as sunflower oil is used to replace the whole milk fat that is removed in the production of butter. This cheaper fat is added to the skim-milk output of the butter process and the new substance is dehydrated into a milk-replacer powder. The milk-replacer has a whole range of applications in the food processing industry and as a milk substitute in countries with dry climates. The most important application is as a milk-replacer in calve rearing. Used in this way the whole-milk normally consumed by new-born calves,a substantial gallonage when aggregated over the national dairy herd,becomes available to the dairy products industry for further processing. The pioneer of this process was a private entrepreneur in County Cavan. O'Loughlin was the first of the major processors to recognise its potential and to set about the large-scale production and marketing of the product. Fat-filled milk products became the major specialised product line for Golden Vale,and the main strategic platform for the organisation's major capital expansion phase in 1968-75 period. Golden Vale lost little time in bringing fat-filled products to market and had an immediate success with a milk-replacer for calves called 'Golden Maverick'. This product line has remained the flag-ship of the company,and the market leader in calf milk-replacers,right up to the present.

Throughout the 60's there was mounting pressure on the dairy industry to rationalise. The Survey Team Report had even suggested that the government should be given mandatory powers,if need be,to bring about a much greater level of concentration in the industry. The Knapp Report recommended that the industry be encouraged to consolidate itself under the guidance of the Irish Agricultural Organisation Society,the cooperative corporate body as it was then known. The IAOS published its own plan for consolidation and it recommended large-scale amalgamation as the preferred mechanism for bringing it about. This was a very significant episode in the structural evolution of the Irish dairy industry. The amalgamation proposals were controversial. What was at risk was the future of the parish structure; and whatever the strength of the economic rationale,there was much resistance to the break up of this structure. According to a senior executive of the then IAOS O'Loughlin "on the surface vehemently opposed (amalgamation)",at first, "because his own owners(the federation members) vehemently opposed it"; but then "he very quickly saw the advantages in amalgamation because he saw it as strengthening Golden Vale Food Products by (means of) a reverse take-over of his owners".

Once he had become convinced about the oportunity that amalgamation offered for the further development and growth of Golden Vale he threw himself into the task of bringing it about with characteristic single-mindedness and persistence. In 1968 O'Loughlin began to identify the development oportunities that a greatly expanded milk supply,made available through amalgamation,would provide.He carried out a number of exercises to see what facilities would be needed to process the additional milk and what were the costs and business oportunities involved. He then "took the bull by the horns" and committed his organisation to a major development programme,based on the assumption that Golden Vale would expand greatly through the process of amalgamation. At the same time he set about making the process of amalgamation happen. This was a long and arduous process. Over the 1968-71 period O'Loughlin and two senior colleagues attended many meetings with creamery managers and their committees to persuade them on the benefits of amalgamation. Many of these people were reluctant to see the break-up of the traditional parish structure come about and the task of persuasion was slow and incremental. As one of those involved in the process remembered it:

"All the time we were trying to get the thought leaders committed all along the line,a sort of preaching the gospel effort. That went on for three years before we got any breaks..It was attrition the whole time..You just kept at it and at it..going to the AGM's of the member societies to get the 'principle' accepted,never forcing a vote if we thought it would go against us....".

In May 1971 O'Loughlin and his senior colleagues decided that the groundwork for amalgamation was done sufficiently to start the formal process by August of that year. In July,O'Loughlin died suddenly while on vacation. The enormous work pressure of the period, generated by the combined demands of the development programme,the introduction of the new fat-filled milk product line,the continued expansion of engineering and the arduous efforts on the amalgamation process, undoubtedly contributed to his premature death. It was left to his successor to complete the process of amalgamation and the major capital development programme. However,the overall strategy was firmly in place before O'Loughlin passed away. By 1971 it was clear to the IAOS,who were then in the process of developing a revised plan for the rationalisation of the dairy industry,that Golden Vale would be one of the major growth centres around which the industry should be consolidated.

Over his tenure as managing director,from 1956-71,Dave O'Loughlin had led Golden Vale in its growth from a small federation of cheese manufactures to a position where it was one of the largest processing centres in the industry with a widely-recognised status as one of the industry's leaders. To be have become accepted on equal terms with the Ballycloughs and the Mitchelstowns,the industry's traditional leaders,was a major achievement for an organisation that began its existence as a federation of minor players in the industry in 1947. The leadership of Dave O'Loughlin was a major factor in the building up of Golden Vale to such a position of preeminence in the industry. O'Loughlin was an entrepreneurial leader who dominated his Board and his senior management team. "The general perception was that Dave O' was standing way above the whole lot" was how one executive put it while another described O'Loughlin as "very much the boss..forceful,driven,a risk-taker (whose) basic strategic decisions were very right". O'Loughlin was variously described as "dynamic" with an "extraordinary capacity to take risks,pushing it to the very limit".

This capacity for risk taking did,however,leave O'Loughlin's successor with potential problems which were later to develop into crisis. O'Loughlin,in his drive for continued expansion in the late 60's, committed Golden Vale to capital development in advance of,and in anticipation of,securing the milk supply to make the development profitable. In doing this O'Loughlin was,in effect,claiming product territory within the industry and strengthening Golden Vale's prior claim to an enlarged milk pool as the industry rationalisation proposals continued to evolve; in effect using capacity expansion as a pre-emption strategy(Porter,1980;327). In this he took two major risks which had consequences for Golden Vale after his death. One was the risk that the amalgamation process might not be a total success and that the enlarged milk pool might fall significantly short of expectations. The other was in his cavalier approach to the financing of the development programme,where he was "pushing the debt/equity at an enormous rate.. pushing forward with (the development) sailing very close to the financial wind". In spite of these risks,and the ensuing crisis,time came to justify the overall wisdom of his pre-emptive development strategy which secured Golden Vale's preminence in the industry right through to the 1980's.

REVITALISERS - Costello and McCourt

General Costello of CSET and Kevin Mc Court of IDG came to head up their respective organisations when the basic characters of these entities were already established. The strategic task that both these men faced was the challenge of raising their organisations to a new plane of development.

General Michael J. Costello - CSET

General M.J.Costello was the general manager of CSET from 1945 to 1966. By the end of the Second World War the company was already over a decade in existence. The first two chief executives were "administrators and custodians" and had guided the organisation through its formative period. With the aid of foreign expertise these men had built the industry up to a level where it was able to supply the country's basic need for sugar during the 1939-45 period. However,by the end of the war the industry was in poor shape and badly in need of revitalisation. Most of the European experts,on whom the industry had relied heavily during its formative years,had returned home when war broke out. Native expertise had managed to keep the industry functioning during the difficult war-time conditions,in spite of severe shortages in equipment, oil,beet knives,beet seed,fertilisers and other essential materials. By the end of the war the industry was exhausted from the stop gap measures that had to be resorted to during the conditions of wartime scarcity, and numerous difficulties threatened to undermine its further development.The fields had been over tilled. The sugar factories were in need of modernisation. The saving of the crop was still a very laborious task and farm labour was becoming increasingly scarce. The crop,itself, was exposed to all kinds of pests and crop diseases.

Lemass and his ministerial colleagues looked around for "a man who had proved himself not alone as possessing the ability and strength of character to shoulder a major industrial appointment,but who had proven his patriotism to the hilt"(Lynch,1986;12). They also wanted someone to "loosen the grip of the civil service" on the company because these public officials "were not business orientated". General Costello,as an ex-army man,had been committed to the State in a very basic way throughout his career, and he carried this commitment into his civilian life. His personal credentials were impressive. An a time in his country's history when young men of exceptional ability were being called upon to play major roles in the newly emergent nation state, Costello was promoted to Colonel Commandant in the new Free State army, when not yet 20 years of age. He rose to the rank of General Officer

Commanding of the 1st Division South before his retiremnt from the army at the age of 41. He had been one of a select cadre of five officers who were chosen for a special two year training programme at Forth Leavenworth,the US military academy for senior officers. On his return he had been given the task of founding the Irish Military College and became, himself,an educator of officers.

General Costello clearly saw his task as developmental. He came to CSET not simply to head up a sugar processing company but to secure and revitalise a sugar industry, capable of providing both industrial and agricultural employment in rural areas. He was passionately committed to the development of Irish agriculture to its fullest potential for the social and economic benefit of the rural community itself and for the benefit of the nation at large. He took a special interest in the problems of the small producer and continually exhorted them to consider new options and to organise to preserve the economic viability of their way of life. His guiding philosophy with respect to producers was his stated belief that "the cooperative theories of Horace Plunkett (were) superior to communism and capitalism and the only workable alternative to those"

His managment style was that of the benevolent autocrat. His task was the revitalisation of an industry of national importance and his 'civilian army' consisted of the CSET employees and the sugar beet producers. Consistent with his army background he set about mobilising his 'civilian army' into an efficient machine. He recruited into CSET a number of army officers that had served under him to help him in the management of this endeavour. He believed in consultation,in informing and in being kept informed,and would take on board good suggestions and good ideas. He believed in using peoples talents to the full but he took full responsibility for,and full charge of,CSET while at the helm. He knew his employees and his suppliers and kept close links with them. He was a strict disciplinarian who was intolerant of sloppy or faint-hearted effort,yet he took a deep and abiding interest in the welfare of his employees and suppliers. He was a commanding figure in the sugar beet industry. He saw his task,as one of winning over the hearts and minds of all connected with the industry,and of raising their sights and ambitions from "the restricted economy and narrowed horizons to which (many of them) had clung,in a changing world,almost since the time of their grandfathers"(Lynch,1986;13-4).

The General,as he came to be liberally known and referred to throughout CSET and the industry at large,took "a general's view" of the problems that confronted the industry when he took over as general manager of the company. A 'campaign' was needed to secure the beet crop itself. The General extended CSET activities beyond sugar processing to develop a soil-testing service,a limestone quarrying activity and an agricultural engineering activity.

The General recognised that the problems of poor land fertility and disease control would have to be quickly tackled. The programme that he set had research as the key. He initiated R&D activities into crop disease and pest control and into beet seed quality. He set up field stations at each factory to engage in systematic soil-testing. The tests showed that much of the potential beet growing acreage was lacking in essential lime. There were private quarries in existence but the General saw that their aggregate capacity was far below what was needed. He diversified CSET into quarrying and opened up quarries on a large scale to provide the lime. He purchased 300 British Army trucks,which had seen service in the North African campaign against Rommel but which had become post-war surplus. The farmers had no way of spreading the lime after delivery so the General had his trucks fitted with specially engineered spreading equipment so that they not only took the lime to the farm but spread it as well.

In post-war Ireland the flight from the land gathered momentum and emigration from rural Ireland to the large urban centres of Britain was on the increase. Over the 1951-61 period the rate of emigration was running at over 40,000 per annum. One of the major consequences was that agricultural labour in Ireland became a scarce commodity. This rising scarcity of farm labour threatened the future levels of beet supply. The production of an acre of sugar beet involved 660 hours of labour in

1945. This had been an impediment to further expansion of the acreage. As labour became increasingly scarce and expensive there was a distinct danger that the total acreage would progressively contract and that many farmers would move into less labour intensive areas of farming.

The General met this challenge by developing a major engineering activity at CSET. The General's first approach was to examine the beet harvesting machinery available in Britain and elsewhere. Trials found this equipment to be unsuitable for Irish winter soil conditions. He then decided to develop his own beet harvester and enlisted the engineering expertise of Austin Armer,an internationally renowned US engineer who was highly experienced in the design of agricultural machinery. Under Armer's expert guidance an Armer Mk1 harvester was developed for Irish conditions at the CSET Carlow complex. According to the General himself "it wasn't the invention of the harvester which caused us the most trouble,but rather it was the task of convincing a farmer to let us in to test it on his crop". Winning farmer confidence to adopt new techniques and to apply the results of scientific research to the production of beet took up a lot of the General's time and energy. There were further developments of the basic Armer harvester,and MkII and MkIII versions quickly followed. Progress in the mechanisation of beet harvesting has,over time,made an enormous difference to the labour intensity of the activity. Over the years CSET,under a strategy initiated by the General and continued by his successors,extended its engineering product line in order to further the mechanisation of the beet production and harvesting activity. In keeping with the General's commitment to the cooperative ideal CSET helped to organise their beet growers into syndicates of 5 to 7 farmers representing a combined acreage of 70 or more. As a syndicate they could buy the seeders, sprayers,hoes,harvesters and cleaner loaders to in order to further mechanise and technologically advance the production process in a way that would not have been possible with each acting alone.

The General brought the mechanical and the chemical 'revolutions' in modern agriculture to the beet growing industry in Ireland. By 1968,just two years after his retirement,the engineering,quarrying,fertilisers and related activities initiated by the General in the 50's had grown to a turnover of £4.2m,nearly 25% of total company revenues. The engineering activity,which had been developed primarily to protect and increase the supply of beet by improving efficiency at farm level,was generating valuable export sales and realising revenues of £0.5M,with 100 employees. CSET's Armer range of agricultural machinery continued to extend and develop and enjoyed increasing market penetration in the British sugar beet industry and in other export markets. Beet sugar production had risen from pre-war averages of 70k tons to a 1962-64 average of 125k tons,and was still rising. Factory daily capacity was increasing at a similiar rate largely through progressive improvements in productivity. Labour hours per acre were already on a steep decline from the 660 man-hours in 1945 to just 22 man-hours by 1986. By the early 60's the General had revitalised and modernised the Irish sugar beet industry,and he had regenerated widespread confidence in its future throughout the land.

By 1960 the industry was ready for further development. However,because of the nature of the international sugar market there was little scope for developing the sugar activity much beyond the demand in the home market. In the late 50's Lemass came out with the First Programme for Economic Expansion based on the analysis in the Whitaker document, 'Economic Development'. State entreprises like CSET were expected to respond to the challenge laid down in the economic expansion drive. The response of the General and his organisation was to diversify into food processing. Having secured the sugar industry and having overcome a variety of technical challenges to do so,the company,under the General's leadership,looked with confidence towards this new strategic departure:

> "With our experience and knowledge of handling farmers' produce over the years and our intimate knowledge and understanding of the farming problems of our 30,000 beet growers,...we consider it our duty in the national interest to utilise our special knowledge and our very considerable technological resources to exploit the vast oportunities of economic expansion offered by the convenience food business"(Annual Report,1964;8).

The market identified as offering a major oportunity for CSET's new convenience food business was the £1B per annum UK market. For the company to gain even just 1% of this enormous market would have doubled its turnover at the time. The company was confident of even bigger gains. The 1962 Annual Report outlined the aspiration for the project which CSET hoped "to build..to a scale which will be larger than any industrial activity now carried on in Ireland". This vision was big and bold and the General,himself,recognised the difficulty involved in securing the necessary commitment and conviction from all the interests involved to make it work, when he said in 1960:

"We have to cope with the timid spirits who baulk at every obstacle and cannot bring themselves to believe in the ability of Irishmen to compete with men of other nations. They think our aim is impossibly great. Their imaginations boggle"

The General embarked on the food project with characteristic energy and vision. Food processing plants were established in the company's four factory towns. A new R&D facility was established in Carlow in 1961 and expanded in 1964. New processing technologies were introduced. The first commercial AFD(Accelerated Freeze-Drying,a then revolutionary dehydration process) plant in the world was opened in Mallow,with Taoiseach Lemass significantly performing the opening ceremony. The first commercial product,instant potatoes flakes,appeared in 1962. The company was quickly filling out the product line with each passing year. The company had met the R&D and production challenges posed by the new project with confidence and imagination and by 1964 their efforts were enjoying unprecedented national and international recognition. Lemass paid tribute in the Dail to the "very positive response" that CSET had made to the economic expansion drive "in widening the scope of their activities in areas unrelated to their present operations". Tributes appeared in the 'Times','Financial Times' and 'Guardian' about the quality of the products and the importance of the work. The State increased its equity in CSET to provide funds for the erection of the new facilities but the development costs in R&D,marketing etc.,were all funded by the retained profits of CSET,which were being generated by the traditional sugar and related businesses.

The General had chosen to build up a direct sales and marketing organisation for the assault on the UK market. Though the market was immense,several giant food companies were already well established there. CSET encountered competition on a scale,and of an intensity,that it had never experienced before. By 1965,after three years years in the market-place,the food project was still not profitable. There was growing consumer acceptance for the product line as evidenced by the rapidly increasing turnover,but the marketing costs were much greater than had been anticipated and production costs were still running higher than the market would bear. Conflict arose between the General and the Department of Finance over the status of the project. What the department were calling 'losses' the General still considered to be 'development costs'. The Government was concerned at the mounting cash drain of the project,which by 1965 had accumulated to over £5m. Accordingly they instructed the CSET board to carry out a reappraisal of the project and the board enlisted the expertise of A.D. Little and Company to carry out this study. A.D.Little reported in early 1966. Their main finding was that the project strategy as it then stood would require a programme of broadening the product range and expanding the scale of the operation through a further investment of £15m and incurring an additional operating cash drain of £5m over a further six year period before an operating profit could be expected. The alternatives were to reduce the scale of the project and to narrow the focus of the strategy to selected segments of the UK market, or to consider a joint-venture so that the same scale of sales and distribution might achieved more economically and with less risk.

In November 1966,the General resigned from CSET,in controversial circumstances,after 21 years as the head of the company. The main conflict was over future policy in relation to the food project. With the General's departure came a new leader for CSET. A new generation of politician,the professional politician,put its faith in a new generation of Irish management,the professional manager, and the food project was reoriented towards a more commercial and less developmental strategy.

There is little doubt that the General and all concerned had grossly underestimated the difficulties involved in penetrating the UK market on a scale that would have secured its competitive position and its longer run profitability. Could such a scale have been reached or was the strategy inherently flawed? This is difficult to answer. The A.D. Little analysis seems to have suggested that it was possible but that it would have expensive and risky. Would it have been worth it? Reasonable people at the time considered it debatable and would still consider it so today. Ireland's industrial policy took a distinct shift in the late 60's towards the inducement of foreign direct investment into the country in targeted higher technology areas like electronics and pharmaceuticals. According to Kennedy(1986;48-9) this shift in industrial policy "staked our money on the hare of foreign entreprise rather than on the tortise of native industry..yet the race is not always to the swiftest..the approach produced quick but not lasting results". In the late 1980's,the development of the Irish food industry was raised to a national priority and a new government ministry for food was established. In the light of this attempt to shift the balance of industrial policy more towards the development of indigeneous industry,the failure of the CSET food project of the 1960's may yet come to be seen as a missed,and as a nationally mis-managed, oportunity.

Kevin Mc Court - IDG

The year 1966 was a historic one for the Irish distilling industry. This was the year that Irish distilling in the Republic of Ireland consolidated into one large entity through the merger of Power,Jameson and Cork Distillers. One of the prime movers behind this historic merger was Frank O'Reilly,the then chairman of John Power and Son. O'Reilly was an uncontentious choice for chairman of the new entity. There were both positive and defensive reasons for the merger. One of the reasons for consolidation at this time was to ward off the possible entry into the industry of the large British beer company,Allied Brewers. On the more positive side it was hoped that the merger would provide a strong platform from which to mount a serious revival of the industry's exports,which had declined drastically since the late 20's. The spectacular post-war export success of the Scotch Whisky industry provided an important spur in this regard.

One of the early moves made by Frank O'Reilly,as chairman of the new entity,was to hire in a professional manager,Kevin Mc Court,as managing director. This move was crucial to the merger's ultimate effectiveness. The full exploitation of the merger's potential involved nothing less than the transformation of three traditional family firms into a unitary public company. It involved a transition from family capitalism to managerial capitalism. At the time of the merger the need to appoint an external managing director had not been anticipated by the parties involved. However, it became clear to O'Reilly, soon afterwards, that full implementation of the merger would be exceedingly difficult, if not impossible, without being headed up by a strong professional manager with no traditional affiliations to any of the particular parties to the merger.

Frank O'Reilly and Kevin Mc Court, working in tandem, were the key personalities in the evolution of the modern Irish Distillers Group plc., and in the modern revival of Irish distilling as an important export industry. Their respective contributions cannot be easily separated. O'Reilly was a progressive industry leader whose personal efforts were crucial in bringing about the merger. Both men shared a post-merger vision for the industry. The vision was one of export-led growth, facilitated by the promotion of Irish whiskey as a generic product. The platform for this renewed drive for export sales was to be a profitable domestic base. Domestic profitability was to be secured through strong market leadership. Underpinning this two-front marketing strategy was a product strategy that positioned Irish whiskey as a premium product relative to the Scotch or American blended whiskies, and an operations strategy that was aimed at equipping the company with the capability to become and remain cost competitive, nationally and internationally. Mc Court's main role was to flesh out this strategic vision, give it substance and implement it; and that is what he did.

Kevin Mc Court came to IDG in 1968. He had a marketing background and was an experienced chief executive. In the early part of his career he had worked for P.J. Corroll Ltd., the large Irish tobacco manufacturer, in the sales and marketing end of that business. He later worked as Managing Director in the UK firm of Hunter Douglas. On his return to Ireland he had taken up a five year contract as Director General of the Irish television service. On the expiry of this contract, in 1968, he was hired in as Managing Director of the newly merger United Distillers of Ireland Ltd., as IDG was then known. According to one senior executive in IDG, Mc Court was a strong forceful leader, a hard-working and dedicated managing director who "brought through very difficult decisions".

Implementing the merger posed some formidable problems. At the time of the merger there were serious differences among the major parties concerning what it would entail and about how far it would extend operationally. Of the three parties to the merger "there was more commitment to the concept from Power,the middle amount of commitment from Jameson and the least from Cork". Norbert Murphy,was the chairman and managing director of Cork Distillers Company Ltd.(CDC)at the time and CDC was still a private family firm. He was "farseeing, innovative but difficult to deal with", a strong,independent-minded,leader who in fact to a large extent "was Cork Distillers really". He had had the business acumen to diversify his product range into white spirits. At the time of the merger he had already developed his Cork Gin brand into strong leadership position on the Irish market and he had developed a a successful line of vodkas. Murphy accepted the need for the three traditional producers of Irish whiskey in the Republic to form a close association in order to develop the export potential of the industry. However, at the time of the merger he was a long way off accepting any significant degree of operational integration.

Murphy,as noted,was very independent-minded and the full integration of his company with the other two partners was a long and slow process. At the time of the merger "there was the least commitment to do anything about rationalisation from Cork". Murphy tried to maintain much of his pre-merger operational independence. Cork Distillers looked on the newly-merged entity as "a trade protection association" and "a joint venture on exports". In the post-merger period there were many difficulties in forging a single organic entity from the disparate organisations that were parties to the merger and McCourt worked hard to overcome them. The main centrifugal forces,however,were experienced at board level. As one senior executive recalled:

"There was a feeling that the objectives were acknowledged,the development of exports and the defense of the home position. It was often said in 1968 to 1975 that the staffs and managements of the companies went with the merger but the lack of acceptance was at board level.."

Frank O'Reilly's ability to "smooth oil on troubled waters" as chairman of the board was perceived to been a key element in getting the merger to work in spite of severe boardroom difficulties. Murphy experienced new pressures and new demands that undermined his previous autonomy.As a senior executive pointed out "after you got together,no matter how much you may have felt you misunderstood each other,you now had a responsibility to the shareholders". In particular,Murphy had "not bargained for Kevin Mc Court" and "did not (for)see a unitary hierarchy developing as quickly as it did".

Kevin Mc Court brought in two outside professionals,Archie Cook and Gene Savage,to head up the marketing and finance functions respectively. The only board member with line management responsibility was Clem Ryan,and he headed up the production function where the traditional commercial strengths of the distilling families lay.The organisational difficulties that confronted Mc Court and his team were multifarious as they attempted to mold the loose federation into a strong unitary organisation. There were three companies with three different philosophies,three different staffs and three different systems to be integrated. "You just wouldn't believe that three systems could be so different" was how one senior executive put it. There were major differences in financial systems and databases,compensation and benefit schemes,union representation and work arrangements,staff promotion policies and in many other areas of operation and organisation.

Marketing and finance were the first of the major functions to be operationally merged and the appointments of Cook and Savage were important in bringing these developments about. Merging the salesforces was difficult enough because the salesmen of the three traditional partners to the merger had been "indoctrinated in the belief that their company's brands were superior,and that the brands of the other parties to the merger,that they now had to promote as well,were inferior". Around the time that the sales forces were merged Kevin Mc Court made a move of strategic significance. He decided to bypass the wholesalers and sell directly to the retail trade,which at that time were mainly the public houses. This move was strategically important for two reasons. Firstly it gave the company direct control over product image and product quality. Prior to this the product was largely shipped in bulk to the wholesale trade where it was blended and bottled in bond by the wholesaler before reaching the consumer. Secondly,some large British brewing companies had been extending their direct participation in the wholesale and distribution of wines and spirits in Ireland for some time past. Kevin Mc Court was concerned with the growing concentration of commercial power in the wholesale trade and he wanted to reduce substantially his company's dependence on it. He also wanted to secure direct access to the retailer and consumer in order to more strongly influence the pattern of consumption and to more strongly promote the company's brands at the point of sale.

McCourt's strategy of bypassing the wholesalers involved a major increase in working capital for the company. The company was taking on the funding of credit to the retail trade that had been formerly borne by the wholesalers. It was taking on the associated bad debt risks. This strategy destroyed the wholesale trade and changed the structure of the industry. So significant was the strategy for the industry at the time that the company took the prudent precaution of advising the Minister for Industry and Commerce of its intentions in advance and of seeking his approval. It was a wise precaution because not surprisingly the wholesale trade was "vitriolic" in its opposition.

A major feature of the 1966-72 post-merger period was the progressive transformation of the industry from its traditional production/product orientation to a stronger marketing orientation,consistent with the main requirements of the post-merger strategy. The arrival of McCourt and Cook,both with professional marketing backgrounds,was an important factor in this transformation. Following quickly on McCourt's merging of the three salesforces,and his policy of selling direct to the retailer,the company changed its name from United Distillers of Ireland Ltd. to Irish Distillers Ltd. The main reason for the change to the new name was that it was more readily identifiable in both home and export markets. Meanwhile the company,under the leadership of O'Reilly and Mc Court,then set about developing and extending the product range. In 1971 the company introduced four new products,a whiskey,a white rum, a vodka and a dry gin. These were the first major corporate brands not traditionally associated with the former parties to the merger. As such their arrival helped in strengthening a more unitary corporate identity within the company and within the marketplace. Frank O'Reilly gave a formal public emphasis to the company's growing marketing orientation in his 1971 address to the shareholders when he declared that those who had an interest in the company,employees and shareholders alike "must all be salesmen".

The company,in 1972,heralded the success of its Jameson 'North American Blend' which was specially developed to meet the tastes of North American consumers. This was quickly supported by a special blend of another of the company's flagship brands,Tullamore Dew. These blended products represented in the most tangible way how far the industry had moved away from its strong product/production orientated traditions. For centuries the Irish distilling fraternity had been taking it upon themselves to determine what was,and what was not,good whiskey irrespective of the changing and variable tastes of consumers. Now,in the early 70's,the industry had begun to experiment with the blending of whiskies in order to develop new and lighter blends of Irish whiskey that were more closely tailored to the taste of the foreign consumer,as determined by empirical market research. Had such an approach been taken one or two decades earlier,the Irish distilling industry would not have given its great rival,the Scotch industry,such a head start in its major export markets.

The decision to consolidate distilling in one location was "absolutely far reaching" in its implications for the future of Irish Distillers Ltd. It meant the end of the distilling tradition in Dublin which was a milestone in the country's commercial history. The decision process was complex and long drawn out. Some of the parties to the merger forsaw this consolidation of distilling as a possible downstream development, but not all. Cork Distillers and Norbert Murphy,in particular,had not anticipated any major consolidation of operations, and Murphy was slow to accept it. In 1969 O'Reilly and Mc Court brought in A.D.Little Consultants to study the corporate distilling operations with a view to making recommendations concerning their modernisation and international cost competitiveness. The consultants somewhat ritualistically examined the option of modernising the existing distilleries as well as the option of consolidation,though it seems it was already clear to O'Reilly and Mc Court what their recommendation had to be. The decision to close the existing distilleries was almost inevitably going to be politically difficult and bringing in the consultants was a way of neutralising these political pressures. As one senior executive recalled:

> "The main reason for bringing them in was to take the personal politics out of the situation..If you bring someone as expensive as A.D. Little in and pay them large fees, you cannot walk away from the decision after that"

The political difficulties associated with the Midleton decision were mainly confined to board level. The first difficulty was the decision to do it. There were even greater difficulties around the when,where and how of the proposed consolidation. There were later downstream difficulties in bringing about the plant closures and rationalisations associated with the implementation of the decision. Within management, however,there was broad cross functional support for the idea of a centralised modern distillation and maturation complex. The economic arguments for modernisation were for greater product flexibility and for the productivity improvement that would stem from a more efficient and more capital intensive process. Both arguments were strongly linked to the company's clearly articulated corporate strategy. The export-marketing argument for greater flexibility in the production of blended whiskey was particularly influential. Yet,there were also major concerns about the magnitude of the decision and about the possible consequences for the product's image in the marketplace. The decision involved the writing off of the traditional distilleries with little expected salvage value relative to the cost of the new facility. There was also a concern that the product would be affected physically and/or in the consumer's perception through the transfer from the old slow traditional processing methods to new shiny facilities that might make it seem more like a chemical process. In addition to all of this the Midleton decision was a major capital undertaking on a scale which was unprecedented for the industry with its conservative traditions and the consequences of any fundamental flaw in the wisdom of the project might have been disastrous. Confidence in Mc Court,and in the senior production executives,Clem Ryan and Denis Cotter,who were the main champions of the project,"was a major element in the whole thing" according to one senior executive who was closely involved with the whole decision process at the time.

In 1972 Irish Distillers acquired a 25% minority holding in the Old Bushmills Distillery Company as part of an association with Seagrams, who were then the corporate owners of Bushmills. Seagrams for its part acquired a 15% stake in Irish Distillers. In 1974 Irish Distillers raised their equity in Bushmills to 80%. The acquisition of a controlling interest in Bushmills marked a major milestone in the history of Irish distilling. With this acquisition Irish Distillers achieved full consolidation of the Irish whiskey industry. This eliminated the final element of inter-company competition in Irish whiskey and further strengthened Irish Distillers' strategy of promoting Irish whiskey as a generic product on the export markets of the world. Frank O'Reilly rightly declared that the acquisition of a substantial controlling interest in Bushmills was the fourth major milestone in the history of Irish distilling after the foundation of the large family distilleries in the late 1700's,the formation of Cork Distilleries Company in 1868,and the formation of United Distillers of Ireland in the 1966 merger.

In the strategic vision of O'Reilly and Mc Court the US market had been targeted as the market that would provide the major growth oportunity for the Irish whiskey trade. The total sales volume of Irish whiskey was equivalent to less that 1% of the total volume of that enormous whiskey market,so the potential for growth in every small percentage increase in market share was huge. Through the association with Seagrams and the acquisition of a contrlling interest in Bushmills, Irish Distillers came to consolidate the key export end of its corporate strategy around three major US importers and three major flagship brands. The Calvert Division of Seagrams was given responsibility for the distribution and marketing of Jameson, Brown Forman Inc. were given a renewed franchise for the Bushmills line and Heublein Inc. for Tullamore Dew.

Kevin Mc Court retired from Irish Distillers on the expiry of his ten year contract with the company in 1978. In the decade under the leadership of Mc Court and his chairman Frank O'Reilly the Irish whiskey industry had undergone major transformation and renewal. Because the broad strategic intent of the two men was clear from the very beginning of Kevin Mc Court's tenure the rate of progress on some key aspects of that strategy must have seemed slow and frustrating at times. Yet viewed in the perspective of history,the changes brought about over that ten year period were quite dramatic. Three disparate family capitalist firms, each with its own centuries old traditions,were well down the road in the process of being molded into a modern unitary managerial capitalist organisation. The traditional marketing structure of the domestic market had been dramatically and irrevocably changed. The centuries old traditional distilling complexes had been closed down and many of the old skills long associated with those traditions had been consigned to history. The world's most modern distilling complex had been built and commissioned in Midleton and new skills were developed and hired in to manage it. The production and marketing of Irish whiskey as a generic product had been totally consolidated within Irish Distillers,and in the process the company and the Irish whiskey industry had become synonymous. The industry's traditional product/production orientation had been steadily transformed towards a more market-led orientation.

Over the ten years,while this transformation was taking place, considerable progress had been made in growing the business generally and in expanding the industry's exports in particular. Group turnover had increased over the decade by 108% in real terms and group profits by 260%. Total case sales of Irish whiskey had expanded by 290%, home sales by 195% and export sales by 552%. Exports of Irish whiskey had risen from about 27% of total volume to 47%. Overall the industry had been placed on a more secure footing than was the case prior to the merger. The main elements of the post-merger strategy were in place and working. The one major objective not yet reached by the time Mc Court retired was the achievement of a self-sustaining breakthrough in the strategic US market.In spite of the considerable export growth over his ten years at the helm the increase in penetration of the strategic US market had not yet reached take-off. The achievement of take-off had turned out to be much more difficult than the industry's leaders had been expected.

TURNAROUNDERS - O'Reilly and O'Mahony

Tony O'Reilly of CSET and Jim O'Mahony of Golden Vale were each hired in to head up their respective organisations to achieve a turnaround. O'Reilly's challenge at CSET was to turn around the performance of a major diversification project while,at Golden Vale, O'Mahony was called upon to turn around the fortunes of the organisation itself. A change of strategy was felt to be needed in each of these cases and the principals of both organisations considered that this could only come about at the time through a dramatic change in leadership.

A.J.(Tony) O'Reilly - CSET

Tony O'Reilly was hired in to CSET in late 1966 to turn around the company's major diversification into food. Tony O'Reilly was with CSET as managing director for less than three years. It was a dramatic time for the company in every way; the manner of his arrival was dramatic,his short term of office was dramatic,and the manner of his departure was dramatic.

When General Costello resigned in 1966 over differences in policy with the Government and civil service in relation to the food project, the board of CSET duly appointed a long serving company executive,B.T.(Bart) Daly,as his successor. Bart Daly had been one of the six young Irish graduates that were selected by the fledgling CSET in 1934 to study sugar technology at Glasgow's Royal Technical College and to become the first indigeneous sugar experts in the new company. He had spent his entire career with CSET and was "very much a traditional sugar man rather than a food man". Within two months of his appointment as General Manager of the company the four national newspapers broke with the story that Tony O'Reilly was to become chief of CSET. This caused "consternation" within the company. Neither the Board nor the General Manager had been informed of this move prior to the newspaper reports and were about to publicly refute the stories when they discovered that the reports were correct. Tony O'Reilly had been offered the position of Managing Director of CSET. Daly was to retain his title of General Manager. O'Reilly's appointment included board membership and as such was a stronger formal position of leadership than his predecessors had enjoyed. The workers and management "were so stunned" by the manner in which the General's departure had been contrived and by the manner of O'Reilly's appointment that "they never really recovered from" these events in the autumn of 1966.

Tony O'Reilly was a young professional manager with a high national profile. He was a well known international rugby player. He had achieved a reputation as a marketing whiz-kid during his days in An Bord Bainne,where he was personally credited with the very successful launch of a generic brand for Irish dairy products on the UK market,the Kerrygold brand. This was something that many in Irish dairy industry had been calling for,for decades past. He was still in his early thirties when he took up his position as managing director of both CSET and of its subsidiary,Erin Foods. He was on personal terms with many of the Lynch cabinet, a new breed of industrial leader that appealed to the new breed of politician. O'Reilly and the General were the two large large personalities in the history of CSET. A man of undoubted managerial ability, Tony O'Reilly later in his career to become Chairman and Chief Executive of the Heinz Corporation,the first person outside of the Heinz family to be appointed as chairman in that company's 117 year history.

Tony O'Reilly came into CSET to put his professional marketing expertise and business leadership talents to work on the food project. The General had put the main sugar business on a firm foundation but there was little scope for further expansion in this area. In particular,there was no scope in sugar to generate significant export earnings. The food project,on the other hand,did offer the prospect of substantial export earnings and was considered a project of importance to the national drive for economic expansion. Under the General the company had shown itself capable of mastering the process technology of convenience-food production. It had also developed the R&D skills and facilities to carry out an ongoing programme of product innovation and development. The major problems in bringing the project to viability were in the marketing area. The General had resigned because of conflict with the state bureaucracy over marketing strategy. The Lynch Administration put their faith in O'Reilly and 'imposed' him on CSET to develop and implement a successful marketing strategy for the food business.

In 1965, the year before the General resigned, the Government had commissioned A.D.Little to review the food project and to recommend a viable strategy. The consultants estimated that the General's strategy of seeking a self-sustaining breakthrough in the UK market with a broad product range, and through the development of CSET direct marketing and distribution, would involve an additional investment of £15m and the incurring of a cumulative operating loss of £5m over a five year period before reaching viability. They suggested as alternatives that the company could consider settling for a smaller, less ambitious, scale of food business or that it might try to secure its original growth objectives "under lower risk terms" through "some form of joint operation".

The General's grand vision of developing the CSET food diversification project into a large national food processing industry was abandoned. The Lynch Administration and the state bureaucracy decided that the General's vision was too long-term and too risky, and they moderated their objectives for the food project. They wanted a strategy that would eliminate the cash drain and that would bring the project past break-even to commercial viability as quickly as possible. Tony O'Reilly was a professional manager, not a nation builder. He did not get involved in controversy over industrial policy; he simply contracted to do a job and was determined to use his professional skill to deliver a result that would meet the objectives of his principals and enhance his own professional credibility.

O'Reilly eliminated the direct sales and marketing organisation that the General had built up in the UK. This represented an immediate saving of £2m. To replace this he negotiated a much publicised joint-venture with the Heinz Corporation. It was, in its own way, a bold and imaginative move. The young brash 'David' had persuaded a 'Goliath' to become directly involved. The association with this large prestigious food company gave Erin Foods a new commercial status and prestige, whatever about previous concerns over the project's viability. The arrangement with Heinz involved the combined operations of three separate companies. Erins Foods produced the products; the new joint company marketed, advertised and promoted them; and the Heinz Corporation's UK sales organisation sold them. The joint company was called Heinz-Erin and the full power of the Heinz brand image was put behind the product line. The product packaging was branded with the name Heinz-Erin appearing within the format of the traditional Heinz logo.

Tony O'Reilly was MD of CSET and Erin Foods for less than three years. During this period he concentrated his efforts on the food project and largely left the sugar business to coast on its own momentum. Within the Heinz-Erin marketing framework he proceeded to aggressively grow the food business. Over the three year period he increased the turnover of the food business from £2.5m to £7m and he expanded production capacity and acreage in line to support the increase in turnover. The average level of employment in the food project had risen from 989 in 1966/67 to 1384 in 1968/69. The acreage under food was increased from 4300 to 9200 in the same period. O'Reilly extended the product line through his acquisition of Mattersons,a meat processing and canning company. This was all achieved while reducing the 'development costs/losses' on the project from £1.9m in 1966 to £0.3m in 1969. The Heinz-Erin joint-venture arrangement seemed to be having the hoped for effects of expanding sales while at the same time significantly reducing market development and general marketing overhead costs. By 1968/69 the project was 'breaking even' on cash flow. The net operating losses had been reduced to the level of the depreciation charges. The company as a whole was showing an after-tax profit for the first time in four years. During the previous four years the food project had absorbed all of the operating profits from CSET's other activities and had been eating into the company's reserves.

By 1969 O'Reilly's turnaround strategy for CSET's food business appeared to be taking effect and expectations were high among all interested parties that the project would soon reach full commercial viability. Then,suddenly and dramatically,Tony O'Reilly resigned from the company to take up a senior position in the Heinz Corporation's UK operation. The company was stunned. The Lynch Administration were particularly shocked and disappointed at his departure,having imposed him on the company in such dramatic fashion less than three years earlier. The Government withdrew to arm's length and left the company to find its own successor. With the General and Tony O'Reilly gone,the great dream that Erin Foods would blossom into a substantial food industry,equal to or even greater than the sugar industry in potential and importance,was over. The separate board for Erin Foods was disbanded in 1972 and all of Erin's activities were reintegrated with the other main CSET activities under a single corporate board. The Food business reached its peak of 28% of total CSET revenues in 1969/70 and thereafter declined in importance. By 1987 the food business accounted for just 11% of CSET total turnover. It was left to lesser known personalities to manage the slow painful task of descaling the food business and of extricating the company from many of the commitments in specialised assets and in employment that were made during the project's heyday.

Tony O'Reilly strategy for the food project had worked as long as he continued to be managing director of CSET. It ran into difficulties soon after his departure. This seems to suggest that the personal leadership O'Reilly was a vital element in the Heinz-Erin joint venture strategy. Among other things,it seemed to some CSET executives that without an O'Reilly driving the Heinz-Erin relationship from the Erin side the Heinz UK organisation tended to put more emphasis on their own corporate brands to the comparative neglect of the Erin products,as the competitive pressures in the UK market intensified.

Tony O'Reilly's sudden departure from CSET left the company demoralised and confused. O'Reilly had brought a new "buzz and market-oriented approach" to the development of the food business. While he was the managing director the food business dominated the company's strategy and the "food people took over the company". The professional executives hired into the food business were a new breed to CSET. O'Reilly had imported a foreign,and challenging,culture into the company but had then left it before this new culture had taken firm root. When O'Reilly left the company the dominance of food ceased and after a period of drift and uncertainty the company returned to a dominant sugar culture. The food business was consigned from then on to a position of secondary importance.

Jim O'Mahony - Golden Vale

Over the 1980-86 period Golden Vale lost much of its pre-eminence in the dairy industry. This period was one of the worst in the long history of the company and it saw the Golden Vale fall from its long time position as number two in the industry to become the smallest of the big six in terms of turnover. The early 1980's had seen a drop in the national milk pool after decades of almost uninterrupted expansion. This led to an outbreak of milk wars between Golden Vale and its neighbouring Kerry and Kantogher cooperatives,as processors fought for supplies to fully utilise their capacities. It had long been a norm in the dairy industry that processors confined their competition to their products and refrained from actively encouraging suppliers to transfer their supplies. Kerry had been aggressively pursuing an unrelenting growth policy under its dynamic chief executive,Denis Brosnan. When the supply of the industry's strategic raw material declined Kerry broke with the industry norm and actively sought milk supply from farmers that had traditional links with rival processors. Kerry succeeded in attracting a large gallonage away from Golden Vale.

Golden Vale's major difficulty over the 1980-86 period was the loss of milk supply,mainly to Kerry. The total net loss amounted to around 13m gallons over the six years. Golden Vale had anticipated the downturn in national milk supply and had made an expensive provision through a milk development fund to encourage its own suppliers to maintain their output levels. This amplified the effect of the heavy losses in aggregate gallonage that the company suffered over the six year period. When it was threatened with aggressive competition for its milk pool Golden Vale's ability to defend its supplies was weakened by other difficulties which had seriously drained its financial resources. The company's engineering business,which was once the company's star business,had been performing erratically since the mid-seventies. This business suffered severely from the cut back in capital investment in the dairy industry in the post 1979 period. After sustaining cumulative trading losses of £1.55m in its engineering business over the 1981/82 period,the company finally took the difficult step of winding up this activity in 1982,at a net cost of £2.6m. The following year Golden Vale had yet another difficult and expensive decision to take.In the post-

1979 period,when the unrelenting growth in milk production that had characterised the industry since the early 1950's was clearly over, many of the processors looked to diversification to try to maintain their own rate of development. Golden Vale made a disastrous diversification attempt through its purchase of Castlemahon Poultry Products. In 1983 Golden Vale was forced to write off its investment in Castlemahon to the tune of nearly £1.3m. With the loss in its milk pool Golden Vale was forced to carry out a major rationalisation to secure its operating viability. In 1985,the company's rationalisation effort cost it nearly £1.35m.

By the mid-1980's Golden Vale was firmly in the grip of a downward spiral which threatened the future of the company. The loss of milk supply in the milk wars of the early 80's had generated severe financial pressure. This pressure became more acute through the costly engineering and Castlemahon difficulties. The operating losses and drain on reserves experienced as a result of these problems only served to further erode supplier confidence and this made it easier for rival processors to attract even more milk away from the company which added still further pressure. Though the trading environment of the 1980's had been difficult for all of the dairy processors,Golden Vale's downward spiral contrasted sharply with neighbouring Kerry's continued phenomenal growth which again only served to accelerate the spiralling crisis of supplier confidence and the mounting erosion of the company's milk pool. By 1985 the loss of milk supply became "a haemorrhage".In 1985 the company carried out a major rationalisation and modernisation programme that strenghtened its operations and improved its cost competitiveness. The aim of this programme was to provide the margin for a substantial improvement in milk price in order to protect the milk pool and galvanise supplier support. However,this development came too late for the then managing director. In late 1985,with Golden Vale facing its third operating loss in four years and with the rate of milk loss reaching haemorrhage proportions,he had run out of time. Finding his personal position no longer tenable, he resigned.

The board of Golden Vale hired in Jim O'Mahony to turn around the company's fortunes and position it to meet the new challenges that faced the industry in the mid-80's.

O'Mahony was attracted into Golden Vale from his previous position as chief executive of North Connaught Farmers. NCF was the seventh biggest dairy cooperative in the country with a turnover of £108m in 1985 and O'Mahony had successfully managed it since 1972. He was firmly rooted in the dairy business; his father had been deeply involved in the dairy cooperatives before him. His academic qualifications included a primary degree in dairy science and an MBA. He was also a contemporary of Kerry chief executive,Denis Brosnan,at university.

The tough rationalisation decisions taken by O'Mahony's predecessor had already created the basis for Golden Vale's return to profitability as a number of insiders were careful to point out when interviewed for this study. However there were still two outstanding strategic problems to be addressed before Golden Vale's future could be put on a more secure basis. Firstly,supplier confidence had to be restored as a matter of urgency. Secondly,the milk war situation with Kerry had to be sorted out and stabilised. O'Mahony's predecessor had not be able to manage "the politics farming" and lost the confidence of the suppliers irrevocably. Furthermore his personal handling of relationships with Kerry during the milk war was perceived to have led to a further deterioration in the situation and to a deepening personal antagonism between the two chief executives. These were the major strategic problems that had finally made his position untenable,and they were the two major strategic challenges that Jim O'Mahony had to address without delay if his attempt to turn around the company's fortunes was to have any chance of success.

O'Mahony moved quickly on both fronts. The arrival of a new personality with a successful track record in the industry gave the farmer-suppliers some hope for the future. O'Mahony would have a 'honeymoon period' but the problems facing Golden Vale were so serious that clearly he had only a matter of months to make an impact. He lost no time in going out to meet the suppliers,individually and in groups. His message to them, simple and direct,was "give me a year to make Golden Vale's milk price one of the best in the land". As a direct result of these meetings and of this message,he managed to save 2.5m of the 3.5m gallons of milk that were about to leave the cooperative prior to his arrival. As one executive recalled his arrival on the scene and its immediate impact:

"The new manager came in and he was prepared to show strength straight away. He went out and met the farmers and convinced them that he was going to put things right and he won back the farmers' confidence. He is politically more astute than (his predecessor)".

He also moved quickly to depersonalise the commercial hostilities with Kerry and put the new Golden Vale attitude on record early on in his tenure when he declared:

"As far as I am concerned,the objective is to make as much money as possible for the farmers and Golden Vale cooperative. If that can be helped by cooperating with anybody,no matter who it is,we'll cooperate. I have no hang-ups about personalities or opinions. Facts and figures dominate decisions,but I am not going to let him get any more milk".

Having signalled his wish to depersonalise the situation between Golden Vale and Kerry,O'Mahony set about an early show of strength in this area as well. He brought the milk war to Kerry in December 1986. In this latest skirmish between the two neighbouring processors Golden Vale managed to attract 171 suppliers with a total milk pool of 6.2m gallons from Kerry. Kerry for their part only managed to attract away 45 former Golden Vale suppliers with a combined milk pool of 0.7m gallons. This latest skirmish represented a new commercial aggressiveness on the part of Golden Vale and resulted in a substantial net gain in gallonage. O'Mahony had served notice to all and sundry that further attacks on his milk pool would be met with swift and strong retaliation. Since this latest skirmish relationships with Kerry appear to have changed considerably for the better. The personal animosity that characterised the earlier relationship with Kerry has disappeared since O'Mahony took over. Furthermore,the two companies have developed trading links and Denis Brosnan of Kerry has declared publicly that he does not intend to poach any more farmers.

Golden Vale returned a modest profit of close to £1m in 1986 after a period of sustained losses. Some of the credit for this is attributable to the rationalisation measures taken by his predecessor. Jim O'Mahony's swift action in tackling the two immediate strategic challenges that faced the company bought him valuable time in his efforts to restore the profit level to one which is more normal for the industry while continuing to pay a competitive price for milk.

Having secured Golden Vale's immediate future Jim O'Mahony has already begun to work on a longer term strategy for his company. The broader environment facing the dairy processing sector is one where further expansion in volume of dairy products is limited by EEC milk quotas. The strategic challenge facing the whole industry is to reduce its dependence on dairy commodities and reorientate product strategy towards higher value-added branded items. O'Mahony has been quoted as saying that "the national reduction in milk supplies will give the coops time to think about the benefits of rationalisation and improved marketing". O'Mahony has concentrated his efforts in Golden Vale on two major complementary strategic thrusts,reflected in this quote,which are designed to strengthen the company's position in the industry. These are the further rationalisation of the company's operations to ensure its future cost competitiveness and a major effort to transform Golden Vale from its traditional production-led culture to one which is primarily market-driven.

His predecessor had already implemented a substantial rationalisation of processing which included automation of the milk powder and the butter operations and a major modernisation of the intake process. These were all internal rationalisations involving processing operations and processing personnel only. The one significant area where progress had been slow was in the very expensive area of milk assembly. Rationalisation in this area involved the closure of branch creameries and major changes in the organisation and methods of milk collection from the suppliers. O'Mahony's stronger position with the suppliers and with his board,aided by the sense of crisis that had led to his appointment in the first place, has allowed him to move much more quickly in this area than had been possible for his predecessor. The continued proliferation of branches and trading stores at levels way in excess of the most economic configuration was an enduring remnant of the pre-1970 era when the parish structure was the dominant one in the industry. It was a remnant that had proved to be difficult to rationalise. However,Jim O'Mahony quickly set about making progress in this area. In 1985 Golden Vale still had 63 branch operations spread throughout its major catchment area; by the end of 1986 this had been reduced to 28,with promises of even further reductions to come. In the same period the number of trading stores was reduced from 64 to 30. O'Mahony moved to improve the quality of Golden Vale's future profit stream by seeking to reduce the fixed cost burden in areas where the company enjoyed no particular economic advantage. The major initiative that he has taken to date in this respect has been the privatisation of much of the company's former involvement in transportation,both in the collection of the milk and in the distribution of the dairy products. He has also privatised some of the company's trading stores by franchising them out to their former managers.

As well as concentrating on improving and securing the cost competitiveness of Golden Vale Jim O'Mahony has been working to transform the company from a strong production orientation to a more market-led organisation. He retained two of the senior executives that he inherited in the management team,his company secretary and his financial controller. He has made his own selections for the key operating positions of marketing and production and has created a new position at group executive level with responsibility for the liquid milk and milk assembly activities. He has moved "more a lot more fire power" into the marketing area. A major internal renewal and cultural change is being attempted to restore the confidence of the staff in their own ability and potential following the morale damaging loss-making years. It is also being carried out to educate executives at all levels on the new business realities and in the need for new departures from customary ways of managing the business. As one long serving manager described it:

"The whole spectrum is being looked at.New products are being thought of. (There is) a lot of emphasis on marketing..very strong reinforcement of the marketing area...production is (now) driven by marketing. There is movement towards branded products. (We are) in the middle of a change process".

This same executive expected that the impact of the changes that have been taking place since Jim O'Mahony came to Golden Vale should start to be clearly felt in the marketplace by early 1989.

Meanwhile,at the end of 1987,Golden Vale returned a trading profit of close to £3.5m. Given Golden Vale's turnover,this represented a recovery to a profit level which was about normal for the industry. The early indications are that O'Mahony's strategy for the company is succeeding. He has restored Golden Vale to more normal levels of profitability while continuing to pay a very competitive price for milk. While Golden Vale has returned to a healthy profit,however,it is unlikely that the company will ever recover its once pre-eminent position as number two in the industry,certainly not for a long time to come. That remains the enduring cost of the various difficulties and missed oportunities that characterised the company's development over the 1975-85 period.

The dairy industry itself,in 1988,appears to be on the threshold of yet another major phase in its structural evolution. The Irish Cooperative Organisation Society has recently published a national strategy for the industry which recommends a major restructuring of the industry in order to achieve a higher level of capital concentration. More recently, the country's major meat processor,Goodman Industries,has entered the dairy processing business through its acquisition of the ailing Baileboro Cooperative Society. This entry of a private entrepreneur into a industry,which has been for long the exclusive preserve of the cooperative movement,has created a new excitement and uncertainty in the industry. Furthermore,a number of the major processors have recently begun significant diversification programmes to reduce their dependence on the industry,now that the strategic raw material is no longer allowed to expand. These processors have also sought quotations on the stock exchange to widen their access to capital for these new developments. The current state of the industry is characterised by novelty and by structural flux and transition. Jim O'Mahony's leadership at Golden Vale has strengthened the company's position in an industry which itself appears to be on the threshold of a totally new phase in its structural evolution. His strategic emphasis is aimed at meeting head on the challenges facing the entire processing industry in the late 80's.

INHERITORS - Ryan, Burrows, Daly, Sheehy, Comerford, Lenihan and Curtin.

The six chief executives that we have looked up to now were all brought into their respective organisations to take on a specific strategic challenge. Two were essentially builders of fledgling organisations,two were revitalisers of existing organisations that were ready to move on to a new phase in their development,and two were brought in to achieve a strategic turnaround in organisations that were in difficulties.

The seven remaining chief executives that featured in this study were essentially insiders whose succession signalled continuity rather than change. They each inherited an organisation that was already passed its formative period and they were expected to consolidate and build on the progress already made rather than to make any dramatic short-term strategic departures. Some of these men,however,did come to initiate significant strategic changes as major new issues came to confront them over their tenure of office. For others,their major contribution was to see through to full effect the strategies that they had inherited.

One difficulty that all these inheritors suffer,from to a greater or lessor extent,is that it is more difficult to link their personal contribution to substantial strategic achievement than is the case for the builders,revitalisers and turnarounders. Any success that they achieve is inevitably linked to some degree with their inheritance. Unfortunately for some of them one area that can be clearly linked to their leadership is strategic failure,where that has occurred. Consequently it would seem that the personal contributions of the inheritors are likely to be under-rated,especially by outside interests.

Dr. Pierce Ryan - AFT

When Tom Walsh carried out his one major reorganisation of AFT in 1971, he created in the process the new post of Deputy Director. What history was later to show was that in doing this he had also created,in effect,a a position of Director-in-waiting. When the Doc retired in 1979 no one in AFT was surprised when Dr.Pierce Ryan,his Deputy Director,succeeded him.

Pierce Ryan was one of the young scientists that the Doc had attracted to AFT in its formative years. His promotion to Deputy Director in 1971 was a two level promotion. Ryan was a well respected scientist, department head and personality in AFT,and his new appointment as Deputy Director was generally well received. It proved to be a difficult position in the AFT of Tom Walsh. The role of Deputy Director under Walsh's leadership was perceived to have had relatively little impact because of the Doc's personality and his natural tendency to keep power at the centre. Walsh's relationship with his deputy director was perceived in terms of "a dominant Director who had a deputy director in name only..The Deputy Director had no influence on programme composition..this was influenced by external events and the Director". Walsh only delegated "the things that he did not want to handle himself..like personnel(issues)..". Pierce Ryan's personal image inevitably suffered to some extent from this lack of substance in his role as second in command to the Doc. When Ryan took over the leadership of AFT in 1979 one of the early organisational moves that he made was to make three new appointments to the position of deputy director. He made sure that each post had content,clout and responsibility. As a result of this move the top management coalition in AFT was widened from the one man dominance that characterised the Walsh era to one of team management by an executive,or office of the Director. This executive consisted of the new director and his three deputies,with Ryan still retaining the ultimate accountability.

It was generally expected,and it has been no surprise,that the leadership style of Pierce Ryan has been very different to that of Tom Walsh. In contrast to the direct, driving, expansionist and authoritative style of the Doc, the Ryan style was characterised as "quieter but equally committed to the advances that science and technology can make". Ryan was described as a man who has "a vision.. a more balanced view of where the Institute should be going", a man whose inclination is towards a "more collegiate approach". Various epithets and adjectives were offered by a number of the interviewees in this study in their attempts to convey the contrast in the two leadership approaches; Walsh as a motivator of men, Ryan as a logician,a systems man and diplomat; Walsh as more of a chief,Ryan as more of a chairman.

Pierce Ryan's appointment as Director of AFT to succeed the Doc broadly signalled continuity to all interested parties. It reaffirmed at the time that AFT's standing within the State sector,and with the various agricultural interests,was basically sound and that there was no felt need for any dramatic changes in the forseeable future. Pierce Ryan's task would have been basically seen at the time of his succession as one of taking AFT forward from the base which had already been well established and to keep its programme and services relevant to the ongoing needs and changing priorities of Irish agriculture. In 1979 most interests still expected the pace of future change to be gradual. No one then expected that Pierce Ryan and his organisation would soon come to face the most revolutionary change in the environment of agricultural production since EEC entry,which together with the mounting crisis in the state of the public finances, came to pose unprecedented challenges to AFT,with dramatic implications for its future.

The new Director had to face the need to transform the research programme of the Institute in some very fundamental ways. The pre-dominant emphasis in the programme right up to the early 1980's was production research and the need to increase productivity inside the farm gate by increasing the volume of output across all commodity types. With the EEC now in serious surplus in many of these commodities,the national strategy for agriculture has shifted away from a concentration on commodities towards the development of higher value-added branded consumer products. Farm incomes that are ultimately based on consumer loyalty and preference are now felt to be more secure than those based on commodities.Commodity based farm incomes have proven to be very sensitive to political whim and have become more volatile in the difficult political and economic conditions that prevail in the EEC in the late 1980's. However,securing consumer loyalty with high value-added branded goods will involve a whole new marketing emphasis in an industry which has traditionally been production orientated. In addition the production cutbacks in the EEC and the progressive lowering of the price supports under the CAP have brought more and more of the Community's acreage into the category of marginal land. The social and economic problems posed by this development are among the most serious facing the Community and its individual member states. The enormity of changes taking place in agriculture in the mid-80's posed a major challenge to a research institute like AFT. As one executive remarked:

"there is an absolutely new ball game now..restrictions on production now..a whole revolution taking place.The changes that take place in any one year since 1983 are as important as any that took place in decades before that. These changes have enormous implications for research".

Ryan and his executive began the difficult task of trying to transform the AFT research programme in the early 80's when the external pressures for change were still relatively benign. The initial impetus for change came from the executive itself. They carried out a major internal review exercise that involved the wide participation of the research staff. From this process a fair degree of consensus emerged about the need for new priorites and new emphases in the research programme. Securing this consensus was the first step in the difficult process of trying to reallocate existing resources to new priorities. Ryan faced inherent structural rigidities which made the actual reallocation of resources difficult. The researcher is the primary strategic resource around which the programme is built and towards which support resources flow. The complement of AFT researchers had not changed significantly since the late 60's with the result that the 'typical' AFT professional in the mid-80's was a 45 year old researcher who had 15 to 20 years of cumulative specialist experience in a given scientific discipline and had been an employee of AFT since graduation. Reassigning such people to the new research areas,like biotechnology,was always going to prove difficult on any large scale. A further problem faced by AFT management was that AFT research centres were strategically regionalised to be located in the heartlands of the major commodities served,i.e. dairy research in Cork,meat research in Meath and so forth. With many of the researchers settled in the same community for 15 years or more inter-centre reallocation of professional resources was also going to be extremely difficult to achieve on any significant scale.

Prior to the 1980's the process of renewal and adaptation in the research programme had been less traumatic and more easily accomodated.

AFT had been to adapt itself to change with minimal internal upheaval, because the pace of change in the national priorities for agriculture had been slower. The incremental or marginal funds associated with with growth,however modest,could be moved directly into the new priority areas while,at the same time,resources could be moved out of lower priority areas gradually through the process of natural attrition. The difficulties in the public finances,which steadily deepened to crisis proportions over the 1980-87 period,meant that Pierce Ryan and his executive faced the task of transforming the AFT research programme in context of an unremitting contraction in annual State funding. This contraction in State support not only made realignment more difficult but also led progressively to a developing crisis of identity and a lowering of morale within AFT,as the staff perceived the political support for their organisation diminishing. In the face of all of the difficulties that confronted them in their efforts,Pierce Ryan and his team had made slow,but steady,progress in their efforts at renewal and realignment within AFT. In fact,the gathering sense of crisis within the organisation led to a greater acceptance of the need for realignment among the professional staff,whatever the difficulties,than would have been conceivable in the late 1970's.

After 1985 the pace of change at AFT quickened dramatically,mainly due to external developments. In April 1985 the FitzGerald Government set up a working group,under the chairmanship of Donal Cashman,to study the operations and programmes of AFT and of ACOT,the advisory service, with a view to establishing "the fullest possible degree of coordination between the services" and to ensure "that the resources that can be made available are used to best advantage". In its report the Cashman study group publicly acknowledged that "AFT's internal review resulted in major positive changes within the organisation as regards the type of research undertaken and the more effective deployment of the staff component". The group did signal the need for further reform. Specifically,it identified the need to lower the age profile of the research staff; to further increase the range of research disciplines; to reduce and redeploy the number of research/staff posts at headquarters; and to achieve further economies in the management structure. The Cashman study was the first major external review of AFT commissioned by the State and it added considerably to the impetus for change by putting the organisation under the public spotlight. The study added fresh impetus to the internal process of change being driven by the executive. In 1986 they were finally able to set up a research centre for food,in spite of a further contraction in the State's financial support. This was something that AFT had been trying off and on to do without success since the late 60's. The Cashman study helped to lower the external and internal resistance to this development.

In 1987 a Haughey-led administration came to power. By this time the problem of the public finances had been recognised by all of the major political groupings in the Dail as the major obstacle to a return to economic growth. Consequently the Haughey administration,though not having an overall Dail majority,found itself in the strongest political position of any administration in the recessionary 80's to take the tough decisions needed to achieve a dramatic reduction in public current expenditure. This administration embarked on an aggressive programme to achieve a major rationalisation over the whole spectrum of state agency involvement in the economy. In the agricultural sector they signalled their intention to amalgamate AFT with ACOT and to achieve a rationalisation of the resources of the two organisations that would prune the combined annual expenditure of the two organisations by almost 43% and would involve staff reductions of the order of 500 personnel. Though a previous Government had failed to bring about the amalgamation of the two services in 1977,this latest administration has implemented the merger and rationalisation of AFT and ACOT in 1988,with comparatively little difficulty.

It has been Pierce Ryan's inheritance as leader of AFT to try to save his organisation from internal atrophy and preserve its standing in the community.He has had to do this at a time when the external pressures on the organisation to demonstrate its continuing value to the economy in a volatile EEC and world agricultural environment have never been greater. Most insiders would agree that he has provided a steady hand at the tiller over this difficult and uncertain period for their organisation. Many believe that he has led AFT through the problems of contraction and transformation better than the Doc would have been able to do because Tom Walsh,as a natural expansionist,would probably have been temperamentally unsuited to such a task.

In spite of the substantial efforts made by Ryan and his team,however, the pace of events overtook them. The amalgamation of AFT with ACOT and the downstream rationalisation in the newly merged entity will involve changes in the scope and content of the research activity that will be more fundamental and far-reaching that any of the changes that had been already achieved through AFT's efforts at internal transformation. Pierce Ryan's latest strategic challenge is to lead the new organisation through its formative phase as a single entity and on into the 1990's.

Richard Burrows - IDG

When Kevin McCourt retired from IDG on the expiry of his ten year contract in 1978 his successor,Richard Burrows was already waiting in the wings. He had been marked out to succeed McCourt almost a year earlier and had spent the intervening period in the specially created grooming position of general manager of Irish Distillers Ltd.,the main subsidiary of the group. Directly on Mc Court's retirement Burrows was appointed to the top position of group managing director with Irish Distillers Group Ltd. He has continued in that position up to the time of writing.

Richard Burrows is a chartered accountant by profession and first became involved with Irish Distillers as member of the firm's auditors. His uncle was chairman and managing director of Edward Dillon & Co., a wine and spirits distributor in which IDG had a 65% stake and which was the sole distributor for Bushmills in the Republic of Ireland. Burrows spent a short time working in Edward Dillon & Co before being hired by Seagrams to revitalise and modernise Bushmills,which they had just acquired. In 1974 Irish Distillers acquired a controlling interest in Bushmills from Seagrams and consolidated their control over the production and marketing of all Irish whiskey. As a successor for Mc Court, Richard Burrows was professionally qualified, he was raised close to the traditions of the industry,and he had top executive experience with a successful track record as the managing director of a distilling company which had recently become part of the Irish Distillers group interests. He was an outsider only in the sense that he had not been a member of the Mc Court management team prior to his appointment but was an insider in many other respects. There was no real competitor for the position on the Mc Court staff itself and the Burrows succeeded Mc Court with the minimum of fuss either from within or from outside the organisation.

The succession of Mc Court by Burrows was a signal for continuity rather than change in the overall O'Reilly/McCourt broad strategic thrust for the group. O'Reilly continued to serve as chairman of the group until 1981 and has remained a board member up to the present. Mc Court continued to serve on the board until 1982. Richard Burrows inherited a strategy with three important elements,the rationalisation and modernisation of the Group's operations to improve its cost competitiveness nationally and internationally; the domination of the home market and the development of its full potential in order to provide a solid profit base from which to sustain an expensive export development effort; and the export-led growth of the group through rapid expansion on the US market where every 1% gain in market share would have an enormous impact on the growth of the company.

The first two of these elements were well advanced when Richard Burrows took over. Mc Court had succeeded in achieving a substantial merging of the three disparate parties to the merger into a unitary organisation. He had established control over product promotion,distribution and quality by introducing the direct sale of a distillery-bottled product to the retail trade. The acquisition of Bushmills had consolidated IDG's corporate control over the production and marketing of all Irish whiskey as a generic product. The group had the most modern and flexible distilling operation in the world in the new Midleton complex,with sufficient capacity to allow for rapid expansion. Cost competitiveness had improved considerably with modernisation and rationalisation of operations. The home market position had been strengthened,and profit potential improved,by the rationalisation and concentration of marketing operations and expenditures,and by the company's control of the generic product. The brands were being allowed to find their own levels with due market support but with minimum dissipation in group profit through inter-brand competition. With these achievements alone the places of O'Reilly and McCourt in the history of the Irish distilling industry were firmly secured.

The key to the group's future potential was seen to rest in the third element. The home market provided limited oportunity for growth in the longer term. The company's future growth rate was seen to depend on its ability to recover and develop a substantial export position for Irish whiskey. The American market was targeted as providing the major oportunity in this regard. The base that McCourt and O'Reilly started with was a position where Irish whiskey only a fraction of 1% of the 200m case US market. Total exports of the groups products in 1966 stood at 100,000 cases,which was miniscule in relation to world volumes.

Under McCourt's leadership the two foundation elements of the post-merger strategy had received the most attention in the early stages. Fundamental changes had been needed in the industry's traditional approaches to products,markets and operations to allow all three elements of the strategy to take root. While prioritising the foundation elements McCourt,at the same time,built up early momentum on the export front. The industry reversed its traditional attitude to blended whiskey and new blends of the flagship brands were developed for the US and other export markets,after extensive market research.The product strategy that was developed for the US market concentrated on market development for the three brands that had the best profile in that market from pre-merger days; Jameson,Tullamore Dew and Bushmills. The marketing strategy gave each of these brands to a different resourceful and well known US importer. This arrangement gave IDG brands immediate access to extensive sales and distribution networks that would have been orders of magnitude beyond the resources of the company to set up for itself. The importers were also committed to matching the company's funding in the promotion and advertising of the brands which put twice the resource power into market development than the company felt able to provide on their own.As a result of these efforts the sales of Irish whiskey on the US market,under McCourt's leadership,rose from

50000 cases in 1968 to 250,000 cases in 1978. Total exports had risen to almost 50% of total volume at 825,000 cases. This was indeed substantial progress. Yet the belief within the business community at large,which had been encouraged by the company strategists themselves,was that the really big breakthrough on the export front still lay ahead.

To make this breakthrough was the major strategic challenge that faced the 31 year old Richard Burrows as he succeeded Kevin McCourt in 1978.

By 1988 the expected take-off in the export markets has still not materialised. The penetration of the US and other export markets has proved to be a long and difficult process for Irish Distillers and progress has been slow and steady rather than spectacular. While the company looked poised for exciting export growth in 1978,Richard Burrows was soon faced with a dramatic shift in the company's environment that put pressure on all of the major elements of the strategy. In 1987 after a decade of only moderate success the vital third element of the inherited strategy was revised in a fundamental way and the company's aspirations for export growth moderated in the light of experience and of changes in the marketplace.

The year 1979 had represented a major milestone and turning point in the company's fortunes. In that year sales on the domestic front had reached a record level,and exports had passed the level of 1m cases,a 22% growth over the previous year. The distilleries at Bushmills and Midleton were on 7-day operation and prospects for continued expansion looked extremely good. Within a year IDG's environment had begun to change dramatically,and Richard Burrows found his company facing new challenges which dampened its prospects and threatened the whole basis of its strategy.

After the 1979 oil-crisis the international trading environment went into a period of prolonged recession. Many trading economies found themselves facing a combination of low growth and high inflationary pressure. Ireland's economic difficulties were further deepened by the high level of debt in the public finances. The combination of falling disposable incomes and a steep increase in government excise sharply depressed the home market for IDG products. In the period 1980-85 the level of consumer spending in Ireland fell on average by 1% per annum and the demand for IDG products was strongly linked to the level of disposable income in the economy. In addition,over the 1979-83 period the excise duty per bottle increased by over 200% as the Government sought to protect the level of state services in a stagnant economy by increased taxation. Over the 1981-83 period the sales of IDG branded products in the domestic market fell from 1.4m to 1.02m case equivalents, a drop of 27%. This was an erosion of much of the growth that had been achieved in the domestic market over the previous decade. By 1981 all IDG plants were on short time working as a result of falling volume.

A sound profitable home market was always seen as a necessary foundation for the company's strategy of export-led growth. These developments on the home market diverted a lot of the strategic efforts of Richard Burrows and his organisation from the export drive back onto the domestic market in an attempt to protect the home base. One of the most strategic investments made by IDG under the leadership of Burrows was the group's acquisition of BWG. By the early 1980's cash and carry had become a major element in the distribution of IDG products and it represented a new and substantial concentration of buying power in the domestic market. IDG bought the BWG group for its cash and carry business at a net cost of £10m after disposing of other unrelated group activities. This strategic investment by IDG attracted a "torrent of criticism from the press" at the time and was followed by a "hefty fall in the IDG share price". The market viewed the move as defensive and regressive and felt that any strategic investments by IDG at that time should have been concentrated on the export market development where the major growth potential was always believed to be. It signalled a turning point in the attitude of the investment community to IDG. Burrows publicly defended the acquisition of BWG's cash and carry business at the time by pointing out that "the fall in the home market has eroded our home base so we need to consolidate the home base". The company also made strategic investments over the 1980-87 period in a number of major rationalisation moves designed to improve the quality of company earnings,through improving the cost competitiveness and productivity of its operations and through reducing its fixed overheads. In 1985,for example,Burrows and his management invested nearly £1.5m in a major rationalisation of its domestic transportation operation. In 1987 they invested over £10m in a cost reduction plan,the central element of which was a reduction in the staffing of the group's main trading company of nearly 30%. The effect of this latest move was an expected improvement in pretax earnings of the order of 25% per annum and the investment had an estimated payback of 2.5 years.

While IDG encountered new and severe pressures on its home profit base in the post 1980 period it also experienced major difficulties in the export marketing element of its strategy,the element that was seen to hold the key to the company's future growth prospects. These difficulties were a combination of new and unfavourable developments in the strategic export markets and some persistent internal problems with marketing organisation and strategy.

In the strategic US market the company faced three underlying developments that together had led to a decline and contraction in the overall market. The sales of spirits have always been linked to the general level of discretionary income in all markets. Falling incomes in the US market,following the onset of recession,inevitably led to a decline in overall demand. A more fundamental unfavourable development,with longer term implications,was the change in the overall pattern of alcohol consumption. Starting in the mid to late 70's, and gathering pace throughout the early 80's, there was a significant trend away from brown to white distillates and an even more important and pronounced trend away from spirits to wine and beer. This last trend reflected the growing concern with fitness and health. The Government of the US added to the difficulties of the distillers by increasing the restrictions on advertising and by raising the levels of federal taxes on spirits as the US's own budgetary difficulties deepened. All of these developments made it more difficult and more expensive for IDG to achieve its growth aspirations through take-off in the US,as the total whiskey market there declined in volume by 15% over the 1979-84 period. By 1987,after case shipments had peaked at nearly 345,000,case sales in the US were almost back to the the 1978 level of 250,000 cases. In 1987 more than 50% of IDG's total sales of branded goods were still sold on the island of Ireland,with little growth in the company's total volume of branded goods to all markets since the early 80's.

Recessionary conditions at home and abroad,and a general shift away from spirits to beverages with lower alcohol content,presented IDG with tougher and more competitive markets on all fronts. However,the company was also beset with some internal difficulties of marketing organisation and strategy which did not help it in its endeavours to maintain its momentum for growth through export development. Richard Burrows developed his own senior management structure with the help of Mc Kinsey consultants. The marketing director that Burrows had inherited in the structure left in place by Kevin McCourt resigned in 1979. This left the marketing organisation under the direction of two senior executives,one focused on the home market and one on exports,each of them reporting separately to the managing director. In 1982 Burrows decided to go outside the organisation to make a strategic appointment to the stronger position of marketing director with full responsibility for the coordination of the group's total marketing effort. An appointment was made but the new hire did not fit in with the culture of IDG and he left quietly after less than a year. Meanwhile,the company was having difficulties with its US marketing organisation. It set up a direct market development function in the US in 1981 to provide a closer involvement for IDG in the sales and promotional efforts of their importers. This operation has had three different coordinators since it was set up and then was later scaled down and relocated as the company struggled to find the most effective role for this direct marketing presence.

This combination of unfavourable market trends and organisational difficulties presented major problems for Richard Burrows and his team as they tried to maintain IDG's momentum for growth. The perception began to grow within the business community at large that IDG management might not have the resources or the marketing flair to be able to fully exploit the potential for Irish whiskey on international markets.

In particular,IDG's export performance tended to look decidedly lack-lustre in comparison to the phenomenal success of Baileys Irish Cream. Baileys Irish Cream was by far the biggest whiskey-based,new product success in decades and it happened outside IDG,in its own backyard as it were. Its introduction in 1974 by Gilbeys,a Dublin wine and spirit merchant,gave rise to a whole new genre,the cream liqueur. In fairness to IDG the Baileys success has been one of international dimensions and it stole a march on the whole industry. It must be said too that such fundamentally new generic concepts in the liquor industry are very rare, as is evidenced by the fact that brands with many decades of tradition lead the market in most product categories. However,even with these caveats,the phenomenal success of Baileys,an Irish whiskey based product concept,has been accepted by many in the business community as a most tangible indicator of the real export potential for Irish whiskey based products,given the right combination of creative and entrepreneurial marketing. By the mid 80's Baileys was outperforming all IDG brands in export case sales by a wide margin and inevitably IDG's export-marketing image was being undermined by the comparison.

Richard Burrows and his team did show a willingness to experiment with new product concepts and new marketing ideas. While much of their new product activity tended to concentrate on the extension of existing lines,some interesting new concepts did emerge. In the light of the underlying trend away from spirits,for example,IDG introduced its first major non-spirit new product,a low alcohol cocktail of white wine and fruit juices marketed under the brand name of West Coast Cooler. The company enjoyed a fair degree of success with this departure and it subsequently intensified its activity in the new products area. However,because IDG management considered that new product successes on the scale of Baileys were a rarity in the industry,they continued to bank on their traditional brands as their primary route to growth through export development.

In 1985 Richard Burrows and his board decided that the time had come for a fundamental review of export marketing strategy.The existing strategy, notwithstanding the unfavourable market trends,had fallen far short of the expectations that had been held both within and outside the organisation. Outside consultancy expertise was drawn upon to help in this review. One of the valuable lessons that the company learned from the decline in the overall US whiskey market was that their premium brands were more soundly established in this market than those brands that the company had targeted to compete in broader commodity segment. This review set in train a major reorientation in the company's product strategy for export markets. The metaphor used to describe this reorientation was the change from a 'shotgun' approach to a 'rifle' approach to product/market targeting. The company initially chose the UK and European theatres for its new approach. Selected geographical areas were to be prioritised for special focus on the basis of perceived growth potential. Growth in these target markets was to be pursued through concentrating the entire promotional effort behind one,or at most,two flagship brands. The 'rifle' strategy has so far worked well in the UK and in the specially targeted German,French and Dutch markets. In 1986 the total case sales to the UK and Europe exceeded those to the US. Though part of the reason for this was due to a significant decline in case sales in the US,it was also due to the steady increase in combined UK-European case sales in response to the company's more focused product-market strategy. In fact,over the 1984-87 period,the focused strategy produced a growth of nearly 50% on the combined UK,German, Dutch and French markets on a base of over 100k cases. This was at a time of difficult international trading conditions for the spirits industry.

In 1987,however,the investment community remained unimpressed. While the company were taking comfort from the success of their two brand strategy in the UK and Europe the effects were still not being manifest on the company's overall performance. The group experienced a small decline in turnover and a small increase in trading profit over the 1986/87 period. Speculation gathered throughout the year that IDG were ripe targets for a takeover. The widely-held perception in the market was that the company was underperforming relative to its potential and that it would be an attractive target to companies with expertise in the marketing of fast-moving,internationally branded,consumer products. In November 1987 FII-Fyffes announced that it had acquired a 20% stake in IDG and it seemed that the expected take-over bid was about to follow. IDG,under Richard Burrows and chairman Joe Mc Cabe,had already taken some major strategic initiatives in 1987 to strengthen the company's position and to improve its growth prospects and the quality of its future profit stream. When it seemed that a 'black knight' had finally emerged and speculation turned to expectation,Burrows and Mc Cabe galvanised their company's efforts in a show of strength. They brought their plans directly to the main institutional investors who had reportedly been "disenchanted for several months with IDG,which they saw as going nowhere"(Sunday Independent,8-Nov-87) and their presention went a long way towards restoring investor confidence for the time being.

The two major elements in the company's plans were the substantial rationalisation described earlier,designed to improve company cost competitiveness and the quality of the future profit stream, and a major reorientation in the company's marketing strategy for the US. Though the US market had been in decline it still accounted for around half of the total world market for whiskey in volume terms. As such it continued to remain,for Burrows and his board,the market which offered the best long term prospect for export-led growth. The company reaffirmed its commitment to this market while significantly revising its strategy,the most important revision in the key US element of its overall strategy sinve the merger. Burrows and his team decided to transpose the 'rifle' strategy to the US. In this market they decided to continue to offer their products nationwide but they prioritised five states for special focus,California,Colorado,Florida,Illinois and Massachusetts. The product strategy adopted involved putting the company's full resource power behind two brands with complementary positioning in the high quality segments of the market,a premium brand and a deluxe brand. IDG also revised their relationships with their distributors to give the company direct control in "preparing and lead(ing)" the marketing of their products in the specially targeted regional markets. Within IDG Richard Burrows once more decided to concentrate responsibility for all marketing in a single senior executive post. This time he did not go for an outside hire to assume this key position but had for some years being preparing an insider for such a responsibility.

Richard Burrows inherited a grand strategy that had remained basically unchanged since the 1966 merger. He also inherited a corporation that had undergone a major transformation in the previous decade and was believed to be poised for a major new growth phase,to be fuelled by export-led growth in the US market. Within two years of his succession he faced a dramatic change in the environment of the company which threatened the whole basis of its post-merger strategy. He has led his company through a series of major and difficult rationalisations to strengthen its cost competitiveness in the more difficult international trading environment of the 80's. He led his company into the acquisition of a large domestic cash and carry business in order to further strengthen his company's position in the domestic market. He has carried through the most fundamental revision of export-marketing strategy since the merger and he has led the company into non-spirit new product oportunities that widen the business mission of IDG. He has been highly regarded as a strong leader within his company and insiders fully appreciate his achievements in difficult trading circumstances.

Events since May 1988 have overtaken the company's efforts at internal transformation. The overall decline in the spirits market has led to increased concentration in the industry globally. This trend has been particularly pronounced in the whiskey segment. In 1987 the top five whisky producers accounted for over 60% of the global market. As this trend continued smaller producers,like IDG,have become more attractive targets for take-over. FII-Fyffes,the fruit importers,did not make any take-over moves from November 1987 until May 1988. Their intentions for their 20% stake in IDG continued to remain a mystery during that period. Then on May 30th a joint-venture of Gilbeys and Cantrell and Cochrane announced that it was making a bid for IDG,with the full FII-Fyffes stake in the company pledged to the bidders. Gilbeys,the manufacturers of Baileys Irish Cream,and Cantrell and Cochrane were Irish subsidiaries backed by large international distilling interests,including Grand Metropolitan,Allied Lyons and Guinness. The bidders main claim in support of their takeover move was that IDG did not really have the resources to fully exploit the export potential of Irish whiskey and that it had "a very small hand to play". However,the half-yearly results of IDG,published just 4 days prior to the bid,showed an EPS gain of 37% on the same period in 1987 with a projected EPS outturn for the year at 19-20p,an all time high. The perception among some influential industry analysts was that the bid was highly oportunistic and that it came "just as the fruits of what management is doing are coming through..(and when)..the prospects for the company are better than for a decade".

Richard Burrows and his Board contested the initial bid and fought to retain the independence of the company. When it eventually became clear that the only way to stave off the hostile bid was to find a white knight to enter the takeover contest,they persuaded the French giant Pernod Ricard to take on this role.Burrows,and his chairman Joe Mc Cabe, showed considerable ingenuity and deftness in their fight to preserve the integrity of IDG as a business entity right throughout the takeover drama. In the process they surprised many of their supporters and confounded most of their critics as they succeeded against all the odds in fighting off a powerful and determined predator. All the indications, in late 1988,are that Pernod Ricard will continue to manage IDG largely as an autonomous subsidiary which will preserve the unity of the company and the structure of the industry. Had the GC&C bid succeeded then IDG would have disintegrated. Moreover,the structure of the Irish distilling industry would have changed in a fundamental way. This is the full historical significance of the successful strategy devised and implemented by Burrows and McCabe to defend and preserve their company.

CSET's Daly,Sheehy and Comerford

When General Costello's resignation in 1966 was unexpectedly accepted by the then government the CSET board appointed long-serving insider B.T.(Bart) Daly to succeed him as general manager of the company. Daly was one of the six young Irish chemistry graduates that were hired in 1934 to become the indigeneous pioneering sugar technologists for the new industry. By 1966,Daly had served the company for more than 30 years and had progressed to the senior management ranks within the organisation. Within two months of his appointment to the top executive position within the company Daly,his chairman,board and staff,were shocked to discover through the national dailies that the Government had invited A.J.F.(Tony) O'Reilly to join CSET as managing director. O'Reilly,as we saw earlier in this chapter,was brought in as managing director to turn around the food project. Daly still retained the title of general manager of CSET but his status as the company's top executive had been abruptly and insensitively removed from him without any prior consultation by the Government's dramatic appointment of Tony O'Reilly.

After Tony O'Reilly's equally dramatic and unexpected resignation from the company less than three years later the Government in effect withdrew to arm's length and left the company to its own devices to fill the void. The company simply and quietly reverted to the 1966 position prior to O'Reilly's appointment with Daly,as the general manager, assuming top executive responsibility once more.

Daly was only 5 years from retirement age when he took over as leader for the second time. His period as leader is remembered as one of stabilisation and reassessment. He provide solid,but unimaginative, leadership and gave the company some breathing space within which to readjust and recover from the dramas of the mid to late sixties. He "maintained the status quo..did not initiate any activities..the company was ticking over and making a profit but there was no reinvestment or innovation".

During Daly's stewardship the food project reached its zenith of 28% of total corporate turnover in 1971/72. However,the operating losses on the project had begun to rise once more and,on the advise of A.D.Little consultants,the goals for the project were modified and the strategy was more narrowly focused. In 1972 the food project was reintegrated with the rest of CSET activities under a single CSET board. The dominance of food was over,the sugar activity was restored to a position of central importance in the corporate portfolio, and the sugar men were once again running the company. By 1987 the food activity had declined to just 11% of total turnover.

One major milestone that was reached during the Daly tenure was Ireland's entry into the EEC. This was to have far reaching implications for the company's core sugar business. Ireland's sugar production was,in future,to be restricted by a system of quotas and the domestic market was to be opened to all EEC producers. The company recognised the advent of "the cold winds of competition" and the "termination of monopoly protection". However, under Daly's leadership,it took a cautious and hesitant approach to reinvestment in the core business. Daly retired from CSET in 1974,after a lifetime of service to the company and to the industry. He had made his major contribution to both before he assumed CSET's top executive position. It was largely left to his successors to take the major initiatives needed to adapt the company to the full implications of EEC membership.

Bart Daly was succeeded as chief executive officer of CSET by Maurice Sheehy in 1974.

Maurice Sheehy had been promoted to the position of assistant general manager to Daly in 1966 when the General resigned. He was still in this position when Daly retired in 1974.Yet his succession was not automatic. There was an open competition for the top position and Sheehy had a credible rival for the post in Chris Comerford,another senior insider. Unfortunately for both men and for the company the succession decision process was loosely structured and open to political manoeuvering. Both candidates were able and ambitious men. The competition became highly political and the way in which the decision was taken was controversial. Sheehy eventually secured the post but the decision process had polarised the board and management of CSET and seriously damaged the personal and professional relationships between the two rivals.
As a result of boardroom pressure,Comerford was later appointed as deputy chief executive with responsibility for the sugar and food businesses. This attempt to mend the fences only made things worse.It created a substantial power base for Comerford and a difficult one to one relationship between two key executives with little personal regard for each other. The manner of his appointment continued to cast a long shadow over Sheehy's leadership right up to his retirement in 1985. When he retired he was succeeded by his old rival,Chris Comerford,who is still chief executive of CSET at the time of writing.

Three major strategic initiatives dominated the Sheehy and Comerford periods up to 1988, the major reinvestment programme in sugar,the substantial improvement in the company's capital structure through increased state equity,and the closure of the Tuam sugar processing plant. The period since 1980 has also seen a substantial rationalisation of the food activity.

Maurice Sheehy and his chairman Denis Coakley are credited within CSET with having assessed the full implications of EEC membership for the company's future and with determining the need to carry out a major modernisation of the sugar processing capacity. During the 1960's there had been little reinvestment in the sugar business. In fact the sugar business had been harvested to provide the internal funds transfer to fuel the growth of the food business. By 1971 the food business accounted for 49% of the net assets of the organisation while contributing only 28% of the total turnover. In 1967 the net assets of CSET's sugar and related activities were at the level of 32% of turnover; by 1973 this had contracted to 18%. The asset base of the sugar business had got old and run down. Yet,in the new EEC environment of production quotas and community price levels pegged to the general cost structure of the European sugar industry, the key to future viability would be the ability of CSET sugar processsing to remain profitable at EEC prices. At the same time the company had to ensure that the cash return to suppliers remained sufficiently high to keep their acreage in the industry. EEC entry provided very attractive alternative uses for farm land. These conditions could only be met if CSET sugar processing was to become,and to remain,cost competitive relative to the European sugar beet industry in general.

In order to bring CSET's cost competitiveness into line with that prevailing in the European industry Sheehy and Coakley determined that a major reinvestment programme was needed. They recognised that the scale of the programme necessary to become and remain competitive would far exceed the company's capacity to fund from internal sources alone. The full modernisation of the 50 year old sugar facilities was estimated at £90m. The scale of this investment for the company at the time can best be appreciated when it is considered that the total turnover for CSET in 1976 was £92.9m which yielded £2m in profit before tax on total net assets of just under £20m. Sheehy and Coakley brought the case for reinvestment to the Government and sought a substantial injection of further equity. In 1974 the total equity in CSET was only £6.5m. They had to be satisfied with 'letters of comfort' from the Government that would state-guarantee any company borrowings to fund the programme. In spite of the fact that no further equity was forthcoming the two men decided not to moderate the reinvestment programme and attempt it piecemeal. As they saw it the future of the industry was at stake and half measures would not suffice. It was a bold move for them and their company but they committed themselves to the full programme,to be funded entirely by bank borrowings if necessary,in spite of the inevitable serious imbalance to CSET's capital structure that such a strategy would entail. By the time that Denis Coakley resigned from the chairmanship of CSET in 1979 the company had already spent £40m on modernisation with plans in place to invest a further £50m.

The investment programme implemented by Sheehy and Coakley presaged a future reduction to a three,or even to a two,plant configuration at some unspecified future time. The modernisation programme raised the capacities of the Carlow,Mallow and Thurles plants to 6k,5k and 4k tons per day respectively. The capacity at the Tuam plant was not increased and the capacity at the Thurles plant was not brought up to the level of the two largest plants in this modernisation programme. Tuam has sinced closed and the company currently has plans to close the Thurles plant.

This large reinvestment programme was carried out in difficult economic circumstances in the mid to late 70's. The company was already experiencing increasing pressure on profit margins as a result of inflationary cost increases that were not fully reflected in the EEC-regulated price adjustments. The only way to secure future profitability was to improve efficiency and cost competitiveness. Yet the funding of the necessary reinvestment without a fresh injection of equity involved an enormous level of borrowings,which at the prevailing high interest rates created a huge interest drag on operating profits. It was a difficult strategic dilemma for Sheehy and Coakley. However, they were prepared to carry an inordinately high interest burden and risk insolvency,along with the confrontation with government that would inevitably follow,rather than risk the future competitiveness of the industry. In 1980 the company entered a period of successive losses for the first time in its history. Difficult cost and trading conditions operating in the immediate wake of the 1979 oil crisis and subsequent recession depressed margins and leading to a sharp drop in operating turnover in 1980/81. The successive losses were the result of this pressure on trading profits coupled with a large rise in the interest burden generated by the borrowings for the modernisation programme. By 1982 the interest burden had reached £15m against a operating profit flow of just £3.4m,a clearly unsustainable situation.

In the late 1970's a number of semi-state companies had run into financial difficulties and the Government set up a joint committee of the Oireachtais to examine their affairs and their prospects. CSET was included in this exercise and the Joint Committee reported on the company in December 1980. Sheehy and his board harnessed the oportunity presented by this parliamentary review of its affairs to build up political awareness of the two main issues that were creating severe pressure on company profits,the inadequate equity and the uneconomic Tuam plant. The company in its submission to the Joint Committee dramatised the effects of these two issues on company profitability by presenting their financial statements in a format which included the effects of a 'shareholder's deficiency account' and a 'Tuam cost penalty'. The Tuam cost penalty simply showed the level of CSET operating losses directly attributable to keeping this plant open. The shareholder's deficiency account essentially isolated the interest burden that would be relieved if the company was operating on a normal commercial 1:1 equity to debt ratio. The Joint Committee broadly accepted the CSET argument that without the Tuam cost penalty and with a more balanced capital structure the company was commercially viable. Their report recommended,among other things,that the company be allowed to "concentrate its sugar operations on its most viable plants" and that the company needed "an immediate injection of £25m in additional share capital" to be followed by "additional capital" to "support the prudent financing of the additional £40m investment progremme".

The difficult economic conditions of the late 70's and early 80's brought the state entreprise sector under intense public scrutiny of a kind that was unprecedented in the history of the State. A new emphasis on 'commercial viability' began to emerge and gather momentum within the state entreprises themselves and within the political system at large. The report of the Joint Committee reflected this change. This developing climate of opinion seemed to company strategists to provide a more favourable context within which to advance the company's claims for more freedom to make commercial decisions and for a more commercially viable capital structure. In 1980 CSET got a new chairman,James Fitzpatrick,who was committed to the concept of commercial viability for CSET. He was prepared to advocate the company's case for commercial viability in public,through the annual reports and any other media that offered the oportunity. He brought the messages of 'shareholder deficiency' and 'Tuam cost penalty' and their quantification out into full public view at considerable political risk to himself and the company.

In 1981 Fitzpatrick persuaded his board to confront the Tuam cost penalty issue and to make the difficult decision to close the plant,as Sheehy and his management had been advocating for some time past. In fact the company had also to confront the need to carry out a substantial rationalisation and restructuring of the company's food activities which were,themselves,recording mounting and unsustainable losses in the difficult trading conditions of the early 80's. Yet in the history of CSET the food activity was more widely perceived and accepted in commercial terms than the sugar activity.Consequently rationalisation proposals for the food business were less likely to generate political fallout than was to be case in the sugar activity. The proposed closure of Tuam was particularly political because it was located in the West of Ireland. Westerners had long claimed that their region was economically under-developed and neglected in comparison to the other regions and the 'neglect of the West' was a longstanding emotive and political issue. There were also a number of key marginal constituencies in the West which heightened the political sensitivity of the proposed closure. Consequently the proposed closure of Tuam presented political difficulties out of all proportion to the number of job losses involved in comparison to company rationalisation moves in other areas.

The Fitzpatrick board announced their decision to close Tuam in September 1981. The announcement was followed by "thirteen days of controversy" in which church leaders,community leaders,local politicians and the public became involved. In the face of the controversy the Government of the day decided to keep Tuam open. The company did not achieve their objective at this time.However,the effect of their decision was to begin a conditioning process in the public arena that was to lead eventually to a situation where the plant could be closed in 1986 with comparatively little controversy. As the problems with the public finances deepened the climate of public opinion shifted more and more towards the view that state entreprise should pay its way and be allowed to operate in accordance with normal commercial criteria. The company continued to keep the 'Tuam cost penalty' firmly in the public mind and waited for a more oportune time to try again.

As the Tuam situation was developing CSET board and management were also busy pursuing the Government for a substantial injection of new equity. Though Chris Comerford did not become chief executive of CSET until 1985 he became,as leader a the newly formed planning group, a key personality along with Fitzpatrick and Sheehy in all of the strategic developments that took place within CSET during the 1980's. In particular,Comerford and his planners played a key role in the securing of new equity.

In the wake of the report by the joint committee of the Oireachtais the Government requested the company to submit a 3-year corporate plan for the industry. This was a further manifestation of the new interest that the Government and government departments began to take in state entreprise and it reflected the deepening problems in the public finances and the difficult trading conditions for the companies. In the tighter fiscal situation the state apparatus became directly concerned with ensuring that state entreprise could pay its way. The economic criterion of commercial viability was becoming the main political as well as economic consideration in the evaluation of these state companies. As one senior executive of CSET put it:

> "There has been an overall change within the Civil Service to the operation of the semi-states. Rather than manage them in such a way as to minimise political hassle they started speaking the (commercial) truth and supporting change to the Minister..the government were amenable to change"

James Fitzpatrick inherited the organisational arrangement that had Chris Comerford as the deputy chief executive to Maurice Sheehy. This arrangement was a difficult one because of the divisive nature of the earlier contest for the leadership of CSET between these two men.
The new corporate planning context that was developing within the state

bureaucracy provided an oportunity for CSET,if used properly,to pursue its case for more equity. It also provided an opportunity to secure the prior support,or at the very least the prior acquiescence,of the state bureaucracy for the rationalisation programme that the company wished to pursue to secure and strengthen its commercial viability. Fitzpatrick and his board had decided to embark on a major corporate reorganisation at group executive level in view of the serious commercial and financial pressures that CSET found itself under in the early 80's. As part of this reorganisation Fitzpatrick persuaded Comerford to head up a new planning group in order that CSET might exploit these new oportunities to the full. Comerford's new appointment removed him organisationally from his former rival's direct line and it freed both men from what had been a difficult working relationship in the wake of their earlier rivalry. Under Comerford the planning function became a powerful function. It became a strong catalyst in the company's internal cultural transition from a developmental to a commercial ideology,a transition that had been gathering pace since the late 70's.

Comerford won for himself and his group "the right to bring their plans directly to the main board and to defend them at that level". It was on the strength of the planning department's plans that CSET eventually secured a massive injection of new equity. The group's Corporate Plan was sent out by the responsible Minister to a firm of consultants for an independent evaluation of its viability and effectiveness. As a result,the company's authorised share capital was increased from £10m to £75m by legislation enacted in 1982 and a fresh injection of £30m in equity was made by the State in that same year. The State increased its equity again by £20m in 1984 and by a further £9m in 1987.

While CSET pursued the strategic issues of the Tuam closure and the need to acquire fresh equity,the company was also busy in trying to improve its trading profit performance generally by trying to weed out uneconomic operations right across the spectrum of its activities. Comerford's planning group again provided much of the business analysis and strategic rationale around which the CSET rationalisation programme was based. Over the 1980-84 period the company achieved substantial rationalisation,particulary in its food activity which was reduced in scale and scope and was placed on a more commercially viable basis.

The company invested in all nearly £20m in rationalisation costs and reduced the workforce almost 1000 personnel over the 1980-84 period. Most of this rationalisation was able to take place with comparatively little political fallout because of the changing attitude within the state sector to the commercial viability of state entreprises.
The combination of the new equity and the effects of this rationalisation brought the company back into substantial profit after four successive years of net losses after interest charges.

Maurice Sheehy retired from his position as chief executive of CSET in early 1985 and was succeeded as top executive by his old rival Chris Comerford. Sheehy's contribution as leader cannot be easily separated from the contributions of Denis Coakley,James Fitzpatrick and Chris Comerford. Together these major figures in CSET's 1974-84 period led CSET through an extended phase of modernisation and rationalisation which was designed to secure the future of the company in the competitive conditions of EEC membership,and in the harsher economic conditions of the post-1979 period. Sheehy will be remembered in CSET history for his contribution to this transformation. He will also be remembered as a transitional leader whose tenure as leader spanned the period when CSET underwent an internal cultural change from a dominant ideology that was developmental to one that is commercial.

Chris Comerford was an active agent in moving CSET to a commercial ideology long before he assumed the top executive position. His succession to the leadership in 1985 did not mark any immediate change in the overall thrust of the company strategy which still emphasised commercial viability through modernisation and rationalisation. In fact his main efforts to date have been directed at accelerating the transition to commercial viability across all of CSET's activities. Shortly after his own appointment,Comerford got a new chairman and a new board. Bernard Cahill the new chairman is fully committed to the commercial ideology for CSET and shares this value with his managing director.

Under Comerford and Cahill the company determined that the time was oportune in 1986 to make a decisive move on the Tuam closure. It had become clear by 1985 that the principle of commercial viability for state entreprise had become more solidly grounded in government thinking. In the Government's national plan "Building on Reality 1985-87" there was an explicit statement which revealed this new policy approach to public entreprise:

"The Government believe that if public entreprise is to make a major and effective contribution to industrial and economic development in this country,there will have to be an entirely new approach to the role and function of public entreprise. Primary emphasis will have to be placed on developing modern industry with emphasis on commercial viability and profits"(par 3.61).

CSET,under Comerford and Cahill,did close Tuam in 1986. Comerford,who was more committed to the commercial ideology than his predecessor. He and his chairman were prepared to tackle the decision in a direct commercial fashion and they worked out a redundancy scheme that was acceptable to the workers. With those most affected onside,the main emotive issue was removed,and political opposition to the move was token in comparison to the furore that erupted in 1981. The Tuam closure was a highly significant symbol that underlined the company's transformation from a developmental to a commercial organisation,and the nation's acceptance of this transformation. It was an event of historical significance for the industry,and it took CSET more than a decade to bring it about. After Tuam it would become less difficult for the company politically to run its affairs on a commercial basis.

Comerford and Cahill have significantly improved the quality of CSET earnings by implementing further rationalisation measures that,along with the Tuam closure have reduced the CSET workforce from 2621 in 1984 to 1855 in 1987. They have reduced the food business to a one plant operation concentrating on branded business only. At the end of 1987 food had retrenched to just over 11% of total turnover. Sugar,which at one time in the early 70's was only 46% of the total business,accounted for 75% of CSET turnover in 1987. Maintaining the competitiveness and profitability of the sugar activity has become more important than ever in the late 80's. Yet Comerford and his board face increasing difficulties in this regard. The EEC is 150% self sufficient in sugar, and the production environment is likely to become more restricted and more competitive than ever within the community. Comerford and his board have already signalled their intention to move as quicky as possible to a two plant configuration for sugar which the company has long since considered its economic optimum given the asset base that it has already established for sugar.

With trading profits improved from 5% of turnover in 1985 to 10% of turnover in 1987 and with net profits after interest improved from 1% of turnover to 5%,the company is currently in a strong operating and financial position,and the short term outlook is secure. The rationalisation and modernisation strategy has helped to secure the core business in difficult circumstances. Comerford and his board recognise that continued reinvestment and further rationalisation will be needed to maintain the competitiveness of the sugar business but they recognise that it offers little no medium term scope for growth,and they accept that it may even experience some decline over time.

When Tony O'Reilly left CSET to join the Heinz organisation in 1969,the dream that the company would develop into a major food industry was effectively over. What his successors inherited was a sugar business that had been harvested for nearly a decade in order to fund the food project. The asset base of the sugar business had been seriously neglected in the process. In the food area a large investment in physical assets had been made and CSET staff numbers had been greatly expanded. By 1971 the food activity accounted for 43% of the company's net assets,though it accounted for just 28% of total CSET turnover. Furthermore,the food activity had accounted for most of the staff increase of over 1800 personnel over the 1960-71 period. From 1972 to 1988 the overall strategic thrust pursued by CSET under the leadership of three successive chief executives has had two main elements. The first of these elements was the modernisation and rationalisation of the sugar business,which was carried out in order to secure its international competitiveness in the new environment following EEC membership. This involved a massive reinvestment programme in sugar processing facilities and it included a politically highly sensitive plant closure. This element of the overall strategic thrust has strengthened the commercial basis of the sugar business and improved the quality of its earnings. It has restored the primacy of this business as the main source of internal funds flow from which to finance future growth. The second element has been the strategic retrenchment and refocusing of the company's food business,through the progressive rationalisation and pruning of uneconomic food processing activities. This overall strategic thrust was begun rather tentatively under Daly, boldly accelerated under Sheehy and rounded off with a crisp directness under Comerford. In the process the dominant ideology of the company has been transformed from a developmental to more commercial mind set.

Only now in 1988,after almost two decades since the great food industry dream began,is CSET once again ready for a major strategic departure. Comerford and Cahill are now ready to build on the renewed commercial strength of their company's core business and to lead CSET into a new phase of development through a major diversification. They are currently actively looking for the right oportunity. Comerford has also gone on public record in recent times that he favours eventual privatisation for his company. He may yet lead CSET into this final formal step in its transition to a commercially driven entreprise.

Golden Vale's Lenihan and Curtin

Mick Lenihan succeeded Dave O'Loughlin as chief executive of Golden Vale in 1972.

O'Loughlin's sudden and untimely death in the summer of 1971 came at time when Golden Vale was in the process of major development. The amalgamation process that O'Loughlin had begun,and from which Golden Vale was to emerge as one of the six largest dairy processors in the country,was reaching a critical and decisive stage. The creamery societies,that had been targeted for amalgamation into an enlarged Golden Vale,had already been painstakingly canvassed, and O'Loughlin was almost ready to move on the formal procedures. Moreover,the groundwork had been laid for a major capital development programme to provide milk processing capacity in excess of 100m gallons. Amalgamation was expected to provide the company with a milk pool of 74.5m gallons at 1971 production volumes. This was forecast to expand to the 100m gallon mark by around 1978 as dairy farmers responded to the economic incentives to increase their milk production that EEC membership,then imminent,was expected to provide. Golden Vale was in the early stages of its biggest expansion phase to date,the blueprint for which was already clearly mapped out,when Dave O'Loughlin died.

Mick Lenihan was not the obvious successor to O'Loughlin. O'Loughlin's heir apparent had been Jim Hyland,his financial controller. Unfortunately Hyland himself had suffered a serious illness a short time before O'Loughlin's death and did not take up the vacant chief executive position for health reasons. The company spent some 6 to 8 months looking for a new chief executive before deciding to offer it to Lenihan. Mick Lenihan was the manager of the Shandrum Cooperative,one the largest creamery societies in the Golden Vale federation. He was not as well qualified as O'Loughlin academically,and was not seen as a builder or a strategist in the O'Loughlin mold. The choice of Lenihan as successor to O'Loughlin was perceived as a conservative one; a choice that signalled continuity rather than change. Lenihan was appointed to bring to fruition the strategic blueprint of O'Loughlin and according to one senior executive he "looked at his whole function as carrying out O'Loughlin's plan".

Lenihan,however,was an able operator in his own way as was evidenced by his success as creamery manager of Shandrum. He was well versed,from this experience,in the politics of the farmer-processor relationship. He was widely perceived by his own suppliers at Shandrum as a 'sound man' and this was an important accolade in an industry which,at least as in terms of the older dairy farmers,was still a 'sound man' business. As one executive pointed out:

> "(Lenihan's) perception of the critical issue was the farming community and the holding of the milk supply. Custom and practice did not allow for major transfers at the time but part of the reason that (the milk pool) was not under threat was because of his ability to hold 'gentlemen's agreements'. This was the sound man concept. Here it is mainly a sound man business. Agreements are not worth the paper they are written on.."

Mick Lenihan was also well respected by his peer creamery managers within the federation and in the wider catchment area. The creamery managers,in fact,were more comfortable relating to Lenihan than they were with O'Loughlin because Lenihan "was one of their own" whereas O'Loughlin was perceived by them as "dynamic but..as being a bit threatening..not one of the creamery manager types". Lenihan did not have the same dominance over his board and management that O'Loughlin enjoyed. He inherited O'Loughlin's management team but was regarded by them as somewhat of an outsider. He was,however,a "cute" political manager who rarely gave his team explicit direction so that he was able to deflect the political fallout to some extent whenever major problems arose in any of the key functional areas. One executive remembered him as "not really as technically strong as O'Loughlin but..probably more astute..a political man".

By the time that Mick Lenihan retired from Golden Vale in 1980 the strategic blueprint of O'Loughlin had been fully implemented. It had proved to be right for company in all essential respects and was seen to have been fully worth the risks and the effort. Between 1971 and 1978 the company had invested over £10m in the capital programme. In 1978 Golden Vale was operating at near the full capacity made available through this capital programme when it processed 93.7m gallons of milk. Turnover had grown over the 1972-78 period from £8m to £89m. At the end of the 70's Golden Vale was the second biggest dairy processor in the country,and was number 20 in the list of Ireland's top 300 industrial companies. To cap it all,the early commitment to major physical expansion had a fortuitous outcome. Much of the programme had been complete,or nearing completion,before the rapid escalation in the cost of plant and equipment that followed in the wake of the 1973 Oil Crisis had taken effect. When viewed from the perspective of 1978 replacement prices the major capital expansion phase at Golden Vale had been achieved at 'a bargain'.

However,between 1972 and 1978 Golden Vale encountered difficulties in implementing the O'Loughlin strategic blueprint that brought the company to the brink of failure and almost cost Lenihan his job. The financial crisis that Lenihan and his company experienced in the mid 70's affected their attitude to strategic investment right up to his retirement in

1980.

Mick Lenihan inherited the task of bringing the amalgamation process to a successful conclusion. O'Loughlin had been one of the first chief executives in the industry to move on the amalgamation process,and he had involved the active support of IAOS in bringing it about. At the same time he committed his organisation publicly to a major capital programme to provide the capacity to process a much larger milk pool that the creameries in the federation could supply. Both moves were pre-emptive and the pre-emption was effective in strengthening Golden Vale position in the IAOS's(the Cooperative Movement's corporate body) plans for the rationalisation of the industry. In their revised plan, published in 1971,the IAOS designated Golden Vale as a growth centre,and allocated to it a total of 36 creameries with a combined milk pool in 1971 of 74.5m gallons. This was the second largest milk pool in the IAOS rationalisation plan. There were two risks in O'Loughlin pre-emptive approach. Firstly there was the risk that the amalgamation would not be totally successful and might leave the group seriously short of expected gallonage. The second risk lay in O'Loughlin's cavalier approach to the financing of the expansion. Before he died he had been "pushing the debt/equity ratio at an enormous rate..pushing forward with (the development) sailing very close to the financial wind". Lenihan inherited the risks along with the strategy.

The key groups that had to be sold on the amalgamation process were the farmer-suppliers,the creamery committees and the creamery managers of the targeted creamery societies. Lenihan had a personal advantage over O'Loughlin with the creamery managers,and this group were influential with respect to the others. Lenihan's personal credibility with the creamery managers was a big factor in bringing the amalgamation process to a successful conclusion in many instances. As one senior executive recalled:

"They appointed a guy called Mick Lenihan who was one of the creamery managers. Politically that was one of the things that moved amalgamation forward. Lenihan was one of their own...Mick Lenihan did a lot of those deals (with the creamery managers) on his own personal touch 'over pints'..He knew what made them tick. He knew how to allay their fears"

In spite of Lenihan's personal efforts not all of the creamery societies allocated to Golden Vale in the 1971 IAOS amalgamation plan actually joined the group. Golden Vale had geared its capital programme towards the provision of capacity for the milk pool of the 36 societies that were allocated to it in the 1971 IAOS rationalisation proposals. This milk pool represented 74.5m gallons on 1971 production levels and was expected to exceed 100m gallons before the end of the decade. The IAOS plan had moral authority only.It was up to the designated growth centres to persuade their targeted creamery societies to amalgamate. The implementation of the capital programme was staged so that the commitment to capacity expansion took place in large increments rather than all at once. The timing of each stage of the programme was important and difficult because the targeted societies had to be reassured that capacity to process their milk would be available as a precondition to their decision to amalgamate. Supply was being secured in small increments while capacity had to be provided in much larger increments. By 1973 a total of 25 creamery societies had amalgamated with Golden Vale and the group had access to the milk of a further 6 societies in that year. The total milk supply processed by the group in 1973 was 66m gallons. This level was stretching the capacity made available through the expansion programme up to then to the limit.

In 1973 all the experts were still forecasting an unrelenting expansion in the total national milk pool in response to the higher prices and expanded market offered by recent EEC membership. Lenihan and his board decided to go proceed with their long term investment plan and they commissioned the large NIRO III drying plant which added an extra 30m gallons of processing capacity to the group at a cost of £1.9m. Then later in 1973 the group found itself having to accelerate its investment plan for a new milk intake and centralised butter plant to align with the skim milk processing facilities.The group had come under pressure from the Department of Agriculture which was unhappy with the interim arrangements and had threatened to withdraw its license unless the group showed substantive movement took place towards the provision of these new facilities as a matter of priority. These new facilities became operational in early 1976 at a capital cost of £2.9m. Lenihan and his management carried on O'Loughlin's cavalier approach to funding and drove up the debt/equity ratio to alarming proportions,as they proceeded to fund these major developments largely from bank overdraft.

In 1974 the national milk pool contracted against all expectations. The proximate cause was the post-1973 Oil Crisis inflation in input prices. By 1974 it had also become clear that 12 of the creamery societies that had been allocated to Golden Vale were not going to join the group,so that Golden Vale had secured only 61% of the anticipated milk pool. Furthermore,5 of the 6 independents that had supplied Golden Vale in 1973 decided to amalgamate with other processors and their gallonage was lost to the group. Moreover the Department of Agriculture decided to sell off Clare creameries as part of the overall rationalisation taking place in the industry. Golden Vale faced losing 8m gallons of skim that Clare had been supplying to them. Lenihan and his board decided to purchase Clare creameries both to protect this supply and to make up for some of the shortfall that resulted from the amalgamation process. This acquisition cost the group in the region of £1m and added to the financial pressures that were building up within Golden Vale at this time. This acquisition,however,came too late in the year to offset the fall in Golden Vale total volume processed to 61m gallons. This was an 8% reduction on the 1973 level as against a budgeted increase of 10%.

By early 1975 the company was in financial crisis. The group capital structure was seriously out of gear. It had £15.4m in borrowings,£10.5m of which was in the form of bank overdraft, and it had only £6.4m in shareholder's funds. The combination of large short-term borrowings,excess capacity and declining volume led to the 1974 outturn where trading profit had fallen to £1m while interest charges had risen dramatically to £1.06m. There was a great risk,at this time, that the company was going to lose the confidence of the banks and/or of the supplier/shareholders,and there is little doubt that a crisis of confidence from either of these sources would have brought down the company.

The crisis brought pressure on Lenihan's leadership and a deputation of supplier/shareholders wanted to force his resignation. With Lenihan's position under pressure the steady hand at the tiller was provided by Golden Vale chairman, Martin Flanagan. Flanagan is largely credited with providing the vital leadership that brought the company through the crisis. As one senior executive recalled:

"During the crisis period it was the bank's confidence in Flanagan that persuaded them to continue their support of Golden Vale..I would put Flanagan's contribution to this place on a par with O'Loughlin's. (He was) the outstanding chairman".

Flanagan refused to allow Lenihan to pressured into resignation. The company secretary recalled Flanagan's immediate response to the move to oust his chief executive which was to the effect that:

"..over my dead body! I don't blame management for the problems that we have but I believe that they can get them right".

Flanagan galvanised his board and management in the effort to lift the company out of its immediate difficulties. The recovery plan had two central thrusts,one was to improve the trading profit stream and the other was to strengthen the capital structure and reduce the interest burden. Achieving amalgamation had been at first mainly a political issue. Once the formal amalgamation had taken place it offered considerable scope for economic rationalisation in the areas of milk assembly and processing. However,up to the onset of the financial crisis little movement had yet taken place on achieving these operational economies. The expanded board had been the main brake on progress in this area. However,in the crisis situation Flanagan was able to drive a major rationalisation plan through his board by reminding them forcibly that it was their duty "to run this company on a business-like footing" and that as a board they "must stand over their decisions and these must be business decisions". Between October 1975 and March 1976 a rationalisation programme was implemented which involved 400 redundancies and the abandonment of some traditional products lines. In addition,a new financing arrangement was worked out to increase the level of shareholder's funds in the company. The method adopted was a 10% convertible loan stock retention scheme,which was intended to run up to 1980 and to create an additional £4.9m in shareholders funds.

The company's recovery was quick and spectacular. The trading loss net of interest in 1975 had been turned around into a profit net of interest of £1.98m in 1976. The ratio of shareholders interest to borrowings in the company's capital structure had changed from 1:4.34 on 31/12/75 to a much sounder 1:1.6 by 31/12/76. In 1974 the group had achieved a turnover of £26.2m on a total asset base of £23m. By 1976 group turnover was running at £54.9m on a total asset base of £19m. Golden Vale emerged quickly from its immediate financial difficulties primarily because of the timely action on rationalisation and capital restructuring taken by Flanagan and the management. In a very real sense,however,the company also simply grew out of trouble. The year 1974 had been a setback for the whole industry but it was only a temporary setback. In 1975 the national milk pool resumed the growth path that had been expected under EEC conditions. Between 1974 and 1978 the national milk pool expanded by nearly 50%,and Golden Vale's milk supply increased by 54% over the same period. The same strategy which had led the company to a crisis of survival was finally paying the expected dividends. The same capital programme which had created capacity too early,and had been a major factor in the 1974/75 financial crisis, was coming to be seen more and more as having been a farsighted investment,at a 'bargain',as the decade drew to a close.

Lenihan retired from Golden Vale in 1980. The company had enjoyed five profitable years after the recovery in 1976. Turnover grew over the 1975-79 period by one third in real terms,as the temporary set-back in national milk production of 1974 was reversed and the national milk pool grew by 38% over the same period. In the year of Lenihan's retirement the company had a trading cash flow (profit + depreciation) of £6.2m and a sound balance sheet with a trading profit to interest ratio of 7 and a shareholders funds to borrowings ratio of 1.25. The Lenihan tenure of office coincided with the major growth phase in the dairy industry that followed on directly from Ireland's entry into the EEC in the early 70's and this expansion continued right up to 1979,with just one short hiccup in 1974. The company grew with the industry during this period largely due to the implementation of the O'Loughlin strategic blueprint. Yet the financial crisis of 1975 left its mark on the company and on its chief executive. Lenihan was reluctant to pursue any new strategic investments in the post-1975 period and was content to let the business grow through the 'natural' expansion of the time. For example,some moves were made within the Golden Vale management team to promote a strategic investment in a casein plant in order to increase the company's market flexibility. In addition,an oportunity arose for the company to purchase the Limerick Dairies liquid milk business for £0.3m. Neither project was pursued. As a senior executive recalled:

"From the mid-70's experiences we were always on the defensive..A strategic investment was out of the question because the (farmer-shareholders) would have gone banannas...We were offered Limerick Dairies (for £0.3m)..After the battering that we took in 1975/76 we were reluctant to buy it. We had the money but we did not have the bottle to do it.."

Mick Lenihan had,it seems,succeeded to the position as chief executive of Golden Vale too late in his career,when his best years in the dairy industry were already behind him. As one executive put it:

"Lenihan was past his prime when he took over and the (major) thing that he was able to do was to manage the politics of amalgamation. In terms of new ideas and innovations he was past it but O'Loughlin's blueprint was still there - major plans drawn up for the development of Golden Vale that would take it forward 4 or 5 years".

In 1980 Tony Curtin was appointed as chief executive of Golden Vale on Lenihan's retirement.

Curtin was an accountant by profession and had joined Golden Vale as chief accountant in 1972. He had come to prominence within Golden Vale during the financial crisis in the mid-70's. He was first to highlight the critical situation within the company,and he played a major role in its resolution. The finance function emerged from the crisis with more power than before within Golden Vale. Curtin was appointed assistant chief executive in 1978,as Lenihan was winding down towards retirement.

It was Tony Curtin's destiny to inherit the leadership of Golden Vale at a time when the environment of the industry changed dramatically from conditions of growth and benignness to those of retrenchment and intensifying competition. Moreover,in spite of his having been assistant chief executive there had been internal competition for the top job on Lenihan's retirement. Curtin did not succeed in fully mending the traces with his competitors in the aftermath of the succession contest and during his tenure as leader he did not enjoy the full confidence and trust of his own management team at an interpersonal level. This somewhat weakened his power to lead the organisation through the harsh environment that confronted it in the early 80's. In the difficult 1980's the company ran,once more,into financial crisis. By 1985 the Society's shareholder's funds to borrowings ratio had fallen to 0.67 after two successive years of trading losses and five years of erratic trading performance. Tony Curtin's leadership did not survive the crisis and he resigned from Golden Vale in late 1985.

Golden Vale's difficulties in the Curtin era began outside the organisation. After a prolonged period of expansion,national milk production declined over the 1979-81 period. Producer confidence in the industry was undermined by the inflation in input prices and by the general uncertainty in economic activity that came in the wake of the 1979 oil shock and the onset of general recession in world trade. The national milk production level fell as a result. Over the 1979-81 period the national milk volume declined by nearly 5% and all the processors were threatened with falling supply. The processing industry had excess capacity and high fixed costs as the industry as a whole had become more capital intensive since the early 70's. The impact of gallonage on profitability at the margin of total production was high. The processors were consequently highly motivated to maintain their supply levels. In addition,the price support increases within the EEC for dairy products began to lag far behind the rate of inflation putting processor margins and farm incomes under increasing pressure. Over the 1978-81 period farm incomes plummeted from 104% of the average industrial wage in 1978 to just 55% in 1981. The producers became more highly motivated than ever to abandon their traditional loyalties to individual processors and to shop around for the best milk price. These developments led to a breakdown in the normal practice within the industry,where processors confined their inter-company competition to the marketing side and did not compete for supply. The early 1980's saw a fresh wave of milk wars between major processors.

Tony Curtin was just a matter of months in the job as chief executive of Golden Vale when the first major milk war broke out between his company and the neighbouring Kerry Cooperative. When Lenihan declined the oportunity to buy Limerick Dairies in the late 70's,Kerry had stepped in and bought up this liquid milk business and then promptly followed it up by purchasing Deal Dairies. This brought Kerry processing operations directly into Golden Vale's traditional catchment area and became "the launching pad for Kerry to start poaching some of (Golden Vale's) milk suppliers". Over the 1980-85 period Golden Vale came to lose an estimated net 13m gallons of milk in total in a series of milk wars with a number of competitors but mainly with Kerry. The drain on annual profits from this heavy marginal milk loss was estimated by one senior executive at around £1.3m per annum or 30% of the 1980 trading profit level. It was this prolonged loss of milk supply over the 1980-85 period that finally undermined Tony Curtin's position as chief executive of Golden Vale and led him to resign in 1985.

Curtin lost an oportunity to end the milk war in early 1981,before it had really begun in earnest. The boards and senior management of both Golden Vale and Kerry met in Limerick and thrashed out a deal whereby Golden Vale would purchase Limerick Dairies from Kerry for just under £1m. This would have removed the Kerry operation from Golden Vale's hinterland. Denis Brosnan was reported in the Irish Press of 22-2-81 to have described the deal as "the final permanent solution" to the milk war between the two processors. However the deal subsequently fell through because of mutual distrust and lack of personal rapport between the two chief executives,the entrepreneurial Brosnan and the cautious, analytical,Curtin. Relationships between the two chief executives deteriorated steadily after this time,and the milk hostilities gathered momentum.

Tony Curtin's capacity to fight a milk war was seriously weakened by other difficulties that had beset the company in the early 80's and put an increasing strain on its financial reserves and performance. The company's engineering business,which was once the company's star business,had been performing erratically since the mid-70's. This business suffered severely from the cut back in capital investment in the dairy industry that marked the post-1979 period. Over the 1981-82 period the company suffered a cumulative trading loss of £1.55m on the engineering activity,and in 1982 the company finally took the difficult step of of winding up the activity at a net cost of £2.6m. In fairness to Tony Curtin,he had inherited the engineering problem from his predecessor. Engineering had reached its zenith in the mid-70's,and it declined rapidly after 1975. The company,in the Lenihan era,had taken a very tolerant view of the activity's erractic performance in the late 70's due to its once prestigious position in Golden Vale's history and because the company overall was doing well. It was Curtin's misfortune that the company didn't liquidate this activity in the late 70's when its problems were first recognised and the financial costs could have be more easily borne. In the year following the engineering wind-up Curtin and his company had another difficult and expensive decision to make. When it appeared,in the early 80's,that the major growth phase in national milk production was over,many processors looked to diversification to try to maintain their own rate of development. Golden Vale,for its part,made what turned out to be a disastrous diversification attempt when it invested £1m in a rescue package for the troubled Castlemahon Poultry Products Ltd in late 1980. In 1983 Golden Vale had to write off its total financial investment in Castlemahon,which by that time had amounted to almost £1.3m.

By 1983 Golden Vale was firmly in the grip of a vicious downward spiral which threatened the future of the company. The loss of milk supply in the milk wars of the early 80's had generated severe financial pressure. This pressure became more acute through the costly engineering and Castlemahon difficulties. The operating losses,and the drain on reserves experienced as a result of these problems,only served to further erode supplier confidence. This made it easier for rival processors to attract even more milk away from the company,which added still further to the financial pressure,which then led to further erosion of supplier confidence,and so the spiral continued. Then in 1983,with Golden Vale's position weakening,Kerry's Denis Brosnan made a take-over approach to the company. Curtin and his chairman reacted angrily to the bid as they came to see the milk war as having been a softening up process for the take-over move. Relationships between the two chief executives and their respective societies plummeted to new depths and the milk war continued.

The introduction of EEC measures to curb milk production in 1985 led to a new level of intensification in the milk war. With each producer limited to a production quota the only way for a processor to increase its milk supply under the new EEC super levy scheme was to increase its number of suppliers. This added further encouragement to aggressive processors to poach suppliers from competitors. By mid 1985 the milk war with Kerry had reached new and alarming proportions for Golden Vale. The rate of milk loss by Golden Vale in 1985 had become a "haemorrhage". By the end of 1985 the company had lost close to 6m gallons,mostly to Kerry,and with an estimated impact on trading profits of £0.6m.

Tony Curtin led his company through a tough modernisation and rationalisation programme designed to strengthen the Golden Vale's cost competitiveness. It was aimed at bolstering the company's ability to preserve its milk supply from further erosion by enabling it to improve its operating margins in order to be competitive on milk price. This modernisation and rationalisation programme included the automation of the milk powder and the butter operations and a major modernisation of the milk intake process.It involved 232 redundancies and cost £1.35m in rationalisation expenditure. However,this effort came too late to save Curtin's leadership. The effects of the rationalisation were not going to make any real impact on the bottom line until the following year,1986. In late 1985 the Society was heading for a trading loss of £0.5m. This was the third trading loss over the 1982-85 period and the second trading loss in successive years. The cumulative drain on reserves from these trading losses and the extraordinary expenses associated with rationalisation,the engineering liquidation and the Castlemahon write-off had driven the shareholders funds to borrowings ratio down to 0.67. This caused the banks to be once more visibly concerned about the future viability of the company. Worst of all,the company was still haemorrhaging in milk supply loss so that the downward spiral had still not been arrested and reversed. In spite of the tough measures that he had taken to improve the group's performance Tony Curtin had run out of time. Finding that he no longer enjoyed the full confidence of his board and chairman, Curtin resigned in December 1985.

Tony Curtin's experience at Golden Vale illustrates the vicissitudes of the leadership position. He was the first chief executive of Golden Vale,and one of the first in the industry,to have reached the top position without a background in dairy science. He was an accountant and was perceived as "analytical" rather than "intuitive". He was publicly acknowledged to have played a major role in Golden Vale's rapid recovery in the mid-70's,when the critical problems were cost and capital structure,and financial control. He was an energetic and able leader who was prepared to implement the tough rationalisation decisions necessary to realise the full economic benefits of the merger,decisions that were largely avoided during the Lenihan era when the environmental pressures on the dairy processors were relatively benign. He left the company in a more healthy operational state than he had inherited,and his successor became the main beneficiary of his efforts in this respect.

However,the dramatic change in the situation that Golden Vale faced in the in the 1980-85 period demanded strength in areas where Curtin's own abilities were more limited. Though his problems were compounded by difficulties inherited from his predecessor,it was his own inability to deal with the politics of farming and to maintain supplier confidence, and his inability to deal with the related politics of competition for milk supply with the aggressive neighbouring Kerry Cooperative that ultimately undermined the company's performance and cost him his position. The was because,more than at any time since the amalgamation effort,the ability of the leader to establish and maintain a personal rapport and credibility with the suppliers and their representatives and to show personal political strength with them and with rival chief executives and their societies had become strategically critical. This personal-political style of operating seems to have been totally foreign to the nature of the rational-analytical Curtin. As one executive explained:

> "Tony Curtin was a very capable man,very hard working,but he did not understand the politics of farming. He was politically too straight,if anything. Tony was faced with most of the internal rationalisation problems. His biggest weakness was that he was not able to convince farmers that we were paying a good price for milk..The politics of farming - you are as good a manager as your last month's price for a gallon of milk. This is a very basic thing. This puts you under a lot of pressure. You must appear to be paying a good price..."

The personal strengths that had served him well,and had led to his rapid rise in Golden Vale in the seventies,were no longer the key strategic leadership abilities that were demended in the dramatically new situation of the 1980-85 period. The manner of his succession,and the subsequent difficulty in mending the fences with key subordinates in his small senior management team,deprived him of the oportunity to more fully,and more effectively,complement his own limitations with the variety of personal strengths in his management team.

The 1980-85 period was a significant one for the whole industry and its structural evolution. The new challenges of the 80's had the effect of 'sorting out' the industry as the different processors sought to cope with these challenges,each in its own way. All of the big six cut back on capital expenditure in the early 80's. All of them felt the intensifying pressure on margins from the combination of static growth in national milk supply,rampant cost inflation and lagging price increases. Under these pressures most of the processors implemented rationalisation programmes to improve their cash flow and strengthen their balance sheets. While there were similarities in response,there were also important differences. This 'prism effect' of the difficult 80's led to significant changes in the relative fortunes and positions of the big six. Some met the oportunities and challenges better than others as the table below illustrates:

	1987			1977		Capital Expenditure
	Turnover £	Rank	% (Growth)	Turnover £	Rank	(1977-84) £
Kerry	291M	1	(494)	49M	6	51M
Avonmore	257M	2	(278)	68M	4	51M
Waterford	228M	3	(240)	67M	5	49M
Mitchelstown	213M	4	(120)	97M	1	36M
Ballyclough	163M	5	(140)	68M	3	36M
Golden Vale	135M	6	(88)	72M	2	23M

Table 10.1 - The six biggest dairy processors in 1977 and 1987.

The missed oportunities of the latter end of the Lenihan era and the persistent difficulties which dogged the Curtin era seriously undermined Golden Vale's position in the industry. It seems unlikely now,in the late 80's,that Golden Vale will ever recover it former pre-eminence in this industry,and certainly not for the foreseeable future.

PART FOUR

THE SYNTHESIS AND CONCLUSIONS

CHAPTER ELEVEN

STRATEGY FORMATION PROCESSES IN COMPLEX ORGANISATIONS

In this,the final,part of the dissertation the categories and relationships that have emerged in the study are synthesised and the conclusions and implications of this work for further research and practice are discussed. In this chapter the findings emerging from the empirical analysis are related to two central themes which formed the basis for the conceptual framework that was developed in chapter two. These central themes allow the basic character of the strategy formation process to be further explored and the study's contribution to the further understanding of strategy formation to be highlighted and examined. In chapter twelve the empirical and theoretical inquiry is extended to the broader question of the whole life histories of organisations. From this analysis an existential model of organisational development is then developed which is based on the concept of ORGANISATIONAL CAREER. The career analogy is advanced here as being both empirically valid and theoretically consistent with the overall conceptual framework for strategy formation and organisational development that was developed in this study. The last chapter,chapter thirteen,is a final synthesis and summary of the research. In this final chapter the main concepts and insights that have emerged in parts three and four are synthesised into a RELATIONAL MODEL OF STRATEGY FORMATION which incorporates the concept of organisational career. The main contributions of the research are then briefly summarised and their utility evaluated. Chapter thirteen then ends with an assessment of the more important implications arising out of the findings of the study for future research and practice,which brings the dissertation to a close.

In part three of this study the effects of situational context and autonomous organisational action were examined separately. This approach to the search for analytical insight deliberately avoided for the time being the determinist-voluntarist debate,that as we saw in chapter two,tended to polarised much of the research in organisational analysis into two perspectives that are largely considered to be mutually exclusive. This research strategy of searching for insight through the serial application of different perspectives to the same data base owed its inspiration,as we saw earlier in the study,to Allison's(1971) classic study of the process of decision during the Cuban Missile Crisis. Having identified and examined the effects of the major elements in the process of strategy formation individually in the last two chapters we turn,in this chapter,to the two central themes that formed the basis of the conceptual framework for this study in order to further explore the character of the strategy formation process and to highlight the study's contribution. The first theme is the locus of influence over strategy formation. This theme brings the determinist-voluntarist debate,and with it the interaction of situational context and autonomous organisational action,back to centre stage. The second theme extends the search for insight into this interaction through the examination of change and continuity in organisational strategy over time.

THEME 1. The Locus of Influence over Strategy Formation

An examination of the locus of influence over strategy formation involves an understanding of how organisational strategy is shaped by situational context and autonomous organisational action,and by the interaction of these two major elements over time. The data in this study contribute to a better understanding of this issue by providing a fuller elaboration of the important factors that comprise the situational context than heretofore,by allowing the locus of influence to be tracked longitudinally so that the predominance of any element or elements might be tracked, and by providing a fuller perspective on the role of key organisation actors than is generally to be found in the already extensive literature on leadership.

(i) Situational Context

The conceptual framework for this study,in its most basic form,can be summarised as shown in figure 11.1. Situational context and autonomous organisational action are seen to be the major determinants of strategy formation in this basic model.

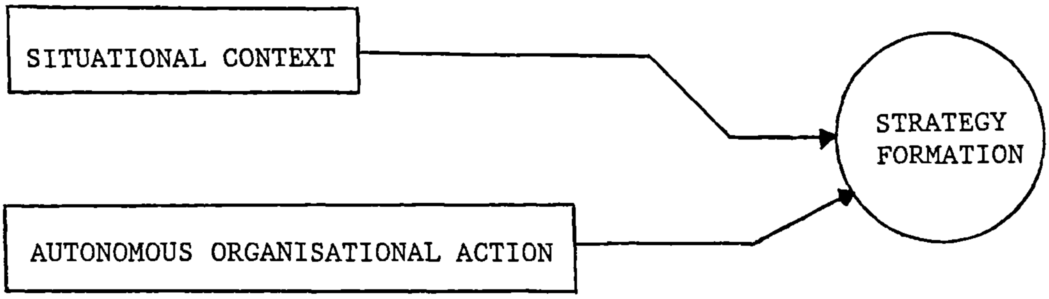

Figure 11.1 - The basic relational model.

The first major contribution of the present study is in its identification and empirical examination of the five factors in the situational contexts of Irish complex organisations that were found to to be the most salient for the organisations under study. These organisations were representative of the four major types in Ireland's small,open and mixed economy, a state agency,a state-owned entreprise,a producer cooperative and a public limited company. The five factors were TECHNOLOGY,INDUSTRY STRUCTURE,the INTERNATIONAL TRADING ENVIRONMENT,NATIONAL PUBLIC POLICY AND LEADERSHIP,and national SOCIAL AND CULTURAL TRANSFORMATION. These factors provide a first eleboration on the basic model as represented in figure 11.2. The effects of these factors on the formation of strategy in the organisations under study have already been extensively examined in an earlier chapter(chp 9).

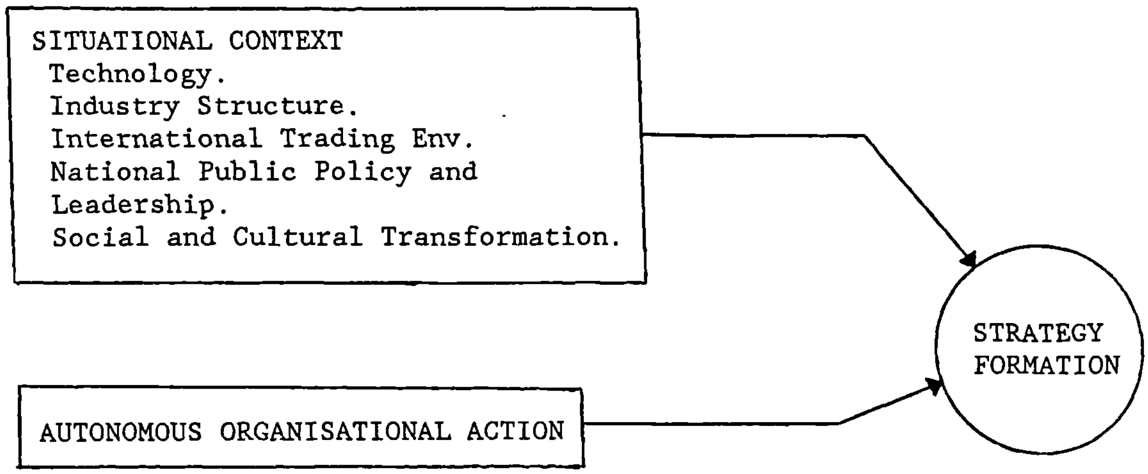

Figure 11.2 - The situational context element elaborated.

The first two of these factors,technology and industry structure,are the major elements of an organisation's task environment. The organisations in this study were deliberately chosen to provide variation across task environment. Technology and industry structure are well recognised in the literature to be important determinants of organisational action. Technology was one of the first major variables to interest researchers on organisational action. By the late 60's, when organisation theory was just beginning to "mature",Thompson(1967;15),in his landmark synthesis of the time,was already clear that "technology (was) an an important variable in understanding the actions of complex organisations". Thompson's position has long since been widely accepted. However,much of the early work on the relationship between technology and organisational action tended to treat technology as a constant within organisations,and it concentrated on examining how variations in technology across organisation types were related to variations in their organisational structure(Woodward,1965,1970: Pugh et al,1969: Perrow,1970). Longitudinal research that explores how technological change is linked to strategic change within organisations,and to the evolution of organisational environments,is still rare(Tushman & Anderson,1987;90). This present study has presented strong support for the view that technology is an important contextual factor in the shaping of strategy within organisations. The role of technological development as a motor for strategic change will be examined later in this chapter.

Industry structure,as a key variable in the formation of strategy,has only come to the fore in the strategy literature since the late 70's. The contribution of Michael Porter has been largely influential in securing the now wide recognition of the importance of this variable. For Porter(1980;3),industry structure is "the key aspect of the firm's environment" in the shaping of strategy because it "has a strong influence in determining the competitive rules of the game as well as the strategies potentially available to the firm". Porter's approach was primarily voluntarist. He was more interested in the controllable,than in the non-controllable,contextual forces that shape strategy. He recognised that there were contextual forces outside of the industry that influenced the formation of strategy but he saw them as "significant primarily in a relative sense; since outside forces usually affect all firms in the industry",and as such they were not a central concern in his framework.

This present study did affirm empirically the importance of industry structure as a major contextual force in the formation of strategy, though it also assigned importance in its own right to technolgy,a factor which is subsumed into Porter's concept of industry structure. Moreover,it found that there were three further important contextual factors involved in the formation of strategy. These factors were the structural evolution of the international trading environment, public policy and leadership, and social and cultural transformation. As such it provides some extension to Porter's work by suggesting that there are,in all,at least five major contextual influences that shape strategy formation in organisations.

It is interesting to speculate on why the results of this research have revealed the importance,not only of technology and industry structure, but also of three additional influences on strategy formation that were given little or no weight,in their own right,in Porter's work.
It may be that such factors are more important influences on strategy formation in the case of organisations located in a small open economy like Ireland than might be the case for organisations located in the large domestic economy of an international trading power like the United States. In the US context an organisation might typically be a large player in its global industry while being a comparatively small element in US industry overall. Furthermore,a large proportion of the aggregate demand and the aggregate capacity of its global industry may be located in the domestic economy. In this type of situational context Porter's assertion of the primacy of industry structure over all other factors in the formation of strategy may hold up quite well. In contrast, in a situational context where the domestic organisations are large elements of the national economy yet small players in their global industries it seems plausible that the national context would have a comparatively high degree of immediacy for these organisations and that the small open nature of the national economy would expose the whole economy,and all of the organisations within it,comparatively more

to developments in the international trading environment. Are there perhaps more than five factors and does the relative influence of the factors, however many there might be,vary systematically across national contexts. Further research using a comparative cross national approach would be needed to provide a fuller examination of these interesting possibilities,which appear to be strongly indicated in this current study.

The data on the relationship between situational context and strategy formation have then,in the first instance,allowed for the identification of the five contextual factors which have shaped strategy in Irish organisations and for the empirical examination of the effects of each of these factors individually in the cases of four organisations that represent the main organisational types in the Irish national context. It is possible from the data to go beyond this to develop,at least,a partial set of directional relationships that relate three of these influences,the structural evolution of the interanational trading environment,national public policy and leadership and the structural evolution of the industry nationally. The directional relationship between these factors and strategy formation in the firm are illustrated in Figure 11.3 below.

The main features of the model illustrated in the figure are that national public policy and leadership in a small open economy like Ireland's must largely take the international trading environment as a given; though membership of the EEC has given Irish policy makers somewhat more influence at this level at the expense of substantially less influence at national level. The structural evolution of an industry internationally also influences both national public policy and the the structural evolution of the industry nationally in a mainly unidirectional sense. The influence of national public policy on the evolution of industries nationally is influenced by developments in the international trading arena and by developments in the industry internationally. The structural evolution of the industry nationally both influences and is influenced by national public policy and leadership.

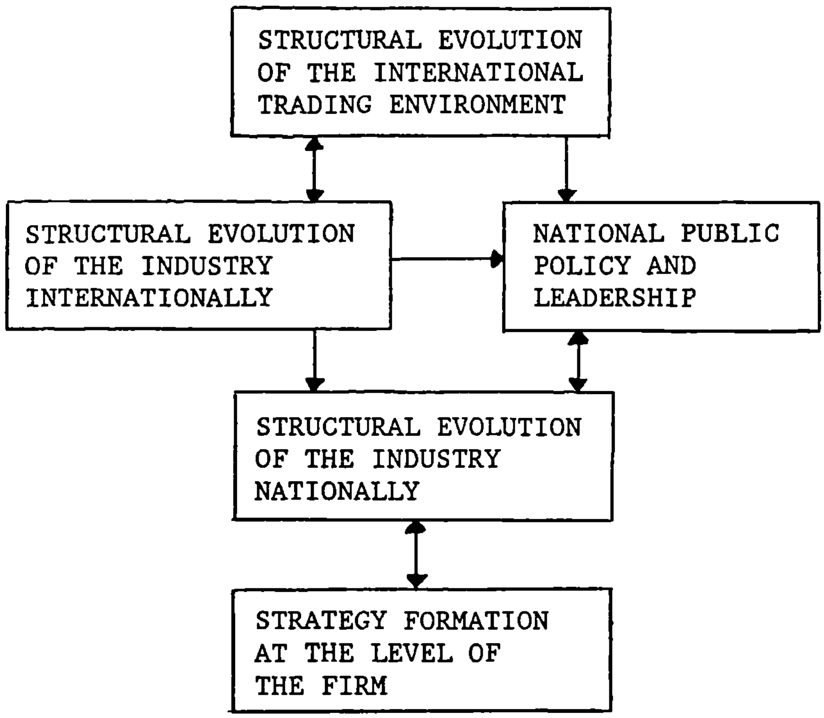

Figure 11.3 - Directional relationships in the situational context (unidirectional arrows are used one direction in the interrelationship clearly predominates)

The Irish dairy industry in the early 60's will serve to briefly illustrate the empirical evidence for the directional relationships in this partial model of the influence of situational context on strategy formation in the firm.

In the aftermath of the 1939-45 war the international trading environment became characterised by the abandonment of the isolationism which had stifled and fragmented world trade in the 1930's. Two developments in particular had major significance for the Irish context. The first was the development of the European Economic Community and the general liberalising effect that Eurpean recovery and cooperation had on the expansion of international trade. The second was the widespread acceptance of Keynesianism in the international trading arena and in particular the French success with indicative planning in public policy. The general liberalisation and expansion in international trade gave impetus to major structural evolution in the dairy industry internationally as the national industries of the major dairy blocks looked to export-led growth and to their structural competitiveness in international terms. Substantial movement towards consolidation and concentration of capital characterised the development of the dairy industry internationally at this time.

National public policy in Ireland in the late 50's was clearly influenced by developments on the broader canvass of the international trading environment.In 1958 the protectionist public policy of economic self-sufficiency,which had been in operation since 1932,was officially abandoned. In its place Lemass and Whitaker turned to a more liberal and open economic policy focused on export-led economic expansion. This was to be managed through an approach to public economic planning that was firmly rooted in Keynesianism and modelled on the French approach to economic management. Lemass and his Government were clearly heavily influenced by the pace of European recovery and they committed themselves to seeking early membership of the European Economic Community. With this in mind they commissioned a major review of the Irish dairy industry to examine its state of readiness for EEC membership. The primary thrust in the analysis of the Survey Team, appointed by the Government to carry out this review,was the comparison of the Irish dairy industry with those of its major international competitors. The Survey Team identified the need for greater consolidation and concentration of capital in the Irish dairy industry to bring it into line with developments in the industry internationally and to secure its international competitiveness. The Lemass Government,backed up by the Survey Team's detailed analysis of developments in the dairy industry internationally,which had confirmed the Government's own broad perceptions when it commissioned the report,brought enormous pressure to bear on the Irish dairy industry to restructure itself from within.

Within the industry itself there were many,particularly in the corporate body of the cooperative movement,who had arrived at the same position as the public policy makers from their direct contact with developments in their industry internationally. The combined influences of the public policy makers,the leadership of the cooperative movement and other opinion leaders within the industry,together with the commissioned reports of various experts all contributed significantly to the impetus for structural rationalisation. The rationalisation debate which gathered force within the industry in the late 60's eventually influenced certain of the more far-sighted leaders at the level of the firm to begin the difficult process of operationally bringing about a new level of concentration and consolidation in the industry through the process of amalgamation.

The identification of the five contextual factors that were found to shape strategy formation and the detailed empirical examination of the effects of these factors on organisational action,in the four cases under study,takes the analysis of the organisation-environment relationship beyond the largely acontextual approach which has traditionally dominated much of the literature in the field of organisational analysis.It also takes it beyond the residual approach which,prior to Porter(1979,1980),tended to characterise a lot of the literature on strategy.

The dominant conceptual framework within which most of the empirical research into organisation-environment interaction has taken place in organisational analysis is the situational-contingency paradigm. This paradigm has enjoyed prominence because it is conceptually located within the functional-positivist tradition which,in turn,has dominated empirical inquiry in the social sciences since the early 60's(Burell &Morgan,1979:164). Empirical studies within this tradition have been mainly cross-sectional,single point in time,studies. Such research has typically sought to establish a series of linear relationships between variables characterising aspects of organisational action,typically structural aspects,and variables characterising aspects of the organisation's environment. The independent variable characterising aspects of the environment typically eschewed specific detail on the situational context. In such studies "the environmental dimension most often considered is uncertainty,sometimes measured merely as change, sometimes including a component of complexity"(Pfeffer,1982:155). Environment is defined,and operationalised,along these dimensions in a way that is designed to emphasise the ways in which environment varies across different organisation types,rather than to explore the dynamics of environment-organisation interaction within organisations over time. Only the relatively enduring organisation-specific characteristics of the environment are of interest,and causality in the relationship between environment and organisational action is assumed to be unidirectional. While fully acknowledging the major contribution of contingency research,Crozier and Friedberg(1980:77) in their recent review of the field of organisational analysis have underlined the limitations of this homogeneous and unified conceptualisation of environment along the acontextual dimensions of uncertainty and complexity. In particular,it offers little or no insight into which specific segments of the environment influence organisation action and how the influence of these segments ebbs and flows over time. Nor does it reveal much about the actual processes by which such influence occurs. This present research has attempted to go some way towards addressing these issues.

If the dominant paradigm in organisational analysis has traditionally been over reductionist and acontextual in its treatment of the environment,the opposite is true of much of the strategy literature. In the classical conceptualisation developed by Andrews(1971),on which much of the strategy literature is based,the environment is treated as residual to the organisation. In this paradigm the environment is seen as a complex web of multitudinous factors that might be relevant to the formation of strategy in any given situation and at any given time. As such the environment basically defies attempts at systematisation. Strategy is the mediating process which involves the idiosyncratic matching of organisation with environment by organisational decision-makers and this matching is constantly under review. One of Porter's major contributions to the strategy field was to move it away from this residual conceptualisation of environment. For Porter(1980;3) the "essence" of the strategy formation process is still to be found in "relating a company to its environment" but he attempted to define the elements of the environment that had the most immediate relevance to the formation of strategy. He assigned primacy of influence to industry structure,a theoretically and practically more useful concept than the more amorphous and residual conceptualisation of environment that has traditionally dominated. This research has come to question,in its findings,the universality of Porter's assignation of primacy to industry structure and has identified five contextual factors that were found to shape strategy in the context of a small open economy. It has done so,however,in the same spirit,and with the same goal,that led Porter away from the conceptualisation of environment as residual. Like Porter,it has sought to assign primacy to specific factors and to focus on immediacy in its attempt to elaborate on situational context and its relationship with strategy formation in organisations.

(ii) Locus of Influence - Organisation or Environment

As noted in chapter two of this dissertation,any study of a process such as strategy formation comes up against two fundamental and competing perspectives on organisation-environment interaction. At one extreme organisational action is seen as rational,purposive and goal-directed. At the other,organisational action is conceived to be externally constrained and essentially environmentally determined. This voluntarism -v- determinism debate still remains a central debate across,and within, the major fields of study that take the organisation as a whole as the unit of analysis(Burell&Morgan,1979; Pfeffer,1982; Astley&Van De Ven,1983). At the heart of this debate,which was fully reviewed in the earlier chapter,is the the question of where the primary locus of influence over organisational action is to be found; is it within the organisation or is it in the environment?

The empirical evidence from this research provides some insight into this question of where is the primary locus of organisational action. The data in the four cases strongly suggest that the locus of influence over organisational action varies across different organisations at any point in time and that it also varies within the same organisation over time.

In order to help support these assertions empirically the case evidence has been summarised in tableau form in tables 11.1-4 (pp511-514). The summaries in these tableaux are presented to the reader for illustration only. They provide very useful and convenient summaries of the case data which will facilitate discussion and conceptual argument but are not in any way meant to be taken as totally comprehensive and complete attempts to classify and summarise the entire case data. Each tableau presents a sequence of major episodes in the life of the organisation. For each episode the major elements in the situational context with most influence on organisational action are identified. For each episode also,the key organisational actors are identified together with the major developments that were then current in their organisational contexts. In the case of each episode the researcher has identified the primary locus of influence. In some episodes the locus was primarily external to the organisation(EXT); in other episodes it was primarily internal(INT). There are also,however,episodes where it was more difficult to assign primacy but where the balance of influence can be seen as either external(EXT/INT) or internal(INT/EXT).

In all four cases the locus of influence varied over the history of the organisation. Taking the case of CSET as an example,the locus of influence at formation itself in 1934 was external to the organisation. Then from 1934 to 1939 the locus of influence was primarily internal as the company went through its initial development phase.During the period of the Second World War the primary locus of influence shifted to the situational context as the organisation struggled to adapt and cope with wartime conditions. During the 1945-60 period the locus of influence was clearly in the hands of the General as he set about the task of revitalising and securing the industry after its post-war state of exhaustion and disarray. In the 1960-72 period the locus of influence balanced between the organisation and its situational context with the balance of influence still internal to the organisation. In this period CSET had responded to external economic expansion drive by deciding to diversify into food processing. The food project brought CSET into a new and more competitive industry environment,and the importance of the food project to the country's overall export drive brought increasing pressure onto the company from the external environment. The balance of influence was still somewhat internal to the organisation but the situational context was imposing more specific pressures and demands on organisational action than had been the case over the 1945-60 period. From 1972 until 1987 the balance of influence tilted towards the external factors. The CSET grand strategy,over this period,of rationalisation and modernisation was heavily influenced by the new competitive pressures that came with EEC entry, by the rampant cost inflation that was fuelled by the two oil crises, and by the crisis which developed in the public finances. It was also an outcome of the organisation's deliberate policy of starving the sugar business of re-investment during the 60's,when all the sugar-generated profits were used to fund the food project. Since the end of 1987 the balance of influence has tilted once more back to the company strategists as the company is,for the second time in its history,actively searching for a major oportunity to grow through diversification.

Similar movement of the locus of influence over organisational action is evident in the other three cases. Moreover,a comparative inspection of the tableaux clearly supports the assertion that the locus of influence can also vary across different organisations at any given point in time.

As pointed out above the empirical data show that the locus of influence over organisational action varies over time and across organisations between the situational context and the organisation. The data also show that this variation in locus of influence is associated with both the evolution of the situational context and with the biographies of particular organisational actors.

To begin with it seems clear from the data that some situational contexts are more bounding and more structuring in relation to organisational action than others. The most dramatic illustration of this was the change in context that was associated with the post-1979 period for all of the organisations in this study. The expansionary 60's and 70's provided a situational context for all the organisations that, in general,provided a lot of scope for discretionary action on the part of the organisational strategists. The post-1979 environment,in contrast,was generally more constraining,providing less scope for development and more imperatives for survival. This was very evident in the contrast,highlighted in chapter 10,between the situational contexts that faced Ryan,Burrows and Çurtin,who all succeeded to the leadership of their organisations in the late 70's,and those of their predecessors; Walsh,McCourt and Lenihan. There was a noted tendency in this more constraining and challenging context for organisational action to be more reactive and defensive than was the case prior to 1979,as the environment seemed to 'close in' more on the organisations under study.

However,the case of the dairy industry over the 1978-86 period also demonstrated that some organisational actors are more able to transcend the bounding and structuring influences of the situational context than others. All of the big six milk processors faced the same overall transition in environmental conditions in the post-1979 period. The industry had been enjoying a further wave of expansion since EEC entry in 1972. All six processors had embarked on major capital development programmes during the 1970's and all grew substantially with the industry. The challenging early 1980's,which brought a fall in national milk production,EEC production surpluses and controls,high cost inflation and a sharp fall in farm incomes and on-the-farm investment which threatened supplies,presented all the processors with their most challenging and threatening environment in over 20 years. As a result of this dramatic change in the environment of the industry all six cut back on capital expenditure in the early 80's. All of them felt the pressure on their operating margins from the static growth in milk processing coupled with rising costs. Most of them responded by implementing major rationalisation programmes to protect their profit margins and to strengthen their balance sheets. To this extent the more structuring and more imperative environment of the early 1980's elicited similar responses from all six,illustrating the power of a structuring environment to influence organisational action.

What is equally of interest,however,are the ways in which the processors also differed in their responses to the challenges of the 1980-86 period. As noted in the case narrative, the challenging 1980's had the 'prism effect' of sorting out the industry as the different processors also tried to cope with the environmental pressures in their different ways,each in accordance with its own leadership and circumstances. This 'prism effect' is illustrated in figure 11.4.

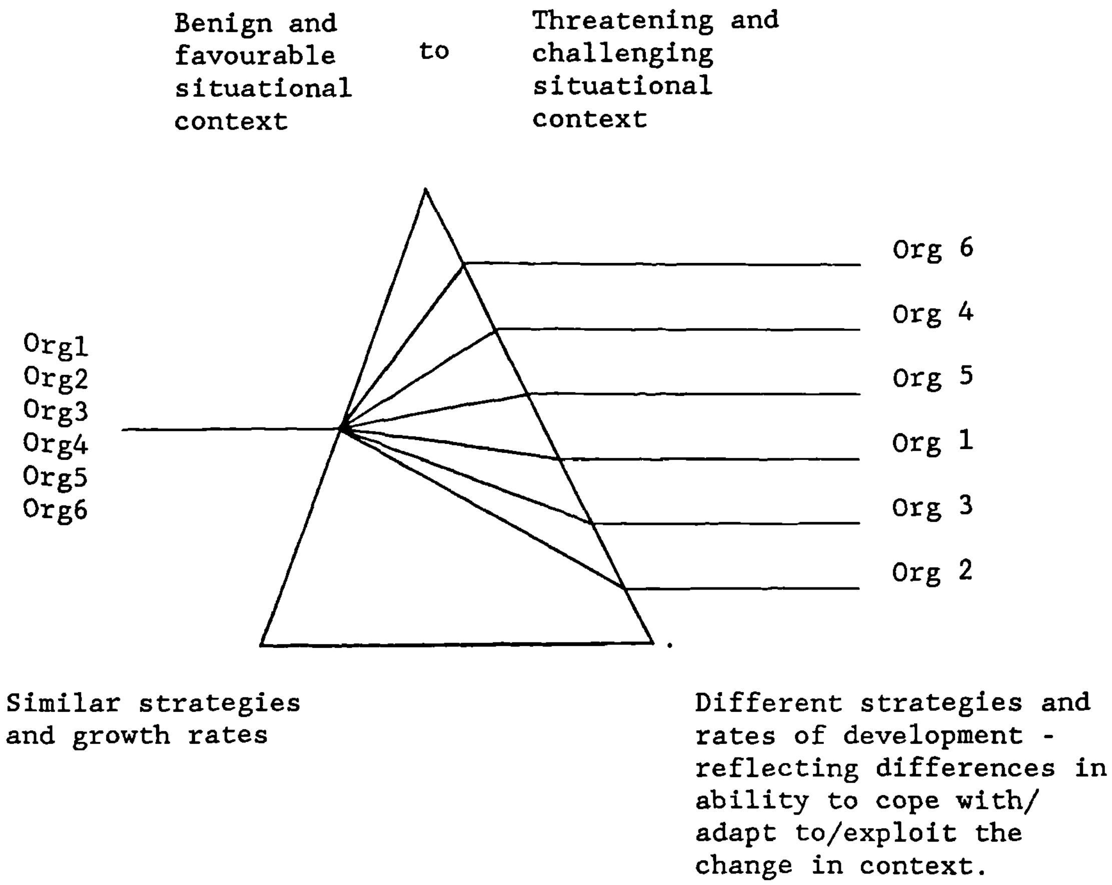

Figure 11.4 - The 'prism effect'

The most spectacular performer was the Kerry Cooperative. Under the entrepreneurial leadership of Denis Brosnan,Kerry increased its turnover over the 1979-86 period by 541%,from £49m in 1979 to £265m in 1986,a performance which took them from number 6 to number 1 in the industry,in terms of turnover,over the same period. Kerry approached the challenges of the 1980's by changing the competitive norms in the industry in relation to supply and by widening their business definition beyond the constraints presented by the dairy industry. It maintained an aggressive growth-oriented strategy in the face of the challenges facing the industry and even exploited the difficulties that some of its competitors had in meeting these challenges.

Kerry secured its cash flow in its dairy processing activity by canvassing milk supply away from other processors in order to maintain a high level of capacity utilisation. In an industry with a high level of fixed costs and limited supply Kerry recognised the strategic importance of milk supply gains and losses at the margin. In canvassing the supply of other processors Kerry departed from the long standing norm in the industry of confining competition to products and of not competing for supply. In making this break,Kerry recognised that the sharp fall in farm incomes had weakened the traditional supplier-processor loyalties and that the suppliers would be more amenable than ever to incentives to transfer. Kerry also embarked on a major diversification programme in 1981 which took them mainly into liquid milk and meat processing activities. Kerry broke further new ground by seeking and securing a stock exchange quotation and by direct investment in casein processing in Wisconsin.In 1985 the Kerry board approved a strategic plan for the 1986-90 period which "set new goals and ambitious targets..(to) turn Kerry into an international food organisation researching and processing Ireland's natural resources at home and exporting and marketing them to the centres of population throughout the world"(Annual Report,1985).

In contrast to Kerry,Golden Vale lost its preeminence in the dairy industry over this same 1979-86 period,when it fell from number 2 to number 6 in the industry in terms of turnover. The Kerry strategy only added to the problems that the new environment of the early 1980's presented to Golden Vale. The failure of the Golden Vale executive to maintain the confidence of its suppliers and to hold on to its milk supply,coupled with a disastrous attempt at diversification,meant that the company was on the defensive throughout most of the period. The company entered a vicious downward spiral that reached crisis point in late 1985,and led to the resignation of its chief executive. The strategy of Golden Vale throughout the 1979-85 period was largely one of forced rationalisation and retrenchment. In between the Kerry and Golden Vale extremes was the case of Mitchelstown. Mitchelstown met the challenge of the early 80's by pursuing a strategy of rationalisation and conservation of resources,strengthening its balance sheet in readiness to expand when the environment became more favourable.It slipped from number 1 to number 4 in the industry in terms of turnover but emerged from the 1979-86 period well poised for future development. Their chief executive had preferred a slower,more careful and controlled path to future growth and he publicly acknowledged that his organisation's ambitions were "modest compared with Kerry"(quoted in Business and Finance,7-May-87;17).

The history of the Irish dairy industry over the 1979-86 period,in fact, provides strong empirical support for the position taken by Crozier and Friedberg(1980;76),in their conceptual treatise,that the environment is not homogeneous and unilaterally deterministic in its influence on organisational action but "that the organisation can 'play' with the 'requirements' and constraints imposed by the environment,and even manipulate them in its turn". The data show that the degree of imperative imposed by such requirements and constraints varies over time and that organisations differ in their abilities to play with these requirements and constraints and in their abilities to exploit their situational contexts.

(iii) Organisational Leadership

As well as offering insight into the contextual influences that shape strategy and into the nature and variability of the locus of influence over strategy formation,the empirical data in this study also provide the oportunity to extend our understanding of the phenomenon of leadership in organisations. In particular,it provides further insight into leadership as a factor in strategy formation and is specifically concerned with this phenomenon at the strategic level of the leadership of the total organisation.

There are few areas in organisational analysis that have received more research attention than the area of leadership studies. In preparing for his revision and extension of Stogdill's Handbook of Leadership,in which the whole field of leadership studies is bravely surveyed and systematically thematised,Bass(1981;xiv) reviewed over 5000 references on leadership. Much of this material was uncovered from a comprehensive search for leadership studies in the following journals over the 1960-79 period; the Journal of Applied Psychology,the Administrative Science Quarterly, the Academy of Management Journal, Personal Psychology,and Organisational Behaviour and Human Performance. Considering the enormous volume of research that has been carried out on the subject of leadership it is surprising how little empirical and theoretical attention has been given to the phenomenon of leadership and its role in strategy formation. In this 551 page comprehensive review of the leadership literature,only 15% of book is devoted to the situational aspects of leadership and less than 3% to the specific relationship between leadership,organisation and environment. Even within this paltry 3% there has been an almost total predominance of research conducted within the structural-contingency paradigm. This research has typically tended to reduce the description of the environments of organisations to such single,homogeneous,acontextual descriptors as stable or turbulent,simple or complex and,through cross-sectional studies,has tried to relate these variables to single,homogeneous and acontextual descriptors of leadership behaviour. Studies on role of leadership as a major factor in determining *the nature of the relationship between* situational context and organisational action are still extremely rare.

The empirical evidence from this present study helps further our understanding of leadership in at least two ways. Firstly,it highlights the importance of studying leadership in its situational and organisational context if the way in which leadership influences the formation of strategy is to be fully understood. And secondly,it strongly suggests that the role of leadership in organisational action is both symbolic and substantive.

The evidence from the case data strongly indicate a bidirectional relationship between leadership and context. Leadership shapes context but *context also shapes leadership*. In this longitudinal study of four organisational life histories it was evident,time and again,that different situations presented different challenges and offered different oportunities to different leaders. The classification of the leaders studied in this research as BUILDERS,REVITALISERS,TURNAROUNDERS and INHERITORS was a reflection not only of individual attributes,but also of organisational history and situational context. For example,Tom Walsh of AFT was the builder of that organisation. When he was appointed as the new institute's first director there was clearly a building task to be accomplished. Furthermore,there was a supportive situational context at the time for the initial expansion and growth of this agricultural research institute,because investment in agricultural research was seen as productive investment of the type that was encouraged in the programmes for economic expansion. However,it was clear to long serving executives of AFT,interviewed in this study,that the pace and extent of the growth and development of AFT was strongly influenced by Walsh's personal attributes. Tom Walsh was a builder,not just by dint of the historical task that he was chosen to perform for AFT but also by personal disposition,ability and performance. In contrast,the historical task that his successor,Pierce Ryan,was challenged with was the transformation of the organisation within a threatening situational context of increasing public scrutiny, critical cost/benefit evaluation and contracting resources. Ryan will not be remembered as a builder. This will not be because he was found to lack some essential personal attributes for such a role,if such attributes could indeed be identified. Rather it will largely be because the historical task which was presented to him on his inheritance of the AFT leadership offered him little oportunity to build. In fact,the IDG case provided an example of the same leader playing two different roles in the distilling industry over his career to date. Richard Burrows played a revitalising role in Old Bushmills before taking on the role of inheritor of the O'Reilly/Mc Court strategic legacy in IDG.

Yet,this is not to say that leadership is totally determined by historical task,for the data show that this is clearly not so. For example,two chief executives had the oportunity to build Golden Vale and had very modest success before Dave O'Loughlin took over the leadership.O'Loughlin matched his personal motivation and talents with the oportunity presented to him at a formative point in Golden Vale's history when the whole dairy industry was on prolonged phase of expansion. With a person of lesser talent at the helm Golden Vale would never have become one of the six major growth centres around which the industry consolidated in the early 70's. The point is that leadership behaviour,and its influence on organisational action,can only be truly understood when studied in interaction with its context.

Most of the research on leadership to date has tended to emphasise two aspects of leadership,personal attributes and leadership style(see Bass, 1980 for a comprehensive survey). Much effort went into the attempt to identify the distinguishing traits of the leader type personality. The types of traits that were thought to be of most interest and relevance to the task of isolating the leader type were characteristics like intelligence,ability,personality,task motivation and performance,and social competence. The results of this research indicated that the traits and abilities required of a leader tend to vary from one situation to another. This led to a second major stream of research,the situational-contingency stream,that sought to relate leadership style to situational variation. Leadership style was typically characterised along the dimensions of directive-authoritarian and participative-democratic,where a given leader's preferred style tended to be seen as a relatively enduring and inflexible aspect of his personality(Fiedler, 1976).

However,it seems clear from this present research that traits and styles measured along universalistic and acontextual dimensions can provide only very limited insight into the phenomenon of leadership and its role in strategy formation. How,for example,can the leadership of Tom Walsh be fully understood without a knowledge of the formative influences that contributed to his personality and personal values, his deep nationalism forged into his personality by family background and by the great historical events that surrounded his early upbringing; his passionate belief in the power of science to unleash Irish agriculture from the bounds of tradition so that the natural wealth of Ireland, the "mine at the top of the land",might be fully harnessed for the benefit of the Irish people; and his sense of personal and organisational calling to give a national lead in this endeavour at a time when Sean Lemass challenged the entire nation with the historic task of securing the economic independence of the country. How can the contrasting leadership of General Costello and Tony O'Reilly of CSET be fully understood without reference to the wider transition in the leadership of Irish political,social and economic affairs from the revolutionary generation of nation builders,with their primary emphasis on economic patriotism, to the post-revolutionary generation of career professionals with their emphasis on personal professional growth and material welfare, in addition to the individual differences in personal attributes,skills,professional experience and competences that characterised the two men. Their contrasting concepts of CSET's major diversification into the food business reflected major differences in the formative influences and values that moved these two leaders and reflected also the transition in influences and values of the situational context in which they both operated.

It is clear from the data also that the same leader can have different levels of effectiveness in different situational contexts and at different times,even within the same organisation. For example, General Costello revitalised CSET in the 1945-60 period and secured the future of the Irish sugar industry after its post-war exhaustion. He did this with remarkable conviction,skill,commitment and vision. He then led CSET into the food processing business in 1960 with great confidence and high aspirations. This was his organisation's bold response to the great national challenge of the time to generate economic growth through export-led development. He envisaged a national food industry on a scale that would be "larger than any industrial activity (then) carried on in Ireland". Whether this vision was essentially flawed or not is still a matter for debate. What is certain is that the General and his executive totally underestimated the level of marketing investment and effort that would have been needed to make this vision a reality and the level of the risk that was associated with a full direct marketing strategy for the targeted UK market. It was not just this underestimation of the marketing requirements of his strategy that ultimately led to the General's premature resignation from CSET. The situational context was changing fast and by the mid-60's was no longer supportive of General's developmental approach to the project,to the scale that he envisioned or to the timeframe that he needed in which to break-even.

The case of Tony Curtin and Golden Vale provides some further insight into the bidirectional relationship between context and leadership. Curtin's financial,analytical and management skills were widely recognised to have played a major part in leading the company so quickly out its financial crisis in the mid-70's. This important contribution was ultimately rewarded in 1980,when he was chosen to succeed Mick Lenihan as general manager. However,within months of his succession the situational context had changed dramatically and posed new,and more challenging,requirements for success and survival. Curtin's personal strengths were not well matched to these new requirements. His inability to retain the confidence of his suppliers and to protect his milk pool from the predatory attacks of the expansionist Kerry organisation set Golden Vale on vicious downward spiral which brought the company into serious financial difficulties and undermined Curtin's leadership.

Curtin's plight contrasts sharply with that of his predecessor. Lenihan's leadership survived the financial crisis of the mid-70's because the situational context allowed the company to 'grow out of its difficulties' once it strengthened its capital structure and tightened its financial procedures. The basic O'Loughlin expansionary strategy, which Lenihan had inherited,proved to be essentially right for Golden Vale through to the end of the decade. Though Mick Lenihan's best years in the dairy industry were already over by the time that he succeeded to the leadership Golden Vale,he managed to lead the company through a period of growth and profitability over the 1976-79 period. Tony Curtin was young,energetic and businesslike in his approach to the leadership. He drove through some tough rationalisation programmes that were the logical extension of the amalgamation and which Lenihan had avoided confronting in more munificient times. The challenges posed by the situational context for Lenihan and Curtin were very different.Lenihan succeeded in a context in which it was very difficult to fail; Curtin failed in a context in which it was very difficult to succeed.

The overall perspective on leadership that has emerged in this study is summarised in figure 11.5 below.

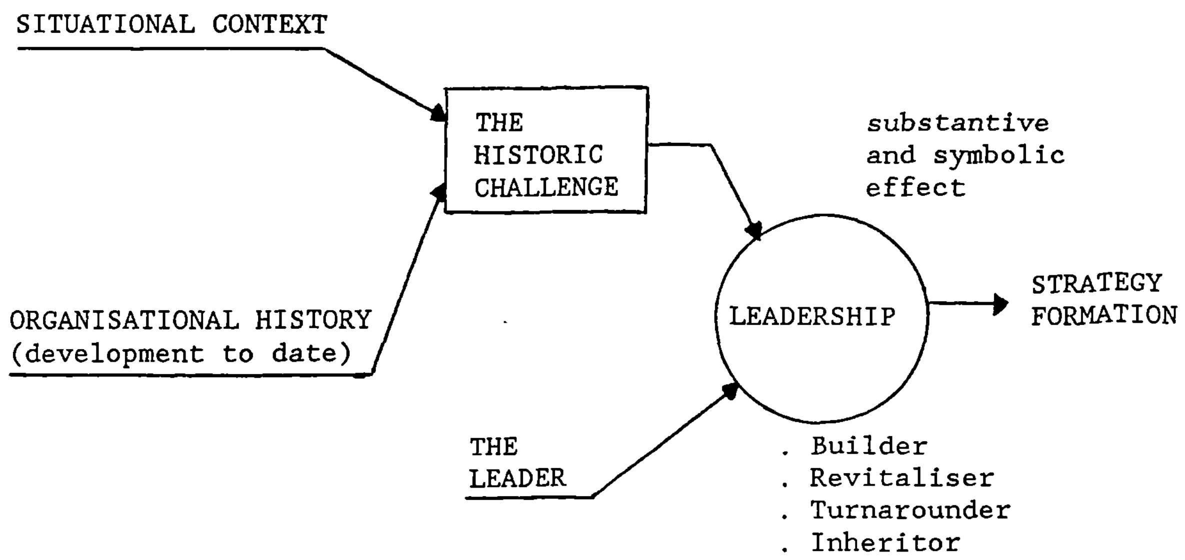

Figure 11.5 - Perspective on leadership.

In this perspective the phenomenon of leadership is located,not in the person of the leader,but in the INTERACTION between the ACTOR,his ORGANISATION'S HISTORY and its SITUATIONAL CONTEXT. This view of leadership recognises its position as a central focus for study in what Mills(1970;159) has called the classic tradition of Social Science,the tradition that sees Social Science as essentially concerned "with problems of biography,of history and of their intersections within social structures". Studying leadership in context is a tradition that is firmly established in the fields of politics and history. For example,Richard Nixon(1982;2),in his own personal reflections on the subject of leadership in the public arena,pointed out,at the outset,the futility of trying to compare leaders,or to examine leadership,out of context:

> "One of the questions I have most often been asked during my years in public life has been 'Who is the greatest leader you have known?'. There is no single answer. Each leader belongs to a particular combination of time,place and circumstances;leaders and countries are not interchangeable. Great as Winston Churchill was,it would be difficult to imagine him playing so successfully the role that Konrad Adenauer did in postwar Germany.But neither could Adenauer have rallied Britain in its hour of greatest peril as Churchill did".

Nixon went on to argue that the formula for "placing a leader among the greats has three elements: a great man, a great country, and a great issue" and quoted a remark of Churchill's that Lord Rosebury,a nineteenth century British Prime Minister,had the misfortune of living at a time of 'great men and small events'.

For leadership to be fully understood,then,it must be situated in the context of the time and events in which it is exercised. This is particularly true for the study of leadership as a key element in the process of strategy formation. Yet such an approach is still very rare in organisational studies. There are at least two reasons for this. Firstly,as noted earlier,the field of organisational studies emerged as in its own right at a time when functional positivism was dominant in social studies, deductive variance theory was the preferred route for theory building, and empirical work was concentrated on theory testing, with cross-sectional methodologies,using the techniques of statistical inference,the preferred methods for testing theory. Cross-sectional studies do not facilitate the contextual study of leadership in action. Secondly, it has traditionally been difficult to gain the type of access and information needed to conduct longitudinal studies of leadership in action,in context,in the case of organisational leaders,unlike their counterparts in the public arena. However,there are strong indications that organisational leaders themselves believe that leadership can only be fully appreciated in context. This is very evident in the recent tendency for recognised industrial leaders to publish their autobiographies and personal case histories and it represents a new,and very valuable,addition to the literature on leadership in organisations. The first notable characteristic of these auto-biographies and personal case histories is the detailed attention given to the formative influence of situational context in shaping the values,motives,beliefs and aims of these leaders.Secondly,they are at pains to present the process of leadership in full context as the interaction between leaders,their organisations and the key historical issues and oportunities which have been presented to them by organisational history in an ever-evolving situational context(see Edwardes,1983; Iacocca,1984; and Morita,1987; for examples of the genre from three different continents and cultures).

The perspective on leadership that has emerged in this study strongly indicates the need for a radical redirection in emphasis and approach to the study of the phenomenon than that which has dominated in the past. Bass(1981),as we noted earlier,reviewed more than 5000 references on leadership in his attempt to provide a systematic,thematised summary on the state of the field. In spite of this enormous volume of research there have been many concerns over the last decade,and more,about the relatively poor yield from this cumulative effort.In fact Miner(1975,5), in his own review of the leadership field in 1975 reflected on this poor yield and in some desparation he went so far as to suggest that future researchers might be best advised to "abandon it in favour of some more fruitful way of cutting up the theoretical pie". A few years later,McCall and Lombardo(1978),in their distillation of the main conclusions from a specially convened conference in search of future directions for leadership research,concluded that future studies should be more longitudinal,situational,and holistic,and that more attention should be given to the study of corporate leaders rather than to the study of middle managers and supervisors that had tended to dominate in previous empirical research. Since the late 70's the interest in leadership studies has grown rather than abated. More attention has been given to the phenomenon of corporate leadership yet the satisfaction level with the overall yield remains low. As late as 1985 Bennis and Nanus(1985,4),could still characterise the state of the leadership field as they found it with the remark that "never have so many labored so long to say so little". Yet,many of the more recent studies on leadership,including their own much acclaimed and eagerly awaited contribution to the field,*remain overly focused* on the person of the leader and on the search for universalistic personal attributes and behaviours that will provide the key to leadership effectiveness in all organisational situations and contexts. While research like that of Bennis and Nanus(1985),Kotter(1982) and others have provided some fresh insight into the personal characteristics and behaviour patterns of leaders,the danger is that this latest wave of interest in leadership is largely bringing to the study of leaders at the corporate level much the same kind of objectives and approaches that have provided such a low yield in the past,when applied to the supervisor and middle manager levels. Leadership research appears to be still overly pre-occupied with those aspects of leadership that are 'storable' in the personal attributes and behaviour repertoires of the leader and are 'universal' in all leaders. It also remains firmly grounded in an over-voluntarist view of organisational action,which underestimates the importance of history and context in the determination of organisational outcomes.

The empirical evidence in this study,and the perspective on leadership that has been developed here,highlight the need for new ways of theorising on leadership,and new methodologies for studying it, if our understanding of this important phenomenon is to be enriched and extended beyond the traditional focus on universal and storable personal attributes with its implicitly over-voluntarist perspective on organisational action. Such new approaches will have to be able to facilitate the systematic study of the relationship between situational context and organisational leadership,since it is clear that what leaders like Tom Walsh of AFT and General Costello of CSET did and how they went about doing it,as leaders of their organisations,reflected fully the formative influences of their situational contexts on their values,motives,beliefs and ambitions. Their leadership cannot be fully understood without full recognition of these influences. Such new approaches must also take account,not only of the formative influence of context on leadership,but also of the way in which leaders are affected by their ongoing interaction with their organisation's history and its situational context. To take but one example and one aspect of this interaction,the development of the food diversification strategy in CSET under General Costello,and the way in which he set about implementing it,reflected the situational context of an earlier time that formed his value system and the situational context at the time of the Lemass Programme for Economic Expansion which presented the challenge to the General and his organisation. In short,new approaches are be needed to systematically examine such questions as how leaders are formed by,and form,context; why and how leadership effectiveness can vary with context and history; and how the contribution of leaders to organisational development is related to the historic challenges presented by situational context and organisational history. Such new approaches to the study of strategic leadership need to be longitudinal,in order to examine this ongoing interaction of the leader,his organisation and its situational context. They need to focus more centrally on the process of leadership,as Pettigrew(1987b;650) has recently advocated,where the person of the leader should be seen as just one element in the process. Comparative research on organisational leadership along the lines of the longitudinal,contextual approach developed by Pettigrew(1985;35) for his empirical study of strategic change in ICI,but focused on the leadership of organisations over their whole life histories and not just on discrete episodes,appears to offer the most promising way forward. This research has helped to underline the need for new departures in leadership research and has made an early contribution in this direction.

The second way in which this present study contributes to our understanding of the phenomenon of organisational leadership is by allowing the dual nature of the role of organisational leader, its symbolic and substantive character,to be empirically examined and elaborated. In particular,Pfeffer & Salancik(1978,16-20) have raised the issue of just how substantive the leadership role is in organisations, and they have argued that,in reality,it is much more symbolic that substantive.

The importance of the symbolic character of organisation leadership has been recognised by Mintzberg(1975) and others for some time. Since the late 70's interest has grown in the whole area of corporate culture(Pettigrew,1979). This development has widened,and intensified, the interest in the symbolic role of organisational leaders(Deal & Kennedy,1982;chp 8,for example). Pfeffer & Salancik(1978;16-20) were among the first to examine the duality of leadership in terms of both its symbolic and substantive character. They argued that organisational action is largely constrained and determined by context which led them to assert that organisational leadership is much more symbolic,and much less substantive,than had previously been recognised.

One of the major themes emerging from this present study,however,is that organisational leadership is a major substantive determinant of organisational action,and the empirical evidence to support this claim was reviewed and analysed at some length in chapter 10. The organisational leadership roles of builders,revitalisers,turnarounders and inheritors were all found be highly substantive in their effects on strategy formation in the organisations under study. The central issue raised by Pfeffer & Salancik is not,however,the question do organisational leaders generate organisational action,but rather is this action so pre-determined by situational context that it is mainly externally-directed,and that in this way organisational leadership is therefore more symbolic than substantive.

The empirical evidence in this research,already discussed earlier in the chapter,strongly indicates that the degree to which situational context determines organisational action is highly variable across organisations and within organisations over time.Some contexts were found to be more constraining than others and some organisational actors were found to be more able to play with the requirements of the situational context,and to find the scope for discretionary action,than others. In the last section it was argued that the phenomenon of organisational leadership is properly located in the interaction of the actor,his organisation and its situational context. Organisational history and evolving situational context do determine to a significant degree the challenges and oportunities that are presented to a given leader at a given point in time. But to be given the oportunity to build is not to build,to be given the oportunity to revitalise is not to revitalise,to be given the oportunity to turnaround is not to turnaround and to be given the oportunity to transform is not to transform. Leaders are very variable in their capacity to perform these historic tasks,or even in their ability to recognise the true nature and full potential of their historic challenges and oportunities. The empirical evidence on the organisation-context interaction emerging from this study is closer to the conceptual positions of Crozier & Friedberg(1980) and Pettigrew(1985),than to that of Pfeffer & Salancik(1978). The evidence suggest that organisational leadership is both substantive and symbolic,and much more substantive that Pfeffer and Salancik have seemed to indicate.

The study does,however,provide evidence of the importance of the symbolic nature of the leadership role in organisation-context interaction. In this regard it lends supports to Pfeffer & Salancik's(1978;18) claim that this important aspect of leadership deserves much more empirical attention than it has traditionally received in organisational studies to date.

The symbolic role of leadership is most evident in this study in case of leadership succession. Generally external succession signalled change,and internal succession continuity,in organisational strategy. The most dramatic examples were the cases of the turnarounders,O'Reilly of CSET and O'Mahony of Golden Vale. O'Reilly and O'Mahony were hired in to affect the turnaround of a critical situation in their respective organistions. Their very arrival signalled change. Their ability to effect substantive change was helped by manner of their appointments, which clearly signalled to all involved parties that the situation called for dramatic change and that dramatic change was to be expected.

The arrival of O'Reilly to CSET clearly signalled a new marketing and commercial orientation for the Food Project. The dramatic manner of his appointment only served to underline the expectation that a major change in strategy was imminent. Costello had,in his person,epitomised the developmental ideology and had publicly identified himself strongly with the interests of the producers,the small farmers,and with the viability of their small local rural economies. O'Reilly was publicly identified with high profile international marketing activities and with a tough-minded commercial management philosophy. The sudden imposition of O'Reilly on the unprepared board,management and staff of CSET clearly signalled that the "shareholder's" expected timeframe for a dramatic change in strategy in relation to the Food Project was extremely short. The succession to O'Reilly was equally significant,if less dramatic. When O'Reilly left CSET unexpectedly,after less than three years to take up a senior position with the Heinz UK operation,the "shareholder" withdrew to arm's length and left the board and management of CSET to handle the succession themselves. This signalled the beginning of the decline of the great food industry dream in CSET.

The case of Golden Vale provides some further insight. In late 1985 Golden Vale was in the throes of a vicious downward cycle that threatened the organisation's survival. Failure to maintain the confidence of its suppliers meant that the company was losing milk supply; the loss of milk supply was depressing profits in its high fixed cost operation; and loss of profits was eroding supplier confidence, thus regenerating the cycle. Golden Vale had been beset with problems when the general situation in the dairy industry became difficult in the early 80's. Many of these problems were not of Tony Curtin's making. He inherited the loss-making Engineering activity from his predecessors, though the Castlemahon debacle happened under his own leadership. He had the mis-fortune to be a very convenient geographical target for Kerry Coop.,when it broke the industry norm and decided to actively compete for milk supply,though he missed out on the oportunity to stop the milk war almost before it had started in earnest. He took decisive action on Engineering and Castlemahon,and drove through a tough rationalisation programme,all designed to improve operating margins and strengthen the balance sheet. By 1985 he had streamlined the Golden Vale Vale operation to a degree which held out realistic prospects for a quick return to healthy profitability. However,in this traditional 'sound man' business belief in the person of the leader is a key element in securing supply and the farmer-suppliers no longer believed in Curtin. His tough rationalisation measures were not enough to stem the loss of milk supply. By late 1985 it was clear to the Golden Vale chairman and his board that nothing short of a change of leadership would restore supplier confidence quickly enough to save the company.

The change in leadership at Golden Vale in late 1985 was to no small extent,therefore,a symbolic action taken to have the critical substantive strategic effect of galvanising the suppliers and securing the milk pool. The Golden Vale Board brought in Jim O'Mahony to 'save' the company and carefully built up his profile with the suppliers in a way designed to create the belief that he was the man to turn the company around. This belief was sufficient to break the vicious cycle for long enough to allow O'Mahony the time to effect the turn-around. Ironically,much of the short term improvement in Golden Vale's performance was anchored in the rationalisation programme that Curtin had implemented before his departure. O'Mahony,as the new man,could distance himself from the problems of the past and ask for time to put them right,whereas Curtin could not. Curtin's pre-mature departure clearly signified crisis and the need for dramatic changes. O'Mahony's arrival signified the hope of salvation,provided that the crisis was clearly recognised and the need for dramatic change accepted. The significance of the leadership change,and the manner in which it happened, provided O'Mahony with an organisational context that expected an acceleration in the pace of change,and that consequently facilitated it. The symbolism in the change of leadership generated initial conditions that were favourable to O'Mahony in confronting the great challenge that faced him. Jim O'Mahony had then to make his own substantive contribution to achieving an actual turnaround at Golden Vale.

Pfeffer & Salancik(1978,16-19),in their description of the duality of leadership,tended to examine the symbolic and substantive roles of leadership in their separate aspects. The more interesting theme that recurs in this study is way in which the symbolic and substantive elements of leadership interact to generate organisational action of strategic significance. For instance,in the example just reviewed,the clear signal given to the farmer-suppliers by the change of leadership in Golden Vale,that problems were departing and salvation was arriving, had the substantive strategic effect of convincing waivering suppliers to hold on for long enough to allow the new leader to break the vicious cycle that threatened the company's survival. Stemming the loss of milk supply in the short term was a necessary precondition for the achievement of turnaround. We have seen also that in both cases of turnaround the signals in the change of leadership facilitated the implementation of subsequent dramatic changes in strategy. While these instances of leadership change and turnaround are,perhaps,the most dramatic illustrations of the interaction between the symbolic and substantive elements of leadership in the generation of organisational action,the cases are replete with other examples. The appointment of Kevin Mc Court as managing director of IDG,a move that was generally not forseen at the time of the merger,was found to be symbolically and substantively necessary if the full economic benefits of the merger were to be realised. His appointment signalled the transition from family capitalism to managerial capitalism in the strategic management of Irish distilling. The refusal of Golden Vale Chairman,Martin Flanagan,to bend to the pressure to fire his chief executive,when the company plunged into financial crisis in 1975, was a clear signal to his board and shareholders that the problems of the company lay firmly at their own doorstep and that the board itself would have to develop a more businesslike and corporate approach to the Golden Vale if their company was to have a secure future.

This interaction between the symbolic and the substantive elements of leadership in the generation of organisational action of strategic consequence is worthy of more study in its own right. It would seem, from the empirical evidence presented here,to offer a promising oportunity for future research into leadership in context. Empirical research into this type of interaction between systems of signification and systems of authority in the generation of substantive organisational action is still rare(Pettigrew,1985).

STRATEGY FORMATION VARIABLES / STRATEGY FORMATION EPISODES	SITUATIONAL CONTEXT: TECHNOLOGY	SITUATIONAL CONTEXT: INDUSTRY STRUCTURE	SITUATIONAL CONTEXT: INTL. TRADING ENVIRONMENT	SITUATIONAL CONTEXT: NATIONAL PUBLIC POLICY & LEADERSHIP	SITUATIONAL CONTEXT: SOCIAL & CULTURAL TRANSFORMATION	ORGANISATIONAL ACTION: ORGANISATIONAL ACTORS	ORGANISATIONAL ACTION: ORGANISATIONAL CONTEXT	PRIMARY LOCUS OF INFLUENCE
1 AFT GESTATION AND BIRTH 1948-58		Under-developed and too fragmented to do own R&D	Keynesianism. Marshall Plan for European recovery.	Post-emergency economic revival.	Traditionalism. Vocationalism. Nationalism.			
2 EARLY RAPID GROWTH 1958-68		Expansion in agricultural production	Expansion and liberalisation. The EEC formed.	Economic expansion programmes. Lemass.	Ireland in transition. Empiricism, careerism, and materialism on the rise.	Tom Walsh (the 'Doc') -Builder	Entre-preneurial. Oportunism.	INTERNAL
3 REVIEW AND REORGANIS-ATION 1968-73					Social structure elaborating and differentiating, resulting in the growth of strong sectional interests, organically and vocationally.		New commod-ity and regional focus.	EXT/INT
4 EXPANSION THROUGH USER-FUNDING 1973-80			Oil Crisis and inflation.	Economic expansion within EEC			Production-commodity research dominance	INT/EXT
5 RETRENCHMENT AND REALIGN-MENT 1980-87	Technological specialisation out of line with new pri-orities.	Retrenchment and new pri-orities. EEC restraints on production.	World recession. Neo-classical economics. EEC commodity surpluses.	Public Financial stringency. Cashman Report.	Progressive weak-ening of the traditional cultural bonding agents.	Pierce Ryan - inheritor	a transition-ary period to	EXT/int
6 MERGER WITH ACOT AND RATIONALIS-ATION				Public financial crisis. Programme for Nation-al Recovery.			Process/mkt +prod.devel. dominance. Merger and rationalise	EXTERNAL

Table 11.1 - Locus of influence over strategy in AFT.

STRATEGY FORMATION VARIABLES / STRATEGY FORMATION EPISODES	TECHNOLOGY	SITUATIONAL CONTEXT: INDUSTRY STRUCTURE	SITUATIONAL CONTEXT: INTL. TRADING ENVIRONMENT	SITUATIONAL CONTEXT: NATIONAL PUBLIC POLICY & LEADERSHIP	SITUATIONAL CONTEXT: SOCIAL & CULTURAL TRANSFORMATION	ORGANISATIONAL ACTION: ORGANISATIONAL ACTORS	ORGANISATIONAL ACTION: ORGANISATIONAL CONTEXT	PRIMARY LOCUS OF INFLUENCE
1 TRANSITION TO FACTORY SYSTEM 1800-1820		Transition to factory system.	Laissez-faire, free trade.	Government excise policy dictates min.size.	Traditionalism.			EXTERNAL
2 EARLY CONCENTRATION.EMERGENCE OF MAJOR CENTRES. 1820-1860	Energy,a primary input.Access to coal imports & water help determine location.	Concentration around east and south ports.	Growth in international trade. Early development of global whiskey market			Power Jameson Murphy - Builders	Family capitalism. Traditional, conservative. Product and production orientation.	INTERNAL
3 THE COLUMN-STILL,BLENDS, AND THE 'WHISKEY WAR'. 1860-1920	The Coffey still, a revolution in technology. The development of blended whisky.	The 'whiskey war'. Blends broaden market and become the volume segment.						EXT/INT
4 CONTRACTION OF EXPORTS. STRONG DOMESTIC FOCUS. 1920-1958		Global market favours blends. Emergence of strong intl. competition.	Prohibition in US.Great Depression. New isolationism and protectionism.	Self-sufficiency. Wartime curb on exports.				INT/EXT
5 CONSOLIDATION THROUGH MERGER 1958-66		Threat of entry of Allied Brewers.	Post-war trade liberalisation and recovery. EEC formed.	Economic expansion.Trade liberalisation and Anglo-Ir. Free Trade.	Ireland in transition. Empiricism, careerism,and materialism on the rise.	Frank O' Reilly architect of the merger.	Transition to managerial capitalism.More market and export orientation.	EXT/INT
6 DOMESTIC DOMINANCE AND EXPORT-LED GROWTH 1966-79	Modern tech. allows more flexibility and efficiency	Wholesalers bypassed.All Irish whiskey under one org.Increasing competition from imports.	EEC entry. Oil crisis and inflationary cost pressure.	Export-led growth. Expansion with EEC entry. Gov. Discourages Seagrams takeover moves.	Agri-incomes rising to par with ind. The advent of the mass mrkt and the consumer society. Urbanism rising.	McCourt & O'Reilly -revitalisers.	*Modernising.*Merging three disparate cultures into a unitary org.	*INTERNAL*
7 RATIONALISATION,REALIGNMENT, AND TAKEOVER BATTLE.		Declining demand,globally & domestically. Changing channels of dist. Global ind. consolidating.	Pro-longed recession. Neo-classical economics. SEA and the single mrkt.	Public financial stringency. Rise in excise and fall in disposable incomes. SEA supported.	Emergence of sectional interests. Weakening of cultural bonds and of 'green' nationalism. Swing to right. More European in outlook.	Burrows -inheritor transformer and defender.	Revision of marketing strategy.	EXT/int

Table 11.2 - Locus of influence over strategy in IDG.

STRATEGY FORMATION VARIABLES / STRATEGY FORMATION EPISODES	SITUATIONAL CONTEXT: TECHNOLOGY	INDUSTRY STRUCTURE	INTL. TRADING ENVIRONMENT	NATIONAL PUBLIC POLICY & LEADERSHIP	SOCIAL & CULTURAL TRANSFORMATION	ORGANISATIONAL ACTION: ORGANISATIONAL ACTORS	ORGANISATIONAL CONTEXT	PRIMARY LOCUS OF INFLUENCE
1 SUGAR INDUSTRY -PRIVATE ENTRE-PRISE PHASE 1926-33.	Prior availability of beet sugar extraction technology.	Attempt at vertical integ. from refining to prod.+proc.	Free Trade. Laissez-Faire.	Independence. Free trade, laissez-faire.	Traditionalism, authoritarian-ism.Rural values, agriculture dom-inant.	Private entrepre-neurs.		INTERNAL
2 CSET FORMATION 1934 AND EARLY GROWTH & DEVEL-OPMENT 1934-45	Raw material assembly economics.	Protected state monopoly. Regional configuration.	Isolationism, protectionism. Pure capitalism discredited. 2nd World War.	Self-suffic-iency.Protect-ionism. State - sponsored ind-ustrial devel-opment under		Connell & Hanrahan administ-rators custodians.	Developm-ental id-eology and sugar dom-inance.	INTERNAL 1934-38 EXT/int 1939-45
3 CSET REVITALISATION 1946-59.	Mechanical and chemical revol-utions in farm production	Domestic capacity ex-panded to meet demand	Keynesianism. Post-war re-covery and trade liber-alisation. EEC formed.	Lemass.The cr-eation of ind-ustrial emplo-ment through-out the land.		General Costello -revital-iser/devel-oper.	The creation of a viable rural econ. Nation buil-ding ideol.	INTERNAL
4 CSET DIVERSIF-ICATION INTO FOOD PROCESSING 1960-72.	Accelerated Freeze-Dried technology. (AFD)	Company now involved in two very different industries.	General expansion in world trade.	Economic exp-ansion progs. Lemass's hist-oric challenge.	Ireland in tran-sition.Empiricism, careerism,and materialism on the rise. Agric-ultural incomes	O'Reilly -turnaroun-der 1966-69	Food domin-ance. New 'commercial culture'inf-luences.	INT/EXT
5 CSET RATIONAL-ISATION AND MODERNISATION (PHASE ONE) 1973-79.	Technological refinements to improve throughput & efficiency.	CSET now part of the European sugar industry. Pro-duction quotas. + phase out of protection.	Oil crisis and cost inflation, but continued expansion in world trade.	EEC member-ship. Indust-rial policy favours hi-tech industry	rising to par with ind. Emerg-ence of sectional and vocational interests. Weak-ening of trad. cultural bonds.	Daly -caretaker 1969-74. Sheehy/ Coakley -inhertors 1974-79	Return to sugar dom-inance.'Sh-areholder' not re-inv-esting.High interest.	EXT/int
6 CSET RATIONAL-ISATION AND MODERNISATION (PHASE TWO) 1980-87.	Economics of processing point to two plant config.	New sugar substitutes. Decline in underlying demand.	Recession. Neo-classical economics. EEC budgetary problems.	Public fin-ancial str-ingency.SOE's under review. Commercial via-bility policy.	Swing to the - right. Press-ure to reduce direct state involvement in the economy.	Sheehy/ Fitzpatrick 1980-84. Comerford/ Cahill 1985-	Transition from devel-opmental to commercial ideology.	EXT/int
7 CSET GROWTH THROUGH DIVERSIFICATION. 1987-ongoing		Sugar ind. static and facing prod. cutbacks.Ind-ustry may con-solidate in EEC.	EEC 150% self-sufficient. SEA increasing intra-EEC comp-etition.	Public fin-ancial cris-is. Major rationalisa-tion of state sector.	Support build-ing up for privatisation of some SOE's.		Commercial ideology becoming dominant	INT/ext

Table 11.3 - Locus of influence over strategy in CSET.

STRATEGY FORMATION VARIABLES / STRATEGY FORMATION EPISODES	SITUATIONAL CONTEXT: TECHNOLOGY	SITUATIONAL CONTEXT: INDUSTRY STRUCTURE	SITUATIONAL CONTEXT: INTL. TRADING ENVIRONMENT	SITUATIONAL CONTEXT: NATIONAL PUBLIC POLICY & LEADERSHIP	SITUATIONAL CONTEXT: SOCIAL & CULTURAL TRANSFORMATION	ORGANISATIONAL ACTION: ORGANISATIONAL ACTORS	ORGANISATIONAL ACTION: ORGANISATIONAL CONTEXT	ORGANISATIONAL ACTION: PRIMARY LOCUS OF INFLUENCE
1 TRANSITION FROM COTTAGE- TO FACTORY-BASED INDUS. 1889-1921.	The mechanical cream separator	Horace Plunkett and the Cooperative Movement.	Laissez-faire, free trade.	New Dept. of Agriculture & Technical Instruction.	Traditionalism. Authoritarianism. Rural values, parish structure.			
2 EARLY RATIONALISATION. INDUSTRY SAVED AND CO-OP DOMINANCE SECURED 1921-27.		Fragmented. Over supplied. Destructive competition. Leadership of Henry Kennedy.	Post-W.War 1 depression in agriculture.	Government drive rationalisation through Dairy Disposal Co.	Independence. Revolutionary generation lead the country and the industry.			
3 INDUSTRY BEGINS TO CONSOLIDATE. OVERALL GROWTH RATE SLOW. 1928-47.	Technology imported for processed cheese manf. by Mitchelstown.	Growth in milk supply slow. Some consolidation. Diversification into agr. trading.	Depression. Protectionism. Isolatinism. 1932-38. War-time fragmentation. 1939-45.	Self-sufficiency. 'Economic War' with UK. Price supports. Compuls. tillage				
4 FOUNDATION OF GOLDEN VALE + EARLY GROWTH. 1947-56.	Processed cheese the initial product.	Federal movement by small processors to improve their power.	Keynesianism. European recovery. EEC formed. General liberalisation and expansion in world trade.			Capt. D.J. Barry -statesman		INTERNAL
5 GV GROWS TO MAJOR PLAYER STATUS. 1957-68.	Mechanical & chemical revolutions on the farm.	Industry growth. Supply expands rapidly. Generic export marketing.	Consolidation in the industry internationally.	Economic expansion programmes. State central marketing agency est. 3 major studies. Sustained effort to rationalise the industry.	Ireland in transition. Empiricism, careerism, materialism and urbanism on	O'Loughlin -builder 1956-72	Engineering and fat-filled milk pwdr emphas. Physical dev.	INTERNAL
6 AMALGAMATION. GV NO.2 IN INDUSTRY. 1968-74.	Economies of scale. Process improvements + efficiencies.	Major rationalisational and consolidation.	Emergence of large international producer trading blocks.		the rise. Break up of the parish structure in dairying.	Lenihan/ Flanagan -inhertors 1972-79.	Amalgamation + associated politics. Bank pressure.	INT/EXT 1968-74 (EXTERNAL in 1975)
7 FINANCIAL CRISIS, RECOVERY & EXPANSION 1975-79		Unexpected set-back in 1974. Then further growth to 1979.	Post Oil Crisis cost inflation, but world trade growth continues.	EEC entry gives further growth impetus to the ind. Brussels becomes an important political centre for *farmer lobbying*	Emergence of the farmer-businessman. Rise in agr. incomes and		The younger businessman milk producer. Production-led.	INTERNAL 1976-79
8 STAGNATION AND DECLINE TO NO. 6 IN THE IND. 1980-85.		Set-back in milk expansion. Milk *wars. Rationalisation.* Global over-supply.	2nd Oil Crisis. Prolonged recession. *EEC surpluses* and budgetary pressures. Neo-classical economic ideology.		fall in agr. employm. Town-country and farmer-wageearner tensions. Sectional interests	Curtin -inheritor 1980-85.	Milk wars. Rationalisation. Loss of supplier confidence.	EXTERNAL
9 TURNAROUND AND REALIGNMENT. 1985-ongoing		ICOS restructuring plan. Shift in industry strategy. Entry of private interests. Major co-ops seek funds on SEx.+diversify.	SEA makes EC market more competitive. Production cutbacks imposed by EC. EC + global over-supply. EC industry consolid. likely after 1992.		and weakening of cultural bonds. Decline in 'green' nationalism. More European in outlook+values.	O'Mahony -turnarounder 1985-ongoing	Rationalisation. More market-led orientation	EXT/INT 1986 INT/ext 1987-

Table 11.4 - Locus of influence over strategy in Golden Vale.

THEME 2. Continuity and Change in Strategy Formation

Conceptualising the process of strategy formation in terms of patterns in organisational action and non-action emphasises its essential historical character(Mintzberg,1977). The first of the two central themes enabled us to explore,empirically,the nature of the historical forces that shape strategy and to examine the shifting balance of these forces between the organisation and its situational context. The second central theme,continuity and change in strategy formation,provides a powerful analytical means for exploring the character and rhythm of historical movement in strategy formation,which has been used to great effect,as an organising theme,by historians(Thompson,1966) and organisation theorists alike(Pettigrew,1985). The empirical evidence in this study suggests that strategy has a relatively enduring nature at its highest level but that it is a has a multi-level character. It also provides some insight into the agents of continuity and change in strategy formation and into the nature of strategic change itself.

(i) Strategy Formation - a multi-level process

The empirical evidence from this research suggests that strategy,at the highest level of aggregation in the firm,is a relatively enduring phenomenon. For example,the O'Reilly/McCourt strategy for Irish Distillers in the post-merger period has endured for over 20 years,right up to the recent take-over by Pernod Ricard. Its major elements have been consolidation of Irish whiskey as a generic product within one organisation,international cost competitiveness, home market dominance and export-led growth. CSET's strategy to develop beet production and beet processing capacity in order to ensure continuity of supply to meet the entire needs of the home market remained the primary strategic thrust of the company from 1934 to 1960. Food-led growth,mainly supported by funds flow from the sugar business,remained the primary strategic thrust from 1960 to 1972. From 1972-1987 the primary thrust was to rationalise and modernise the sugar business in order to secure the future viability of the company's core activity under EEC competitive conditions. Golden Vale's main strategic thrust over the 1956-79 period was to develop as one of the country's major processing centres for the rapidly expanding dairy industry. AFT's major strategic thrust over the 1958-79 period was to grow through the expansion of sector-supported production research into the strategic commodities of mainly meat and milk,and to a lesser extent of tillage crops and horticultural products.

However,the data also reveal the multi-level nature of strategy. Within this relatively enduring coarse-grained pattern of organisational action there are less aggregate,finer-grained patterns of action which are nevertheless strategic in level,as this concept is generally understood in the management literature(see Hickson et al,1986;27-8). Change is more endemic at this less aggregate level. Take the case of Irish Distillers for example. Though the major strategic thrust remained unchanged for over twenty years there was a succession of significant strategic changes at the more fine-grained level,all consistent with primary elements of the major strategic thrust. The move to bypass the wholesalers and to sell a distillery bottled products direct to the retailers; the centralisation of distilling in a large ultra-modern distilling complex; the acquisition of Bushmills; the rationalisation of the bottling and distribution operations; the integration forward into the cash and carry area; and the two-brand export strategy were all important strategic moves in their own right,yet all were basically consistent with the broad strategic thrust developed by O'Reilly and Mc Court for the post-merger company.

The early move to bypass the wholesalers and the later moves to integrate forward into the cash and carry business and to rationalise the transportation operations were all moves to secure the company's dominant competitive position and profitability on the domestic market. The move to close down the traditional distilleries and to centralise distilling in one modern complex and the move to rationalise and modernise the bottling operations were made to improve the international competitiveness of the company's operations. The move to acquire a controlling interest in Old Bushmills was made to secure control over the production of all Irish whiskey in order to concentrate the major export effort on the promotion of Irish Whiskey as a generic product. The change to the two-brand export strategy was made to improve the company's penetration rate in key export markets. All were strategic and all were consistent with the enduring broad strategic thrust.

Yet,most of these finer-grained strategic moves were not anticipated at the time the coarse-grained strategic thrust was laid down. Each of these moves was evaluated as a major strategic commitment in its own right,involving strategic choice processses(Mintzberg et al,1976: Hickson et al,1986) for the organisation. Some,like the moves to centralise distilling and to rationalise downstream operations were probably already seen in broad outline by the more far-sighted promoters of the merger,as a logical extension,if the full economic benefits of the merger were to realised. Even in this case the determination of the form,the location and the timing of rationalisation remained complex strategic issues, with substantial political and economic rationalities that involved complex choice processes. In the round,over the 1966-86 period,the rationalisation programme in Irish Distillers was a strategy formation process that fitted closely with the logical incrementalism model described in Quinn's(1980) model of strategy choice processes. The acquisitions of Bushmills and of BWG (for its cash and carry business) were oportunistic moves. These were strategic moves where the problems and the solutions independently pre-existed the choice process,but where time had to pass and situations had to change before problem and solution could get together; these strategy formation processes fit most closely with the garbage-can model model of process developed by Cohen et al(1972). The major revision in the strategic approach to export marketing from the shotgun to the rifle approach took years of trial and error to develop and reflected an essentially complex organisational learning(Argyris,1976; Argyris&Schon, 1978)process of strategy transformation.

A central debate in the strategy literature is whether the process of strategy formation is largely a synoptic process or an incremental process(see Camillus,1982; for a review of this debate). Is strategy formation conceived holistically at chief executive level in the organisation in a synoptic manner,as much of the normative literature on strategy has presented it(Ansoff,1965; Andrews,1971); or is it an incremental process,in which "strategies..tend to (evolve) step by step from an iterative process in which the organisation probes the future,experiments,and learns from a series of partial(incremental) commitments rather than through global formulations of total strategies"(Quinn,1980;58). This research presents a partial synthesis of this synoptic-incremental debate,for medium-sized organisations at least(see figure 11,6). The data strongly suggest that in these organisations strategy formation is a multi-level process which is primarily synoptic at the highest coarse-grained level of strategy, but which also involves logically-incremental,garbage-can and adaptive-learning,incrementalist processes at a finer-grained strategic level.

Level of Strategy	Type of Process	Timeframe
COARSE GRAINED	Synoptic	Long term (15-20 years)
FINE GRAINED	Logical incremental Garbage can Adaptive learning	Medium term (3-5 years)

Figure 11.6 - Strategy formation as a multi-level process

(ii) Deliberate or Emergent - Is Organisational Context the key?

A question very closely related to the synoptic-v-logical incrementalism debate is whether strategy formation is largely a deliberate or an emergent process(Mintzberg,1978; Mintzberg & Waters,1985). The empirical evidence in this study,taken in isolation,strongly supports the findings of Hickson et al(1986;236),in their large-scale study of 150 top decisions,from which they concluded that the "great majority of decisions of this order arise from deliberate managerial strategies,as moves on a course along which management is steering". This study also suggests that strategy formation is largely a deliberate process which is driven from the top of the organisation,even where the strategic moves are in response to pressing environmental imperatives.

Situational context and organisational leadership were found to be the main influences on strategy formation,with organisational context playing a lesser role. Organisational history,with its accumulation of resource capability and constraint,was the most important determinant of the influence of organisational context on strategy formation in this study. There was little evidence of organisational context having a major effect on the shape and outcome of the strategy formation process through dispersing, fragmentating or otherwise socially,or politically, complicating the process itself.

This finding contrasts with the empirical studies of Bower(1970), Quinn(1980),and Burgleman(1983a) on this issue. These researchers have emphasised the emergent nature of strategy formation in large complex organisations. Bower,for example,in his now classic study of the resource allocation process,found that organisational context largely determined the content of the overall resource allocation pattern. This pattern emerged from the semi-autonomous strategic behaviour of major sub-units and top management acted mainly in an evaluating and approving mode,controlling and integrating the aggregate shape of the resource allocation pattern. The Burgleman and Quinn models of strategy formation are based on a similiar view of process. Quinn(1980;16 and 52) suggested that corporate strategy "tended to emerge from a series of strategic formulation subsystems" where "top managers deal with the logic of each subsystem of strategy formulation largely on its own merits and usually with a different subset of people". Meanwhile, Burgleman(1983b;66),in a similar vein,saw overall company strategy forming in an emergent way " as the result of the selective effects of corporate context on the stream of strategic behaviours at operational levels". The shared perspective of these theorists is a process view of strategy formation in which top management manage the emergent content of strategy indirectly through managing the organisational context and process of its formation.

The empirical evidence for both views is strong enough to suggest that they are both valid partial views of the strategy formation process. The mediating variable would clearly seem to be organisational context. Whether strategy formation is largely deliberate or emergent would appear to be dependent on the degree of elaboration in the organisational context. The studies of Bower,Quinn and Burgleman all involved large diversified organisations with many semi-autonomous profit or investment centres. Three related features associated with this type of organisational context would seem to predispose it to strategy formation processes of a highly emergent character. Firstly, they all contained a number of distinct and commercially independent strategic business segments from which autonomous strategic behaviour might be expected. Secondly,these were sufficiently numerous and diverse as to defy the cognitive limits of any single company strategist to comprehend them at once in any kind of synoptic view of corporate strategy. Thirdly,each strategic business segment developed its own claims on organisational resources in accordance with its own logic. Each then advocated these claims,in accordance with its own power base, in an allocation process where all claims could not be simultaneously met from limited corporate resources,yet where no clear synoptic view of strategy could be invoked in the rationing process. These conditions were largely absent in the organisations in this current study. An interesting exception was the case of AFT. This organisation had six distinct strategic segments and the resolution of corporate strategic thrust was to some significant extent dependent on emergent, autonomous strategic behaviour. However,the number of units was sufficiently small and related that the director of the organisation was able to personally control their development to a large degree in a deliberate,if mainly intuitive,way.

Deliberate/emergent and synoptic/incremental are different dimensions. For example,strategy formation in IDG was deliberate-synoptic at its highest level but deliberate-incremental at the finer-grained level. The logical-incremental rationalisation programme,the garbage-can aquisitions,and the adaptive-learning export marketing programme were all "deliberate..moves on a course along which management (was) steering",in the words of Hickson et al(1986;236). Strategy formation in the cases described by Bowers,Quinn and Burgleman was largely emergent-incremental in character at its highest level. The foregoing suggests a possible typology of strategy formation processes around these two dimensions with organisational context as the major determinant of type. This typology is illustrated in figure 11.7 below.

		DELIBERATE	EMERGENT
SYNOPTIC	ORG. CONTEXT	Small/medium organisations	Large multi-div. organisations
	STRATEGIC LEVEL/BEH.	Coarse grained strategy	Org. context-induced strategy
	EMPIRICAL RESEARCH	* Hickson et al * Leavy	* Burgleman
INCREMENTAL	ORG. CONTEXT	Small/medium organisations	Large multi-div organisations
	STRATEGIC LEVEL/BEH.	Fine grained strategy	Autonomous strategic behaviour
	EMPIRICAL RESEARCH	* Hickson et al * Leavy	* Bower * Quinn * Burgleman

Figure 11.7 - Typology of strategy formation processes

Strategy formation processes can be classified as deliberate-synoptic, deliberate-incremental,and emergent-incremental and empirical examples can readily be found to fit these three types. The fourth combination, emergent-synoptic,is more difficult to imagine empirically. Yet Burgleman(1983b;66) has indicated that in complex organisational contexts a concept of corporate strategy can emerge which "represents the more or less explicit articulation of the firm's theory about its past concrete achievements (and that) this theory defines the identity of the firm at any moment of time" which can give rise to induced, emergent strategic behaviour. This indicates the empirical existence of an emergent-synoptic type of process.

The typology illustrated in figure 11.7 above could provide the basis for a useful classification of strategy formation processes. Further research is needed however to identify and to examine more rigorously the specific dimensions of organisational context that are most salient in the determination of type of process. A research design that provides the requisite variation in organisational context would be needed for this purpose. If size and diversity are the salient variables,as seems to be the case,then the type of strategy formation process at its highest level in the firm,will tend to vary with the evolutionary development of the organisation. A key question for future research is under what conditions does direct control of the content strategy pass from the top strategist to the organisational context?

Moreover,the empirical evidence reviewed in this section also indicated that there are different levels of the strategy formation process in the same organisation and that there are different process types at these different levels. In IDG,as we saw earlier,strategy formation appears to have been a deliberate-synoptic process at the highest level of conception and a deliberate-incremental process at the more fine-grained level. In the large diversified organisations studied by Bower,Quinn and Burgleman it seems probable that the autonomous strategic behaviour found at the strategic segment level by the last mentioned was more deliberate and synoptic in character than strategy formation at the highest level of process in these organisations. A further question of interest for future researchers into strategy formation processes is how do the strategy formation processes in the strategic segments of large diversified organisations differ in type and character with those in smaller corporate entities that are similiar in size and product-market scope to these segments. This would help to provide yet further insight into the relationship between organisational context and the process of strategy formation.

From the analysis and discussion in this chapter so far we can return to the basic model and identify the three main elements in the determination of strategy. These are SITUATIONAL CONTEXT, ORGANISATIONAL LEADERS and ORGANISATION HISTORY. The potential importance of organisational context in the determination of strategy formation,through determining the basic character of the process,is recognised but it is now subsumed under the more general category of organisational history. Organisational history is seen to affect strategy formation through the accumulation of resource capabilities and constraints,and through the social,political and cultural effects of human organisation. The effect of social organisation on the process itself is mainly related to the degree of internal elaboration that the organisation has developed,which is itself a product of its historical evolution. The main three determinants of the formation of strategy are illustrated in figure 11.8 below.

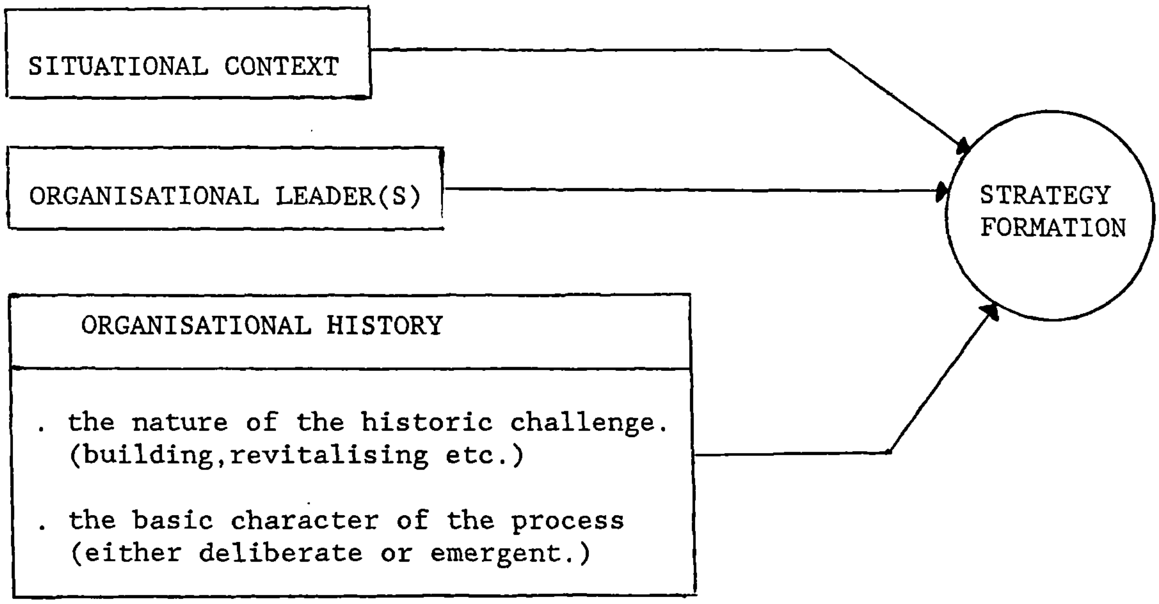

Figure 11.8 - The three main determinants of strategy formation

(iii) Situational Context and the process of Strategy Formation

The major influences on the content of strategy for the organisations in this study have been found to be the situational context,organisational leadership amd organisational history. While it has long been accepted in organisational studies that situational context is an important determinant of organisational action less attention has been given to elaborating on situational context to identify its salient features and dimensions. An important feature of this study is its elaboration of situational context and its identification and examination of five major contextual influences which shape strategy formation. A second aspect of the situational context - organisational action relationship that has been comparatively neglected in organisational studies,as

Pfeffer & Salancik(1978;71) have pointed out,is the question of how the situational context comes to affect organisational action. The empirical data in this study provide some useful insight into the modes of this process which helps to illuminate,and to elaborate on,existing theory.

The reason why the question of how the situational context interacts with organisational action has been comparatively neglected is because the early conceptions of the environment-organisation relationship in organisational studies were characterised by a unilateral determinism. In contingency theory,for long the dominant paradigm within which this relationship was examined,and later in population ecology theory, interest was almost totally centred on the structural characteristics of the isomorphic fit between the organisation and its environment. It was implicitly assumed that this fit would,sooner or later,have to be achieved if continued effectiveness and survival of the organisation was to be assured. There was very little interest in the process since the outcome was assumed to be largely pre-determined,independent of process. As Pfeffer & Salancik(1978;226) have said it was "as if a Mr Environment came into the organisation,giving orders to change organisational structures and activities". The conceptual position taken in this research,and strongly supported in the data as we have seen,is close to those of Crozier & Friedberg(1980), Porter(1980),Pettigrew(1985) and others who reject any unilateral conception of environment-organisation interaction "which neglects or ignores the fact that the organisation can 'play' with the 'requirements' and constraints imposed by the environment,and even manipulate them in its turn"(Crozier & Friedberg,1980;76).

The major elements of situational context,as revealed in the earlier empirical analysis of the five contextual forces that were found to be most salient in shaping organisational action,were technologies, materials,suppliers,customers,competitors,national economies and their management,international trading flows,patterns and guiding economic doctrines,societal norms,values,beliefs and transformation,and the like. Some of these elements of situational context are 'natural' objects but most are social 'objects' which become objectivated in the production and reproduction of social action(Berger & Luckmann,1966: Giddens,1984). The situational contexts of the organisations in the study were not unified,homogeneous and clearly bound. They were heterogeneous, fragmentary contexts largely composed of other social actors,individuals and organisations,embedded in wider social systems. This view of organisational environments is clearly at odds with the more residual, unified and homogeneous characterisation that is to be found in much of the research in organisational analysis carried out within the open systems paradigm(see Crozier & Friedberg,1980;chp4, for a critical review).

How then does such a heterogeneous,fragmentary and diverse situational context comes to influence organisational action. The empirical data suggest that the ways in which situational context shapes organisational action are complex and multi-modal.

For example,when CSET chose to enter the convenience food industry in the 60's it chose to elaborate its situational context to include new structuring elements that provided it with new oportunities and constraints; when Golden Vale entered the engineering business and IDG entered the cash and carry business they chose likewise. When Golden Vale later divested from the engineering business,and CSET descaled its food interests,they changed the pattern of their relationship with their situational contexts. In a very real sense,to begin with,these organisations SELECTED and reselected their situational contexts over their life histories,and in so doing they changed the pattern of potential external influence on their actions over time. Selected situational context influenced organisational action in a variety of modes. Organisations also ANTICIPATED developments in their situational contexts and took action on the basis of their beliefs about the oportunities and threats presented by these anticipated developments. For example,in the late 60's Dave O'Loughlin committed Golden Vale to as major physical expansion programme in anticipation of substantial growth in the national milk supply. In the late 70's the company set up a milk development fund to try to maintain the growth in their milk supply, through shoring up supplier margins over a difficult economic period.

The influence of situational context was also at times FELT more directly as certain pressures infused into the organisation. For example,the spiraling cost inflation that followed on from the two oil crises was felt by all the organisations in the study and it induced various rationalisation and cost reduction actions. The dramatic slowdown in sales volume that IDG experienced in the early 80's was felt in terms of rising inventories and falling revenues. The fall in national milk production was felt by Golden Vale in terms of a decline in milk supply and a consequent decline in processing output,which caused a drop in utilisation and depressed profits. At other times important elements in the situational context were DIRECTIVE in their influence on organisational action,as for example when the Government curtailed the export of Irish whiskey during the war years; or when the banks forced rationalisation on Golden Vale in the mid-70's; or when the Lemass Government applied direct pressure on the dairy industry to consolidate and rationalise in the mid-60's.

Finally,elements of situational context influenced organisational action through being INTERNALISED in the norms,values,beliefs and shared ideation systems of the industry,of the organisation and of the wider social context,and in the culturally determined personal value systems of the chief strategists. For example,over its long history the Irish dairy industry developed a norm of not competing directly for milk supply but of confining competition to products alone. This norm was based on the belief that unrestrained competition for supply would sacrifice the longterm interests of all in the industry for the spurious short term gain of some participants. In the case of Irish Distillers the traditions of the industry,forged during the historical conflict over whether column-stilled blended whisky was real whiskey or not, precluded for too long the development of a range of blended Irish whiskies,until the evidence was overwhelming that blended whiskies were the clear preference in the major whiskey markets of the world. The Lemass challenge in the economic expansion drive was picked up in AFT and CSET largely through the shared ideation system of Sean Lemass,Tom Walsh and General Costello. The nationalism and empiricism of Tom Walsh and the pragmatic economic patriotism of the General impelled these two men to seek out ways in which their organisations could best respond to the historic task which Lemass had set before their generation; the task of securing the economic independence of the country.

This complex,multi-modal nature of context-organisation interaction clearly involves different types of processes,some of which have been more fully explored,empirically and analytically,in the literature on organisations than others. There are the SOCIAL-PSYCHOLOGICAL processes of shared cognition and perception in which organisations enact(Weick,1977) their own situational contexts through selective attention to particular elements in their overall environment. The mode of anticipation was largely a social-psycholgical process. There are processes of SOCIAL EXCHANGE(Levine&White,1961) in which organisations are seen to largely define their own situational contexts in their initial choice of domain,through which they "simultaneously determine determine (their) pattern of interdependence with elements of the environment"(Miles et al,1974;250),and in their various extensions and retractions of domain throughout their life histories. In so doing they choose to become part of a particular social configuration or set(Evan,1966) of social systems within whose structures and 'rules of the game' their scope and capacity for future action will be bound(Thompson,1967;148: Crozier & Friedberg,1980;81). Processes of social exchange were involved in the select,felt and directive modes that were evident in the empirical data.

One of the most developed paradigms that attempts to explain the motor of organisation action at the organisational level of analysis,the power dependence paradigm,is clearly rooted conceptually in the social exchange view of organisation-context interaction. Developed initially by Emerson(1962)as a perspective within which to examine interpersonal behaviour,this paradigm has since come to assume a central position in the literature on organisation-context interaction(Thompson,1967: Pfeffer & Salancik,1978: Porter,1980). This power-dependence,or resource-dependence,perspective is essentially a political-economy theory of process. In this perspective organisations are seen to act to increase their power,and to reduce their dependence,in relation to their overall situational contexts. This perspective does help to explain much of what organisations do. Take the case of IDG for example. One of the main reasons for the 1966 merger was the desire of the three main Irish distilling companies to strengthen their position in the industry and to prevent the threatened entry of a large British brewing concern which would have seriously weakened their collective hold on the industry.

Then in the late 60's the newly merged entity integrated forward into direct sales and distribution. This was done to eliminate the firm's dependence on the wholesale trade. This last example illustrates that a firm like IDG is typically involved in more than just a diverse set of dyadic social exchange relationships. It has a direct stake in dyadic transactions that are upstream and downstream in an interorganisational network(Van de Ven & Ferry,1980;298). Vertical integration moves,like the one just described,are taken to strengthen the organisation's position in the entire network.

Powerful as the social exchange and power dependence perspectives are, these political-economy theories of process still provide only partial insight into the interrelationship between situational context and organisational action. These paradigms view the situational context of an organisation primarily in terms of other social actors,individuals and organisations,and their exchange relationships. Situational context tends to be analysed mainly as an extrinsic influence on organisational behaviour. In this perspective organisational action is to be explained mainly in terms of behavours that are aimed at avoidance of uncertainty(Thompson,1967) and at reduction of dependence(Pfeffer & Salancik,1978). While much that is to be observed in organisational action can indeed be explained in terms of social exchange and power dependence theories,such theories do not address the more intrinsic mode of interaction by which significant elements in the situational context come to influence organisational action through processes of CULTURAL TRANSMISSION and internalisation. These theories do not address the ways in which organisational action comes to be influenced by the norms, beliefs,and shared ideation systems of the industry,the organisation and the wider social setting, and through the culturally formed,and contextually linked,personal value systems of the organisations' chief strategists.

The process of interaction between situational context and organisational action is,as we have just seen,multi-modal and multi-dimensional. The five modes of influence by which the situational context comes to influence organisational action and the three modes of process through which this occurs are summarised in figure 11.8. The process can only be fully understood through a perspective that links social psychological,political economy and cultural modes of analysis with each other.

Modes of influence	Types of process
1. SELECTED-context 2. ANTICIPATED-context 3. FELT-context 4. DIRECTIVE-context 5. INTERNALISED-context	A. SOCIAL-PSYCHOLOGICAL B. SOCIAL-EXCHANGE C. CULTURAL TRANSMISSION

Figure 11.9 - How situational context influences strategy.

Empirical research into the dynamics of the process of situational context - organisational action interaction that attempts to link all of these modes of analysis,or that even includes the cultural mode,are still very rare in organisational studies; though Pettigrew(1985) has recently given an timely lead in this area.

Theories of action that are primarily dependent on avoidance of uncertainty or on reduction of dependence as the primary motors of organisational behaviour would appear to be particularly inadequate in understanding processes of growth,innovation and entreprise in organisations. Organisational action that is governed by avoidance of uncertainty will tend to seek stability and stable equilibrium with the situational context. However, Schumpeter(1934;64-65) has cogently argued that economic development is a distinct phenomenon from the tendency towards economic equilibrium. Stability seeking behaviour is conservative and adaptive. It is not innovative,entrepreneurial or developmental. Reduction of dependence is similarly defensive and conservative in orientation. In the latter case one of the consequences of growth is increasing interdependence in a forever widening and interlocking set of interrelationships with more and more elements of situational context. It would seem to follow,therefore,that organisations acting primarily in accordance with a reduction of dependency rationality would be largely growth-avoiding rather than growth-seeking. In the limit,it seems to this researcher,that neither rationality can provide a satisfactory answer to the question of why organisations come into being in the first place; neither rationale would explain why social actors come together to initiate organised activity.

Organisational action,then,cannot be adequately explained in terms of rationalities of uncertainty avoidance or reduction of dependency alone. Neither,however,is organisational action to be explained mainly "as the lengthened shadow of one or a few men"(Thompson,1967;1). The cultural mode of analysis is a vital element in explaining innovation and growth in organisations. In this study the motors for growth,innovation and entreprise were seen to be strongly embedded in the shared ideational systems that link the organisation with its wider context. The values motivating social agencies,both individuals and organisations,in the pursuit of economic development,innovation and material progress were values that were created and sustained through the wider national and international cultural settings. This was seen at its most explicit in the Lemass drive for economic development when the family captalist controlled distilling industry,the cooperative controlled dairy industry and the state controlled sugar industry were all harnessed to the urgent task of economic expansion through the loose authoritative coupling of national indicative planning. The authoritative coupling may have been weak,given the democratic setting,but the cultural and ideational coupling was strong. Moreover,the cultural mode of analysis is important in fully understanding the role of organisational leadership which was found to be a vital substantive and symbolic element in the explanation of organisational action. The personal motivations of men like Walsh and Costello,could not be readily understood without reference to their contextual and cultural settings. Attempts to explain innovative and entrepreneurial strategic behaviour in terms of some acultural attributes or personality pre-dispositions alone would seem doomed to failure.

(iv) Strategic Change Processes

In an earlier section it was found that strategy,at the highest level of aggregation,was a relatively enduring phenomenon though change appeared to more endemic at the finer-grained level of strategy formation. Major strategic choices are made during the initial development of any organisation,choices of domain and technology that form its basic character. After this initial phase,however,an issue of special interest in the future formation of strategy is how and why the existing pattern of commitments and activities at Tn comes to change, since strategy at Tn+1 does not normally involve any massive re-initialisation of this pattern. While most of the early attention in the field of strategy research was focused on the issue of strategic choice,more recently there has been a growing interest in the question of how strategy comes to change(Kanter,1983: Pennings,1985: Pettigrew,1985,1987a)

The empirical data in this study allow us to identify and examine some important modes of initiation of strategic change and to explore the character of strategic change processes through the processual analysis of a major change episode.

Initiation of Strategic Change

The empirical data reveal that strategic change was initiated in a number of different modes. There was CONTEXT-induced change. Context-induced change is driven by pressures arising in the context of the organisation with varying degrees of imperative. The most imperative situation is one of crisis,where the future survival of the organisation is imminently threatened. In such a situation the context is in the driving seat and the organisation can only regain some control over its destiny by a dramatic change in strategy. The 1985 crisis in Golden Vale is the most dramatic example from the data. This crisis led to a change of leadership and to an immediate refocusing of strategic priorities. It evoked a basic change in competitive strategy in relation to securing and protecting the milk supply. It also led to the development of a stronger marketing activity,to a new emphasis on product and market development,and to an acceleration in the rationalisation of the milk assembly system. The dramatic symbolism in the change of leadership served to heighten and widen the internal preception of crisis and of the need for dramatic change. This helped to create the conditions that allowed a determined new leader to implement drastic changes with speed in order to regain control over the organisation's future.

Clearly,however,there were varying types and degrees of imperative. For example, AFT is currently undergoing a dramatic context-induced change that is unique in the organisation's 30 year history. The source of this change was in the growing crisis in the state of the nation's public finances. After years of progressively tighter and tighter allocations AFT found itself,in 1987,forced by government to merge with the advisory services. The newly merged entity is currently being rationalised.
This merger and its downstream effects are significantly changing AFT's former scope and character. In IDG,in recent times,there has also been dramatic context-induced change which culminated in the friend takeover of the company. For six months the future of IDG as a business entity hung in the balance as black knight,GC&C, and white knight,Pernod Ricard,fought for control of IDG's future destiny.In the case of IDG the sense of impending crisis itself,up to the time of the takeover bid,was sufficient to induce major strategic change as the company galvanised itself to try preserve its future independence. In the post-1979 period IDG experienced its most challenging and difficult situational context since the 1966 merger that formed the company. More recently,however,the stock-market began to show signs of increasing impatience with the company. The company's stock consistently under performed the market between mid-1986 and end-1987,after many years of being a leading share. IDG's acquisition of BWG for its cash and carry business in 1984 was a turning point. The market was critical of a strategic investment in the static home market and began to lose confidence in the company's will and ability to exploit the full export potential for Irish whiskey as a generic premium product. The company was perceived,both internally and externally,as having become more and more vulnerable to take-over. In this context of impending crisis the company carried out the first major revision of its export-marketing strategy since the merger. It further carried through a £10m rationalisation to improve its operating profit flow by £3m per annum. When a credible black knight appeared on the horizon with a 20% block of company stock in late 1987,the IDG board

and management made a determined bid to keep the institutional investors on their side by presenting them with their revised marketing strategies and convincing them to give their reformulated and more focused approach to export development a chance to succeed. Ironically,it now seems clear that the company's rationalisation efforts and revised marketing strategy,which did lead to increased stock market confidence and a significant improvement in company earnings,only increased the attractiveness of the firm as a takeover target to larger companies in the declining global spirits industry.

While CRISIS-induced change is particularly imperative and dramatic, the evidence from this study suggests that full crisis situations, with an imminent risk of organisational failure are rare. There were only two such crises recorded in the combined histories of the organisations in the study,covering in all 147 organisation-years. Both of these were in Golden Vale and both involved imminent insolvency. It would seem from both that crisis is a product of context and organisational action and that the genesis of crisis can be in either. The 1985 crisis in Golden Vale had its genesis in the dramatic change in the situational context of the dairy industry in the early 80's. To this extent it was context-induced to begin with. However,to a significant extent the organisation worked itself into crisis through inappropriate and ineffective handling of the difficulties that the dramatic change in situational context had presented. In contrast the 1975 crisis had its genesis within the organisation,in the preemptive capacity expansion strategy of the company and in the cavalier approach to the financing of that strategy. When the situational context did not unfold quite as expected the company became exposed to impending insolvency. Once crisis point is reached,however,by whatever process route,change then becomes context-dictated.

The empirical data show evidence of at least two other modes of strategic change,CONTEXT-stimulated change and LEADER-stimulated change. Context stimulated change is to be distinguished here from context induced change. Induced change is threat-centred and the mode of organisational action is defensive. Stimulated change is oportunity-centred and the mode of action is prospective. The Lemass programme for economic expansion provides,perhaps,the clearest example of context stimulated change. Directly through the medium of social exchange,and indirectly through the medium of ideational and value transmission,the Lemass leadership and its programme stimulated CSET to diversify into food processing,the first major development in CSET beyond its traditional core business. The Lemass leadership,and the ideology in the Programme for Economic Expansion,also stimulated the dairy industry in Ireland to undergo a radical restructuring in order to concentrate its capital for further development. A special type of context-stimulated change has been TECHNOLOGY-stimulated change. This was seen at its most dramatic in the cases of dairying and distilling. The development of the mechanical churn stimulated the dairy industry to change from a farm-based to a creamery-based structure. The mechanical and chemical revolutions on the farm,in the 50's and 60's,stimulated a long wave wave of expansion and diversification in the dairy processing sector. The development of the continuous column still in the distilling industry stimulated the development of blended whiskies which dramatically changed the course of the entire industry.

They are many examples throughout the cases of LEADER-stimulated change. These changes were initiated for both prospective and defensive reasons. In the case of IDG the concentration of distilling in a single modern complex,and the acquisition of Bushmills,and the development of the export-led growth strategy were all initiated by the company leadership to promote the prospective development of the company. The acquisition of BWG for its cash and carry business was a defensive strategic move initiated by the company leadership to defend IDG's home market share and profit positions. O'Loughlin's diversification of Golden Vale into engineering and later into milk powders were prospective moves. The modernisation of the sugar factories and the change to a three plant configuration were anticipatory moves initiated by the CSET leadership to strengthen the competitiveness of its core business. A characteristic of leader-stimulated change,even when it is defensive,is that the primary proximate pressure for change comes from within the organisation. Moreover,leadership clearly plays a major role in the implementation of change,even when the change has been context-stimulated or context-induced. Costello's development of the CSET food diversification strategy, Burrows' reformulation of the IDG export-marketing strategy, and Ryan's major review of AFT's entire research programme are some cases in point. In the extreme, new leaders have been brought in to implement the changes in strategy induced by context in crisis situations. The arrival of Jim O 'Mahony at Golden Vale in early 1986 provides the clearest example of this. In a case such as this one the hiring of the new leader was itself a crisis-induced change,but the process and content of strategic change had still to be developed under the new leader's active agency.

The five modes of initiation of strategic change,that emerged from the empirical data in this study,are summarised in figure 11.9 below.

Modes of strategic change

1. CONTEXT-induced change
2. CRISIS-induced change
3. CONTEXT-stimulated change
4. TECHNOLOGY-stimulated
5. LEADER-stimulated change

Figure 11.10 - Modes of initiation of strategic change

Most of these modes of initiation are well recognised in the literature. Starbuck et al(1978), Miller & Friesen(1980), Miller(1982) and Brunsson(1982) are among the many who have relied,at least partially,on crisis theory in their studies of change. Kanter(1983) has been very prominent among those who have studied leader-stimulated change while Tushman & Anderson(1987) have been to the fore in examining the relationship between technological discontinuity and strategic change at industry and organisational level. The situational-contingency theorists(see Kast & Rosenzweig,1981 for a synthesis) and contextual researchers(Pfeffer & Salancik,1978: Pettigrew,1985) both emphasise and examine context-induced change though their underlying models of process,implicit or explicit,fundamentally differ. The empirical evidence from this research indicates that crisis-induced change is rarer than the crisis-theory literature would suggest. It indicates that technological discontinuity is also rare in many organisations, though its effect tends to be dramatic and far-reaching at both industry and organisational levels. A major theme of this research,developed at length earlier,is that leader initiation of strategy and strategic change has been under-emphasised in organisational analysis at the expense of the context-induced mode. Finally,one important mode of change which has received comparatively little attention up to now is the context-stimulated mode. Change that is stimulated by the volition and strategic action of actors operating at the national and industrial levels of analysis is rarely examined,yet appears in this research as an important mode in the initiation of strategic change at the organisational level. The episode that has been selected for a more fine-grained processual analysis of strategic change was chosen,among other reasons,to help redress this comparative neglect.

The amalgamation episode at Golden Vale - processual analysis

The primary focus of this study has been on the interrelationship of situational context and organisational action over whole organisational life histories. In doing this we have,for the most part,kept our research lens at a relatively low level of resolution in order to capture the broad movements that typically characterise significant contextual changes and their implications for organisational action. In this section we move to a somewhat higher level of resolution and try to examine the process of strategic change at closer range using the strategic episode as the unit of analysis. The change episode chosen for this purpose is the amalgamation at Golden Vale. This episode had relatively clearly defined start and end points so that it can be analytically isolated from the continuous flux of history and its genesis,career and conclusion can be examined in context. Processual analysis of this episode contributes process insight,not only into strategic change at the organisational level of analysis but also into the process of industry evolution. The analysis of the process that follows relies heavily on the description of this episode contained in the Golden Vale case narrative that was presented in chapter eight of the dissertation.

This 1958-74 amalgamation episode in the Irish dairy industry provides, in its own right,valuable insight into strategic change processes that link the national economy,industry and firm levels of strategic analysis in a free entreprise economy. Research on strategic choice and change processes that is analytically this broad is still very unusual in organisational studies(Pettigrew,1987a;6). In particular,this episode offers a rare empirical insight into the complex processes that link strategic intent and strategic outcome across these three levels of analysis. In this it is different,yet complementary,to much of the empirical research on strategic choice and change in which the analysis of the 'why' of choice and change often extends to multiple levels of context but the analysis of the 'how' has generally tended to confine itself to intraorganisational processes(see Mintzberg,1978: Quinn,1980: Burgleman,1983b: Kanter,1983: Pettigrew,1985: and Hickson et al,1986 for recent prominent examples). Rarely,if ever,in organisational analysis have processes of change been examined where the initial strategic intent is located in the situational context and not in the organisation and where the 'how',as well as the 'why',is a multi-level phenomenon.

The amalgamation episode was a process that linked strategic intent to strategic outcome over three levels of social structure, national economy,industry and individual entreprise. The three levels were linked by loose authoritative coupling. These loose authoritative linkages reflected the nation's dominant ideological orientation to free entreprise,and this was a basic cultural and political element in determining the overall character of the process. Among the questions of interest in analytically examining the process of strategic change in this amalgamation episode are; how did strategic intent at one level come to influence strategic action at lower levels of context without strong authoritative linkages?,why did the whole process take so long?, and how,and why,did the eventual outcome fall short of the original intention?

The process took so long because there was strong initial resistance to the consolidation strategy at the industry and individual entreprise levels and the outcome fell short of intentions because the process of overcoming that resistance was incomplete. But why was there this resistance,which ranged from conservatism in the face of change to open opposition? There were DIFFERENT RATIONALITIES,PRESSURES and LEVELS OF STRATEGIC CONCEPTION operating at the different levels of social structure. These differences account to a large degree for the length and incompleteness of the process. Yet,paradoxically,these same differences played a valuable role in enabling the process to move along in a voluntary mode,as we will see later on.

At the national economy level the main concern was with the overall growth and development of the whole Irish economy. The level of strategic conception was at its most aggregate and the language of strategic rationality was at its most abstract,at this level. At this level the language and imagery of strategy were expressed in terms of the 'historic task of securing the economic independence of the State', the need for the 'dairy industry' to be a engine of 'export-led growth', the need for the 'dairy industry' to have a 'level of capital concentration' comparable with the best in the 'industry internationally'in order to secure its 'growth,efficiency and overall competitiveness' in a 'freer trade environment internationally', the need to expand the 'national herd', and the like. The pressures for change at this level were felt and expressed at an equally high level of aggregation,the need to develop and modernise the economy, to increase exports,to increase the nation's standard of living,to stem the tide of emigration,to maintain the country's international competitiveness,and so on.

In contrast,the rationality at the level of the processors and producers was different,less aggregate and more concrete. At this level the more abstract conception of increasing 'the level of capital concentration' in the 'industry' came down to the more concrete issues of which processors were going to amalgamated with which?,would some of the individual parties to consolidation benefit more than others?,would some be worse off than before?,did the economic benefits of amalgamation outweigh the social and political costs to individuals,individual processors and their immediate rural hinterlands,entailed in the structural upheaval associated with consolidation? In short,it might have been economically beneficial to the country and the industry in the aggregate,but not to all the individual parties involved in the industry. There was going to be social and political upheaval involved in the breakup of the existing parish structure and the political,and social costs were likely to outweigh the uncertain economic benefits for many of those involved in the industry at the level of the individual entreprise. The pressures for change at this level were most sharply felt at the level of what other individuals and processors were doing and the worry of missing out or being left behind relative to other participants in the industry.

In between was the industry level. Here the main consideration was the question of reconciling the national economy level of rationality with the rationalities operating at the level of the individual units. At this level a primary rationality was the development of the industry to its fullest potential for its participants and in the national interest. Related to this was the concern to maintain control of the industry's development in the hands of the industry,and more specifically in the hands of the cooperative movement, while at the same time maintaining and increasing the pre-eminence of the industry's position in the national economy. To maintain its pivotal position in the industry the cooperative movement had to secure and maintain the confidence of national policy makers and individual industry participants alike.

The process by which strategic intent at the national level came to influence strategic action at the level of the individual participant did not follow a pre-defined path. In this respect the process of strategic change was,not only an essential element in the determination of strategic outcome,but was itself problematic and therefore the object of strategic action. The essential problem was one of how to get the individual participants in the industry to come together to create a a greater level of resource concentration. The initial decision by the national policy policy makers to try to secure this on a voluntary basis,and the differences in the rationalities,pressures and strategic conceptions of the different levels of structure involved,together determined the basic nature of the problem of process in this episode.

The process was initiated by Lemass and his Government in the late 50's. They were concerned that the industry was not ready for EEC entry. Since the dairy industry was a strategic element in their plan for national economic expansion through export-led growth,this was their motivation for intervention. They already held the view that the industry was in need of structural change to begin with. The Survey Team Report confirmed this view in 1963. It also had two other effects in moving the process along. The presence of an independent expert on the team provided some wider legitimacy for the Government's view. It also provided an issue with which to put pressure on the cooperative movement. The report had questioned the capacity of the IAOS to provide the kind of leadership needed to fully develop the industry in the national interest. The report had suggested the setting up by the Government of a superstructure,with mandatory powers if necessary, implement the restructuring. Lemass and his government decided at this point to support,rather than to bypass,the cooperative movement for political reasons. Direct intervention before the cooperative movement had been given a chance to provide the required leadership would have risked the provocation of widespread opposition and would have complicated the issue. Nevertheless, the presence of the recommendation in the widely circulated Survey Team Report provided a credible threat of direct intervention at some later stage should the cooperative movement not deliver.

The national policy makers commissioned a second study within months. The Knapp Report had two effects. It helped to further legitimise the need for change. The Survey Team report was seen in some quarters as the Department's report,in spite of the presence of the independent expert. Now a famous international expert on the cooperative movement confirmed the need for structural change and this widened the legitimacy of this need within the industry and within the cooperative movement. Knapp also confirmed the political wisdom of the Government's decision to allow the industry to restructure itself voluntarily. Knapp provided additional legitimacy for change and recommended that the IAOS,the cooperative corporate body,be given full responsibility for leading the industry through the change. The Survey Team and Knapp reports,taken together, provided strong legitimacy for the need for change but they also provided the political issue with which the Government was able to get the IAOS publicly committed to leading the change,the issue of who will control the industry's future. This was an important step in moving the process along.

The Government then publicly tied the need for structural change in the Irish dairy industry to the national interest in the Second Programme for Economic Expansion. The issue was now not only legitimised on rational-economic grounds but was also legitimised on cultural grounds as an integral and pivotal element in the historic task of economic development. Through its indicative planning process the national policy makers were publicly challenging the dairy industry, along with the other sectors of the economy,to play its full part in the historic drive to expand the economy. Furthermore the Government went on record in the Second Programme as both supporting the leadership position of the cooperative movement in the dairy industry while at the same time publicly chartering it with the historic task of leading the restructuring of the industry. Thus carrot and stick were both used simultaneously to pressure the IAOS into driving the change process at industry level.

The combined effects of the Survey Team Report,the Knapp Report and the Second Programme for Economic Expansion,and their wide circulation throughout the social structure,helped to make the restructuring of the dairy industry a national issue. This objectivated the need for change in the wider social system and leveraged the Government's own efforts to bring about change in the industry with powerful systemic pressure. The IAOS were,by 1964,under pressure to produce an operational blueprint for the consolidation of the industry. Up to this point the issue had been debated mainly at national and industry levels and had been conducted at a fairy high level of abstraction. Pressure was building up in the wider social system for the 'consolidation' of the 'dairy industry' in order to make it 'more competitive' in 'international' terms. The IAOS was publicly committed to the need for change at this level of rationality and had to be seen to lead the industry through this change if it was to preserve its pre-eminence. The difficulty was that the economic and cultural rationalities at this level were not sufficient in themselves to bring about change at the participant level, where the issues and rationalities were different and more concrete.

The IAOS took two years to publish its blueprint,and even then it was not without great difficulty. Trying to come up with a actual blueprint for consolidation sharpened the focus onto the political, economic and social difficulties involved at the individual participant level of rationality,where the forces for continuity and conservatism at first far outweighed the pressure for change. The initial rejection in 1963 of Ireland's first application to join the EEC weakened the economic imperative considerably and allowed the industry more time to equivocate. The Government,however,maintained its pressure on the IAOS through direct informal contact and through keeping the issue alive in the wider social context. Under the credible threat of direct intervention it eventually pressured the IAOS into publishing a set of proposals for the restructuring of the industry. This was an important bridgehead for the forces of change within the industry. The IAOS was now more publicly committed than before. It was more unequivocally aligned with the need for consolidation and with amalgamation as the preferred mechanism for bringing it about.

The actual publishing of the proposals had the effect of widening the debate and heightening the awareness of the pressure for change in the industry. The issues raised in the actual blueprint had more immediacy for its participants. They involved not only the question of whether or not major consolidation was necessary and good for the industry but also whether this should be by amalgamation or federation and what actual groupings should be involved. Key opinion leaders within industry,like the farmer and creamery manager representative organisations, were split over these issues. This reflected into the positions of the individual participants in this 'sound man' industry, where opinion leadership was particularly influential. Then in 1967 the Government reactivated Ireland's application to the EEC and this increased the economic imperative once more. The Government,at this point,commissioned a further study to further strengthen the forces for change. The Cook and Sprague Report was produced by two experts that were seen to be independent of the both the Government and the IAOS. They stressed the urgency of the need to restructure and came down firmly in favour of amalgamation as the preferred means. This report added nothing new in substance but its source and timing were important. It conferred added legitimacy to the forces for change and injected added urgency into the process.

In late 1967 the process entered a new stage. It had become clear to some key industry leaders by this time that the pressures for change were going to increase,if anything,and were clearly not going to abate. Dave O'Loughlin,who at first opposed consolidation and amalgamation,now came to see it as inevitable. He decided therefore to take a lead at ground level. In this he was being both oportunistic and defensive. He wanted his organisation to develop into one of the main growth centres in the industry and he did not want to be left behind. He was moved to act more by local rationality than national rationality. The major stakes that he was playing for were more autonomy in the future management of Golden Vale than the federal system of ownership had allowed him and a pre-eminent position for his organisation in the industry's future structural evolution and development. He tied his strategy for the physical expansion of Golden Vale to the amalgamation process and pursued both simultaneously. These two elements of his strategy became closely interlinked. Pre-emptive physical development helped him to legitimate his claim to be marked out in any industry level proposals as a growth centre with an economic rationale that said why duplicate capacity that is already there. It also served to help convince some of the targeted creamery societies to amalgamate because the processing capacity to take their milk was already in tow. In pursuing a strategy of pre-emptive capacity expansion he was,however, committing himself up-front to amalgamation and creating a largely irreversible pressure on himself to bring it about.

This autonomous movement at participant level was a vital breakthrough in bringing the amalgamation process to concrete conclusion. The forces of conservatism and opposition were at their most intense at the level at which O'Loughlin had to operate. He approached the IAOS for executive help in managing the process of amalgamation at Golden Vale. The IAOS presence helped him to legitimise his intentions to those at ground level in the cooperative movement who had to be won over. He in turn provided the IAOS with a vital bridgehead into the industry at processor and producer level,where the change process had to finally materialise. O'Loughlin and his team,which included a fulltime IAOS executive,spent three years working with their targeted creamery societies before the formal moves on amalgamation were finally taken. This was a highly political and cultural process as they sought to win over opinion leaders,and through them their societies. At this level also the strategy involved convincing key opininon leaders,both individuals and groups,and getting them publicly committed to the amalgamation process. O'Loughlin and his team went to over 500 meetings and lost no opportunity to advance the cause. They worked on individuals and their committees,trying to get agreement in principle to begin with, and never forced the issue to a vote if there was a chance it might go against them. They did not make the formal moves on amalgamation until they felt sure of success.

The early moves on amalgamation by Golden Vale and one or two other processors were themselves important catalysts for change in this final stage of the process. The pressures exerted on the industry by the Government,the IAOS,and the general systemic pressures engendered through legitimacy-conferring studies and public debate,all had a cumulative 'softening up' effect on the industry at participant level. The industry was becoming progressively more conditioned to the fact of change,if not always yet convinced of its merits. Once this pressure and social conditioning got Dave O'Loughlin and one or two others to move on amalgamation the rules of the game began to change such that local rationality in many cases now began to work in the direction of change. Regardless of their previous position at the more aggregate and abstract levels of the amalgamation debate,once processors and participants saw other movement on the ground they came to see change as inevitable. Issues of grand principle,which had been important in the initial generation of the momentum for change,now became less important in sustaining it. Processors and producers began to jockey for their future competitive positions and their future cash flow. Once the movement began on the ground it generated its own systemic dynamic. The earlier debate,and general conditioning process,had meant that many of the smaller processors had held back on reinvesting in their creameries because of the general air of uncertainty created by the amalgamation issue. Now as the early moves began to be made many of these smaller processors found themselves under pressure from their suppliers whose expanding needs they were no longer able to satisfy. The smaller processors began to be both pressured towards and wooed,by the larger processors with ambitions to be the future growth centres. In this way the amalgamation process began to have tangible results.

The process was underway at processor level by 1970 but with,as yet, little actual consolidation. EEC membership was now imminent and the Government renewed its pressure on the IAOS to get results on the ground. The IAOS published a new set of amalgamation proposals in 1972. These new proposals reflected the fact that the industry had expanded considerably since 1966. This set of proposals became the final blueprint for the amalgamation process in the industry. It reflected the work already done by Golden Vale and other processors on the ground and conferred post-facto legitimacy on it. Golden Vale's future position as a growth centre for the industry was strengthened by these proposals. The plan,however,provided an indicative blueprint towards the final form of the amalgamation but the actual outcome of the process reflected the individual strategies of the larger and smaller processors who sought amalgamation and shopped around for the most favourable arrangement. In consequence the final groupings often did not fully reflect the economic rationality of geography. In the case of Golden Vale,only 24 of the 36 societies that had been allocated to it in the 1972 plan finally amalgamated with it in the end. By 1974 the total process was well on the way towards completion.

This episodic analysis of the amalgamation process at Golden Vale contributes to our understanding of both industry evolution and strategic change.

The current literature on industry evolution in organisation studies falls into two main perspectives.The first is the population ecology paradigm(Hannan & Freeman,1977,for example). The underlying model of process in this paradigm is the social organisation equivalent to natural selection. The second perspective is industry analysis, the offspring of the recent marriage between the strategy and industry organisation paradigms effected by Caves(1980) and Porter(1980,1981). The underlying model of process in this perspective is a form of power-dependence,resource-dependence theory. The industry analysis model is more voluntarist than the population ecology model at the level of the individual firm but both have similiar underlying models of the process of industry evolution at the level of the industry. Both emphasise the role of competition in resource constrained environments as the primary determinant of structural change. Consolidation happens over time because the strong organisations develop at the expense of the weak. Weak organisations eventually get shaken out or taken over. Both processes lead to higher levels of concentration in an industry. Where they differ is mainly in their perspective on how organisations come to be strong or weak,with the ecology model much more deterministic on this issue. Weak organisations in the population ecology perspective are those whose inherent inertial forces seriously impair their capacity to adapt to the changing imperatives of their environment. Weak organisations in industry analysis are those which are least able to strategically manage the dynamic power-dependence relationship between them and their environment in their own favour.

Neither of these perspectives provides a theory of process which is adequate enough to explain how the structure of the Irish dairy industry evolved during the amalgamation episode that was analysed above. Both perspectives have two major limitations. Firstly,as models of process they are what Mohr(1982;14) would call underdeveloped in the sense that they tend to conceptualise the stages in the process but offer inadequate descriptive or analytical insight into how the process moves from one stage to another. Industry analysis is more developed than ecology theory in this regard because it does attempt "to look underneath the process to see what really drives it" and identifies a number of "evolutionary processes" that "create incentives or pressures for change"(Porter,1980;162). However,both offer little descriptive or analytical insight into how industry structural evolution actually happens empirically. Secondly,both perspectives tend to present the contextual evolutionary forces at the organisational level of analysis in terms of an impersonal superordinate or systemic logic. For example, in the ecology model(Hannan & Freeman,1977;940),the structural evolution of an organisational population proceeds in accordance with an impersonal "environmental rationality" which is superordinate to the individual firm. In the less deterministic and more elaborated industry analysis model industry structure evolves through the dynamic interplay between firm volition and the systemic structuring effects of the evolving underlying economics of the industry(Porter,1980;157).

Processual analysis of the amalgamation episode at Golden Vale extends our understanding of industry evolution in two ways.

Firstly it shows that volition and strategic action at higher levels of social structure are sometimes the major force in industry evolution, and that the higher level of rationality attributed to an impersonal environment in the ecology model can actually be the strategic rationality of actors operating at a higher level of social order.The amalgamation episode is not the only example of this in the study. National and industrial statesmanship were key forces in all the key stages of the structural evolutional of the dairy industry. Horace Plunkett's leadership at national and industry level was a key force in moving the industry from a farm-based to a creamery-based system in the late nineteenth century. The technological development of the mechanical churn was key to enabling this structural change to take place but this impersonal contextual development did not in itself automatically induce the structural change that it made possible. The second major structural change in the dairy industry was the rationalisation process of 1927. In this episode the Secretary of the IAOS,Dr Henry Kennedy, persuaded the Minister For Agricultural to intervene in the industry in order to prevent the impersonal evolutionary pressures operating at the time from destroying it. A state company was set up and state funds were used to buy up and rationalise the smaller units in order to preserve and strengthen the overall profitability of the industry and to secure its future development. Firm level rationality alone was tearing the industry apart and a higher level of national and industry level rationality was strategically imposed on the industry by a higher level of personal volition and strategic conception in order to save and secure it. In the distilling industry the empirical description given of Frank O'Reilly as an 'architect' of the 1966 merger reflects the higher level of rationality and volition that also operated in that case.

The second way in which the foregoing processual analysis of the amalgamation episode contributes our understanding of industry evolution is in the descriptive and analytical insight that it gives into the processual dynamics of evolution itself;-how it starts,what drives it forward,how it proceeds,how long it takes,and so forth.

In this episode the process was started by the national policy makers and largely driven by their will and strategic action. They were moved to act by strong economic,political and ideological rationalities at the level of national policy making. Their desire to generate economic take-off in the under-developed Irish economy was the prime factor. Their decision to try to bring about structural change at industry and firm levels without recourse to direct authoritative mechanisms was a major element in enacting the character of the process. The problem of process for the national policy makers was how to bring about strategic action at the level of the individual firm. The full process took almost 16 years to complete,which was much longer than intended. Progress was uneven. The rate of progress was affected by the strategic actions of many agencies,individuals and groups,at different levels of social order,but was never under the full control of any of them. Neither did the outcome fully accord with any of their intentions.

The process was hierarchically progressive in that the momentum for change started at the national level and progressively extended down through the industry level to the firm level. There were different levels of rationality,pressure and strategic conception operant at the three levels so that strategic intention at one level did not easily transmit into the hoped for action at the next level down. Forces for change at the higher levels were initially met with considerable forces for continuity at the next lower level due to these differences. Overcoming the forces of inertia and opposition that arose from these differences demanded more than the ideational transmission of the higher rationality down through the social system. Strategic action that was primarily political and cultural in nature also proved to be vital in the transmission of a change momentum in this situation. The political activities of building and publicly committing the support of key opinion leaders,individuals and organisations,through variety of pressures and inducements at their own levels of rationality,proved to be vital in this respect at both the industry and firm levels. The wider process of culturally integrating a dynamic for change and of objectivating it throughout the social system through the processes of legitimation and issue creation helped to generate and maintain a systemic pressure for change. This systemic pressure augmented the political pressure through ideological transmission of the pressure for change at its most effective. It also did this through simply social conditioning,in that many who still did not internalise the ideational or ideological rationalities for change nevertheless came to be influenced by the growing belief that it was inevitable.

Finally,two further features of the character of the process are worthy of note. Firstly,while the momentum for change was dependent on the personal involvement of key strategic actors at the beginning,it ultimately developed its own objectivated dynamic which transcended the personal involvement of any particular strategist. For example,Sean Lemass was the key national strategist that set the process in motion but he retired from his position as Taoiseach in 1966,eight years before the process was complete. Moreover,in all four different Ministers for Agriculture were involved at at national policy level over the full life of the process. This phenomenon was not confined to any single level,it could be seen right across the board. Dave O'Loughlin of Golden Vale was a key actor in initiating the amalgamtion, not only within his own organisation but within the industry at the level of the firm. He died prematurely in the summer of 1971 before Golden Vale had begun any formal amalgamation moves. Yet,his early strategic action had set in train a process at both firm and industry level which transcended his untimely death.

The second feature is related to the first. In attempting to generate change across the different levels of social order it was only necessary for the higher level strategists to make a critical breakthrough across these different levels. Once the momentum for change had achieved a certain critical mass the fact of change itself set in motion its own dynamic at the lower level of rationality. The ultimate outcome was determined by strategic action at the firm level of analysis consistent with the rationalities,pressures and strategic conceptions at that level once the change process had gotten sufficiently underway. In short,the process of change became itself the object for strategic action,both defensive and prospective,for actors at all levels of the social system, acting largely in accordance with their own levels rationality.

This processual analysis of the amalgamation episode at Golden Vale also contributes to our understanding of strategic change processes. It extends the literature on strategic change to change processes across multiple levels of social order. The process strategic change across these multiple levels of analysis reflects many of the characteristics of strategic choice and change processes that have been found in the literature on choice and change at the organisational level of analysis. The process was circuitous,unprogrammed and uneven(Mintzberg et al,1976). The change outcome was non-optimal from the point of view of any of the major strategic agencies involved in the process. This was a reflection,among other things,of the complexity of the change and of the political cleavages(Astley et al,1982) that it generated. These in turn reflected the different rationalites involved and the bounds on those rationalities(March,1978). The process of change itself was problematic and was continually the object of strategic action at multiple levels of social order. As a result the process was non-linear. It did not follow any pre-formulated path to solution,nor was it ever totally under the control of any single strategic agency. It was a social creation that arose from the ensemble des jeux(Crozier & Friedberg,1980) of the different strategic agencies at the national, industry and firm levels,each acting in accordance with their own goals, rationalities,pressures and strategic conceptions.

The context and process of change,then,were both active elements in the determination of the outcome. The strategic action at the level of the firm could not have been fully understood by confining the processual analysis of the change episode to this level. The context of change at the firm level was not simply something that the firm 'took on board' through its endogeneous environmental planning and scanning processes. The firm's strategic action in this episode cannot be adequately accounted for through a behaviourist perspective which attempts to explain organisational action mainly in terms of a response to some set of impersonal exogeneus stimulii,which somehow or other comes to the attention of the organisation and its strategists. The inadequacies of this perspective,which characterises much of the open systems approach (see Kast & Rosenzweig,1981;566),become very apparent when the change episode is analysed at multiple levels of context and process.
Context affected the strategic action of people like Dave O'Loughlin or the IAOS executive in terms of its meaning within their own rationalities,pressures and strategic conceptions. Within this more social actionist perspective(Silverman,1970) a key issue in processual analysis is the issue of how meaning gets transferred from context to organisation. In the processual analysis of the amalgamation episode we

saw that meaning was transferred across the different levels of social order through ideational,political and cultural transmission that were all vital to the generation of cross level action. Economic analysis needs therefore to be supported with political and cultural analysis if the process of strategic change is to be fully understood.

On the evidence of the amalgamation episode,strategic change at firm level can only be fully understood through a contextualist perspective that regards the context and the process of change as active elements in the determination of change outcomes. Such a perspective has been developed only recently by Pettigrew(1985;35). Processual analysis itself is still rare in organisational analysis,according to Mohr(1982; 215) who argues that "the kind of description that would seem to have the greatest potential in social science is description of processes". Even in the relatively little process research that does take place there has been a tendency for process scholars to focus on the process-organisational context linkage at the expense of due attention to situational context and its effects on process and outcome(Pettigrew, 1987a;6).

The processual analysis of the amalgamation episode carried out here strongly supports the Pettigrew position that strategic change processes cannot be adequately understood without due attention to situational context and the way in which it is processually linked to strategic change at firm level. However,it goes further. The early work in the contextualist mode of research has so far concentrated strategic changes processes within organisations. It has not yet extended its focus to strategic change processes that link strategic action and volition across multiple levels of context and process. Processual analysis of the amalgamation episode has indicated that there are situations of strategic significance where the need for change is first seen at levels of rationality higher than the firm and where firm level rationality,if left largely to its own devices,will change at a degree and rate that will be sub-optimal for the industry and for the country. Research that can yield descriptive and prescriptive insight into such change processes is clearly,therefore,an important area for further substantive study in its own right. It is important also in that any attempt to develop a process theory of strategic change which does not account for strategic action and volition across multiple levels of social order will,on the evidence of this research,be incomplete. The processual analysis of the amalgamation episode presented earlier has attempted to make a modest beginning in this area,at the level of descriptive quasi-theory(Mohr,1982).

CHAPTER TWELVE

ORGANISATIONAL CAREER - Towards an existential view of organisational development.

A central theme throughout this research has been that strategy formation in organisations is a historical process. In previous chapters we identified and analytically examined the historical forces that were found to have shaped strategy formation in the organisations under study. These forces were found to be located both within the organisation and in its situational context. We explored the historical variation in the locus of influence over strategy formation as it moved from organisation to situational context and back again over time. And we empirically and analytically examined strategy formation in terms of processes of choice and change to extend our insight,beyond the forces and locus of influence,into the nature of strategy formation processes themselves. In this last respect,we revealed the multi-level nature of the strategy formation process,we explored the ways in which the situational context comes to actually influence strategy formation,we identified the modes of intiation of strategic change and lastly we analytically examined,in some fine detail,a major strategic change episode in order to get closer to the actual processual dynamics of strategy formation.

In this chapter we turn our attention,once more,to the whole life histories of the organisations under study. The central question of interest here is what can we learn from this study about the historical process of organisational development. Two aspects of the life histories of the organisations in the study are empirically analysed as a prelude to developing the existentialist view of organisational development that seems to be emerging from this research. These two aspects are the interaction of strategic issues and strategic biographies over the life histories of the organisations,and the historical nature of the origins of the organisations themselves. Then an attempt is made to synthesise what has emerged throughout this work about strategy formation,and by extension about organisational development, into a more formal theoretical position on the development of organisations. An existentialist perspective is advanced based on the conceptual notion of ORGANISATIONAL CAREER. This conceptual position is then discussed in relation to the major historical perspectives on the development of organisations than already exist in organisation studies.

(i) The intersection of strategic issues and biographies

An empirical theme that strongly emerges from this study is that organisations develop through the historical intersection of strategic issues and individual biographies. The biographies are those of the organisational leaders. The strategic issues are the historical challenges presented by situational context and organisational history. This theme has already been empirically and analytically examined in our discussion of the phenmenon of organisational leadership in the previous chapter. Organisational development is the result of the interaction between leaders, their organisation's histories and their situational contexts extended across the biographies of one or more leaders. Like the phenomenon of strategic leadership itself, and for the same reasons that were advanced in the earlier discussion of this phenomenon, organisational development should also be studied through a contextual perspective which takes the leader, his organisation's history and their situational context as its three coordinate points.

When we examine this intersection of leaders and strategic issues more closely, we see that in some cases individual biographies spanned issues and in other cases certain issues spanned individual biographies.

Take the case of CSET for example. The first historic issue which which faced the General was the revitalisation of the sugar industry in the wake of its post-war state of exhaustion. Over the 1945-59 period the General worked to secure and to expand the supply of sugar beet to CSET. He initiated R&D activities into soil testing and disease control. He pursued a strategy of related diversification into limestone quarrying and agricultural engineering activities, all undertaken to meet the challenges of the time,the crop disease,the lime deficiency in the soil and the need to mechanise the harvesting of the beet. By the late 50's he had secured the supply side on a strong footing and his organisation was supplying all of the country's needs for sugar,both for downstream industry and for the general consumer.

By 1960 CSET had nowhere to go with the sugar business. The structure of the international sugar industry was such that it offered little or no oportunity for growth through exports. Responding to the historic challenge thrown down by Lemass,in the drive for economic development, the General led his organisation into food processing. His dream was to develop a food activity at CSET which would flower into a national food processing industry,that would eventually be larger in scale "than any industrial activity (then) carried on in Ireland". The General continued to lead CSET in this endeavour until his resignation in 1966.

The General was one of a number of the leaders in this study whose tenure as leader spanned a number of major strategic issues. The 'Doc' in AFT and Dave O'Loughlin in Golden Vale are further examples. All had long tenures at the top. The General led CSET for 21 years,the Doc led AFT for 21 years and Dave O'Loughlin led Golden Vale for 15 years,until his untimely death in 1971.

Since strategic issues are relatively enduring there were many examples in the study of issues that spanned the personal tenures of individual leaders. For instance,the rise and decline of the food strategy in CSET spanned the leadership tenures of the General,Tony O'Reilly and Bart Daly. Similarly the Tuam Closure issue in the same company spanned the tenures of Maurice Sheehy and Chris Comerford,as did the CSET grand strategy of modernisation and rationalisation which covered the 1974-87 period. The two plant configuration strategy which is still a live issue in CSET is a further extension of these earlier strategic developments. Further examples are the amalgamation issue at Golden Vale which spanned the leadership tenures of Dave O Loughlin and Mick Lenihan, the export-led growth strategy of IDG which has spanned the tenures of Kevin Mc Court and Richard Burrows and the strategic merging of the agricultural research and advisory services which has spanned the tenures of Tom Walsh and Pierce Ryan in AFT. The spanning of strategic issues across the personal biographies of the strategists that initiate them means that these issues come to take on a life of their own and to become institutionalised within the life of the organisation. As such they become objectivated and transmitted through time to form part of the strategic inheritance that is passed on from one leader to the next.

(ii) The origins of the four organisations

The four organisations in this study are representative of the major types of organisation that are to be found in the Irish mixed economy. There is a public limited company,a producer cooperative,a state-owned entreprise and a state agency. These organisations represent a spread of ownership forms,with different types of accountability and different priorities. A striking theme that emerged in the chapter on the national context was that these ownership forms were the result of what Thompson(1966;16) would call "particular temporal conjunctions of material circumstance and human will". In other words,organisational form emerged largely through historical chance and choice rather than as the pre-determined outcome of some 'natural' optimum relationship between ownership form and function. Not only was the ownership form a matter of historical circumstance but so also were the timing and reasons for creating these organisations.

In the dairy industry,for example,the development of the mechanical cream separator provided the technical basis for the structural evolution of the dairy processing from a farm-based to a creamery-based industry. However,the cream separator and the cooperative form of organisation had both been in existence for many years but neither had made much impact in Irish dairying until Sir Horace Plunkett became personally involved. Plunkett was the first industrial statesman of Irish dairying. He spearheaded the structural transformation of Irish dairying and promoted the widespread adoption of the creamery form of processing through the cooperative form of organisation,to which he had become ideologically committed. Largely through Plunkett's efforts the cooperative form of organisation came to develop a major presence in Irish dairying. Nevertheless private capitalists developed and maintained substantial interests in the industry until the late 20's.

At that time the industry had come perilously close to self-destruction because of stagnant demand, overcapacity and excessive competition. In 1927 Dr Henry Kennedy persuaded the then government to intervene in the industry to save it and secure it for the cooperative movement. Since then the cooperative movement has dominated it. In recent months,for the first time in 60 years,private capital has once more entered the industry through the acquisition of an ailing cooperative. The recent choice by the shareholders of Baileborough cooperative to merge with Goodman Industries rather than with the Killeshandra Cooperative Society may yet prove to be an important watershed in the structural evolution of Irish dairy processing.

The origins,evolution and organisational forms of the other industries and organisations in the study can be equally traced to historical circumstance. CSET was set up as a state-owned entreprise in 1934 to save the failing indigeneous embryonic sugar industry,which at the time was be run by private interests. Sean Lemass,the national figure most prominently associated with Ireland's industrial development from the foundation of the State right up to the mid 60's and beyond, often pointed out that state entreprises in Ireland,such as CSET,were created largely for pragmatic,rather than for ideological,reasons:

"In contrast to many countries where similar State-sponsored organisations have been created as part of a deliberate policy of State socialism,they developed in this country in a more haphazard way to meet particular needs and oportunities as they arose,when no other course appeared to be practicable. Industrial development in Ireland is based on private entreprise and the profit motive: State financed industries have set up only where considerations of national policy were involved or where the projects were beyond the scope of,or unlikely to be undertaken by,private entreprise".

(excerpt from a speech by Lemass at the IPA,Dublin,2-Mar-59).

The early industrialisation of the new state came to depend considerably on state capital as private interests remained unwilling or unable to develop the fledgling economy at a rate which came anywhere near to its full potential.

State investment played a major role in the economic expansion drive of the late 50's and early 60's,the era of 'Ireland Inc.' under Lemass's 'corporate' economic management. It was in this era that AFT finally got underway. The concept of an institute dedicated to agricultural research and education was first mooted through the European Recovery programme, when it became clear that Irish agriculture was grossly underdeveloped. The sector itself was ripe for development through a concentrated critical mass of research effort yet it was structurally too fragmented, economically and politically,to be able to organise and sustain this effort itself. The Government stepped in and set up AFT as a state agency to provide this function in the interests of Irish agriculture and the economy as a whole. In fact,it was protracted controversy over state involvement,and the extent of that involvement that delayed the setting up of the Institute for nearly a decade. In the end,university and church interests prevented the new institute from having responsibility for agricultural education as well as research.

The distilling industry developed from the first in the hands of private interests. It remained essentially a cottage industry up to the end of the 18th century when there were over 2000 family-owned whiskey stills in the country. The authorities were intimately involved in the industry from as early as 1635 when the first statute governing the sale of intoxicating liquor in Ireland was enacted. The authorities faced a continuing dilemma in their approach to the development of the industry. They were interested in controlling the production,sale and consumption of intoxicants in the interests of public order and welfare. At the same time the excise duty on the production of whiskey distillates remained a valuable source revenue for the public purse. When the industry began to take off in the late 1700's,the output of Irish whiskey doubling from 2 to 4 million proof gallons over the 1780-95 period,the Government forced the industry to rationalise,through legislation,in order to facilitate its own supervisory and revenue collecting activities. By the simple expedient of raising the legal minimum size for a licensed still it made the cottage sized operation no longer legally viable. By 1823 the number of legally licensed stills operating in the country had fallen from 2000 to 40. It was in these circumstances that great family capitalist dynasties of the Powers,the Jamesons and the like,came to emerge as the major force in the future organisation and development of the industry. By the time the cooperative and state-owned forms of entreprise became major organisational forms in Irish economic activity the distilling industry had already reached a high degree of consolidation and was firmly under the dominance of family capitalism.

In sum, the origins and dominant forms of organisation in the industries and organisations represented in this research were, to a large degree, products of historical choice and chance, rather than the structural imperatives derived from some notion of environmentally-determined functional optimisation.

It is not inconceivable, for example, that the cooperative movement might have played a significant part in the organisation of the distilling industry had the cooperative ideals emerged and taken root in Ireland a century earlier or had the Government not forced rationalisation on the industry until much later. If the producer cooperatives have come to play a large role in the development of the French wine industry, as they have, then it is not unreasonable to suppose that they might have been a force in the Irish distilling industry had historical circumstances been different. Equally, the possibility of state entreprise been involved in distilling has always been real even if it has remained remote. It was real enough to be the subject of repeated debates in Dail Eireann throughout the 50's when the Scotch industry's exports began to soar and Irish whiskey exports palled into insignificance by comparison. This poor export performance by the industry became the subject of a private member's measure in which it was proposed that "steps should be taken to promote exports, if necessary by setting up a state-sponsored company to produce a suitably blended Irish whiskey"(Magee, 1980;89).

Similarly there is nothing pre-determined about the forms of organisation that currently dominate the dairying or sugar industries. Private interests and state entreprise have been involved side by side with the cooperative movement at various times throughout the history of the Irish dairy industry. In fact, Ireland has an inordinately high level of cooperative dominance in the organisation of its dairy industry relative to some of its world class competitors, like the Dutch for example. By dint of different historical circumstances private capital has played a much more prominent role, side by side with cooperators, in the development of the Dutch dairy industry. The sugar beet industry seems,on the face of it,like one which could easily have been organised along cooperative lines,had historical circumstances been different. The close economic interdependence between producer and processor,that are a key structural feature in dairying,are also an important feature in the sugar beet industry. Now in the late 80's the issue of the possible privatisation of the industry is gathering momentum. There is already a growing body of support,both within CSET and in the wider national context,for such a move.

(iii) Organisational career - towards a more existential view of organisational development

A recurrent theme that emerges from our empirical analysis of strategy formation is that organisational development was never at any stage pre-determined in any of the cases under study. In all cases it was the result of historical choice and chance. That is not to suggest,however, that it was always patternless and unpredictable. Rather it is to say that such pattern and predictability as did exist had only temporal significance and were not found to flow from any eternal causes nor were they expected to proceed to infinity(to adapt a phrase from Thompson,1966;17).

The origins and strategic development of the organisations in this study were found to be fully understandable only when viewed in terms of the ongoing interaction between historical actors,organisational histories and situational contexts. When we examined the locus of influence over strategy formation, for example, we found that it varied between the organisation and its situational context,with some contexts more structuring than others and some organisational leaders able to manipulate the requirements of context better than others. We also found that that the organisational leader's room for action in these circumstances was often constrained by his organisation's history. In other words,the strategic options open to actors at time Tn+1 were often constrained by the strategic choices made by themselves or their predecessors at time Tn. We saw how some strategic issues became institutionalised and came to span the biographies of two or more strategists. And we came to see the historic challenges that faced a given leader as emerging from the ongoing interrelationship between situational context and organisational history. Yet,notwithstanding the structuring tendencies of situational context and organisational history,we also found that the autonomous action of far-sighted leaders often proved to be the decisive element in determining the pace of organisational development and the direction that it took.

A conceptualisation of organisational development,consistent with the empirical data in this research,and with the foregoing analysis of that data in this and previous chapters,is now advanced. Its central theme is that strategy formation,and by extension organisational development,is essentially a historical process. Its view of history is that it does not follow any timeless pre-determined pattern; yet organisational development is not purely haphazard and formless anymore than is the wider social system within which it takes place. History connects strategic actors,organisations and situational contexts in temporal conjunction and from this flows the development of organisations. The patterning logic of organisation is in the production and reproduction of social systems through time. The patterning logic of history is in the temporal logic of sequence and consequence. Organisational development is patterned by the consequences of historical choices made by,or for,the organisation at an earlier time and by historical choice,sequence and consequence taking place within the wider situational context with which it is in continuing relationship.

One way to conceptualise organisational development that is consistent with this perspective is to consider organisations as careering through a context that is changing in time. The concept of ORGANISATIONAL CAREER is a more inclusive concept than strategy because it involves a higher level of temporal aggregation. An organisational career spans the life of individual strategies and strategists to incorporate the institutionalisation of organisation-context relationships through time and their objectivation as they are transmitted beyond the biographies of the pioneers that enacted them(Berger&Luckmann,1966: Giddens,1984).

Career as a concept conveys an active role for the organisation in shaping,as well as being shaped,by its situational context. It provides for a conceptual blending of the voluntarist and determinist perspectives on organisational action that is consistent with the type of contextualist perspective(Crozier & Friedberg,1980: Pettigrew,1985) within which this study has been carried out.

An organisational career starts with the origin of the organisation. Organisations are socially contrived phenomena rather than 'natural' objects. When viewed in the full perspective of history they arise spontaneously from particular temporal conjunctions of human will and of social and material circumstances. This was evident in our earlier discussion of the origins of four organisations studied here. Once formed,however,an organisation takes on a social life of its own which often,if not always,transcends the biographies of its originators. Organisations are purposive and set up to provide benefits to certain beneficiaries. The right to these benefits can be exchanged or otherwise transmitted through social space and time. It is this which allows the organisation as a social entity in itself to transcend the biographies of individuals. Organisations deploy resources to provide these benefits and must maintain a viable coalition of resource providers to stay in existence(see March,1962 for the seminal elaboration of this view). Organisations develop through time. They may grow, elaborate, change, retrench, disintegrate and so on,yet not in accordance with any pre-determined pattern dictated by some external superordinate imperative or rationality. Neither is their development totally under the control of any single voluntary agency so that their developement is not the predictable unfolding of some internal master plan. A central theme that has emerged throughout this study is that strategy formation, and by extension the development of organisations,is shaped by forces both external and internal to the organisation and by the organisation's own history. Organisational careers are not therefore normally predictable apriori.

On the other hand an organisational career is not a totally haphazzard phenomenon defying all prediction and displaying no logic or pattern. A fundamental characteristic in the notion of organisational career is that present choices affect future options,thus introducing the historical logic of sequence and consequence. A key element in the concept of career is that organisations can only satisfy their beneficiaries through the strategic commitment of resources to selected activities. It is in their development of special competences,through the application of their resources to these selected activities,that they are able to secure and maintain their viability in the wider economic and social order. These strategic commitments represent choices with longterm consequences. The position being developed here is that these choices are career choices analagous to the career choices of individuals in their professional lives. The existential character of these choices is that they represent both oportunities and oportunities forgone,at one and the same time. Future organisational action is then patterned by the consequences of earlier career choices. Career choices by their nature are not easily changed without major cost. There is an organisational equivalent to the cost to the shoemaker of not 'sticking to his last'(see Peters & Waterman,1982;292-305). At the same time it is important to point out that organisational career choices,like those of individuals,can be changed even if the change is costly so that the consequences of past choices constrain future action by choice rather than imperative. This existential character of organisational career is a central element in the concept.

The basic career choices of organisations are usually made right from their origin. Organisations to a large extent enact their environments(Weick,1969) and the formative period of an organisation's career usually establishes its basic character. For many organisations the strategic commitment to technology,the initial choice of domain and the historical form of ownership(cooperative,capitalist or state etc) will be the major enactments of the organisation's career(Miles et al,1974). An organisation's future career is then significantly patterned by these major enactments. Future oportunities are being continually evaluated through the ever-extending logic of past choice. A typical organisational career spans the biographies of many strategists and each strategic leader has the responsibility for guiding the career of his organisation during his tenure at the top. He is both enabled and constrained in this regard by the organisation's career development to date and by the oportunities that are presented in the unfolding interaction between the organisation and its situational context. The total career development of an organisation is a cumulative phenomenon and it depends on the abilities of the strategists that were historically charged with guiding it,the historical challenges that situational context and organisational career-to-date presented them with,and the historical strategic options that they pursued or forewent.

Organisational career and existing theories of organisational development

Organisational analysis has been dominated,from its earliest beginnings, with the search for patterned variations across different organisational types. Such variations have been the basis for much of the conceptual development that now constitutes organisation theory and for much of the so-derived prescriptive insight offered to practitioners. The central message was that there were few universal prescriptions upon which to based a general theory of management that had validity across all types of organisation.

By comparison much less theoretical and empirical effort has gone into the search for possible patterned variations within organisations over their life histories as an alternative and equally fruitful route to theory development. Many of those that have preferred this route have sought parallel insight through the use of biological metaphors. One such metaphor with a long and notable tradition in the management literature is the life cycle concept. The life cycle metaphor has been applied with skill and enthusiasm to products(Levitt,1965) and to industries(Porter,1980). Not surprisingly it has also been applied to organisational development(see Kimberley,1980 for a prominent recent example). The power of the concept of organisational life cycle is that it presents a stage theory of organisational development and this in turn directs descriptive and prescriptive theory onto the contingencies presented by these different stages. The basic message here is that prescriptive theory does not apply universally over time even within the same organisation.In other words there are contingencies of stage of development as well as contingencies of type of organisation.

As a stage typology the life cycle metaphor is useful in that we can,at any point in time classify many organisations into analogous equivalents of the stages of life; birth, growth, maturity and decline. Useful descriptive and prescriptive theory has be developed for organisations in these different stages. For example,there is a growing body of literature concerned with organisational decline(Levine,1978, 1979). However,as a process model of organisational development the life cycle analogy is limited. Kimberley(1980,7),himself,is fully aware of these limitations. He freely acknowledges that unlike biological life "death is not an inevitable feature of organisational life" and that "there is no inevitable linear sequence of stages in organisational life". From Penrose(1952) to Van de Ven(1979) and right up to the present the use of such biological metaphors has been roundly criticised. Even as the basis for a stage typology the metaphor is not necessary. If growth is taken to mean the trend in revenues (or in allocations,in not-for-profits) then there are only three possible conditions for an ongoing concern and these would yield the same typology; growth ,zero-growth and decline. As a model of process the life cycle metaphor is over-deterministic,and this is perhaps its most serious limitation.

The concept of organisational career being presented here does recognise three stages of organisational development; origin,formative career, and full career. The major career choices for the organisation are generally made during the origin and formative career periods. These career choices are the strategic commitments,or major enactments of technology,domain and form of ownership,that form the basic character of the organisation. In full career the organisation has divergent possibilities open to it which are,however,not fully under its own control. The career trajectory that any organistion may take in full career will depend on the continuing interplay between organisational strategists,organisational history and situational context. In full career the same organisation may experience periods of growth,stability, stagnation,decline,revitalisation,renewal,crisis,turnaround and so on, as was very evident in the cases of the four organisations in this study. There is no inevitable pattern or linear sequence in a full career trajectory and none was evident in the empirical data. Moreover, since organisations are socially contrived,and not natural,phenomena they can disintegrate at any time,so that career lengths across different organisations may vary enormously and termination is not inevitable as long as there are people alive to organise. CSET,for example is now over 50 years in existence. The family distilling firms of Power and Jameson,now merged into IDG,are almost 200 years old.

The organisational career perspective on organisational development is closer,therefore,to the less deterministic and now classic perspectives of Chandler(1962) and Greiner(1972). However,both the Chandler and Greiner models are linear-sequenced growth models and both are over-voluntaristic. A major point of convergence between these two models and the conceptualisation of organisational career presented here is the emphasis on the importance of organisational history(Greiner,1972;37-8) and the historic pattern of investment in human skills and in physical assets(Chandler,1962;384) on the future growth and development of the organisation. Their major limitation is that they underplay the importance of situational context in the structuring of organisational career trajectories. Neither forsaw the possibility of low-growth or zero-growth in the macro-economic environment. When situated in the context of their development as models,the 1962-72 period,this is understandable. Few economic or social commentators at that time could ever forsee a return to general economic depression on a scale and of a duration comparable with the Great Depression of the 30's. Yet,the situational context in low-growth 1980's has had an major effect on the career patterns of all of the organisations in this study.

Finally,the concept of organisational career highlights a central dilemma in the ongoing development of organisations. The basic element in career choice is the strategic commitment of certain specialised skills and assets to certain selected activities. Strategic commitments of this sort are necessary in order to develop the distinctive competences and cumulative experience on which to secure the future of the organisation. Yet these strategic commitments are also,by their nature,a potential source of rigidity and inflexibility and are not always easily reversed or transferred to other activities. Major career departures are, therefore difficult,rare and risky as was reflected in the data in this study.

In the case of CSET, for example, the organisation's diversification into food processing in the 60's was the one major career departure in its 50 year history. It was a heroic failure that, in the end, fell far short of hopes and expectations of all concerned. CSET survived this, learned from it and went on to renew and reaffirm its basic career commitment to its core business. Sometimes an organisation is pressured into a basic career transformation through developments in its situational context. This has been the case in AFT since 1979. The early career of AFT was strongly based on production research. By the late 70's the organisation had accumulated considerable experience and achieved an outstanding competence in this area through the development, over 20 years, of highly specialised human skills and material assets. The organisation has since had to try to transform itself in a basic career reorientation that involves the development of more competence and the application of more resources to process research to bring it into line with the changing values and requirements in its situational context. This transformation has been going on for years now and is still not complete. The most difficult career departures to make are those which involve the strategic commitment of new assets and new skills to totally new activities, or those which involve the radical transformation of existing assets and skills to new meet totally new requirements. The inherent difficulties involved in making such major career departures would seem to account for the infrequency of revolutionary change or radical transformation in organisational development that has been the consistent theme of a number of recent studies on strategy and strategic change processes (Miller & & Friesen, 1980; Miller, 1982; Tushman & Romanelli, 1983; Pettigrew, 1985).

CHAPTER THIRTEEN

A SUMMARY OF THE MAJOR FINDINGS AND FINAL REFLECTIONS.

In this,the final,chapter of the dissertation the main findings of the study are reviewed and their implications for future research and practice assessed. The chapter begins by synthesising the main conceptual findings of the study into an overall relational model of strategy formation. The main findings are then reviewed and the utility of the relational model is assessed. This is followed by a brief summary of the other major themes that were developed from the empirical analysis. The chapter,and the dissertation,close with an assessment of the implications of this study for future research and for the future practice of strategic management.

Strategy formation and organisational career - an emergent model of organisational development.

Two main themes have emerged from this research that can be brought together into an integrated model of strategy formation as illustrated in figure 13.1.

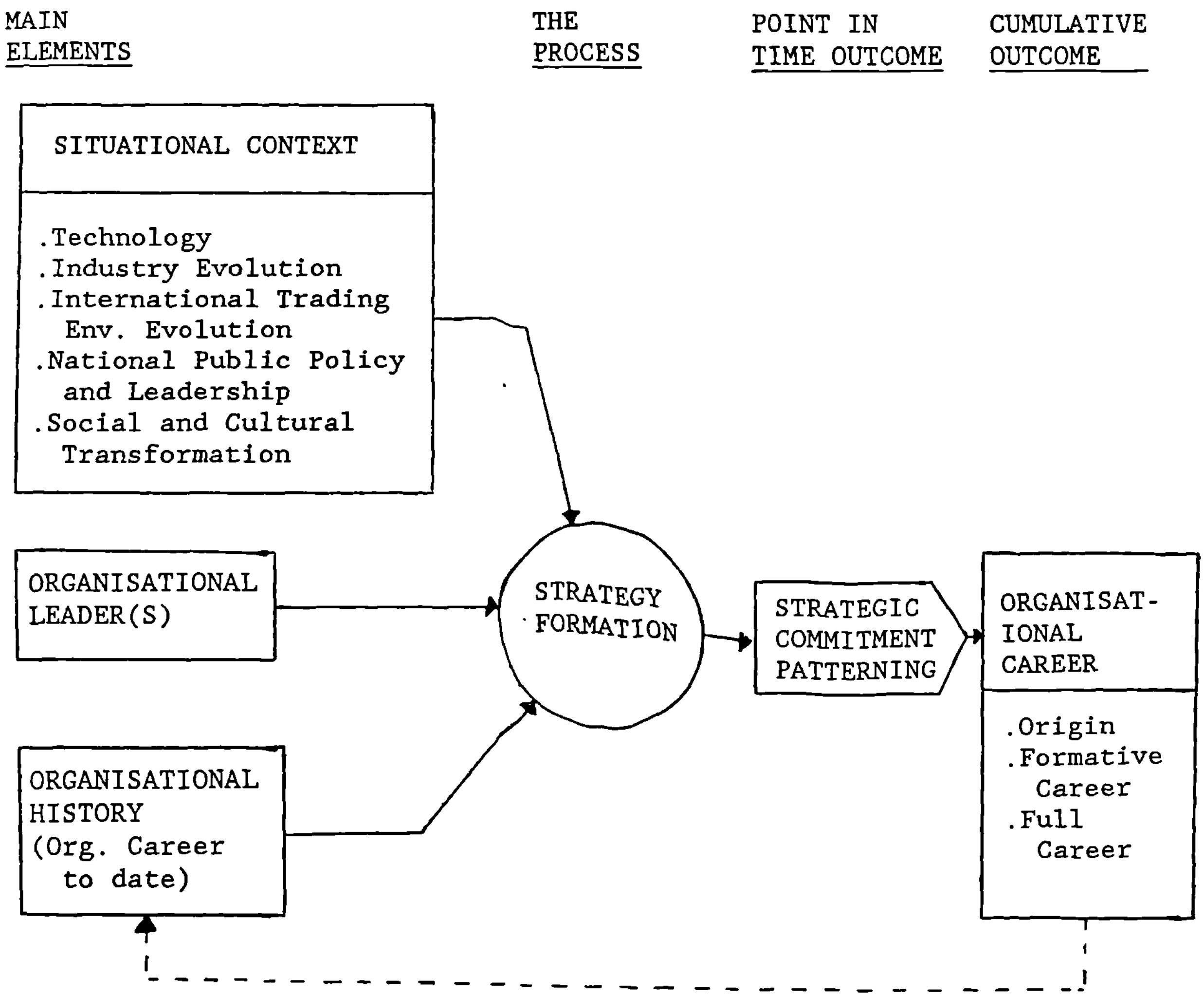

Figure 13.1 - A relational model of strategy formation

This research has identified that strategy formation is best understood in terms of the interaction of SITUATIONAL CONTEXT,ORGANISATIONAL LEADERS and ORGANISATIONAL HISTORY. It has also identified and examined five major elements in the situational contexts of organisations that appear to be the most important in the shaping of strategy,though their relative importance would seem to vary with the size and nature of the national context. This was the first major theme to emerge from the project. The second theme emerged when the researcher turned to address the issue of strategy formation over the life histories of organisations. Existing models of organisational development over time were found to be inadequate to explain the empirical findings and the concept of ORGANISATIONAL CAREER was introduced and developed as a more appropriate model. This concept is based on an analogy with the career of the individual.

Bringing these two major themes together provides the basis for a more integrated,emergent model of strategy formation and organisational development,as presented in figure 13.1.

The full model portrays strategy formation as a continuing process in the life histories of organisations. The main interactive elements in the process are those of SITUATIONAL CONTEXT,ORGANISATIONAL LEADERS and ORGANISATIONAL HISTORY. The interaction of these elements produces point in time outcomes in the patterning of strategic commitments. These strategic commitments then become the major element in the organisational history input into future strategy formation. Their aggregation and accumulation over time forms the basis for the patterning of an organisation's career.In other words,it is this ongoing formation,reformation and transformation of strategic commitments that provides the process of ongoing organisational development with its historical patterning of sequence and consequence.

Two important sub-themes have also emerged in this research which underpin the model described above. The first of these themes was the elaboration of organisational leadership as a phenomenon that is properly located in the historical interaction of the leader,his organisation's history and its situational context. The historical challenges and oportunities facing the organisational leader were seen to vary at different phases of an organisation's career. The nature of the historic challenge,and the leader's personal capacity to meet this challenge,together,yielded the analytical distinction which emerged in this study between builders,revitalisers,turnarounders and inheritors. The other major sub-theme that emerged was that the dominant element in the organisational context affecting strategy formation in the organisations in this study was the organisation's history. The constraints of history were the main structuring elements of the organisational context on the process of strategy formation,and they were more important than the dispersive effects of complex social structure on organisational processes that students of larger,more complex organisations have found to be most significant. It was this second sub-theme which prompted the inclusion of the feedback loop in the above conceptual model.

Having summarised the relational model in overview we will now go on to review in some detail three major elements in the model before returning to evaluate its overall utility. These three elements are the concept of organisational career, the perspective on organisational leadership which is inherent in the model,and the model's elaboration of situational context.

The utility of the career analogy

As Mintzberg(1979;584) has stated "all theories are false,because all abstract from data and simplify the world they purport to describe" so that "our choice,then,is not between true and false theories so much as between more and less useful theories". Mintzberg's point applies to all the sciences and is well illustrated by a famous example from the physical sciences. One of the most famous models in physics is the "Bohr atom". In this model physicist,Nils Bohr,advanced a model of the atom analogous to the motion of the planets. This analogy was very useful and had significant explanatory and predictive value when applied to the aggregate behaviour of large populations of atoms. The analogy,however, broke down when the unit of analysis was the behaviour of the individual atom and it had to be supplanted at this level by the more sophisticated and intricate statistical modelling of quantum mechanics. The planetary analogy was not 'true' for all atomic phenomena but it was 'useful' for a wide range of such phenomena.

The question for us in this research is therefore,not whether organisations have or do not have careers, but rather whether or not the career analogy is a useful addition to the models of strategy formation and organisational development already in use. In particular,is this analogy of career philosophically justified and is it empirically useful? In attempting to answer these questions frequent comparisons will be made with the organisational life cycle model. This is because the view taken here is that organisational career is a more appropriate analogy than that of organisational life cycle for examining organisational strategy formation and transformation over time.

At the theoretical level the career analogy offers a number of advantages. It forms an analytical bridge between the voluntarist and determinist extremes that have polarised much of the literature in organisational analysis,as was seen in chapter two. At the heart of the career analogy is the notion of who or what is in the driving seat in the process of strategy formation at any point in time. The career analogy accomodates variation in the locus of influence of strategy formation over time. The career direction of an organisation may at some times be largely determined by the voluntarist actions of the organisation's strategists,at other times by the pressures in the situational context. In particular,the career analogy is less deterministic than the life cycle analogy. The life cycle analogy suggests that all organisations follow the same inevitable linear pattern over their life histories and that their decline is inevitable.

The analogy of organisational career accomodates the life cycle pattern and sequence as only one of a divergent and varied set of possible career patterns. It also acknowledges the ever-changing patterning of history and allows for the possibility of new career patterns emerging as the future unfolds,that are not yet empirically observable in today's organisations at this point in social history. This possibility is precluded from the life cycle analogy where individual life cycle patterns,in contrast to individual career patterns,are historically unchanging. The career analogy is closer to the less deterministic Chandler and Greiner models of organisational development. It shares with these models the recognition of the role played by organisational history on the organisation's future pattern of development. Yet it avoids the linearity and over-voluntarism inherent in these models because it is affords more weight to the importance of the situational context in the structuring of organisational career trajectories through historical time. Furthermore,the inherent recognition in the model of the dynamic shifting of the driving force from organisation to situational context and back again highlights the multi-level nature of strategy formation and organisational development and facilitates,within the model,multiple levels of analysis. In contrast,the life cycle model is addressed almost exclusively at the organisational level of analysis, with situational context largely receding into the background.

Finally,a major conceptual utility that is claimed for the life-cycle analogy is that it provides a stage theory of organisational development. This stage theory is useful because it directs management theory and practice to focus on the contingent requirements of the different stages.The career analogy preserves this conceptual utility but also extends it. The life cycle analogy identifies only four stages in strict linear sequence. The career analogy is a more existential one,which emphasises the divergent possibilities for organisations in full career. The career framework can be used to identify and to explore the contingent requirements of such phase developments as growth, elaboration,stagnation,revitalisation,diversification,transformation, retrenchment,turnaround,decline,disintegration,and so forth. In other words the career framework directs the attention of researchers and managers onto a more discriminant and varied set of distinct career stages,along with their own contingent implications for theory and practice, than does the life-cycle model.

The career analogy is also useful empirically and seems to be in closer accord with empirical reality than the life cycle model. The life cycle analogy implies that all organisations ultimately pass from a growth phase towards phases of maturity and decline in linear sequence. This implies that all organisations eventually experience a slowing down in their maturity. It also implies that after the growth phase the 'lives' and life potentials of all organisations are similiar. These implications are implicit in the biological analogy,if the analogy is to remain largely faithful to its source. The use of career,rather than biological life-cycle,as an analogy avoids these implicit implications and accomodates,within the analogy,more of the empirical reality of organisational development. Organisations like individuals are seen empirically to have varied and multi-faceted careers. Early career,for organisations and individuals alike,is a time when basic resources are assembled and basic skills built up. This period involves some basic choices around what type of resources to acquire,what type of skills or special competences to build up and what kinds of activities to apply them to. There is much more cross-individual and cross-organisational variety in the observable patterning involved in formative career than is implied in the physical growth analogy of life cycle. After their formative period organisational careers,like the careers of individuals, can follow very different and divergent patterns. Some careers become more spectacular and multi-facted than others, reflecting the variability in resources and in goals that characterise individuals and organisations alike. This was clearly reflected in this study in the multifarious careers of the six major organisations in the Irish dairy industry. Furthermore,organisations like individuals,cannot apply themselves to every possible career oportunity. They must make basic career choices that will affect their future actions. They continually seek to build up special competences with a growing economic value and they are always trying to find the best match between their special competences and the oportunities to apply them to in their situational contexts.

Organisational career is a social,rather than a biological,analogy and is a more realistic analogy for the development of organisations, which are basically social rather than natural objects. The career analogy is inherently contextual. The concept of career is meaningless unless taken in context. For example,we cannot meaningfully visualise, or begin to evaluate,a tennis career without seeing it in the context of the specialised equipment,the rules of the game,the nature of the arena and the competition,and the measurement of progression. The career analogy is also inherently historical. A career is built on,and is constrained by,past choices and past actions. Career competence is historically cumulative and there are inherent,and often escalating, switching costs involved in changing to new career paths if the existing resource and skill base offers little in the way of transfer synergy for new and different applications. Finally,the career prospects of of organisations,like those of individuals,depends on the contextual demand for their special competences,and this tends to vary over time. Some skills can be developed and built on and can form the basis for new departures and the creation of new values. Others can become redundant with a changing context and pass into history. Ongoing career prospects for organisations and individuals alike depend on the active management of context,and of its constraints and oportunities. In short,the career development of the individual is a more varied phenomenon,less sequentially determined and with ever more divergent existential possibility,than is the case with his biological development. As such the career analogy is much closer to the empirical reality of organisational development patterns than the biological,life-cycle, counterpart.

The perspective on leadership

The perspective on organisational leadership that is integral to the relational model on strategy formation being presented here locates the phenomenon of strategic leadership in the historic interaction between the organisational leader,his organisation's history and its situational context,as noted earlier. The view that strategic leadership cannot be meaningfully understood and evaluated acontextually or ahistorically was was a theme which emerged very strongly from the empirical data in this study. Yet,the vast literature on leadership in organisational analysis can be generally characterised as over-voluntarist,acontextual and ahistorical. This vast literature has been little concerned with strategy and strategic action per se. It has tended to grow out of a primary focus in small group dynamics and a primary interest in the interpersonal leadership skills that are observable in these small group situations. In this it has tended to focus empirically mainly on middle managers and supervisors and has paid relatively little attention to the phenomenon of corporate leadership.

In much of the literature on strategy,and on organisational behaviour more, generally,the phenomenon of leadership is often implicit and taken for granted. At one extreme leaders are implicitly assumed to be omniscient and omnipotent commanders of flexible organisational resources. The central issue in strategy formation in this view is one of optimising rational forward planning. Leaders are simply seen as good or bad, universally effective or ineffective,and the good leaders are those with the personal attributes and management skills to lead any entreprise or undertaking at any stage in its development. At the other extreme the organisation is reified and the role of leader is reduced to that of adaptive navigator. The first position characterises much of the normative strategy literature and the second position reflects much of the literature based on the open systems paradigm. This research strongly supports the small,but growing,stream of literature that sees the phenomenon of leadership as a substantive,problematic,and contextually sensitive variable in strategy formation. It is one that cannot be taken for granted but should be included explicitly in any conceptual model of strategy formation.

The influence of leaders on strategy formation was seen to depend not only on the personal attributes of the leader but on the match between these attributes and the nature of the historical challenge facing the organisation at any particular time. The temporal conjunction of situational context and organisational history was seen to be the source of the historical challenges and oportunities presented to the organisational leader. To adapt a famous aphorism from Karl Marx; organisational leaders do form strategy but often not in circumstances of their own choosing. Leaders are pivotal active agencies in strategy formation but their actions are both constrained and enabled by situational context and organisational history. This is the essence of the contextualist perspective on leadership supported by the empirical findings of this research. The historical challenge was seen to present the stage for leadership but not to be simply equated with it. The classification of the leaders in this study as builders,revitalisers, turnarounders and inheritors/transformers,did reflect the challenges of history. Yet to be given the historic oportunity to build is not to build, to be given the oportunity to revitalise is not to revitalise,to be given the oportunity to turn around or to transform is not to actually accomplish these things. Leaders are variable in their capacities to perform these historical tasks or even to recognise the true nature and full potential of the historical challenges and oportunities presented to them.

Furthermore,the personal attributes needed for successful leadership vary with the nature of these historic challenges and are themselves contextually defined. The empirical and conceptual position on leadership emerging from this study directs the attention of leadership scholars beyond consideration of such acontextual personal attributes such as cognitive capability and political skill and onto,for example, the importance of contextually relevant substantive knowledge and of personal political networks of relationships,attributes which can vary over time and context. For instance,the chief executive of Golden Vale had the substantive knowledge and personal political credibility with the banks to play a major part,as the then financial controller,in bringing the company quickly out of its financial difficulties in 1975. The crisis of the mid-80's was different in its contextual imperatives and the same executive's lack of substantive knowledge of dairying and of the politics of dairy farming,and the poor state of his political relationships with his neighbouring competitor,were major considerations in the strategic difficulties that the company experienced at that time.

The substantive influence of leaders on strategy formation is,therefore, to be fully understood only when studied in interaction with organisational history and situational context over time. Linking this contextual and historical perspective on leadership with the concept of organisational career provides a conceptual framework within which to study the phenomenon of leadership and raises some interesting issues for inquiry. Strategic leadership can be conceived of in this framework as the historical task of managing an organisational career over a certain period of time. Placing the phenomenon of leadership analytically within the framework of organisational career focuses attention on the strategic importance,not only of leadership performance,but also of leadership selection and replacement. With organisational career as the unit of analysis the question of how organisational leaders substantively develop and change the careers of organisations is accomodated. However,career as the unit of analysis also focuses attention on the equally important and interesting question of how organisational career transitions often necessitate and lead to a change in strategic leadership. In other words,career as the unit of analysis allows us to see leadership in context in bi-directional relationship with strategy formation. The historical and contextual perspective inherent in the model removes us from the position,taken in much of the normative literature on strategy at the organisational level of analysis,of identifying implicitly with the strategic leader and seeing strategy formation as essentially his problem. In our perspective the problem is not external to the leader,rather the leader is seen as an inherent part of the problem.

The elaboration of situational context - the five factors

One of the major contributions of this study is its elaboration of the situational context of organisations,through its analytical isolation and empirical examination of the five contextual factors that were most important in the formation of strategy in the organisations under study. The analytical isolation and elaboration of these factors was made possible by the use of a multi-level approach to the empirical examination of situational context in this research. The multi-level approach taken in this study involved the inclusion of a separate historical narrative on the common national context,researched and described at national level of analysis,along with the individual case narratives which contain historical description of situational context, not only at the organisational level of analysis but also at the industry level as well. This type of multi-level approach is still extremely rare in organisational analysis(Pettigrew,1987a;4-6)

The term situational context was deliberately chosen at the outset because it connoted more immediacy than the broader concept of the environment. In organisational studies there has been a tendency to be either acontextual and over-reductionist in the characterisation of the environments of organisations,as is the case with most research carried out within the dominant contingency paradigm in organisational analysis, or to treat the environment as idiosyncratic and residual as research within the classic Andrew's paradigm in strategy studies tends to do. By adopting a multi-level contextualist approach this research has been able to avoid these extremes of reductionism and residualism in its treatment of the situational contexts of organisations and was able,from the empirical inquiry,to identify five predominant contextual forces that shape strategy formation at the level of the organisation.

The five contextual forces that were found to have the most influence on the formation of strategy in the organisations under study were (i)TECHNOLOGY,(ii)INDUSTRY EVOLUTION,(iii)INTERNATIONAL TRADING ENVIRONMENT,(iv)NATIONAL PUBLIC POLICY AND LEADERSHIP,and (v)SOCIAL AND CULTURAL TRANSFORMATION. Porter's(1980) framework for industry analysis is the most widely recognised treatment in the strategy literature to date of the contextual forces that shape strategy. It emerged through a powerful analytical blending of the Industry Organisation tradition in economics and the classic Andrew's concept of strategy in the business policy field. This study has followed in the Porter tradition of seeking to isolate and elaborate on the main contextual forces that shape the formation of strategy in organisations. It did empirically affirm the importance of industry structure and structural evolution as a major contextual force shaping strategy formation in the organisations under study. However,the empirical analysis assigned importance in its own right to technology,a contextual force which is subsumed under industry structure in the Porter model,and also highlighted the importance of three further contextual forces not included in Porter's framework. Porter's framework alone would have been an inadequate model with which to explain the empirical data on the influence of situational context on strategy formation to be found in this research.

As well as isolating these five contextual forces the empirical analysis also provided some indication of how they affect strategy formation, and how they are interrelated,which will be useful in future research and theory generation within the overall framework being presented here, and summarised in figure 13.1. For example,technological breakthrough, or discontinuous technological change,was found to be a major force affecting the structural evolution of whole industries,often enabling and catalysing the transition to new forms of industry organisation and providing an important impetus towards new levels of industry growth and concentration. Technological constraint in upstream producer industries was found to be an important impediment to the growth of downstream processors. Discontinuous technological change in the former was found to be a key factor in releasing a new impetus for further growth and structural evolution in the latter. Competitive forces within the industry,nationally and internationally, and the desire of the organisations to secure and strengthen their competitive positions, were found to influence the movement towards increasing levels of concentration of capital,of concentration of capacity,of investment,and of vertical integration among the organisations in the study.

Strategy formation in the industries and organisations under study was found to be affected by the structural evolution of the international trading environment,the historical rate of expansion and contraction in the general level of international trade,and the changing ideologies and 'rules of the game' governing the management of the international economy. It was also affected by national public policy and leadership which sometimes mediated the effects of changes in the conduct and pattern of international trade,with price supports and protectionist policies and at other times actively harnessed the 'natural' forces in the international trading context to pursue positive policies of economic development with direct implications for strategy formation in the industries and organisations in the study. Social and cultural transformation in the wider society also affected strategy formation at organisational level. The transition from traditionalism to empiricism in the wider society affected fundamental attitudes to innovation and structural change at industry and organisation level. The transition in the leadership of national society from the revolutionary generation of nation builders to the post-revolutionary generation of career professionals was mirrored in many of the nation's industries and organisations and reflected in the strategies pursued by the different generations of leaders.

These contextual forces,while analytically separable were often found to interact in their effects on strategy formation at the organisational level. For example,in the fundamental transition from cottage industry to factory organisation discontinuous technological breakthrough played a major role in the dairy industry while government policy was the major force that accelerated this transition in the distilling industry. These interactive effects were seen perhaps at their most interactive in this study in the case of the structural evolution of the dairy industry in the 1960's. In this case national leadership,as a matter of public policy,actively endeavoured to bring about a higher level of concentration in the national dairy industry to strengthen its international competitiveness and its to improve its prospects for growth in an international trading environment characterised by general expansion and liberalisation in world trade. This structural evolution in dairying in the 60's was both affected by,and contributed to,the transition gathering pace in Ireland during that decade from a rural,traditional and insular society to one which was rapidly becoming more urban,modern and outward-looking.

Finally,these five contextual forces are not to be simply seen as 'impersonal' forces,because the empirical data showed again and again that this is not the case. Much of the research carried out at the organisational level of analysis only has tended to portray the environment outside the organisation as homogeneous and impersonal. It has also tended to focus on the scanning and selective perception of internal decision-makers as the primary mechanism by which the environment comes to affect organisational action. The texture of the situational context of organisations that emerged in this multi-level empirical study was one of overlapping and interleaving social action in context,and of interlinking processes of volition,at multiple levels of social structure.

The process by which situational context was found to affect organisational action was the outcome of the historical conjunction of personalities,issues and structures at many levels of the social system,including the organisational level itself,and of their interaction through time. Recall for example the pioneering contribution of Sir Horace Plunkett in the organisation of the Irish dairy industry,his foundation of the Cooperative Movement in Ireland to secure the benefits of the new form of creamery organisation,made possible by the development of the mechanical separator,for the primary producers. Recall also how the influence of J.M.Keynes was harnessed by first Fianna Fail government to help legitimate their policy of economic self-sufficiency in the 1930's,a policy which had major implications for the development of Irish organisations for over two decades. Recall further how university and farming interests harnessed the influence of the Catholic Social Movement in the 50's in their opposition to the establishment of AFT, and in the curtailment of its charter. Recall lastly how Lemass stimulated CSET's major diversification through the challenge thrown down by him in his indicative programme for national economic expansion and how he,and his ministers,actively worked to bring about the restructuring of the Irish dairy industry to strengthen its international competitiveness. The processes by which the situational context of the organisations in the study came to be reflected in the formation of strategy were found to involve multi-level processes of SOCIAL EXCHANGE and CULTURAL TRANSMISSION as well as organisational level SOCIAL-PSYCHOLOGICAL processes of shared cognition and selective attention. The empirical examination of the situational context - organisation interaction was found to require a combination of rational-economic,political and cultural modes of analysis in order to be fully understood.

The utility of the relational model of strategy formation

Taken in its entirety the relational model summarised in fig 13.1 presents a workable,testable,coherent and multi-level model of strategy formation which is theoretically justifiable and empirically sound. Its main features have been carefully derived largely from empirical evidence and the model has been elaborated,sharpened and levelled through close interaction with the empirical data.

The model provides a framework within which to study strategy formation. The framework captures the complexity of the strategy formation process and its essential multi-level character. It locates the strategy formation process in the dynamic interplay between situational context and organisational action and provides a conceptual framework within which to carry out systematic empirical research into the character of this interplay. It provides a tool for analysis. The main strength of the model is in its empirical isolation and identification of three main elements in strategy formation as SITUATIONAL CONTEXT, ORGANISATIONAL HISTORY and the ORGANISATIONAL LEADER,all in dynamic interrelationship. A further major strength of the model is in its empirical isolation of five main contextual factors which shape strategy formation. In this regard it elaborates the situational context of organisations,which much of the strategy literature and the open systems literature has tended to treat in residual and global terms. It directs the attention of practitioners and future researchers alike onto specific factors in situational context that seem to have the greatest influence on strategy formation and organisational development. Taken as a whole,the model presents a powerful set of analytical categories to practitioners and researchers alike,within which to carry out both normative and descriptive investigations into strategy formation.

A striking feature of this study,and of the framework which has emerged from it,is the way in which the utility of a number of different perpectives on strategy and strategy formation have been demonstrated empirically. Not surprisingly,therefore,the analytical consistency of these multiple perspectives is strongly reflected in the relational model. For example, the model presented in Fig 13.1. accomodates the now classic Andrews model of strategy formation but also extends it historically and temporally. The main normative prescription of the Andrews model,the carrying out of the oportunitites/threats and strengths/weaknesses analysis prior to making major strategic commitments is consistent with the type of normative prescriptions that might be addressed to organisational leaders from a model that locates the phenomenon of strategic leadership in the interaction of the leader, his organisation's history and its situational context. The Andrew's model could be seen,therefore,as a special case of the more general framework offered here. Andrews offers a limited point-in-time perspective on this interaction and identifies with the strategist, viewing the problem solely through a management perspective. The relational model in this study extends this perspective on strategy formation to the ongoing management of organisational careers over time. It directs attention onto the search for longitudinal and vertical patterning in the interplay between strategists,organisational histories and situational contexts and onto the organisational strategist as a variable in strategy formation in his own right.

The relational model incorporates the Porter framework for industry analysis as an integral element and extends it to multiple levels of analysis.It also elaborates on the contextual forces that shape strategy across national economic contexts. Moreover,it provides an analytical bridge between the content-process division which is often used to separate the divergent approaches to research in the strategy field. Content theories such as Porter's framework for industry analysis and the BCG portfolio matrix,and categorisations based on the process models of such theorists as Mintzberg(deliberate/emergent) and Quinn(synoptic/ incremental) have all been found to be useful in describing and analysing the process of strategy formation in this study. The analytical linking of the context,process and content of strategy formation is a central theme in the contextual perspectives of such organisational theorists as Pettigrew and Crosier & Friedberg. The relational model of strategy formation presented here,incorporating the concept of organisational career,is firmly rooted in this emergent contextualist tradition and extends it towards a contextualist framework for organisational development. This contextualist framework preserves and improves on the theoretical utility of the life-cycle analogy to provide a more empirically sound model of organisational development. Furthermore,it is also conceptually highly consistent with the stream of theory on the growth of the firm in the industrial economics tradition that abandons the theoretical notion of an economic optimum size as empirically unsound. This tradition seeks instead to explain variations in the growth rates of firms in terms of the dynamic restraints imposed by the historical pattern of resource development and deployment,along with the managerial capability to perceive and manage the future productive oportunities for those resources(Penrose, 1959:1980),and also in terms of those restraints imposed by the overall competitive context of the firm(Downey,1958).

The relational model of strategy formation presented here seems, therefore,to answer Penning's(1985) call for eclectic and multi-disciplinary approaches to the development of theory in the complex field of strategy studies. Furthermore,the multi-level nature of the model recognises the multiple levels of normative and analytical interest in strategy formation at the level of the firm. For example,it recognises and analytically accomodates the active interest of public policy makers and corporate industry entities in the formation of strategy at firm level. The five contextual forces identified in the model are not conceived and presented in the model as unidirectional, impersonal,contextual forces. Rather the model recognises the multiple levels of social volition, action and interaction involved in strategy formation at the level of the firm and in the ultimate historical trajectories of organisational careers. The empirical analysis of the amalgamation episode in the Irish dairy industry,carried out within this emergent perspective,demonstrated the empirical and analytical utility of the model as a conceptual framework within which to carry out multi-level processual analysis. It also demonstrated the descriptive and prescriptive utility of such multi-level processual analyses. It highlighted the processual difficulties in harmonising and interleaving multiple levels of strategic intent in the overall socio-economic structure and provided an analytical bridge between concern at the national level of analysis with overall economic and industrial development and concern at industry and firm levels with industrial and organisational development. The model is useful,therefore,to students of strategy formation at firm level that identify with the national,industry or firm levels as their primary level of interest.

One further notable feature of the framework presented here is the way in which it provides an analytical bridge between the voluntarism and determinism dichotomy that has tended to polarise much of the research in organisational studies that takes the organisation as the primary level of analysis. This analytical bridge is provided in the historical or longitudinal perspective and in the multi-level nature of the model. The longitudinal perspective of the model focuses attention of organisations as continuing systems and the voluntarism-determinism dichotomy becomes replaced by a voluntarism-determinism dynamic. The issue of whether strategy formation at the level of the firm is primarily endogeneously or exogeneously driven is viewed in the model as variable with situational context and over time. Voluntarism and determinism are seen as two 'ideal type' extremes of the same dynamic continuum rather than as mutually exclusive alternative world views. Moreover,the multi-level nature of the model provides for an analytical blending of voluntarist and determinist world views through the dynamic linkages in social action and structuration processes,implicit in the model,across the different levels of social structure. Volition at one level of social structure is seen to provide a structuring of the context for action at other levels,but again in dynamic interaction which varies in degree across contexts and over time.

The alternative world views of voluntarism and determinism have tended to reflect what researchers were theorising about. Management theorists have tended to be voluntarist in world view. They have sought traditionally to establish timeless universal,or at least contingent, principles of management. One implicit assumption is that management is the primary determinant of organisational performance. A second is that the essential 'game' of management is historically constant so that time independent theory is possible and should address the issue of how to play the game more effectively. On the other hand there is a strong pre-disposition in organisation theory towards determinism. This is rooted in the essence of what organisation theorists are theorising about. The mainstream of organisation theory has sought timeless universal,or at least contingent,principles of organisational behaviour. For many in this tradition a theory of organisational behaviour,if it is not to be simply equated to a theory of the aggregate behaviour of individuals within organisations and consequently to be indistinguishable from management theory,rests on the belief that organisational effectiveness is determined primarily by exogeneous factors. Furthermore,like management theory,the mainstream of organisation theory has tended to be ahistorical and to implicitly assume that the primary 'rules' the organisation-environment matching game are timeless.

The framework presented here can help to generate theory on organisational action which conceptually avoids the over-determinism of mainstream organisation theorists and the over-voluntarism of management theorists by taking organisational career as the unit of analysis. The central question for explanatory theory then becomes one of how to describe and explain variations in organisational career patterns. Theorising about organisational career patterns involves seeking patterns in the historical interaction of leaders,their organisational histories and their situational contexts. Organisational career,as the unit of analysis from which to generate useful theory on the action of organisations in context,is neither determinist nor voluntarist in its implicit world view. Future explanatory theory of organisational career patterns should provide a more empirically sound and conceptually useful basis from which to advance a theory of the management of organisations than either management theory or organisation theory, and one which is always historically relevant.

Finally,while the relational model presented here was as far as possible grounded in the empirical data and allowed to emerge from that data,no researcher goes into the field with a blank mind. Pure inductive and empirically grounded theory is itself an ideal type which is imaginable conceptually but impossible to realise in practice. The reality involved the constant interaction between the researcher,his emerging data and the ideas and influences of other researchers and theorists in the search for new insight. Linearity is forced on the researcher as part of the process of writing up the research report and gives a deceptive view of the research process itself. For example the organising principles presented in chapter two of this report were not fully developed prior to the field work though they are presented to the reader before the data themselves. This is done largely to facilitate communication with the reader and to make the whole report more intelligible and easy to read. In fact the organising principles contain the embryo of the relational model in this final chapter and were themselves developed and refined in interaction with the data. The ongoing search for further insight involved induction and deduction,and emerging categories and relationships,generated from the data in this fashion,were reflected back against the data for further empirical evaluation.

The ideas of many others influenced the researcher in his search for synthesis and insight as this heavily referenced research report fully attests. However,it only becomes possible at the end of a project such as this to be able,though retrospective reflection,to isolate the more dominant influences on the researcher's thought and on his practice of the craft,which have undoubtedly come to be strongly reflected in the output of this study. These were the major works of those theorists and intellectual craftsmen to whom the researcher kept returning again and again during this project in search of fresh inspiration. Knowing who and what these influences were will help to illuminate the relational model presented here and to locate it for the reader within the wider stream of research on organisations. The philosphical underpinning of this work,i.e. the 'world view' explicit or implicit in it,owes its main intellectual debts to Pettigrew's development and elaboration contextualism in "The Awakening Giant" and elsewhere, the view of social systems and structures offered by Berger & Luckman in "The Social Construction of Reality"; the perspective on individual action within social systems offered by Crosier & Friedberg in "Actors and Systems"; Silverman's action perspective as developed in "The Theory of Organisations";the perspective on the primary objectives of sociological inquiry,and the elaboration of the three major coordinates points in the classic tradition of sociology,offered by Mill's in "The Sociological Imagination"; and Thompson's view of the historical process as described by him in the preface to "Europe Since Napoleon" and more fully developed by him throughout the work itelf. Mintzberg's insightful distinction of strategy formation as a more inclusive concept than strategy formulation,and his own empirical and theoretical work with this concept,described in his 1978 and later articles,were very influential conceptually. So also was Porter's work on the relationship between industry structural evolution and company strategy,as developed in "Competitive Strategy".

The main influences on the methodology and on the approach taken to the analysis of the empirical data were Mintzberg's strategy of 'direct research' as developed in his 1979 article; Pettigrew's approach to the study of organisations longitidinally as continuing systems,as developed in his 1979 article,and his contextualist methodology for examining the relationship between the context,process and outcome of organisational action,combining economic,political and cultural modes of analysis,as described and illustrated in "The Awakening Giant" and elsewhere; and Thompson's approach to comparative historical analysis as developed and used by him in his book "Europe Since Napoleon". Lastly, there were two further major influences on the approach to the analysis of the descriptive data in this study. One of these was the classic work of Allison on the essence of the decision process in the Cuban Missile Crisis. The decision to analyse the data independently and in parallel first through a primarily deterministic perspective and then through a primarily voluntarist perspective was inspired by Allison's study. The use of these multiple perspectives facilitated and enriched the later effort at synthesis and theory generation. The second of these further influences on the approach to the data analysis was the recent work of Hickson, Butler,Cray,Mallory and Wilson on strategic decisions, as described in "Top Decisions". The researcher was particularly influenced by the way in which this group went about trying build up insight through their multiple and varied approaches to the analysis of their descriptive data.

Other themes developed in this study - a brief summary

Along with the four themes discussed in connection with the relational model of strategy formation presented above there were a number of other interesting themes developed in this study which are summarised briefly here before going on to finally review the implications of the study for future research and practice. Most of these themes underpin,and were explored through,the broader framework represented in the relational model and are themelves illustrative of how the complex process of strategy formation can be productively examined,empirically and analytically,through this multi-level contextualist perspective.

1. As well as identifying five contextual factors that shape strategy the researcher also attempted to develop,from the data, a model of strategy formation which showed the directional linkages between three of these factors for the case of the indigeneous organisations of a small,open,and mixed national economy. This model was developed in chapter 11 and is illustrated in figure 11.3.

2. A tableau was presented for each of the organisations in the study which demonstrated how the locus of influence over strategy formation tends to shift dynamically between the organisation and its situational context over time,both within and between organisations. These tableaus were developed in chapter 11 and are presented in tables 11-1 to 11-4.

3. A 'prism effect' was isolated and highlighted. This was the 'prism effect of a dramatic phase change in the situational context of all of the organisations in the one industry. This phase change resulted in a more pronounced distinction,or separation,in the strategies and rates of development of the six largest organisations in the industry after the phase change than before. This prism effect,and its possible implications,were fully discussed in chapter 11 and illustrated in figure 11.4.

4. Strategy formation was revealed,empirically,to be a multi-level phenomenon. This allowed the researcher to develop a typology that

linked level of strategy(coarse-grained or fine-grained) with type of process(synoptic or logical-incremental/garbage can/adaptive learning). This typology was developed in chapter 11 and is presented in figure 11.6.

5. The empirical data also pointed to the possibility of a typology of strategy formation processes along the two dimensions of synoptic-incremental and deliberate-emergent and allowed the researcher to indicate the probable organisational characteristics associated with each of the four types in this typology. The typology was developed in chapter 11 and the characteristics of each type are summarised in figure 11.7.

6. The analysis of strategy formation processes in this research allowed the researcher to identify 5 modes by how situational context comes processually to influence strategy formation and 3 types of processes associated with these modes,not all of which have been fully recognised in the literature. These modes were discussed in chapter 11 and are summarised in figure 11.9.

7. The analysis of strategic change within the four organisations in the study allowed the researcher to identify 5 modes of initiation of change,not all of which have been fully recognised in the literature. These modes were discussed in chapter 11 and are summarised in figure 11.10.

8. The data afforded a rare oportunity to analyse strategy formation through a processual analysis of a strategic episode at multiple levels of process. This revealed the importance of interlevel differences in RATIONALITIES,levels of STRATEGIC CONCEPTION and FELT PRESSURES for change,in determining the pace and outcome of strategic change efforts across multiple levels of the social structure. It also highlighted the functionality of economic,political and cultural processes in the management of strategic change across these multiple levels,and illustrated the importance of combining and integrating integrating economic,political and cultural modes of analysis in the contextual study of strategic change processes. This processual analysis was carried out in chapter 11.

Implications for future research

The implications for future research of the overall relational model of strategy formation,incorporating the concept of organisational career,have already been assessed earlier in this chapter. It was shown there that the model offered a powerful framework and set of analytical categories to researchers,within which to carry out both future normative and empirical inquiry into the phenonmena of strategy formation and organisational development,that was theoretically consistent and empirically sound.

This current study,as well as providing a useful framework for future research,has raised a number of specific issues and oportunities,for further study,many of which were highlighted already in chapter 11 and are now reviewed briefly below.

(i) Future research is needed to test the general applicability of the relational model of strategy formation presented here. For example,are there more than five primary contextual forces that shape strategy? If so,how many are there and what are they? Do the relative influences of these five(or more) factors vary systematically across national contexts or within national contexts through time? Are the directional relationships between some of factors suggested in figure 11.3 valid across different national contexts. There is a need here,and an oportunity,for comparative cross-national research into the contextual forces that shape strategy formation. Though such research would be difficult to carry out the indications from this study are that they could provide further important insight into the nature of the complex inter-relationship between situational context and the formation of strategy in organisations,which could be of predictive and normative value.

(ii) The empirical analysis of the structural evolution of the international trading environment in this study raised at least two interesting issues for further study. Firstly,what is the nature and direction of the relationship between the structural evolution of the international trading environment,the structural evolution of the industry globally, public policy and leadership nationally,the structural evolution of the industry nationally and organisational strategy. Is it as suggested in figure 11.3 and does it vary systematically across national contexts or types of national economies? Again a reserch design of a comparative cross-national character would be needed to further examine these relationships.

The second issue is can the Porter type approach to industry analysis be fruitfully extended and applied to the structural analysis of the international trading environment? Just two observations arising out of our analysis of this variable here suggest the relevance and potential of such an approach. The international trading environment has,since the post-war period, undergone a transition from a structure which was dominated by one major player,with all others living under its 'umbrella',to one where there are now a number of major trading blocks with comparative economic power. Furthermore the growth rate in global output and demand has slowed down dramatically in the 1980's. Similar conditions at industry level would,according to Porter's model,lead to an intensification of competitive pressure within the industry and possibly to new consolidations and a new distribution of economic power as players jockey for position and attempt to stay in the game. Something similar to what the Porter approach would predict at industry level appears to be happening to the evolution of the structure of the global economy. International competition has intensified and there is a greater questioning in the 1980's than ever before of 'competitiveness' of national economies. The intensification of international competition is moving the structure of global trade towards a greater level of consolidation as many nations come to realise that they can no longer be world class competitive economies on their own. The recent acceleration in the pace of European economic integration towards a truly 'common' market by 1992 is a manifestation of this trend and is indicative of the parallel between firm behaviour and industry structural evolution on the one hand and the behaviour of national economies and the structural evolution of the global economy on the other.

(iii) Taking both (i) and (ii) together, there is a need,and a major oportunity in the strategy field to build on the work of Porter and those like him that have enriched strategy studies through their analytical blending of the industrial economics and the business policy traditions. There is a need and an oportunity,in particular,to better understand the relationship between industry structural evolution and national economic structure and policy. The contribution of industry analysis to the strategy field can be strengthened by further normative and empirical study of this relationship.

(iv) The 'prism effect' that was identified in the empirical analysis of the Irish dairy industry raises some interesting issues for further study. In particular,is this a more general phenomenon? Do certain phase changes in overall situational context have the effect of separating the strategies and performances of the participants in the same industry (somewhat analogous to the way that experienced examiners find certain questions to be more effective in discriminating student performances than others). If so what are the characteristics of these phase changes and what are the most important determinants of differential performance in the face of these phase changes? Longitudinal comparative studies at the industry level of analysis would be needed to further examine this phenomenon,a fuller understanding of which could have value in predicting the structural evolution of industries and normative value for organisational strategy in such phase change conditions.

(v) More generally,this research highlighted how the locus of control and impetus over strategy formation varies dynamically between the organisation and its situational context. Some contexts were found to be more imperative than others for every organisation over time. Furthermore,some contexts were more imperative for certain organisations than for others,even in the same industry. How do contexts become more imperative and how do some organisations manage to maintain more scope for action than others in such situations?

Furthermore,at industry level certain contexts were found to be more 'fluid' than others. For example the future of the dairy industry was to a certain degree 'up for grabs' during the whole amalgamation episode from 1964-74. By 1974 the structure of the industry had hardened and a group of six processors emerged to dominate the more concentrated industry structure. Those six processors still dominate the industry 14 years later,though their relative positions in the top six have changed. It seems then that there may be certain decisive episodes in the historical evolution of industry structures when future positions in the industry are determined for a long period to come. Is this a more general phenomenon? If so what are the characteristic features of such decisive periods and how can they be predicted? What are the normative implications for strategy at the level of the firm?

Further research at the industry and firm levels which is comparative and intensively focused on the dynamics of industry evolution during major contextual phase changes would appear to offer the best prospect for achieving more insight into the questions posed above.

(vi) One of the major themes to emerge from this study was that for the phenomenon of organisational leadership to be fully understood it must be properly situated in the context of the time and events in which it is exercised. The empirical analysis in this study has prompted a call for a major redirection in the main stream of leadership research.

Mainstream leadership research has been preoccupied with the study of attributes and styles and with the study of leader-follower dynamics in small group situations. Most of this work has been acontextual and focused on leadership at supervisor and middle management levels. However,it is clear from the empirical evidence in this study that attributes and styles, measured along universalistic and acontextual dimensions provide only very limited insight into the phenomenon of leadership and its role in strategy formation. This study has empirically highlighted the need for different ways of theorising about leadership and different methodologies for studying the phenomenon from those which have been dominant in the past. It was argued from the empirical analysis that the phenomenon of leadership is properly located,not in the person of the leader,but in the dynamic interaction between the leader,his organisation and its situational context.

Future empirical research on leadership should concentrate more on the 'exercise of leadership' in context as the primary variable and unit of analysis and treat the 'person of the leader' as one element of this phenomenon rather than the central issue for study. Only in this way will the effect of this complex phenomenon on organisational outcomes be more fully understood. We need to understand more about the 'kinetics' of leadership in its exercise, rather than concentrate our efforts almost exclusively in trying to identify the 'potential' for leadership in the individual person,the reliable measurement of which has proved to be so elusive in spite of the enormous research effort that has been poured into it in the past. In regard to the systematic study of the exercise of leadership ,comparative research on organisational leadership in context along the lines of the longitudinal,contextual approach advocated by Pettigrew(1985;35: 1987b;650),and very influential on the design of this research, would appear to offer a very promising way forward.

Comparative studies of organisational leadership carried out in such a contextualist mode could help to provide further insight a number of particular issues that have arisen in the empirical analysis in this study that relate to leaders and the exercise of leadership. For example,how are the motives,goals and strategic approaches of leaders formed by antecedent context and continue to be affected by contextual influences during the exercise of their leadership? How and in what way are the strategic actions of leaders shaped by the traditional values of their particular contexts as well as by the more universal 'rational' choice procedures normatively offered by management studies,especially by management science? How and to what extent is organisational action shaped through the internalisation by the organisational leader of contextual influences? (see chp 10 for examples in this study). Contextual studies of the formation of the personalities of leaders and of their growth and development through the exercise of leadership will help us to advance our understanding of the link between the persona of the leader and the exercise of leadership beyond that which can be gleaned through such acontextual and ahistorical motivation theories as those of Maslow,Hertzberg,McClelland.

Furthermore,this study has offered a categorisation of leadership based on the historical challenge presented to the leader by the temporal conjunction of organisational history and situational context. Leaders were classed in this study as BUILDERS, REVITALISERS,TURNAROUNDERS and INHERITORS(including TRANSFORMERS). Such a classification can help to shift the analytical focus onto the exercise of leadership. If the classes are sufficiently distinct analytically then this type of classification offers a a basis for carrying out future comparative,contextual studies with 'the exercise of leadership' as the unit of analysis and the 'person of the leader' as just one of the independent variables. Future research could more rigourously examine the classification scheme offered here for analytical distinctiveness and elaborate it. For example the category of inheritors could be probably be further refined into a more useful set of classes i.e. TRANSFORMERS etc. A more rigourously established classification scheme along these lines could then be used to develop,through comparative analysis,the distinctive features of each class, i.e. the distinctive structural characteristics of each type of historic challenge type and the distinctive process features of each type of leadership exercise. Such studies could offer valuable new descriptive,explanatory and prescriptive insight into the exercise of leadership for these different historical contingencies.

Finally,future contextualist research that takes organisational career as the unit of analysis can offer further insight into the phenomenon of leadership as a variable in strategy formation and organisational development. In particular it can more closely investigate and explain a number of interesting and important issues that emerged from the empirical analysis in this study. For example,two empirical observations in this research were firstly that leadership effectiveness can vary over different contexts, even when the variation in context is in the same organisation over time, and secondly that leadership change can itself be a pre-requisite to effecting strategic change in certain situations. The first observation raises the following questions for more systematic study.Why does leadership effectiveness vary with context over time? More specifically why do some leaders who were effective in an earlier context become ineffective in a later context? One thing that this study clearly indicated was that the answer is not to be simply found in identifying a mis-match between the personality of leader and the 'imperatives' of the new context.Leaders lose their sureness of touch and their credibility in certain situations(like golfers and tennis players - some games just flow away from them ,at other times they get the 'breaks' and their confidence and sureness of touch is enhanced).There is a dynamic interplay between leader and context that affects the ongoing process of the exercise of leadership. This needs more systematic study. In particular these questions of how leaders come to lose(or gain) substantial touch with the demands of context and come to lose(or gain) support for substantive action from context could be a fruitful focus for further systematic comparative study of leadership in action.

Secondly,the empirical evidence in this research suggests that it is time to move forward from the inconclusive and somewhat sterile debate as to whether organisational leadership is more symbolic than substantive or vice versa. The example of the leadership changes in CSET and Golden Vale indicated that these are not opposites but rather two important aspects of leadership that can interact to produce substantive outcomes. In both cases the potent symbolism evoked in the leadership change facilitated the new leader in the implementation of substantive change. This interaction between the substantive and symbolic aspects of leadership is itself worthy of more specific and systematic research attention in the future which can surely contribute significantly towards our fuller understanding of the kinetics of leadership.

(vii) This research highlighted and empirically examined the multi-level nature of strategy formation in organisations. This empirical analysis led the researcher to advance a plausible typology for strategy formation processes that was based on,and provided a partial synthesis of, the synoptic-incremental and deliberate-emergent debates in the strategy literature(see figure 11.6). The analysis strongly indicated that the key to explaining variation across the four types of strategy formation process represented in the typology was to be found in the variation in the character and texture of organisational contexts. Further research is needed to identify and to examine more rigourously the specific dimensions of organisational context that are most salient in the determination of the type of process.

In particular,the empirical analysis indicated that the deliberate or emergent character of strategy formation at the highest level of process was directly related to organisational size and diversity. A key question for future research therefore is under what conditions and at what stage in an organisation's development does direct control of the content of strategy pass from the top strategist to the organisational context? A further question for future research is how do the strategy formation processes in the strategic segments of large diversified organisations differ in type and character with those in smaller corporate entities that are similar in size and product-market scope to these segments? Systematic comparative study designed to focus on these questions will significantly extend our understanding of the relationship between organisational context and the process of strategy formation.

(viii) This study empirically examined the way in which the situational contexts of organisations come to influence organisational action and outcomes.The 5 modes and 3 types of process identified in this research need to be subjected to further more focused systematic and rigourous examination. In particular future research might try to ascertain whether there are more that 5 modes and 3 types of process. It might further try to examine and isolate the key distinctive characteristics of each mode and type,however many there are,and try to examine more fully the relationships between these modes and types.

(ix) Future research might,likewise,focus on the 5 modes of initiation of strategic change,highlighted in this study,and subject them also to more systematic and concentrated inquiry. Are there more than 5 modes? What are their distinguishing characteristics however many of them their might be? Are there specific contextual antecedents,situational and/or organisational,associated with specific modes?

(x) The empirical data in this study provided an oportunity to study strategy formation at multiple levels of process. Such studies are still very rare. The episodic analysis strongly indicated that interlevel differences in RATIONALITIES,levels of STRATEGIC CONCEPTION and FELT PRESSURES for change were the main determinants affecting the pace and outcome of strategic change efforts across multiple levels of social structure. This offered a modest beginning to a much larger research challenge, the development of a process theory of strategic change which incorporates and accounts for strategic action and volition at multiple levels of process. In order to move forward towards the development of a more elaborate theory of process,which will be more conceptually and empirically useful,future research should compare the processes of strategic change that involve multiple levels of strategic action and volition in the cases of different organisations in different situational contexts. In particular, for example,such comparative research can examine whether the categories revealed in the single episodic analysis in this research can provide the basis for a more general theory of process. Furthermore,it can examine the interplay of these determinants in different contexts and provide a fuller insight into their dynamic relationship than was possible with a single case.The contextual variation provided in a comparative research design should reveal some corresponding variation in the patterning of process. Empirical examination of such variation should offer deeper insight into process and offer the basis for a more comprehensive model of process than that provided in this study through the analysis of a single episode.

Implications for management practice

The research reported in this study has a number of important implications for management practice. Its major contribution to practitioners is the overall relational model of strategy formation, incorporating the concept of organisational career. This model provides practising strategists,at national,industry and firm levels,with a powerful analytical framework within which to analyse the strategic behaviour of organisations and through which to actively manage the process of strategy formation at the level of the organisation.

This overall framework focuses practitioner attention on the multi-level nature of strategy formation processes and on the need to maintain a multi-level perspective in their attempt to actively manage the process. It also helps to guide the practitioner to develop a personal theory-in-use which neither over- nor under-estimates the capacity for voluntarist action in the strategic management of organisations.

Practising strategists are often prey to one of two opposite tendencies in their development of a theory-in-use for the strategic management of their organisations. Some tend to think that they are,or are expected to be,the all-knowing and all-powerful commanders of their organisations. They believe that their scope for strategic action is limited primarily by their own personal attributes and capacities. This theory-in-use is a reflection of the over voluntarist perspective that has been pre-dominant in much of the normative literature on strategy to date. Others tend to feel that their capacity for strategic action is so externally circumscribed that they are largely just 'adaptive navagators' who must respond appropriately to the dictates of their external environment,or perish. This theory-in-use reflects an over deterministic view of organisational action such as that to be found in much of the literature in organisation theory based on the pre-dominant open systems paradigm. The relational model in this study offers a conceptual foundation to the strategist,from which to develop his personal theory-in-use,that avoids these two extremes and is more in accord with his empirical reality.

The relational model presents the strategist with a self-conception as active agency in strategy formation whose scope for personal action is both enabled and constrained by his organisation's history and its situational context. Contextual forces and the historical pattern of the organisation's strategic commitments provide the strategist with his resources and bases for strategic action. His strategic actions are not only made by context and history,they make context and history. He is influenced by technological change but can also harness it and influence its direction. He recognises the evolutionary forces in his industry but can try to shift the balance of those forces in his favour. He is influenced by national aspirations and policy but as the leader of a major organ of society he can influence these aspirations and policies and he is essentially involved in their realisation. The concept of organisational career emphasises to the strategist that strategy formation is a long-linked process stretching out in time with important antecedents and consequences often transcending the personal biographies of individual strategists. This process,therefore,should always be managed with a well developed and pervading sense of context and history.

At a more specific level the empirical analysis and description in this research offer many specific insights to practising managers and others interested in the active management of strategy formation at the level of the organisation. Some of the more important of these are highlighted below:

(i) This study has identified five specific contextual factors that are the most important contextual influences in strategy formation. Therefore,not only does it direct strategists to manage with a more pervading sense of context and history than much of the normative literature on strategy to date,but it also directs their attention to the specific contextual factors on which they should concentrate.These factors were (i) TECHNOLOGY; (ii)INDUSTRY EVOLUTION; (iii)INTERNATIONAL TRADING ENVIRONMENT; (iv)NATIONAL PUBLIC POLICY AND LEADERSHIP; and (v)SOCIAL AND CULTURAL TRANSFORMATION. The data chapters(Chps 4-8) and the empirical analysis of these factors,carried out in chapter 9, provide detailed historical insight into the general character of these factors and the way in which they tend to influence strategy formation and this insight was summarised earlier in this chapter.

Some important normative implications for strategists can be distilled out of the detailed empirical examination of these five contextual factors in this study. Prescriptively what the study seems to be saying to strategists,inter alia,is the following: Recognise the importance of these factors as the five primary contextual factors which shape strategy in organisations. Develop an understanding of their underlying pattern and operation as historical forces,how they interrelate,how they tend to enable and structure organisational action,how they can be harnessed, deflected and directed. Do not over rely on universalistic environmental sensing techniques or prescriptions alone,however rationally or intuitively appealing. Try to develop an understanding of the meaning of historical change in the overall context in which you operate.

Be aware,for example,that discontinuous technological change in the core industry itself or in upstream or downstream production system can all have a major effect on the structural evolution of the core industry. Be aware that industries have national as well as global structures and national patterns of structural evolution as well as global patterns. Be aware,too,that the relationship between national and global industries is linked to the relationship between the national and global economies as reflected in the evolving structure and pattern of world trade. Be aware also that these structural evolutions are governed not only by changes in relative economic power and power-dependence relations among national economies but also by prevailing economic doctrines and shared ideation systems that govern the political regulation of economic forces at national and international levels. Be aware that the ownership structure that comes to dominate an industry in a mixed economy can often be more a matter of historical pragmatism rather than of ideological conviction,a distinction with important implications for the future evolution of such industries. Be aware that the point of realisation of social change,the point at which the conflict between the forces for continuity and change in the wider social system often converges,is in change processes at the level of the organisation. Expect the forces of historical change to challenge,not only the economic effectiveness of your organisation,but the meaning and legitimacy of its aspirations and their connectedness with the changing aspirations and expectations of the wider social system in which it operates.

(ii) The model locates the phenomenon of leadership in the historical intersection between the individual leader,his organisation's history(career-to-date) and its situational context. The last two present the leader with his historic challenge and oportunity. The framework presents the leader as one of three main elements in the formation of strategy,the other two being his organisation and its situational context.

The view of leadership presented here has a number of important implications for practice,particularly for the selection, evaluation and replacement of leaders. Those whose responsibility it is to select and evaluate leaders should be fully aware that what leaders can accomplish is a function of the historical challenge presented by organisational history and situational context as well as of the personal capacity of the leader to meet this challenge. These historical challenges present different types of demands and some leaders are potentially better suited to certain historical challenges than to others. Some may be inherently better equipped to build than to transform and vice-versa. Those responsible for the strategic selection of leaders need to be able to perceive and understand the nature of the historical challenge facing the new leader and make their selection with this firmly in mind.

But this research has emphasised that leadership effectiveness is not just about potential,it is about performance. The problem of leadership in strategy formation is not just a problem of selecting the person who is potentially best suited,ante-hoc,to meet the demands of a particular historical challenge. This study has illustrated how leaders of ability can dynamically lose touch with the demands of a changing context,lose their own sureness of touch,lose the confidence of key supporters,and render their future leadership position in a particular organisation,in a particular context,untenable. In other words,a leader of ability can sometimes perform inadequately by chosing the wrong options or simply find that the contextual conditions for performance change so that they no longer suit his strengths and in fact expose his weaknesses. Furthermore,this study has shown how the powerful symbolism involved in the replacement of a leader can itself be important,and in some cases a necessary, condition in order to resolve a crisis and/or to accomplish a major transformation or turn-around.

By conceptualising strategy formation in such a way that the person of the leader is seen as just one of the three major elements this study offers. a theoretical framework within which to understand and manage the difficult reality that leaders of ability must sometimes be replaced for their own sake as well as for the sake of their organisation. It provides a theoretical explanation for why this is so. It predicts that such situations are likely to arise because strategy formation is not a determinate process whose performance requirements can be perfectly predicted in advance and because leaders,however able,are not infinitely resourceful and adaptable to all situations nor are they perfectly consistent in applying their abilities.

Empirically it is widely recognised that leaders are replaced for the reasons mentioned earlier. However,without a proper conceptual underpinning these decisions often happen later than they should,they are accompanied by a sense of shock and trauma within the organisation which may generate some creative energy but which is generally unnecessarily dissipative and disruptive, and they leave the replaced leader with a damaged reputation and a stigma of failure in his own eyes and in those of his former associates. These responses,I believe,are based on an inadequate and incomplete conceptualisation of leadership and its role in strategy formation and organisational effectiveness. In particular they are rooted in a perspective that sees the inate ability of the leader as the primary explanatory variable in organisational effectiveness. Once this perspective is widened to one which sees the innate ability of the leader as only one of three major elements,as in the framework presented here it becomes possible to forsee and understand how able leaders can be ineffective,or become ineffective,in certain contexts and that ineffectiveness is situational and not to be equated simply with personal incompetence. Greater acceptance of this by leaders themselves,by those who are responsible for appointing and replacing them,those who believe in them and follow them, and those who commentate professionally on organisational matters will help to make these strategic replacement decisions,quicker and easier to make and less dissipative in their consequences on the individual leaders and on their organisations.

Furthermore,this study has highlighted how some contexts can be difficult to succeed in even for the most able leaders,whereas in other contexts it is almost impossible for a leader of any ability to fail. Furthermore,the it has also illustrated how the strategic actions,and indeed inactions,of current leaders become a major part of the historical legacy of future leaders. This legacy can in some cases enhance and in other cases constrain the scope for action and the effectiveness of the future leader. The fuller insight into these complicated linkages between situational context,organisational history and the personal effectiveness of the individual leader,offered in both the empirical analysis and in the emergent relational model in this study,should provide those whose responsibility it is to evaluate and reward the performance of leaders with an improved framework within which to approach this problem. Clearly simple bottom-line measures of current business health are an inadequate standard against which to measure the personal contribution of leaders. Relying on such metrics alone will over-reward leaders that face benign contextual challenges while under-rewarding those that face more difficult contextual and historical conditions. In particular, the nature of historical challenge facing the leader and the historical legacy that he/she passes on should be two primary considerations in the evaluation and reward of strategic leaders. The question of how to evaluate leaders systematically in accordance with these two primary considerations has not been addressed in this study and must await further research of a more problem-oriented and applied nature.

Lastly,this study has provided some fresh insight to practitioners concerning the motivation of leaders. In partricular it has highlighted how the mainsprings of leader motivation are themselves linked to context and history. Leaders are motivated not just by physiological and pyschological needs which are universal in the human species. Universalistic need theories of motivation such as those of Maslow,McClelland,Herzberg and others are a useful,but inadequate,conceptual foundation on which to base an understanding of what will move leaders to perform and inspire performance in others. The motivational mainsprings of the leaders in this study were seen to be formed through context and history and to be nutured through ongoing interaction with context and history. For example,the 'Doc' was the inspirational builder of AFT,not simply because he wanted to build an organisation in order to actualise his own full potential. He was deeply moved by his nationalism and his belief in the developmental power of science and his inspirational leadership was clearly based on these values and beliefs. Management training and practice has been built on a conceptual basis which is overly concerned with rationality and behaviourism. This research highlights the importance of such factors as tradition,passion and dedication to deeply held absolute values in achieving a fuller understanding of motivation. The implication for those responsible for the selection,motivation and development of leaders is that they will need,themselves,to have a basis for identifying basic values and beliefs and for assessing their potential implications for particular leadership challenges in particular contextual and historical situations. This study has highlighted a practical need in this regard and has provided a conceptual underpinning for addressing this need.

(iii) The relational model of strategy formation presented in this study has some overall normative implications for those concerned with the strategic management of organisations.

The model has posited three main elements in the formation of strategy,the leader,his organisation's history and its situational context. The model directs attention to these three main variables,any or all of which can be manipulated on order to improve the effectiveness or strengthen the competitiveness of the organisation,in any given situation at any given point in time. Contexts can be changed in order to try to shift the balance of the contextual forces shaping strategy in the organisation's favour and to shift the locus of control away from the context and towards the organisation. The legacy of history,as reflected in the existing pattern of strategic commitments,can be changed in order to provide the organisation with greater scope for manoeuver to exploit its context. Finally,the tactics of individual leaders or the individual leaders themselves can be changed in order to bring new approaches,new abilities,new inspiration and new signification to bear on certain historical challenges.

(iv) This research highlighted the way in which the locus of control over strategy formation and organisational action can vary between the organisation and its situational context over time. It highlighted how contexts evolve. In particular it showed how there can be certain phases in the historical evolution of industries which will largely determine the future structure of that industry,and the relative positions of organisations within it,far into the future. In other words,there are decisive moments of historical oportunity when the wider system is in flux. Such a moments,for example,were the 1968-72 period in the Irish dairy industry and the mid-60's in the Irish distilling industry.

Strategic managers need to be aware that the fluidity and malleability of the situational contexts of their organisations varies over time. They need to try to understand the underlying logic of the structural evolution of the wider social system in which their organisations are situated. They need to be able to recognise the moments of historic oportunity when the future structure of these wider social system are in structural flux and future positions within that structure are to be won or lost for some considerable time to come.

There is a time for the bold initiative,the pre-emptive strategic commitment,the imaginative and visionary strategic departure. There are further times for building,in a logical-incremental fashion,on the strategic base established by these bold departures. This seems to be the normative message for strategic management arising from foregoing. Logical-incrementalism alone is an inadequate and over-cautious normative approach on which base strategic management practice. It is an accurate description of reality but only part of the time. This research,in developing some point of synthesis between the synoptic and the logical-incremental theories of process from empirical analysis,has presented a more useful conceptual foundation on which to base strategic management practice than either theory alone,and one that accords more closely with empirical reality.

Prescriptively what this synthesis seems to be saying to strategic managers is this: Develop a synoptic vision at the highest level of conception of strategy,proceed in logical-incremental fashion to fulfill that vision,learning and adjusting to the oportunities and constraints of situational context and organisational history as you proceed. However be continually alert to the fact that there are decisive moments of historical oportunity that only bold, imaginative synoptic strategic departures will fully exploit. Be ready to seize these oportunities or be reconciled to minor player status in the future evolution of your industry. In order to recognise these moments of historical oportunity try develop an understanding of how the context of your organisation is evolving historically. You can do this by examining how the five main contextual forces, that have been isolated in this study, have affected and continue to affect the formation of strategy in your organisation and the evolution of the wider social system of which your organisation has been, and continues to be, an integral part.

(v) This study has provided valuable insight into the process of strategic change involving strategic action and volition across multiple levels of social structure. This processual insight is of practical value to strategists at national and industry level that wish to bring about strategic change at the level of the individual organisation through largely voluntary action. This insight was gained through the processual analysis of the amalgamation episode in the Irish dairy industry in the 60's and early 70's. This episode was representative of a more general class of problem, the problem of how to get strategic change implemented across multiple levels of social structure through only loose authoritative coupling. More substantively, it was illustrative of the problem of how national strategists can influence industry evolution and firm behaviour in a democratic society.

Three main conceptual insights emerged from this processual analysis with practical, as well as theoretical, implications. The first insight was the recognition that the PACE and OUTCOME of the strategic change efforts across multiple levels of social structure appear to be determined mainly by interlevel differences in RATIONALITIES, levels of STRATEGIC CONCEPTION and FELT PRESSURES for change. The second insight is that in such situations the use POLITICAL and CULTURAL strategems and pressures for change are at least highly functional, if not indispensible, adjuncts to rational argument for the successful transmission of a change impetus across the different levels of social structure. A third insight is that the process itself is non-linear,with a trajectory and an outcome which are unlikely to be predictable at the outset. The implications for higher level strategists seeking to implement similar strategic change across multiple levels of social structure are therefore three-fold. First recognise the importance of interlevel differences in rationality,strategic conception and felt pressures for change in determining the pace and outcome of the process and develop the capacity to be able to analyse and understand the significance of these differences. Secondly,be prepared to supplement rational(often economic) argument with with political pressure(using power and influence to get movement,getting key opinion leaders publicly committed to change change etc) and cultural pressure(seeking to legitimise the need for change and delegitimise the opposition to change through the harnessing of potent cultural norms,values and beliefs) in order to transmit the change impetus down through the social structure. Thirdly,be prepared to manage the process oportunistically and in a continuous problem-solving mode. Pay due attention to the dynamic unfolding of context,the progression of process and the oportunities and constraints that continually arise from them.

Finally,and more generally,the overall relational model has major normative implications for the education of leaders. The overall admonition to strategists to manage with a pervading sense of context and history raises the issue of how best to develop this sense. In placing leadership along with situational context and organisational history as the three coordinate points of strategy formation the model recognises the uniqueness of the leader's role and the nature of his challenge. It is unique in the sense that it demands a much wider appreciation of context and history than any lower position in the managerial hierarchy. There is,from this,a sense in which the job of organisational leader is different,not only in degree but also in kind, from other management positions.

Vocational management training,based largely on the acontextual and ahistorical models and constructs of the decision and behavioural sciences,serves fairly well many of the professional needs of those that operate below the apex of the organisation. Such training offers valuable professional knowledge and technique to develop work standards and budgetary controls,to appraise and select employees,to design and carry out market research,to assess the financial health of the organisation and so on. However,the task of connecting an organisation with its own history and with the historical evolution of the wider social system in which it operates,the capacity to confront reason with tradition and to reconcile them,the capacity to relate organisational aspirations to the wider aims of society,to define what the organisation stands for,its core values and beliefs,these tasks are much more value laden and less problem-directed than those of lower level functionaries. This existential view of the leadership role is inherent and central to the relational model of strategy formation and to the concept of organisational career presented in this study. Leaders do not primarily solve problems so much as face options with value-laden dilemmas. The two negations which,according to Aron(1967;197),inspire Weberian sociology with its "kind of existential philosophy",namely that "no science can ever tell men how they should live" and that "no science can ever tell humanity what its future is",illustrate that the issues facing the organisational leader are of a kind with,and integral to, the wider issues that face society. No science can ultimately tell organisations what they should do or what their future is.

Vocational training can provide organisational leaders with valuable management technology but the job demands more than technique. Context and history cannot be adequately addressed with universalistic checklists,decision procedures and the like. The fundamental questions of what the organisation stands for,what basic values and beliefs guide its strategic actions,what is its future potential and what kind of society does it want to help create are not to be left to others. At least the leaders that were studied in this research were not prepared to leave them to others. Organisations are moved by the passionate adherence to certain values,traditions and aesthetics to a degree that is significant in the determination of sustained economic performance. This was clearly evident in this research and is perhaps the major insight from the cultural anthropology perspected that has recently,if belatedly,been imported into organisational studies.

The important aspects of the leadership task not adequately catered for by vocational training,including the typical MBA programme,are largely the subject matter of what has come to be known in the West as a liberal education. Developing the sense of history and context that leaders need can only be acquired over a period of years and should be visualised as an open-ended,continuing,process rather than a discrete project. In fact,the classical approach to education for leadership was a liberal education. Leaders were then assumed to acquire the techniques of their vocation on the job. Since the second half of the 20th century the emphasis has changed significantly. The ideal profile for the formal education of today's business leader is a professional training in engineering,finance or law,followed by an MBA. This is a reflection of rapid growth in the sophistication of management technology over the last three decades. However,this research strongly indicates that organisational leaders need much more than this sophisticated vocational fare. It indicates a need to restore a strong emphasis on liberal education back into the formal education of today's and tommorrow's leaders.

The question of how is a large one. It presents a formidable challenge to leaders and educators alike and is outside the scope of this study. It must address the post-experience needs of leaders as well as their preparatory education. One thing that seems clear from the perspective on leadership that has emerged here is that simply grafting some liberal courses as add-ons to the current professional and/or MBA curricula is not likely to give the liberal element its proper place.In the hierarchy of knowledge and understanding for the leadership role a liberal education should be the integrative element,providing leaders with insight and ways of thinking about the full nature and meaning of the historical challenges and choices presented to them by their organisation's history and its situational context.

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