

The name of this conference indicates its topic, but it says nothing about its **focus, goals or purpose**. I don't want to try to answer these (surely important) questions right now, however. Rather, I'd like to set out in a somewhat different direction and make a few introductory observations about the specific circumstances and historical context which – to a significant extent – conditioned the processes leading to the emergence of the Baťa concern's worldwide network of company towns. In so doing, I'd like to focus in particular on the following questions:

- ✓ *What role did company towns play within the Baťa concern and its business strategy?*
- ✓ *When and under what circumstances did the idea of a “company town” establish itself?*
- ✓ *Where can we look for its origin?*
- ✓ *What transformations did it undergo over the course of time?*

The Baťa concern – the state of our understanding

If we want to seriously investigate company towns of the Baťa concern, we first need to focus on the development of Baťa's Zlín enterprise, which gradually formed the basis for the entire worldwide concern. It should be emphasised here that without an understanding of the company's interests and economic imperatives, any discourse on its social or public engagement will barely scratch the surface of the issues concerned, or will be very susceptible to generalising or completely mistaken conclusions.

Right at the start, we encounter a fundamental problem regarding our current understanding of the topic. Within the scope of economic and social history – a field which is absolutely essential for understanding the topic – the history of the Baťa concern has not been sufficiently elaborated. Despite the fact that the Baťa enterprise represents an extraordinarily interesting case study in the history of modern business, at present we have neither a modern

synthetic exposition of the Baťa concern's history nor – in many key areas – the necessary component studies on substantive aspects of the concern's business activities and their development. The fact that the Baťa topic has not received adequate treatment in Czech (or Czechoslovak) historiography (that is, a treatment that would approach the modern monographs on the history of enterprises that we know from other countries) has – in my opinion – **3 main causes**:

Causes for the absence of a modern treatment of the history of the Baťa concern

- political and social developments between 1948 and 1989, which of course were reflected significantly in Czechoslovak historiography;
- in the opportune period after 1989, there was no historical research facility that undertook the investigation of the topic systematically;
- it seems in this case that the general focus of Czech historiography – which has deep roots in the tradition of this field in our country – has had an influence as well (which of course is linked to the selection of topics traditionally preferred in the Czech environment, and which tends to overlook business history).

The Baťa enterprise – structure, conditions and transformations

From its very beginnings, the Baťa enterprise developed and transformed very dynamically. Like every private capitalist enterprise, it interacted continuously and very forcefully with its surroundings: markets, political systems, as well as the changing social and cultural environment. If we wanted to characterise the company's development until the end of the Second World War (the period that we are now most interested in), we could probably best describe it as “management of change”. There were significant milestones, such as (and I'll mention just the most important ones): the First World War, the dissolution of Austria-Hungary and the emergence of Czechoslovakia, the Great Depression and of course the Second World War. What brought the Baťa brothers' originally very modest enterprise to the apex of the footwear industry was the ability to react with great flexibility to problems that arose, and at the same time to successfully modify strategies when necessary – in production and distribution as well as in the company's organisation and management.

If we want to at least approach an answer to the question of what role company towns played in the Baťa concern's activities, we cannot overlook a fundamental issue – the character of the economic growth experienced by the Baťa enterprise, and the related transformation of its structure. It seems, however, that this transformation wasn't primarily influenced by planning; rather, it formed gradually (step by step) as a response to various situational factors. On the other hand, certain large successful enterprises (particularly American ones) evidently served here as a model in form as well as practice. These enterprises were able to exploit advantages resulting from size – which Alfred Chandler called the advantages of “**SST-economies**” (elaborated in detail in his groundbreaking books: *Strategy and Structure: Chapters in the History of the Industrial Enterprise* and *Scale and Scope: The Dynamics of Industrial Capitalism*).

SST-ECONOMIES (Scale, Scope, Transaction-cost)
consist of three components (A. D. Chandler):

- **Economies of scale:** utilise mass production (larger production volumes lower unit prices and give the enterprise an advantage over its competitors);
- **Economies of scope:** rest on synergetic effects by the joint production and distribution of related products;
- **Transaction-cost economies:** exploit the advantages of internalisation – the vertical integration of suppliers and marketing services to control materials and outlets.

The expansion of the Baťa factory in Zlín, which in a certain sense culminated in the establishment of company towns at home and abroad, was initially based in particular on the principle of **vertical integration**. This was to ensure the fastest and smoothest value chain flow – from deliveries of raw materials, to production to sales. The company also gradually internalised activities connected with procuring a range of basic raw materials, built an extensive complex of auxiliary production (this was the basis for the emergence of the first newly established company town in nearby Otrokovice), and also developed an extensive distribution organisation with its own retail chain at its core.

The company's **geographical expansion** played an increasingly important role as well in the environment of interwar Czechoslovakia's limited market. This involved not only the sale of products on foreign markets but increasingly also investments by the company abroad – initially mainly by establishing its own trading companies and retail chains. With the onset of the Great Depression and the strengthening of protectionist policies, however, the company began to build its own production facilities abroad as well, and around them company towns. In the 1930s the company – from 1931 a joint stock company – increasingly **diversified** its activities: it expanded production to related product ranges (in particular to those product ranges for which it could efficiently utilise raw materials used in the main production lines or similar technology and production equipment). In the 1930s, due to stagnation and slow growth in sales of major footwear products, the company increasingly expanded into completely new areas of production (artificial fibres, gas masks, tyres, bicycles, airplanes, et cetera) and continuously augmented its key activities abroad.

Summary of the main reasons for the Baťa concern's foreign investments in the interwar years

- the need to find new markets (from the beginning, the **limited market of interwar Czechoslovakia** was a very important factor in the company's investment strategy);
- also significant were increasingly **protectionist policies** (the company sought ways to circumvent various protectionist measures, from the raising of protective tariffs and the fixing of import quotas to the prohibition of imports and the introduction of currency measures);
- with the approach of the Second World War and growing instability throughout the region, the management consciously divided the company's activities among various locations in order to **offset the risks** arising from the economic and political crisis

Last but not least, in connection with the Baťa concern's enormous growth during the interwar years, we must also mention the **form of horizontal integration**. This becomes important in particular during the crisis and subsequent period of economic stagnation, when the company strengthened its position on the domestic market by buying up competing companies which lacked capital (for example, the BUSI footwear factory in Třebíč and the tanneries in Velké Bošany, Nové Zámky and Třebíč). This resulted in a *de facto* monopoly of the domestic market. Consider this: at the end of the 1930s, the concern produced circa 85%

of total footwear production in Czechoslovakia, and nine tenths (90%) of leather footwear exports. Moreover, its activities made Czechoslovakia the world's leading exporter in overall volume in the 1930s.

I have mentioned the methods and forms of the Baťa concern's expansion here for two main reasons:

The first is that it will give us a basic idea of “why and in what economic context company towns were built” as well as “what motivations led the concern to establish them”.

The second, and from our point of view more significant reason, is that I would like to show that the path of vertical integration on which the Baťa enterprise embarked, and which transformed it into a textbook example of a “modern business enterprise”, was also a significant factor in the genesis of a specific model of the “company town”. Or rather, that in these processes one can find traces of a certain (and, it seems, not insignificant) analogy. I'd like to return once more to the work of Alfred Chandler, this time to his groundbreaking 1977 book *The Visible Hand: The Managerial Revolution in American Business*, which concentrates on the rise of the modern business enterprise and its managers. In it, Chandler presents in great detail the changing forms of organisation of purchasing, production and distribution at large American business enterprises. He uncovers the internal logic of these changes, intended to ensure the fastest and smoothest possible interconnection of these three segments. He concludes that these companies transcended the coordinating function of the market thanks to an effective management structure, and – in so doing – the “visible hand” of professional managers replaced at multiple levels the coordinating role of the “invisible hand” of market forces.

It seems that this propensity toward internalising a range of activities essential for the company's operations was one of the key motivating factors that also led the dynamically expanding Baťa enterprise (in the locally specific circumstances of Zlín) to a certain form of internalisation of the town. In this respect a substantive role was played by social and personnel policies, which (in this labour-intensive sector) were intended to ensure smooth operations and high efficiency in production. Thanks also to these motivations, the town of Zlín in the interwar period became (with certain limitations) the Baťa concern's first company town.

Of course the logic of economic processes is merely one level of interpretation. Other very **significant cultural and social factors** must be taken into consideration as well. Here we should surely mention the company's **strong company culture**, as many aspects of its development can only be explained in these terms. A range of factors influenced its

composition in the interwar years, the most important of which – in my view – I’ve tried to summarise in the next slide):

Factors supporting the development of the Baťa concern’s strong company culture

- the company’s values and vision, which influenced its actions and construed a relatively clear and internally consistent world view;
- its cultural content corresponded to the company’s objectives and structure, as well as its business practices; over the course of time it also legitimised the company’s success, which corroborated its credibility;
- the company endeavoured to disseminate its company culture as much as possible among its employees (which was helped significantly the composition of the labour force as well as the company’s personnel and social policies);
- it seems that the values arising from the company culture were relatively firmly internalised by the concern’s core employees, often acquiring the status of self-evident and authentic behaviour. This was surely supported by the fact that they were reinforced by a specific lifestyle that was inseparably linked to the space of “company towns”.

To summarise: it seems that being a **“Bat’ovec” in the interwar years meant more than just a “job”**. It wasn’t just connected with the employer, but was also a **“way of life”**. In this connection it’s probably unnecessary to emphasise that the space of the model “company town” was one of the pillars of the Baťa company culture. If we’re going to talk about a “way of life”, we need to understand it in its continuous transformations (or perhaps, more accurately, in its intrinsic developmental dynamism, to which a range of factors contributed). At the same time, we must also consider how the changing way of life was related to the company’s spatial organisation, and whether – and if so to what extent – this was or wasn’t manifested in the planning of “company towns”.

Let’s return to the questions formulated at the beginning of this talk.

- ✓ *When and under what circumstances did the idea of a “company town” establish itself?*
- ✓ *Where can we look for its origin?*
- ✓ *What transformations did it undergo over the course of time?*

If we examine the Baťa concern's company towns from the 1930s in detail, it is evident that they involved more than simply an architectural and urbanistic solution. These were very complex technological, economic and social projects that built on the company's experience from the previous decades. Moreover, the structure of the new enterprises and company towns respected local conditions in certain ways. This structure emerged gradually and was always regulated by a range of control mechanisms, primarily of a financial nature. Company towns of the Baťa concern can thus be conceived as highly functional concatenation of a range of subsystems. From this perspective, if we want to treat the genesis of “company towns” in a truly systematic and comprehensive manner, we will have to examine in detail the emergence and development of their individual elements (as well as the company's plans and vision, with which it integrated them into its structure). This, of course, is not possible at present, and thus I'd like to focus here at least on certain aspects relating to the company's ideas about how a “company town” should be organised beyond the sphere of production. Of course if we want to understand the origin of these ideas, then we have to return to the environment of Zlín, where the enterprise took shape. One should keep in mind, however, that a comprehensive conception of the “company town” did not exist in the beginning; rather, it emerged gradually, and even changed over time.

In this concluding excursus: We cannot overlook one of the main actors in the entire process – **the entrepreneur Tomáš Baťa.**

Tomáš Baťa: *Úvahy a projevy [Considerations and Speeches]*, p. 25.

“My head burned with ideas back then about human society, the ideas of my twenties about life, read from the books of Tolstoy, from the poems of Svatopluk Čech and all of our literature about the Czech Brothers, but most of all from the people who surrounded me. **I was a collectivist and something like a communist, but decidedly a socialist.** I considered contemporary capitalist society to be good only for bad people like blackmailers and loafers. **I dreamed of Tolstoy’s simple life.** After I’ve paid off my debts – actually my brother’s debts – and earn a bit extra, I’ll buy a small country manor and sow only what I need for myself and my family. **Towns exist only to enslave farmers and factories to enslave workers; merchants to live like parasites from the work of others. If I need a spade and tools, they will be made in a communal socialist factory, as depicted by Zola in his *Travail*.**”

“**I was a collectivist and something like a communist, but decidedly a socialist**” – this is how Tomáš Baťa later characterised the social ideas of his twenties – the ideas that shaped the brothers’ joint company shortly after its establishment, as well as his ideas about the social order that modern factories should produce. Tomáš Baťa, of course, soon turned away from his initial agrarian socialist ideas. After visiting major industrial areas in Europe and America, the factory came to be at the forefront of his thoughts – not merely as the essential element of the new economic system, however, but also as an entity establishing a certain new form of sociality. In this respect he was influenced significantly by his travels to America. Fordism, the possibility to organise production in new ways, and the American work ethic had a strong influence on him. These are the points of departure that would enable him to implement the model of a company town in the Zlín environment. However, the influence of Fordism – of which Tomáš Baťa became an adherent – can be traced not only on a company-internal level (production processes and work procedures, organisation of work, social and employment policies), but also on a level transcending the business sphere (here we can mention in particular: social rationalisation, a scientific approach to organising space and time, influences on aesthetic and cultural forms of expression, lifestyle, et cetera).

In connection with the genesis of the company town as a model, special attention should also be devoted to transformations in the ways employees were provided for. Here I’ll just mention

the issue of housing, which is a very important component. Like many other enterprises, the Baťa company soon became acutely aware that factory housing policy was a very important socio-political instrument – one that, in addition to resolving the growing housing problem, could help stabilise staffing at the factory, link the workers more closely to the company, and expand opportunities to influence employees at work as well as outside work. These are surely the substantive motivations that led the enterprise to build the first factory residential quarter. But already the first project – which emerged during the First World War – demonstrated that there would be more to it. The company assigned the planning to prominent Prague architect Jan Kotěra, who – in addition to a residential quarter – designed a whole municipal district with a new square and a range of public and commercial buildings to supplement the lacking urban infrastructure. Already at this moment we can thus see the inception of the company town. A key factor in this grand project was the company's enormous expansion resulting from military contracts. This expansion was accompanied by social and housing distress, but it also opened completely new horizons for developing the business and set the stage for an entirely new vision.

If we were to analyse in detail the transformations in the views on how to organise urban space during the years that followed, we would discover the significance in these changes of the new methods of production and organisation of work that the company – influenced by the example of large American enterprises – adopted in the early 1920s. Another inseparable component of these changes was extensive social rationalisation, which left a significant mark on the town's appearance and was also manifested, for example, in the new social articulation of urban space. For example, the formerly expansive sections for white-collar and blue-collar workers disappeared from the family districts. Pursuing a Fordist vision, the Baťa company attempted to build in Zlín a stable and optimally cooperating “society of work”, the composition of which would better correspond to the socially mixed method of development (workers and higher-positioned company employees living together in the same family district). Eventual differences in family housing standards (quarter-detached – semi-detached – detached) were hidden behind a standardised architectural form. This does not mean, of course, that there were no social differences between the residents of factory districts – these were clearly present and followed from the various positions held by employees in the company's functional hierarchy. Much more important in this vision was the issue of a shared lifestyle formed by a new industrial culture and its products (which included company family homes!). In this vision of the “company town”, a worker would meet his foreman or supervisor again after work and together they would share a range of important life situations.

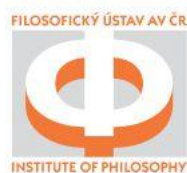
It would soon become clear, however, that this way of life – which was the true essence of the “company town” in the 1920s and 1930s – was developing significant cracks. This came unexpectedly, and from those very employees who had been expected to be the most loyal – from the ambitious and increasingly significant echelon of professional managers. It was they who were the first to leave the factory family district (already at the end of the 1930s in Zlín we see a rapid expansion of their own individual housing). They thus usher in already at the end of the interwar period a trend that would continue after the Second World War in the rapidly developing and prosperous societies of Europe. While in Zlín in the 1930s up to four fifths of company employees lived in the “company town”, a sociological investigation in the company town of East Tilbury at the beginning of the 1960s shows that at the time less than one eighth of the employees of the local factory lived there. Obviously in this situation it’s very difficult to talk about a “company town” in the sense of the social vision that led to the emergence of these localities in the interwar years.

Here we come to a series of other questions and problems that could in this context become topics for historical research.

In closing please permit me to conclude my remarks on these issues here. I’m personally very glad that the conference topic has evoked such broad reception and interest among researchers in various fields and countries. This will surely lay the groundwork for the Baťa topic to receive in the future not only the requisite attention, but also finally the necessary systematic treatment.

Thank you for your attention.

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