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Partnership and competition: The strategic alliance between Schneider et Cie and the Škoda Works during the interwar period

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ABSTRACT

Strategic alliances play an important role in business. This article analyses the interwar relationship between two major European arms manufacturing enterprises – the Czechoslovak Škoda Works and its post First World War majority shareholder the French Schneider et Cie – from the Czechoslovak viewpoint, based chiefly on the extensive research of unpublished sources. This study illustrates the development of mutual relations using the example of exports of artillery material under the so-called Artillery Convention, which divided export territories between the two companies and was valid for most of the monitored period. Though relations between the companies were initially determined by the proprietary relationship, they gradually stabilised, and these functioning relations can be considered an example of a successful joint venture between the enterprises. Schneider's involvement in Škoda was positive for Škoda and Czechoslovakia because it also contributed to Škoda's attainment of a strong position in the international arms trade.

KEYWORDS: Škoda Works, Schneider et Cie, Czechoslovakia, Arms Production

JEL CODES: N14, N64, N74, N84

1. Introduction

Strategic alliances undoubtedly play an important role in the 21st century in several ways. Strategic alliances are often an appropriate form of cooperation between individual entities that can lead to positive quantitative and qualitative changes - for example, in the form of higher sales, greater market share, an overall increase in competitiveness or faster technological development and innovation. In some cases, strategic alliances may seem necessary in order to remain sufficiently competitive in a given market. Moreover, strategic alliances are not static but rather a dynamically evolving business phenomenon in today's globalised world.

Given their importance, it is not surprising that the issue of strategic alliances has attracted the attention of a number of experts and researchers who, among other things, examine the background of strategic alliances, try to uncover the real reasons for their formation

and compare their different types. An important part of the research on the phenomenon of strategic alliances is the analysis of its historical development. This is, for example, the focus of Bernardo-Bátiz Lazo's (2004) study, which makes interesting observations about the banking sector, or rather a comparison of the banking sector in Spain and the UK.¹ More recent works include an interesting and useful study by Elena San Román, Nuria Puig and Águeda Gil-López (2023), which examines the long-term development of two strategic alliances between large Spanish (RUI and Iberostar) and German (TUI and Neckermann) tourism companies.

A comprehensive assessment of the phenomenon of strategic alliances was attempted by Andrew C. Inkpen, who noted the significant increase in the number of international strategic alliances in the last decades of the 20th century and the parallel growth of scholarly interest in this phenomenon. In his 2001 treatise, Inkpen aptly characterized and assessed the different types of strategic alliances, their performance, bargaining power, and the role of trust in these relationships, including the impact of trust on the overall success of a strategic alliance (Inkpen 2001, p. 402). Driven by technological change, increasing globalisation and other factors, long-term developments have led not only to the changing nature and importance of strategic alliances, but also to the creation of a wide range of models and forms of strategic alliances that include joint ventures, licensing arrangements, collaborative sales strategies, shared product development and other forms of collaborative development (Inkpen 2001, p. 403).

No assessment of the phenomenon of strategic alliances can be black and white. Though strategic alliances offer several advantages and benefits for the entities involved, they also have controversial aspects and carry some undeniable risks. The advantages and benefits offered by different forms of strategic alliances are many. In addition to those already mentioned, there are also the advantages of, for example, effective access to additional markets, the benefits of joint distribution networks, the improvement and strengthening of brand image, the exchange of experience between partners (for example in the field of marketing), the reduction of operating costs, and the reduction (or sharing) of risks.²

However, the success of a strategic alliance depends on some important factors. First and foremost is the right choice of a suitable strategic partner. The issue of building trust between partners is also often emphasised in expert studies.³ The coordination and

¹ This study analyses the alliances between the Co-operative Permanent Building Society, the Co-operative Wholesaling Society, the Scottish Co-operative Wholesaling Society and the Co-operative Insurance Society (1943–65). Among other things, this provides insight into the strategies of non-bank and non-financial participants seeking to enter the UK banking markets. It also looks at a somewhat different process in Spanish savings banks, with a particular focus on the outsourcing of information technology between the second half of the 1970s and the first half of the 1990s (Bátiz-Lazo 2004).

² For more details on the advantages and benefits, see Culpan (2009).

³ As already indicated, the role of trust, for example, was discussed by Inkpen, who argued, among other things, that the likelihood of breaking the trust which is necessary for the successful functioning of a strategic alliance is generally higher in the case of international strategic alliances. Inkpen also noted that trust is a dynamic rather than a statistical phenomenon. At best, there is a gradual build-up, a strengthening of trust in a partnership relationship. Further, for example, Inkpen agreed with the view that trust generally

alignment of goals and the ability to accept different customs or cultural differences, for example, are also important. Great emphasis is also placed on the quality and intensity of communication and the associated ability to eliminate or resolve conflicts between partners.⁴

An interesting and significant example of a (relatively) successful strategic alliance was the connection between the French Schneider et Cie and the Czechoslovak Škoda Works during the interwar era. The Škoda Works, the most important arms manufacturer in Austria-Hungary and the newly established Czechoslovakia, faced a number of problems after the First World War. The problems and position of the Škoda Works immediately after the end of the First World War must, of course, be examined in the broader context of the postwar situation and the general challenges facing the arms industry. Overall, the demand for arms naturally declined and arms producers were often forced to make redundancies, which had further socio-economic consequences, and last but not least, they had to change their production structure towards a greater representation of civil (peacetime) production.⁵ The implementation of such a strategy naturally required new investments and the search for new financial resources was often difficult. The prospects for the armaments industry were further complicated by the unfavourable economic situation in many countries – not only in the defeated states (which, in the case of Germany, was compounded by reparations obligations)⁶ but also in the victorious states (e.g. Italy). In some cases, postwar pacifist (public) sentiment also played a role, affecting the assessment, perspective and implementation of new arms programmes (e.g. in the USA). Of course, peace treaties had a significant impact, particularly the Treaty of Versailles and the resulting restrictive measures for Germany.⁷ The de facto weakening of Germany's actual military potential to some extent reduced the need for the Entente powers to implement new arms programmes. On the other hand, the problems of the Versailles system,⁸ the related postwar instability and the tensions in relations between the various countries forced individual governments to think more about security strategy and also about their own military potential, i.e. whether and by what means to support the

improves the performance of an alliance. At the same time, he pointed out that the reverse is also true, i.e. that better performance has a positive effect on strengthening trust between partners. On the role of trust, see Inkpen (2001, p. 416–418).

⁴ For an interesting analysis of the positive and negative aspects of strategic alliances, or their frequency of occurrence in academic studies, see Ferreira, Storopoli and Serra (2014).

⁵ On the transformation of the economy of the newly emerging Czechoslovakia, see Kubů (2005). A comparison of the transition from a war to a peacetime economy in the successor states of Austria-Hungary is offered, for example, by Resch (2010).

⁶ In this context, it may be recalled that Germany's reparation obligations were not finally settled until the last instalment was paid on 3 October 2010. For further details, see MacMillan (2010).

⁷ On the impact of the Versailles Treaty on the German army and Germany's armaments strategy, see Ziemann (2022).

⁸ A number of interesting studies and publications have been published on the Treaty of Versailles and its aftermath, including Neiberg (2012), MacMillan (2002), Graebner and Bennett (2011) and Steiner (2005).

domestic arms industry.⁹ At this point it is important to remember that the postwar situation was extremely complicated and the factors affecting the real prospects of the arms industry were numerous.

After the First World War, the Škoda Works faced problems mainly of a financial nature and concerning the appropriate restructuring of production. The issue of changes to the enterprise's ownership structure, so that it reflected the standpoints of the new republic, was also crucial. The Czechoslovak government was eminently interested in the prosperity of this company because it could supply the new Czechoslovak armed forces and export its products abroad. The government simultaneously sought a new partner for the Škoda Works in one of the Western allied countries. The entry of French capital was successfully negotiated on the basis of this support, by means of the purchase of a majority interest in the company by the French Schneider et Cie. The entire interwar period took place in the spirit of a partnership between the two groups and the establishment of mutual relations.

This study focuses on the issue of the Schneider's entry into Škoda and on the issue of both companies' artillery exports, which were controlled by the newly established Artillery Convention. The authors decided to approach the examined issue from the Czechoslovak viewpoint and primarily utilise a significant amount of unpublished Czech sources. Current specialist literature pays very little attention to relations between the companies in the field of arms exports, and these relations are mentioned mainly in literature written in Czech. We can find mention of this topic in the *Svět okřídleného šípů* publication by Vladimír Karlický (1999) and in *Československé zbraně ve světě* by Vladimír Francev (2015), for example. The lack of attention to this topic is mainly due to the extensiveness of the Škoda Works company archives, and also the fact that these archives remain partially unprocessed and not all parts are easily accessible to the public. The language barrier is also a logical obstacle to foreign authors since most of the archival material from the monitored period is in Czech. The authors of this study are therefore basing their research mainly on archival sources from the Škoda company archive or the personal collection of Vladimír Karlický (PP Karlický), which contains a number of original documents regarding the monitored period. Research is also based on specialist literature, particularly on publications published in Czech by the authors Vladimír Karlický, Vladimír Francev, Václav Jíša or Radek Diestler (Karlický 1999; Francev 2015; Jíša 1969; Diestler 2010), supplemented by the relevant foreign literature (Grant 2018, for instance).

It is also worth recalling the works of Alice Teichová, which are important for a better understanding of the broader economic, business and political context of interwar Czechoslovakia. First and foremost to be mentioned is her work *Mezinárodní kapitál a*

⁹ For example, the Eastern European states were forced by objective circumstances to actively address the issue of arms strategy – including the question of the extent to which they would implement their own arms programmes or whether they would rather pursue a path of increased arms imports. For other details, see Grant (2018).

Československo v letech 1918–1938, which, among other things, provides a fairly detailed overview of foreign capital in Czechoslovakia and its distribution according to different sectors of the economy, or within specific industries (Teichová 1994). Furthermore, it is necessary to mention the publication *An Economic Background to Munich: International Business and Czechoslovakia 1918–1938*, which includes an analysis of the significant phenomena that influenced economic development and the business environment during that period (Teichová 2008). Teichová essentially offers a broader and more comprehensive view of the economic and business history of interwar Czechoslovakia. This perspective, together with specific conclusions about the role of foreign capital, helped the authors of this study to establish a basic framework for an overall understanding of Schneider's entry and involvement in the Škoda concern. On the other hand, unlike this study, Teichová's works do not, for example, deal in detail with the specific implications of The Artillery Convention concluded by Schneider and Škoda.

At the end of 1937, almost 25% of the capital in the sectors of Czechoslovak industry, trade, transport, banking and insurance, consisted of shares held by foreign entities. Foreign capital played an important role especially in the development of large enterprises. For example, foreign entities owned 16% of the total share capital in the engineering industry, which included Škoda.¹⁰ Naturally, not only the quantitative but also the qualitative aspect was important. Teichová believes, among other things, that foreign capital played a significant role in the process of modernizing Czechoslovak industry and increasing its competitiveness on international markets. This phenomenon must of course be evaluated in the broader context of the development of Central Europe in the interwar era, which, for example, allows us to better understand the recently published *The Economic History of Central, East and South-East Europe: 1800 to the present day*.¹¹

The main objective of this research was to analyse the entry of the French Schneider et Cie into the Škoda Works, along with its importance for the Czechoslovak group, and simultaneously to use the example of artillery exports to illustrate mutual relations between the companies and their development during the course of the interwar period during which the partnership functioned, including the consequences that this partnership had for the Czechoslovak group.

2. The Škoda Works after the First World War

Soon after the state was established, the Czechoslovak government was forced to deal with the issue of its arms and security strategy. A slump in demand for arms was logically

¹⁰ Foreign entities owned 40% of the share capital of the engineering companies in which foreign participation was detected (Teichová 1994, pp. 38, 245–246). Cf. virtually identical data in Teichová (2008, p. 38). On the contrary, the publication *The Czechoslovak Economy 1918–1980* gives different, probably erroneous data, possibly caused by editorial processing of the publication (Teichová 2011, pp. 39–40).

¹¹ Specifically, chapters 7–10. On the role of foreign capital, see Chapter 9 (Morys 2021). On the broader context of the economic development of interwar Czechoslovakia, see also Průcha (2004).

expected after the First World War ended, together with the resulting pressure to attenuate arms production, or more precisely, to transform the production programmes of arms manufacturers. On the other hand, some factors conversely acted against potential massive attenuation of arms production. Czechoslovakia was formed within the unstable area of Central Europe. Tense relations with neighbouring countries, which actually led to military confrontations in some cases, clearly showed that the new country would be unable to avoid developing a new plan for arms and security.

The Škoda Works was the most important arms manufacturer in Austria-Hungary and it naturally underwent massive expansion during the First World War. Immediately after the war ended, however, the Škoda Works found itself in a unique, complicated situation, during which it had to deal with crucial problems and issues related to its continued existence. The majority owner of the Škoda Works was Karel Škoda, who was previously more of a symbol of loyalty to the monarchy and in fact did not particularly identify with the Czech environment, though the company was based in Pilsen. The economic and financial position of the Škoda Works was extremely complicated immediately after Czechoslovakia was formed and the war ended. The Škoda Works had both receivables and liabilities in the extent of CSK several hundreds of millions.¹² Naturally, one of the key tasks was to make changes in the production structure to the benefit of peacetime production. This step began towards the end of the war and resulted, for example, in new contracts for locomotives for the Austrian Ministry of Railways (Jíša 1969, p. 389). The Pilsen company's main financial obligations were based on enormous investments into arms production that had been made during the war, and which conversely represented a serious burden in the new situation. The Škoda Works reported a shortage of operating capital. In the complicated postwar situation, a number of key issues and uncertainties arose: whether the Pilsen enterprise was sustainable as a major arms manufacturer, whether it would potentially become a "victim of reparations claims", and who the owner would be, or more precisely, who would help revitalise the enterprise with investments, loans, etc.¹³

Czechoslovak banks in general considered making a major investment in and providing financial help to the Škoda Works quite a high-risk step in light of its unclear prospects as well as the size of the Pilsen enterprise (Karlický 1999, p. 635). These facts influenced the deliberations of the bank *Živnostenská banka*, or more precisely its chief director Jaroslav Preiss, whose standpoint towards providing potential financial assistance to the

¹² Unfortunately, the information given in individual sources differs. This fact is probably related to the efforts of the company's management to avoid making the actual financial situation of the Škoda Works public (Jíša 1969, p. 390; Karlický 1999, p. 633; Diestler 2010, p. 17). State Regional Archive in Pilsen (hereafter SRA in Pilsen), Company Archive Škoda (hereafter CAŠ), General Directorate (hereafter GD), box 82, *Účetní závěrka za XIX. správní rok 1918* [Final accounts for the XIXth administrative year of 1918].

¹³ The alternative that the Škoda Works would become the subject of reparations claims was discussed during the Paris peace negotiations. This idea was repeatedly promoted, chiefly by France during the first months of 1919 (Karlický 1999, p. 633; Kosatík 2010, p. 65).

Škoda Works could be termed cautious and reserved.¹⁴ The management of *Živnostenská banka* attended a number of important meetings concerning the Škoda Works, and this bank indisputably played an important, but not completely transparent role in the subsequent fate of the Pilsen enterprise (Jíša 1969, p. 391-393).¹⁵ In light of the uncertain prospects of crucial aid from Czechoslovak subjects, the management of the Škoda Works logically started to consider the alternative of acquiring the requisite capital from abroad – in the form of either a loan or the entry of a strategic investor.

The alternative that Austrian or German banks would help the Pilsen enterprise naturally did not seem very probable under the new conditions. The possibility of obtaining these funds in the USA, which had been the preferred alternative of the management of Škoda for some time, was deemed basically unfeasible. The only feasible foreign alternative was considered to be direct involvement of a subject from Western Europe; this was in compliance with the foreign-political interests of the Czechoslovak government, which preferred the entry of French or British capital (Karlický 1999, p. 635).

2. Entry of Schneider et Cie into the Škoda Works

A leading representative of Škoda Works before the First World War, Josef Šimonek, played an important role in the French investor's entry into the Škoda Works. He became a member of the Board of Directors of the Škoda Works and actively helped transform the Pilsen enterprise. He also had close acquaintances in the management of the Schneider Company from the pre-war period, a period during which both companies had been interested in construction of the North Docks in Petrograd, which was part of the well-known Putilov Plant. It is not absolutely certain who initiated the plan to link the French group with the Pilsen enterprise. One of the possible initiators was Joseph Gaston de Saint-Paul, who had previously represented the Škoda Works in France and subsequently worked for the Schneider Company. The Czechoslovak government was also very interested in the transaction, particularly the Minister of Foreign Affairs, Edvard Beneš, as the transaction was related to his difficult-to-realise plans to orientate the economy of the new Czechoslovak state chiefly towards its biggest ally, France (Karlický 1999, p. 19).

Eugène Schneider expressed his definitive agreement with the entire project in July 1919, under the condition that the French group would become the majority owner of the Škoda Works. The first specific piece of information about Schneider's entry into Škoda also appeared in public in July and was mentioned in the Czechoslovak press; among other things, this contributed to an increase in the price of the Škoda Works shares on the Vienna Stock Exchange (Jíša 1969, p. 398). At the end of August 1919, the French party

¹⁴ This did not change significantly even after the decision by the Executive Board of *Živnostenská banka* to permit a loan of CSK 25 million to the Škoda Works (Karlický 1999, pp. 391–393; Diestler 2010, p. 17).

¹⁵ Preiss also refused an offer to become chairman of the Board of Directors of the Škoda Works, among others. Changes to the membership of the Czechoslovak government, for instance the absence of National Democrats in Tusarov's second government, also contributed to potentially increased links between *Živnostenská banka* and the Škoda Works (Kosatík 2010, pp. 72–73).

submitted a concrete offer to Karel Škoda through an intermediary, Živnostenská banka (Karlický 1999, p. 21).

Unfortunately, it is not clear from the available documents exactly how many shares Karel Škoda sold in September 1919, or who became their owner. The total sum that Karel Škoda reportedly received for the sale of Škoda shares reached just under CSK 20 million. Schneider acquired a clear majority of the shares sold by Karel Škoda through *Živnostenská banka* (40,000 shares). The French group purchased nearly 10,000 shares on the Vienna Stock Exchange and acquired additional shares through *Živnostenská banka*. According to some estimates, Schneider's costs for purchasing an interest in Škoda reached 22 million French francs (Karlický 1999, pp. 21, 25-26; Grant 2018, pp. 24-51).

The Czechoslovak government discussed Schneider's entry into Škoda in the middle of September. The crucial General Meeting of the Škoda Works, at which Schneider submitted shares that collectively formed a majority interest in the Pilsen company by means of its representatives Victor Champigneul, *Živnostenská banka* and Josef Šimonek, took place on 25 September. The same General Meeting decided to issue new Škoda Works shares and increase the share capital from CSK 72 to 116.8 million.¹⁶ The General Meeting also approved future plans to issue additional shares reserved for purchase by Schneider.¹⁷ The Schneider Group therefore acquired approximately three-quarters of the shares in the Pilsen enterprise within a short period (Teichová 2008, p. 196).

The issue of personnel representation in the management of the Škoda Works was also discussed. Josef Šimonek was elected Chairman of the Board of Directors, Eugène Schneider was elected the first Vice-Chairman and Jaroslav Preiss the second Vice-Chairman, and Victor Champigneul became a member of the Board of Directors.¹⁸ The Board of Directors also decreed that all 140,000 newly issued shares be handed over to Schneider et Cie immediately after being issued.¹⁹

¹⁶ An increase in share capital of CSK 44.8 million was achieved by issuing 140,000 new shares, in a nominal value per share of CSK 320, which were paid up at CSK 400 per share according to a resolution by the company's Board of Directors. SRA in Pilsen, CAŠ, GD, box 5, *Upisovací prohlášení ze dne 26. září 1919* [Subscription statement of 26 September 1919].

¹⁷ This concerned a further increase in share capital by CSK 27.2 million (85,000 shares, which were to be handed over to the Schneider Company for the price of CSK 400/share). SRA in Pilsen, CAŠ, GD, box 5, *Protokol o ustavující schůzi správní rady Škodových závodů, odbyvané v zasedací síni Živnostenské banky v Praze dne 25. září 1919 o 4. hodině odpolední* [Record of the Constitutional Meeting of the Board of Directors of the Škoda Works, 25 September 1919 at 4 p.m.]; *Zápis z řádné valné hromady 25. 9. 1919* [Minutes from the Due General Meeting on 25 September 1919].

¹⁸ The fact that E. Schneider accepted this position is sometimes presented as evidence of the exceptional role played by the Škoda Works in relation to the French group. E. Schneider refused to accept similar positions in 19 other subsidiaries in Central and Southeastern Europe (Teichová 2008, p. 103).

¹⁹ SRA in Pilsen, CAŠ, GD, box 5, *Protokol o ustavující schůzi správní rady Škodových závodů, odbyvané v zasedací síni Živnostenské banky v Praze dne 25. září 1919 o 4. hodině odpolední* [Record of the Constitutional Meeting of the Board of Directors of the Škoda Works, 25 September 1919 at 4 p.m.].

Edvard Beneš, the Czechoslovak Minister of Foreign Affairs, reacted positively to Schneider's entry into the Škoda Works, as demonstrated for example by his letter addressed to the management of Škoda dated 22 October 1919, in which he promised, among other things,

“the appropriate protection by the Czechoslovak state and the Ministry for Foreign Affairs and also by representatives of the government in foreign countries who will also assist the company in all cases, as necessary.”²⁰

The French approach to Škoda was condescending at first. The French group assumed the role of an “older brother” who feels the duty to pass on his extensive experience – such as methods for managing the company, for example. The activities of French colonels (Henri Weyl and subsequently Eugène Lapébie) on the Board of Directors of Škoda were also not very fortunate, as they had problems orientating themselves in the Czech environment. These controversies were indirectly recorded in the minutes of meetings of the Board of Directors, and elsewhere, and were probably also related to the absence of the French representatives at meetings of the Board of Directors.²¹ However, similar problems disappeared over time, and people who gradually adapted to the new environment and often diligently defended the interests of Škoda came to the company from France.

The influx of French capital did not fulfil the original expectations. On the other hand, the French group's entry had some indisputably positive consequences. Škoda was able to begin using the services of Schneider's agents in some markets. The French created a new successful administrative and accounting system at Škoda. The merger with a major French group also indisputably had a psychological dimension for Škoda. Schneider's company had a clear interest in the prosperity of a company in which it had become the majority shareholder. Developments in subsequent years showed that when Škoda generated a profit (i.e. fees flowing into France), the French party was willing to provide significant freedom to the Pilsen enterprise. However, the French investor did not benefit from Škoda solely from the aspect of fees. Soon after the French entered Škoda, selected equipment (intended for producing the barrels of naval cannons, for example) was transported to France. Škoda similarly purchased machinery that could be used to expand peacetime production from Schneider. The transfer of technologies, which occurred during the subsequent years (for instance, the transfer of manufacturing patents), was naturally more important (Karlický 1999, pp. 26-28).

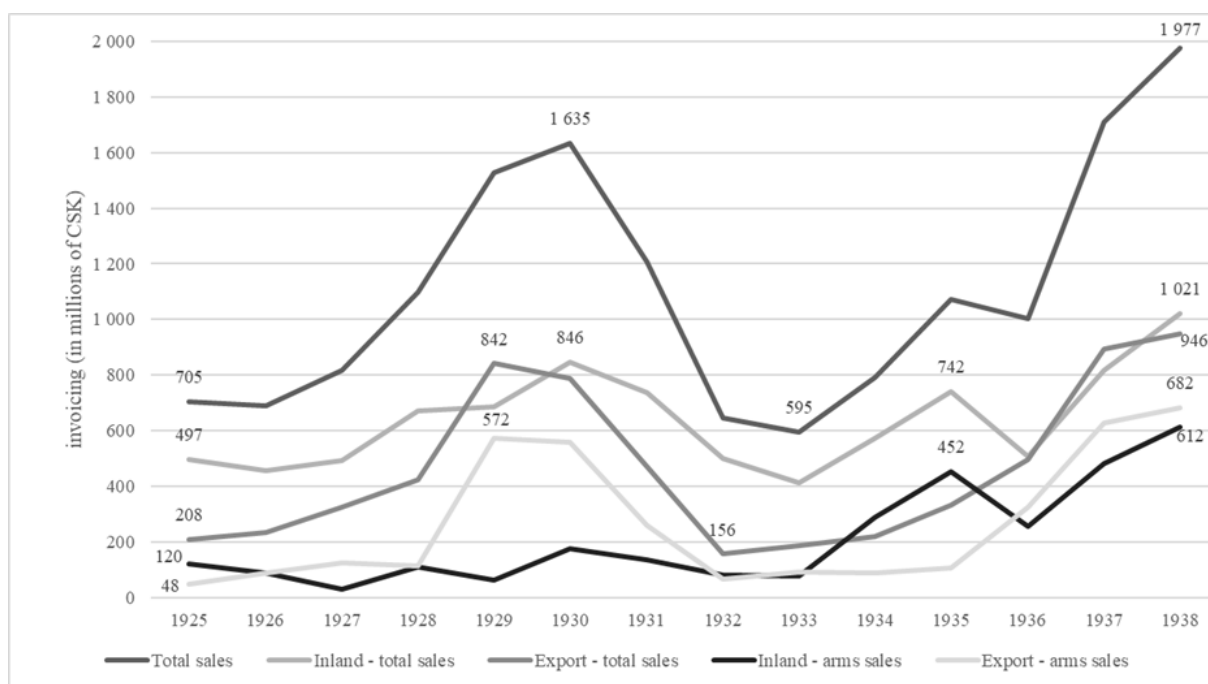
²⁰ SRA in Pilsen, CAŠ, GD, box 33, *dopis E. Beneše ze dne 22. 10. 1919 (překlad)* [Letter by E. Beneš dated 22 October 1919 (translation)].

²¹ SRA in Pilsen, CAŠ, GD, box 5, *Protokol o schůzi správní rady Akciové společnosti, dříve Škodovy závody, odbývané ve Škodových závodech v Plzni v pátek 21. května 1920* [Record of a meeting of the Board of Directors of Akciová společnost, dříve Škodovy závody, 21 May 1920]. After the resignation of Colonel H. Weyl, Pierre Cheysson became a new member of the Board of Directors in May 1922. SRA in Pilsen, CAŠ, GD, box 5, *Protokol o schůzi správní rady Akciové společnosti, dříve Škodovy závody, konané dne 31. května 1922 o 1. hodině odpolední v zasedací síni Živnostenské banky v Praze* [Record of a meeting of the Board of Directors of Akciová společnost, dříve Škodovy závody, 31 May 1922 at 1 p.m.].

3. Arms export and artillery conventions

Export of arms production was a crucial element of Škoda's sales. During the most successful years for the Škoda Works from the aspect of invoicing, this indicator accounted for nearly one-third of the company's total sales (see Figure 1). Before their capital merger, both Škoda and Schneider focused chiefly on artillery production and exported their products to a number of countries worldwide. During the period of their mutual partnership, including during the first half of the 1930s when the world was facing an economic crisis, the exports of both companies ranged from two to eight million dollars a year (Grant 2018, pp. 109, 169).

FIGURE 1. Invoicing by the Škoda Works in the 1925–38 period (in millions of CSK)



Source: SRA in Pilsen, PP Karlický, not processed.

Given the similar focus of their production, Škoda and Schneider were competitors in the field of exports before Schneider acquired a majority interest. After Schneider assumed control of Škoda, the company proposed and, despite the initial resistance of representatives of Škoda, enforced in 1922 a contract (hereinafter the Artillery Convention) that was supposed to limit the competition between the companies, to prevent the companies from vying for contracts, and to assure the full and effective utilisation of the sales agents of both companies worldwide.²² However, as will be discussed below, the terms of this agreement were quite disadvantageous for Škoda and limited its export options; this had an impact on production itself (Karlický 1999, p. 28; Francev 2015, p. 53).²³ Similar agreements were concluded between Schneider and Škoda

²² The French original was titled *Entente d'Artillerie*, in the English translation *Artillery Convention/Contract/Agreement*, or the *District or Territorial Contract/Agreement*.

²³ SRA in Pilsen, PP Karlický, not processed, VT 2489 (*Vladimír Karlický*); SRA in Pilsen, CAŠ, Collections, box 3, *Zahraniční organizace Akciové společnosti dříve Škodovy závody v oboru zbrojním*

in other spheres of production, where the manufacturing programmes of the companies overlapped.²⁴ They divided export territories or production itself between the companies and required them to share their technical materials. Other agreements concerning licences and patents in individual spheres of production were linked to these agreements (also in the sphere of artillery production).²⁵

The Artillery Convention was agreed upon in May 1922 and was valid from the beginning of 1923. Its main objective was to divide the market between Schneider and Škoda, thereby limiting competition between the companies and also establishing a system of payments to serve as compensation for representation of this so-called cartel in countries specified in the contract. The validity of the contract was set at 15 years, with the option of extension under the same terms for additional three-year periods. The subject of the contract was the complete artillery production of both companies, of a 15-mm calibre and higher. It applied not just to the weapons themselves, but also to their components, ammunition, supplementary equipment, vehicles used in relation to artillery, and production equipment in arms and ammunitions factories intended for production of the material specified above.²⁶

The contract divided the export territories into four categories. The first consisted of countries in which only Schneider was permitted to realise sales. However, Schneider was also able to offer Škoda's products in these countries. The second category worked the other way round; the countries in this category were reserved for the Škoda Works. The countries in the third and fourth categories were accessible to both producers as markets; however only one of the companies represented both their interests in each case – in the third category this was Schneider, in the fourth it was Škoda. The costs for acquiring a contract were subsequently divided between the two companies, and the contract itself was divided between the companies at a ratio of 75% (77.5% from 1925) for the company that was the representative in the specific country and 25% (22.5% from 1925) for the other company. The representing company was required to offer to the other company a share in the contract corresponding to the above-mentioned share.²⁷

v letech 1919 až 1939, D-II/4160 W/Zm [Foreign organisations of Akciová společnost dříve Škodovy závody in the arms sector in the period from 1919 to 1939, D-II/4160 W/Zm].

²⁴ SRA in Pilsen, CAŠ, GD, box 1176, *Smlouva Schneider – Škoda o dodávkách zařízení pro cukrovary a lihovary* [Schneider – Škoda contract on deliveries of equipment for sugar mills and distilleries]; box 144, *Entente Sucreries, le 26 mars 1927; Aktová noticka pro pana generálního ředitele, 21. 3. 1926* [Act Note for the Managing Director, 21 March 1926]; *Korespondence s firmou Schneider-Cie, Paříž, 1924* [Correspondence with the Schneider et Cie Company, Paris, 1924].

²⁵ SRA in Pilsen, CAŠ, GD – Schneider, box 3, *Zbrojovka. Patenty. 30. dubna 1921* [Arms factory. Patents. 30 April 1921].

²⁶ SRA in Pilsen, CAŠ, GD – Schneider, box 1, *Dopis ŠZ adresovaný Schneider & Cie v Praze dne 27. 5. 1922 (dohoda o dělostřeleckých obchodech)* [Letter from the ŠW (Škoda Works) addressed to Schneider & Cie, Paris, in Prague on 27 May 1922 (agreement on artillery transactions)].

²⁷ SRA in Pilsen, CAŠ, GD – Schneider, box 1, *Dopis ŠZ adresovaný Schneider & Cie v Praze dne 27. 5. 1922 (dohoda o dělostřeleckých obchodech)* [Letter from the ŠW (Škoda Works) addressed to Schneider & Cie, Paris, in Prague on 27 May 1922 (agreement on artillery transactions)].

TABLE 1. Division of territories for arms exports based on the Artillery Convention dating from 1922

Schneider et Cie	The Škoda Works
Category 1 Belgium, Brazil, France, Chile, Luxembourg, Peru, Spain	Category 2 Czechoslovakia, Mexico, Austria, Romania
Category 3 Afghanistan, Albania, Denmark, Egypt, Estonia, Finland, Abyssinia, Italy, Japan, Hungary, Holland, Norway, Persia, Poland, Portugal, Greece, Siam, Turkey, USA, Great Britain	Category 4 Bulgaria, Yugoslavia, Lithuania, Latvia, Sweden, Switzerland

Source: SRA in Pilsen, CAŠ, GD – Schneider, box 1, *Dopis ŠZ adresovaný Schneider & Cie v Praze dne 27. 5. 1922 (dohoda o dělostřeleckých obchodech)* [Letter from the ŠW (Škoda Works) addressed to Schneider & Cie, Paris, in Prague on 27 May 1922 (agreement on artillery transactions)].

If a situation occurred where a contract from a third or fourth category country was not divided according to the rules stipulated in the contract, financial compensation was applied. This was entered into specific settlement accounts, identified as A and B. Schneider and Škoda were supposed to regularly inform each other of their transactions and of compensation from these transactions, and both settlement accounts were supposed to be cleared every three years.²⁸

Even though the officially presented objective of the contract was the avoidance of mutual competition and the reduction of costs for foreign representation and the acquisition of export contracts, some managing employees of Škoda, as well as authors of works devoted to the history of the Škoda Works and arms production in Czechoslovakia, doubted the accord between the presented and actual objectives. They mention that the actual objective of Schneider was to restrict competition by Škoda on export markets, which they substantiate with the division of territories for arms exports, which was highly disadvantageous to Škoda.²⁹ On the other hand, the contract enabled Škoda to utilise the Schneider's sales representation worldwide; the company had focused significantly on

²⁸ SRA in Pilsen, CAŠ, GD – Schneider, box 1, *Dopis ŠZ adresovaný Schneider & Cie v Praze dne 27. 5. 1922 (dohoda o dělostřeleckých obchodech)* [Letter from the ŠW (Škoda Works) addressed to Schneider & Cie, Paris, in Prague on 27 May 1922 (agreement on artillery transactions)].

²⁹ SRA in Pilsen, CAŠ, GD – Schneider, box 1, *Dopis ŠZ adresovaný Schneider & Cie v Praze dne 27. 5. 1922 (dohoda o dělostřeleckých obchodech)* [Letter from the ŠW (Škoda Works) addressed to Schneider & Cie, Paris, in Prague on 27 May 1922 (agreement on artillery transactions)]; SRA in Pilsen, PP Karlický, not processed; SRA in Pilsen, CAŠ, Collections, box 3, *Zahraniční organizace Akciové společnosti dříve Škodovy závody v oboru zbrojním v letech 1919 až 1939, D-II/4160 W/Zm* [Foreign organisations of Akciová společnost dříve Škodovy závody in the arms sector in the period from 1919 to 1939, D-II/4160 W/Zm]; Karlický 1999, p. 29.

the expansion and better organisation of this since the end of the First World War, in relation to the transition to the new production programmes.³⁰

Application of the Artillery Convention itself to individual business cases was significantly problematic during the 1920s and the 1930s. The business terms for each contract between the Czech and French partners were initially discussed in detail.³¹ However, according to archival materials, the great majority of transactions took place on the basis of various exceptions, subsequent arrangements and financial compensation completely outside the Artillery Convention system.

Experience with the functioning (or more precisely non-functioning) contract led the management of Škoda to regularly point out that the key principles of the contract were not sustainable and were mutually harmful, and to press for revision of the contract. They based their arguments on, among other things, the fact that Schneider was not capable of acquiring any contracts in some of the areas reserved for it, even though there was interest in products from Škoda.³² At the same time, according to its opponents, the contract was not just harmful to Škoda, but also to Schneider, which as the majority owner was interested in the prosperity of the company it owned.

Exceptions to the contract, deviations from the original provisions and other individual changes, in various forms, were arranged from the outset. One of the most fundamental measures was the annulment of the settlement accounts for compensation for the 1923–27 period, upon which the contract completely lost its purpose, at least for this period in the field of compensation.³³ Other deviations from the Artillery Convention were exceptions for individual export markets, applied primarily in the 1930s. These concerned, among other countries, Turkey – although it belonged to the third category with representation by Schneider et Cie, it was also open to doing business with Škoda based on good business relations between Turkey and Czechoslovakia. Markets in Siam, Afghanistan and Persia were opened for business with Škoda in a similar manner because of exceptions. On the other hand, Mexico and some other countries were placed under a regime of free competition between both companies.³⁴ Yugoslavia, which was classified in the fourth category according to the Artillery Convention and whose orders were

³⁰ SRA in Pilsen, CAŠ, GD, box 144, *Všeobecná situace zastoupení závodů Schneider et Cie, dne 1. července 1920* [The general situation regarding representation of the Schneider et Cie company, dated 1 July 1920].

³¹ SRA in Pilsen, CAŠ, GD – Schneider, box 1, *Aktová noticka pro pana ředitele Háška, 13. 12. 1924*. [Act Note for Managing Director Hášek, 13 December 1924].

³² SRA in Pilsen, CAŠ, Collections, box 3, *Zahraniční organizace Akciové společnosti dříve Škodovy závody v oboru zbrojním v letech 1919 až 1939, D-II/4160 W/Zm* [Foreign organisations of Akciová společnost dříve Škodovy závody in the arms sector in the period from 1919 to 1939, D-II/4160 W/Zm].

³³ SRA in Pilsen, CAŠ, GD – Schneider, box 3, *Paříž, obchd. porada, prosinec 1928* [Paris, business, meeting, December 1928].

³⁴ SRA in Pilsen, CAŠ, GD – Schneider, box 2, *Note ohledně aplikace Entente d'Artillerie při sledování, resp. vyřizování dělostřel. obchodů, v Praze dne 8. října 1935, D/12.113* [Note regarding application of the Entente d'Artillerie, during observation, or settlement of artillery transactions in Paris on 8 October 1935, D/12.113].

therefore supposed to be divided on the basis of the previously specified ratio between Škoda and Schneider, had a completely unique position. Given the above-standard relations between Czechoslovakia and Yugoslavia (both countries were members of the so-called Little Entente), exports to Yugoslavia were quite often carried out behind the back of the French shareholder, as confirmed by Antonín Klimek and others.³⁵ From the studied archival materials, it is not entirely clear how the specific transactions were hidden from Schneider.³⁶ One way of circumventing the Artillery Convention in the case of Yugoslavia was to report the order and deliveries as domestic, specifically intended for the Czechoslovak Ministry of National Defence, which then sold the materials to Yugoslavia on the basis of an agreement between the governments of both countries.³⁷ A standard solution in the case of Yugoslavian contracts acknowledged by Škoda was provision of a one-off financial settlement to Schneider, completely outside the settlement accounts intended for the purpose of settlement on the basis of the Artillery Convention.³⁸

All the above information indicates that not nearly all the transactions that were supposed to be subject to the provisions of the Artillery Convention were recorded in the official statistics concerning export transactions shared between the Škoda Works and Schneider, nor were they recorded in the records of mutual compensation. Table 2 shows the amounts in the settlement accounts during the interwar period (the reasons for annulling the accounts were not given for the 1923–27 period) as they were recorded in archival documents, and the total invoiced arms exports by Škoda are given for comparison.

According to documents stored in the archives of the Škoda Works, official settlement of accounts A and B took place in 1935; however, the companies again failed to proceed according to the rules of the Artillery Convention during this settlement, although they did agree that the surpluses from the accounts would be used for settlement of other obligations between the companies.³⁹

³⁵ SRA in Pilsen, PP Karlický, not processed, A. Klimek (*kandidátská práce*), *Zbrojní obchody mezi Škodovými závody a Jugoslávií v meziválečném období, 1. část, s. 3*. [A. Klimek (dissertation thesis), Arms Trade between the Škoda Works and Yugoslavia in the Interwar Period, Part 1, p. 3].

³⁶ Vladimír Karlický states in regard to the unacknowledged deliveries to Turkey and other states reserved for the Schneider Company: „*The French... would rather acknowledge exceptions and not officially discuss violation of the agreement.*” (Karlický 1999, p. 29).

³⁷ SRA in Pilsen, PP Karlický, not processed, , VT 2489 (*Vladimír Karlický*); Karlický 1999, p. 29.

³⁸ E.g. SRA in Pilsen, CAŠ, GD – Schneider, box 7, *Yugoslavia, Contrat No 9241 du 19 juin 1936, Prague, le 25 Janvier 1938*.

³⁹ SRA in Pilsen, CAŠ, GD – Schneider, box 2, 2/13, *Aktová noticka pro pana n. g. ř. Rochette, v Praze dne 30. ledna 1936, D/31 91, Entente d'Artillerie* [Act Note for Managing Director Rochette, 30 January 1936, Entente d'Artillerie]; SRA in Pilsen, CAŠ, GD– právní [legal], box 4.

TABLE 2. Mutual compensation between the Schneider and the Škoda Works companies between 1928–38 (in millions of CSK)

	Account A		Account B		Arms export by the Škoda Works (invoiced turnover)
	The Škoda Works	Schneider	The Škoda Works	Schneider	
1928	-	8.5	-	2.9	114.0
1929	0.9	-	-	-	572.2
1930	6.6	-	0.3	-	559.4
1931	0.5	-	0.7	-	259.1
1932	0.8	-	0.3	-	67.3
1933	-	55.9	-	0.3	93.0
1934	-	3.2	-	-	89.4
1935	-	89.5	0.2	-	104.6
1936	302.7	-	-	-	324.8
1937	-	53.4	1.8	-	628.2
1938	-	36.2	0.4	-	682.5

Source: SRA in Pilsen, CAŠ, GD – Schneider, boxes 5, 6, 7; SRA in Pilsen, PP Karlický, not processed; own calculations.

Note: The amounts in accounts A and B were converted from French francs using the exchange rate for the relevant year according to the League of Nations Statistical Yearbook (1929-1939).

Archival materials also document that the situation regarding adherence to the rules of the Artillery Convention and the sharing of information about transactions is even less clear in the second half of the 1930s than in previous periods. On one hand, it is clear from the surviving correspondence that Schneider did not inform Škoda of its transactions, and in relation to this Škoda also did not consider it necessary to send Schneider information about its activities.⁴⁰ Compared to this, the correspondence between the companies during the second half of the 1930s also mentions negotiations regarding the terms for fulfilment of the Artillery Convention in regard to individual contracts.⁴¹

Despite all the aforementioned problems linked to the application of the Artillery Convention, a new version was signed in 1936.⁴² While its terms remained very similar,

⁴⁰ SRA in Pilsen, CAŠ, GD – Schneider, box 3, *Aktová noticka pro pana generálního ředitele, v Praze dne 25. prosince 1938, D/23736, Odpočet Škoda – Schneider* [Act Note for the Managing Director, 25 December 1938, D/23736, Deductions Škoda – Schneider, D/23736].

⁴¹ SRA in Pilsen, CAŠ, GD – Fiala, 0009/0067, *Noticka pro pana presidenta Dra Loevensteina, věc: Rumunsko, 30. ledna 1937* [Note for president Dr Loevenstein, 30 January 1937, Romania]; SRA in Pilsen, CAŠ, GD – Fiala, 0009/0067, *Noticka pro pana nám. gener. ředitele Ing. Fialu, Rumunsko, 3. února 1937* [Note for Ing. Fiala, 3 February 1937, Romania].

⁴² SRA in Pilsen, PP Karlický, not processed, *Noticka pro Národní správu Škodových závodů v Praze, v Praze dne 2. července 1945, D-II/787 W/Zm* [Note for the National Administration of the Škoda Works in Prague, 2 July 1945, Prague, D-II/787 W/Zm]; SRA in Pilsen, CAŠ, GD – Schneider, box 2/15, *Překlad*

there was a difference in the division of territories.⁴³ This time, the division was significantly more advantageous for Škoda, and a number of exceptions to the validity of the original contract were taken into consideration.⁴⁴ The fourth category newly included important business partners of the Škoda Works - for example Afghanistan and Persia. A new special category was also added in which the mode of unrestricted competition between the companies was retained. The new special category included Arabian states, China, Dominican Republic, Egypt, Philippines, Guatemala, Abyssinia, Haiti, Honduras, Ireland, Iceland, Italy, Cuba, Hungary, Nicaragua, Palestine, Panama, Siam, USSR, Sweden, USA and Great Britain.⁴⁵ The shares in orders from third- and fourth-category and special category countries were newly established, but remained markedly to the benefit of the French group.⁴⁶

Although the new provisions certainly did not fulfil the expectations that Škoda management had of revising the contract, they still brought significant improvements compared to the original contract.⁴⁷

4. Termination of the conventions

During the 1930s, the international situation deteriorated, and the Munich Agreement was signed in 1938. This, along with changes in the ownership of the French group arising from the nationalization of the arms sector in France, led Schneider to sell its shares in the Škoda Works back to Czechoslovakia in December 1938.⁴⁸ At the end of January 1939, due to the sale of these shares, all the French members of the Board of Directors of Škoda resigned from their positions.⁴⁹

ujednání s fou. Schneider & Cie. z 15. 3. 1936 [Translation of arrangement with Schneider & Cie, 15 March 1936].

⁴³ SRA in Pilsen, CAŠ, GD – Schneider, box 2/15, *Překlad ujednání s fou. Schneider & Cie. z 15. 3. 1936* [Translation of arrangement with Schneider & Cie, 15 March 1936].

⁴⁴ SRA in Pilsen, PP Karlický, not processed, *Posuzování exportních možností ŠZ* [The assessment of the export potential of the Škoda Works]; Karlický 1999, p. 29.

⁴⁵ SRA in Pilsen, CAŠ, GD – Schneider, box 2/15, *Překlad ujednání s fou. Schneider & Cie. z 15. 3. 1936* [Translation of arrangement with Schneider & Cie, 15 March 1936].

⁴⁶ Third category 29% (Škoda) and 71% (Schneider), fourth category 48% and 52%, special category 43% and 57%. In China and the USSR 41 % and 59 % or 71 % and 30 %, depending on contracting party. SRA in Pilsen, CAŠ, GD – Schneider, box 2/15; SRA in Pilsen, CAŠ, GD, box 145, *Note pour Monsieur le Directeur Général Rochette, Prague, le 30 Janvier 1936, D/3191*.

⁴⁷ SRA in Pilsen, CAŠ, Collections, box 3, *Zahraniční organizace Akciové společnosti dříve Škodovy závody v oboru zbrojním v letech 1919 až 1939, D-II/4i60 W/Zm* [Foreign organisations of Akciová společnost dříve Škodovy závody in the arms sector in the period from 1919 to 1939, D-II/4i60 W/Zm].

⁴⁸ The issue of being forced to sell was discussed by the French government and the Czechoslovak government in exile when creating proposals for legislation to return property after the end of the Second World War. SRA in Pilsen, PP Karlický, not processed, *Aktová noticka pro Národní správu, v Praze dne 9. července 1945, D-II/792 Bx/Zm* [Act note for the National Administration, Prague, 9 July 1945, D-II/792 Bx/Zm]; SRA in Pilsen, CAŠ, Collections, box 3, *Zahraniční organizace Akciové společnosti dříve Škodovy závody v oboru zbrojním v letech 1919 až 1939, D-II/4i60 W/Zm* [Foreign organisations of Akciová společnost dříve Škodovy závody in the arms sector in the period from 1919 to 1939, D-II/4i60 W/Zm]; Karlický 1999, pp. 252, 254.

⁴⁹ State Regional Archive in Prague (hereafter SRA in Prague), Regional Court of Commerce in Prague (hereafter RCCP), box 1870, BXV40, 4, *Změny při firmě společnosti již zapsané, Firm 1191/39, B I 93/318*

The evident consequence of these steps was a discussion about the termination of the Artillery Convention, which finally came about in January 1939. The termination of this contract resulted in an obligation for Škoda to pay a lump-sum in compensation to the Schneider Company; however, according to archival documents, this was more advantageous to Škoda than if compensation had been calculated according to the Artillery Convention. However, this finding is based on a simple estimate by Škoda because, as stated above, the companies did not share much information regarding contracts at the time. The value of the lump-sum compensation for Schneider was 10 million French francs, divided into three instalments payable on 3 March, 15 April and 15 May 1939. In addition to these instalments, Schneider also received compensation in the form of receivables from Turkey and Poland. According to archival materials, Schneider was demonstrably paid the first instalment of the lump-sum compensation at the beginning of March 1939.⁵⁰ “... some items have remained unpaid to France as a result of the occupation,”⁵¹ is what the correspondence after the Second World War stated. In relation to the sale of shares in Škoda and termination of the Artillery Convention, other contracts and obligations were also terminated, including contracts concerning patent and licence matters.⁵² The sale of shares and termination of the Artillery Convention became subjects of discussion between the French government and the Czechoslovak government in exile towards the end of the Second World War, when proprietary changes made under pressure were discussed. Nevertheless, all the Schneider Company’s claims were denied.⁵³

5. Conclusion

The authors of this study naturally see the case under study as an important part of the broader context of economic development in Central Europe in the interwar era. The main contribution of this text stems from the use of a large body of unpublished Czech archival sources, which provide new insights into the mutual relations of the two companies and enable a better understanding of the functioning of the Schneider-Škoda strategic alliance, in both its advantages and weaknesses.

As the most important Austro-Hungarian arms company, the Škoda Works found itself in a situation where decisions were being made about its future existence at the end of the

[Changes to the firm of a registered company, Firm 1191/39, B I 93/318]; SRA in Pilsen, Regional Court in Pilsen (hereafter RCP), 1008, *Částečný výpis, Firm 1191/39, B I 93/318* [Partial except, Firm 1191/39, B I 93/318].

⁵⁰ SRA in Pilsen, PP Karlický, not processed, *Noticka pro Národní správu, v Praze dne 2. července 1945, D-II/787 W/Zm* [Note for the National Administration, Prague, 2 July 1945, D-II/787 W/Zm].

⁵¹ SRA in Pilsen, CAŠ, GD – Skřiv, 21, *Ministerstvo průmyslu, Praha* [Ministry of Industry in Prague]; SRA in Pilsen, CAŠ, GD – Schneider, 3, *Noticka pro pana správního radu Ing. A. Lepercqa, 18. 1. 1939* [Note for administrative councillor Ing. A. Lepercq, 18 January 1939].

⁵² SRA in Pilsen, CAŠ, GD – Skřiv, 21, *Ministerstvo průmyslu, Praha* [Ministry of Industry in Prague]; SRA in Pilsen, CAŠ, GD – Schneider, 3, *Noticka pro pana správního radu Ing. A. Lepercqa, 18. 1. 1939* [Note for administrative councillor Ing. A. Lepercq, 18 January 1939].

⁵³ SRA in Pilsen, PP Karlický, not processed, *Aktová noticka pro Národní správu, v Praze dne 9. července 1945, D-II/792 Bx/Zm* [Act Note for the National Administration, Prague, 9 July 1945, D-II/792 Bx/Zm].

First World War, and these decisions crucially influenced its future success during the interwar period. In light of the company's great obligations, its lack of operating capital and the changes that would be necessary in the structure of its production, and also given the unsatisfactory owner from the viewpoint of the new republic, it was necessary to find new capital for the Škoda Works. The French Schneider et Cie, which was also a major arms producer, acquired a majority interest in the enterprise with the support of the Czechoslovak government.

Export of artillery materials was of great importance to both companies. It was in this field that the superior attitude of Schneider first became apparent, when it enforced the agreement of the so-called Artillery Convention. This contract, the purpose of which was to limit competition between the companies on foreign markets and to make effective use of the sales representation of both companies worldwide, was considered by many to be harmful to the interests of Škoda, and an attempt by Schneider to restrict competition against its products from Škoda. This belief was supported by the division of territories for export, which was to the disadvantage of the Škoda Works. In the years following the conclusion of the contract, it became apparent that adherence to it was a major problem. Škoda tried unsuccessfully to place pressure that would result in revision of the contract, and the disadvantageous provisions forced it to circumvent the entire contract. However, Schneider also recognized the problems with some provisions and the division of territories, which is why it permitted several exceptions, additional arrangements and one-off compensation outside the system of the Convention. Despite the problems, a new version of the Convention was agreed upon in 1936, but this time with a more favourable division of territories for Škoda. However, its validity was soon terminated due to the sale of the majority interest in Škoda by Schneider.

Although the Artillery Convention regulated the potential for arms exports by Škoda over the long-term, its impact was not as serious as had been expected due to the application of a number of exceptions. In particular, the negative consequences included a reduction in export opportunities - some traditional export territories were placed in categories primarily intended for Schneider, who, according to the testimony of an employee of Škoda's export department, in many cases tried to push its goods despite the greater suitability of Škoda's goods for the customer, which resulted in a loss of orders and damage to the interests of both companies.⁵⁴ Among other negative effects, we can also mention the unfavourable percentage in the division of compensation from contracts. However, given the non-fulfilment of the agreement and several exceptions, this did not entail any significant costs for Škoda, though neither did it entail any revenue (see Table 2). The acceptance of the Convention was not reflected in the volume of the invoicing of export contracts by Škoda, which continued to grow until the Great Depression and afterwards. There were also some benefits for Škoda from the agreement, in particular

⁵⁴ SRA in Pilsen, CAŠ, Collections, box 3, *Zahraníční organizace Akciové společnosti dříve Škodovy závody v oboru zbrojním v letech 1919 až 1939, D-II/4160 W/Zm* [Foreign organisations of Akciová společnost dříve Škodovy závody in the arms sector in the period from 1919 to 1939, D-II/4160 W/Zm], p.

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the reduction in competition from Schneider in countries reserved for Škoda, the reduction of distribution network costs resulting from the sharing of a worldwide sales network (with the above-mentioned reservations about the quality of representation in some cases), and the possibility of dividing the production of orders between the two companies according to their production programmes (it also allowed the acceptance of an order whose full content was not in the negotiating company's production programme, but was in the partner company's). The oft-mentioned advantage of the option to utilise the patents of the French group was of no great importance to Škoda, since the French patents were utilised very little.⁵⁵ The above benefits were also the same for the French party, whether it was a joint distribution network, a reduction of competition in the territories or the possibility to share the production of certain orders.

Even for Schneider, however, the agreement was not a clear-cut benefit. The damage to Škoda's interests resulting from the division of the territories and the level of compensation was also passed on to Schneider as the majority owner of Škoda, and Schneider's interests were further damaged by the circumvention of the terms of the Convention. Final termination of the Convention was then, according to the assessment of Škoda, more advantageous for the Czechoslovak partner because the compensation in the event of an actual settlement under the convention would be, according to known data, higher than the compensation negotiated in connection with the termination of the convention. Schneider probably also lost out in this respect because only the first of the agreed payments is confirmed to have been sent, after which the German occupation of Czech territory began.

From the point of view of the overall evaluation of the positives and negatives of the cooperation between the two companies since Schneider's entry into Škoda, on the positive side, in addition to those mentioned above, we can also mention the essential sharing of know-how and experience, especially by Schneider with Škoda. Thanks to the introduction of new management methods and new administrative and accounting procedures, Škoda was able to significantly streamline the internal functioning of the company. For both parties, the cooperation also resulted in cost savings. These included the costs of their foreign distribution network, but also cost savings in the purchase of machinery between the companies or in the sharing of licences and patents. Thanks to the shared distribution network and the possibility to cooperate on deliveries, the alliance also managed to cover a much wider range of export opportunities. On the negative side, despite various agreements to limit competition, real competition between firms on the

⁵⁵ SRA in Pilsen, CAŠ, GD – Schneider, 3, *Patenty fy Schneider, používané v odd. zbrojní – děla* [Schneider Company patents used in arms production]; SRA in Pilsen, CAŠ, GD – Schneider, 3, *Zbrojní vynálezy firmy Schneider Cie, udržované námi v ČSR, 11. ledna 1939* [Weapons inventions by the Schneider et Cie Company, maintained by us in the Czechoslovak Republic, 11 January 1939]; SRA in Pilsen, CAŠ, GD – Schneider, 3, *Naše zbrojní vynálezy udržované firmou Schneider et Cie ve Francii a Argentině* [Our weapons inventions maintained by the Schneider et Cie Company in France and Argentina, 11 January 1939].

world market persisted. The two brands remained separate in terms of image and worked rather independently.

Notwithstanding some of the aforementioned disadvantages of cooperation, the entry of Schneider into the Škoda Works in 1919 was essentially a mutually beneficial step and also a success in the complicated political and economic situation immediately after the First World War. The relationship between Schneider and Škoda in the following years should not be primarily assessed as a relationship in which a dominant subject (the French group) controlled the Czechoslovak company. In the case of profit, realistic freedom of decision-making was left to Škoda, and Škoda were in profit throughout this period except for the crisis years 1932-1933 (Karlický 1999, p. 586). In many ways the Škoda Works assumed a very strong and practically independent position in the interwar European arms trade. The relationship between Schneider and Škoda should be considered an example of subjects working together, but also competing against each other, and as an example of enterprises that had both common and different interests. Even though Schneider initially approached Škoda from a superior position as majority owner, the relations between the companies gradually stabilised, and their functioning during the interwar period is an example of a successful joint venture between companies, where a directly involved major foreign arms manufacturer helped stabilise and develop an arms enterprise, with evident influence on the arms potential of a specific country (Karlický 1999, pp. 11-31, 633-638; Duroselle 2004, p. 308; Grant 2018, pp. 24-51, 220-222). Even so, according to Andrew C. Inkpen (2001), the conditions for the success of the strategic alliance were not fully met, especially in the areas of building trust, the quality of communication or the alignment of the objectives of the two companies, which to a large extent influenced the position of Škoda vis-à-vis Schneider as the majority shareholder.

Research on the Schneider-Škoda partnership contributes to a better understanding of strategic alliances. It shows how such cooperation can evolve over time, how it is able to cope with certain challenges and to adapt to changing economic, political and other circumstances, and it is also possible to observe the importance of coordination and alignment of strategic objectives as well as effective communication between partners. The important question is, of course, whether Schneider was the right partner for Škoda at the time. The answer is rather yes. After all, Schneider helped Škoda to survive. It played an important role, especially in the period before the Pilsen company stabilized. The case we are examining is thus undoubtedly a demonstration of the importance of choosing the right strategic partner. The Artillery Convention, its related circumstances and its implications represent an interesting phenomenon, the in-depth research of which allows us, for example, to better understand how contractual agreements can influence the dynamics and strategic decisions and long-term planning of partner firms. The results of our research, although primarily concerned with one particular historical case, can also be useful in the broader context of the theoretical framework of strategic alliances and international business. In fact, the Schneider-Škoda alliance is an illustration of both the positive and negative aspects of strategic alliances. Combining research of historical events and phenomena with contemporary theories is naturally seen as beneficial and

meaningful. In general, this linkage allows for more comprehensive research to be conducted that contributes to a better understanding of the mechanisms underlying successful alliances.⁵⁶

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Author contribution statement

Aleš Skřivan: framework, methodology, formal analysis, investigation, dataset, writing, visualization, supervision.

Tereza Burianová: framework, methodology, formal analysis, investigation, dataset, writing, visualization, supervision.

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⁵⁶ For further details on strategic alliances, see Inkpen (2001, pp. 402–427), Culpan (2009, pp. 4–23), San Román, Puig and Gil López (2023) and Bátiz-Lazo (2004, pp. 23–56).

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Cooperació i competència: L'aliança estratègica entre Schneider et Cie i la fàbrica Škoda durant el període d'entreguerres

RESUM

Les aliances estratègiques juguen un paper clau en l'àmbit empresarial. Aquest article analitza, des d'una perspectiva txecoslovaca i a partir de fonts inèdites, les relacions que durant el període d'entreguerres van mantenir dues importants empreses europees de fabricació d'armament: la fàbrica Škoda de Txecoslovàquia i el seu accionista majoritari, l'empresa francesa Schneider et Cie. La investigació mostra com es van desenvolupar aquestes relacions mútues a través de l'exemple de les exportacions de material d'artilleria sota l'anomenada Convenció d'Artilleria, que va dividir els territoris d'exportació entre ambdues empreses i va estar vigent durant bona part del període analitzat. Tot i que les relacions inicials entre les companyies estaven marcades pel vincle de propietat, amb el temps es van estabilitzar, i aquestes relacions poden considerar-se un exemple d'una col·laboració exitosa entre ambdues. La implicació de Schneider a Škoda va resultar beneficiosa tant per a l'empresa com per a Txecoslovàquia, ja que va contribuir a que Škoda assolís una posició sòlida en el comerç internacional d'armament

PARAULES CLAU: Fàbrica Škoda, Schneider et Cie, Txecoslovàquia, Producció d'armes

CODIS JEL: N14, N64, N74, N84

Cooperación y competencia: La alianza estratégica entre Schneider et Cie y la fábrica Škoda durante el periodo de entreguerras

RESUMEN

Las alianzas estratégicas desempeñan un papel clave en el ámbito empresarial. Este artículo analiza, desde una perspectiva checoslovaca y a partir de fuentes inéditas, las relaciones que durante el periodo de entreguerras mantuvieron dos importantes empresas europeas de fabricación de armamento: la fábrica Škoda de Checoslovaquia y su accionista mayoritaria, la empresa francesa Schneider et Cie. La investigación muestra cómo se desarrollaron estas relaciones mutuas a través del ejemplo de las exportaciones de material de artillería bajo la llamada Convención de Artillería, que dividió los territorios de exportación entre ambas empresas y estuvo vigente durante gran parte del período analizado. Aunque las relaciones iniciales entre las compañías estuvieron marcadas por el vínculo de propiedad, con el tiempo se estabilizaron, y estas relaciones pueden considerarse un ejemplo de una exitosa colaboración entre ambas. La implicación de Schneider en Škoda resultó beneficiosa tanto para la empresa como para Checoslovaquia, ya que contribuyó a que Škoda lograra una posición sólida en el comercio internacional de armamento.

PALABRAS CLAVE: Fábrica Škoda, Schneider et Cie, Checoslovaquia, Producción de armas

CÓDIGOS JEL: N14, N64, N74, N84