

## How to Make a Good Beer in Prague?

**MINAŘÍK, Martin: V národních barvách. Akcionářský pivovar na Smíchově v letech 1869–1945** [In the National Colours. Shareholder Brewery in Smíchov (1869–1945)], Pelhřimov: Nová tiskárna Pelhřimov, 2017, 368 pp.

The autumn of 2017 saw the publication of the book *In the national colours*. As its subtitle Shareholder Brewery in Smíchov in 1869–1945 suggests, its theme is the history of the Smíchov Brewery from the time of its foundation to the end of the Second World War. Its author Martin Minařík is one of the young economic and social historians and he has been treating the topic for a long time, having in fact started during his studies. In his book, his main aim was to ‘enrich the Czech historiography with a comprehensive treatise based on modern methods of business history, promoting the strategy of the company [...] to interact with a competitive and wider social environment’ (p. 10). In the opinion of the reviewer, this goal has been attained.

For the structure of the book content, the author chose the thematic and chronological order. The first is presented with two contextualising chapters. The first one deals with the traditions of brewing (The Beginnings of the Brewing Industry in Bohemia, pp. 15–24). It analyses the development of beer brewing technologies, the size of the beer market and its transformations, as well as the symbolic meaning of the pub and of beer drinking in Czech society. The second of these chapters (Czechs and Germans in the Habsburg Monarchy, pp. 25–41) acquaints the readers with the basic trends in the development of Czech-German relations in the Habsburg monarchy, whose manifestation was, besides political events (of domestic and foreign political character), the Czech economic emancipation, one expression of which was the founding of the Smíchov Brewery.

The first two chapters only open the way for the following four, which are chronologically arranged according to the basic stages of the brewery development and are the core content of the book itself. The first of these (Establishment of the Shareholder Brewery in Smíchov, pp. 42–66) deals with the very creation of the company. It applies the general national conditions described in the previous chapter to the environment of Smíchov (then a separate municipality). There was a gradual increase in the Czech element, especially in the lowest electoral districts. Political dominance was on the German side, and one of the goals of establishing the Shareholder Brewery was also an attempt to gain representation in the higher echelons, which was succeeded. The author convincingly illustrates the very distinct nationality of the position of the new venture, which originated from the beginning in forming one of its core brand strategies. The following three chapters then evolve from the chronological developments. Their names are chosen well and contain a basic communication on the given period: Market Establishment and Basic Business Strategy (1869–1891), Among the Largest Breweries of the Monarchy (1891–1918) and The Number One Brewery (1918–1945).

In terms of themes the book is very extensive and deals with all aspects of the Smíchov Brewery. The author of the review will focus on those that he finds most

interesting. The first is the capital structure of the company and the resulting internal decision-making mechanisms and the appointment of the board of directors and management. Martin Minařík carefully reviews the development of the statutory bodies (board of directors and general meeting) throughout the period under review. The company's statutes consistently targeted the middle-class groups. The option to vote at a general meeting was limited to a certain number of shares held, which eliminated minor shareholders. By contrast, the power of the big ones limited the maximum number of votes held by one shareholder at the general meeting (shares above this limit did not add anything to the vote). Although the owners circumvented this (sometimes voting on behalf of, for example, their relatives who held the other shares), no one ever managed to dominate the majority and this risk was never created. As the author correctly notes, it was one of the key decisions that kept the brewery from (in terms of the nationality profile of the company, unwanted) interest from Vienna's major banks, which would have had a great economic interest in the prosperous company (p. 177). The shares were fragmented and the shareholders had to seek a compromise. In the case of the Smíchov Brewery, however, these compromises were, in the end, so effective that one could speak of a synergy effect.

The second important focus of the author's interest is the national profile of the company. It was established at the outset as a Czech one, based on the reasoning of its origin and existence (of course, besides the primary task of brewing beer). As the author argues, a person of German nationality did not sit on the board of directors until World War II (and this took place after the intervention of a higher, occupying power, p. 316). The brewery successfully used this national profiling as one of the key business strategies and put its mark on it — drinking Smíchov was an expression of the national sentiment. Minařík rightly notes that the brewery had succeeded almost from the very beginning in achieving the goal of today's marketing strategies — the customer's close identification with the product (pp. 81–82, 351). The phenomenal growth of the brewery in the 1890s resulted from its successful participation in the General Land Centennial Exhibition in 1891 held in a heady nationalist atmosphere.

Another area of interest represents the firm's financial results and business strategy. As for the former, one can hardly talk of anything but resounding success. Apart from one year the brewery never reported a loss, and in the greatest part of the period under review it managed to expand production (in the 1930s it became the market leader; the decline in the first crisis years was marginal compared to the competition). The board of directors managed to persuade the shareholders to retain a portion of the net annual profit (in most cases at least 20%) in the company and the brewery did not need credit facilities for further expansion. Nevertheless, thanks to the relatively small share capital (in proportion to production and sales), the dividends in percentage terms reached astronomical values (often even around 80% of the nominal share price, p. 322). It is extraordinary that this fact did not fundamentally tarnish the reputation of the Smíchov beer as being 'proletarian', which resulted from its excellent ratio between quality and price. As a result of this perception and emphasis on the Czech national orientation of the company, the brewery never had to entice its customers, or to resort to the strategies of dumping prices or other benefits for the innkeepers (like other breweries). Minařík, on the contrary, emphasises on

several occasions the remarkable fact that the brewery often refused new customers because it did not want two pubs with Smíchov beer to compete with each other. Likewise, its great popularity made it easy to replace landlords who left, but this did not happen often.

The Smíchov Brewery was one of the largest producers in the monarchy at the beginning of the 20<sup>th</sup> century; in Czechoslovakia it was for a long time the Number Two in the market (after the Municipal Brewery in Pilsen). In the 1930s, during the economic depression, it became the Number one. In his work, Minařík spent a great deal of time analysing the lending strategy for the landlords which enabled the brewery an undreamed expansion just in the 1930s (when other breweries were abandoning this instrument as a result of the crisis). In the publication under review he then re-analyses the subject and skilfully integrates it into the overall development of the company. The most exciting research area for the reviewer is access to technological innovation. The Smíchov Brewery pursued a strategy throughout the period under review, letting the competition try out new technologies for many years during which they showed their real benefits and durability. It only stopped this in the second half of the 1930s, when it became one of the most modern breweries, at least in Central Europe (and in the light of the following war this was obviously not the happiest decision). Thus the technological succession paid off in the long run, and the brewery is an example of how a company that is not at the forefront of innovation can do well (p. 352).

The overall rating of the book is favourable. The publication uses methods of modern economic and social history and is well made. The author, in its writing, drew on a large number of archive materials, periodicals, and professional literature. His conclusions are valid and valuable, especially, on the one hand, recognising the atypical development of the Smíchov Brewery, but at the same time correctly identifying features common to the entire brewing industry, and the 'specific story' in these features, and it is very successful. Some conclusions are definitive and, to a large extent, surprising (for example, the above-mentioned analysis of the technology follow-up strategy or the loans for landlords), and thus, in the case of non-professionals, they often make an impression of brewing as a field in which not many new and interesting things are happening. Also, the professional analysis of personalities on the board of directors (where the sources allow it) is beneficial, showing on the one hand that they were members of the upper middle class, on the other hand it also reveals that they were usually real elites, and not only in the brewery segment.

If we are to talk about some weak points in the publication, it is in the opinion of the reviewer somewhat oblivious to the perception of some very interesting aspects of the Smíchov Brewery, which can also be perceived as somewhat controversial. For example, some of the founders of the new company bought plots of land a year before setting it up. They subsequently sold them to the brewery for twice the value in the form of shares. Of course, this was an entrepreneurial risk on their part (the brewery could go bankrupt), but on the other hand, they had nominally earned a double return on investment in a single year. If we add to this the fact that the market price of shares started to move at a level much higher than the nominal prices after about the first decade and we also take into account the very low share capital of Smíchov

Brewery generating, in the case of large profits, dividends of tens of percent, which was undoubtedly a dream deal. However, the author does not analyse this transaction in any depth (p. 53).

In the opinion of the author of the review, it would also be appropriate to devote more space to the conduct of the Smíchov Brewery towards the competition. This conduct was often hard-nosed and could be described today as the use (albeit obviously not abuse) of a dominant position on the Prague market. This is evident, for example, from the brewery's attitude towards cartels. Before the First World War, when the brewery had almost full capacity and the space for expansion of production was very limited, it was one of the initiators and supporters of the cartel. On the contrary, in the First Republic, where it constantly increased beer production, it turned into the fiercest opponent of similar contracts and only gave in after an intervention of the state. This is logical and a right thing to do by the management of a joint-stock company (thinking about the interests of the firm), but it is also clear that it treated the weaker players in the market unscrupulously.

In summary: Martin Minařík's book can be recommended not only to those interested in brewing, but generally to scholars in the field of economic and social history and especially in the history of business. The publication successfully fills the gap in research, it contains a number of surprising pieces of information and firm conclusions. It is fitting to wish its author well in the work on a follow-up mapping the history of the Smíchov Brewery after 1945 (currently it is the subject of his dissertation) and wishing it to be as successful as the first part.

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