



Jakob | Kleinöder | Kleinschmidt [eds.]

# Security and Insecurity in Business History

Case Studies in the Perception  
and Negotiation of Threats



**Nomos**

## Economic and Social History of Modern Europe

Edited by

Prof. Dr. Jan-Otmar Hesse

Prof. Dr. Christian Kleinschmidt

Dr. Alfred Reckendrees, Associate Professor

Prof. Ray Stokes, Ph.D.

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Edited by

Prof. Dr. Thorsten Bonacker

Prof. Dr. Horst Carl

Prof. Dr. Eckart Conze

Prof. Dr. Christoph Kampmann

Prof. Dr. Regina Kreide

Dr. Angela Marciniak

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Mark Jakob | Nina Kleinöder  
Christian Kleinschmidt [eds.]

# Security and Insecurity in Business History

Case Studies in the Perception  
and Negotiation of Threats



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*Mark Jakob, Nina Kleinöder, Christian Kleinschmidt*  
*Marburg, December 2020*

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# The Security and Insecurity of Enterprises: Constructing and Negotiating Dangers, Hazards, and Threats in Business History

Mark Jakob & Nina Kleinöder

## Introduction

By definition, business is risky, but only sometimes it is dangerous. In this volume, we set out to explore how enterprises conceived of the boundaries between risk and danger, security and insecurity, and what effect these observations had on their entrepreneurial decisions. In everyday business, enterprises make decisions based on their anticipation of their relative chances of loss or gain in the market. The risk of bankruptcy does not, in principle, endanger the security of the economic system. Business failure is an integral part of the capitalist economy, and not a fatal flaw that needs to be eliminated. However, war, revolution, terrorism, state failure, the breakdown of social order, pandemics, piracy, and so on create external perils that, as so-called *political risks* or *catastrophic risks*, go beyond the routine risk assessments of enterprises.<sup>1</sup> When, for instance, enterprises ponder events and changes that might very well not only put an end to their own existence, but to the very social and economic order that is a condition for the existence of enterprises *per se*, and attempt to persuade political leaders to take vigorous preventive action, then we no longer deal with business risks, but with security issues. Security from catastrophic threats usually cannot be provided by enterprises themselves. In the modern world, states are thus the first and primary, but not the only, addressee of security requests. At the time of writing, the world is undergoing a fundamental economic crisis that was deliberately caused by measures to counter a pandemic. Suddenly, economic security must be measured against the threat of the virus, and we observe highly diverse and controversial responses between the countries of the globe in weighing economic losses against the health and lives of citizens. Enterprises here are made the object of protec-

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1 Cf. e.g. *Kobrak/Hansen*, European Business; *Forbes/Kurosawa/Wubs (eds.)*, Multinational Enterprise; *Donzé*, Advantage.



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tive measures. Inversely, enterprises themselves can and often did pose serious threats to their social, political, and natural environment, either in collusion with or against state agencies. Lastly, enterprises (especially private security firms, IT providers, and insurance companies) commodify security and sell products and services promising safety from harm, or they use the language and images of security as a marketing tool. In these cases, business itself becomes an issue of and an agent for security.<sup>2</sup> It follows that the security and insecurity of enterprises is a variable rather than a constant, and business history must solve the question as to what the terms “security” and “insecurity” refer.

The idea for this edited volume came from the observation that phenomena of *security* and *safety* are ubiquitous in business history, but that there is no systematic study of the topic. The book project is meant as a first step in this direction. In the context of the transregional collaborative research centre “Dynamics of Security” (SFB/Transregio 138), an interdisciplinary research group of historians, social scientists, political scientists, art historians, and legal historians,<sup>3</sup> it was originally planned as the result of an international conference in the summer of 2020. However, personal exchange in the year of Corona became impossible for the project. Thanks to the commitment of the contributors, it was nevertheless possible to compile the different case studies in a digital workshop as a first contribution to this field. We therefore aim to address the rise of *security* as a topic in history, and how business history might be affected by the growing interest in historical security studies. Our involvement in the collaborative research group “Dynamics of Security” at the universities of Marburg and Gießen provides us with the theoretical background of historical Critical Security Studies (CSS) and hopefully enables us to make connections between the rising interest in the history of security and economic and business history.

The business world has been changing and evolving together with and in relation to the state, law, society, religion, and science since the Early Modern period. Its conceptions of what acceptable risks were and how peril should be coped with have changed accordingly. Security and insecurity therefore should be understood as bound in their historical context and as the construction of concrete situations by historical actors, not as abso-

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2 Cf. e.g. *Daniels*, Landesverrat; *Daniels*, Brain Drain.

3 DFG Collaborative Research Centre/Transregio 138: ”Dynamics of Security. Types of Securitization from a Historical Perspective”, URL: <<https://www.sfb138.de/en/>> [08.12.2020].

lutes. Nevertheless, historical analysis requires at least an abstract definition of “security”, “risk”, “danger”, and so forth. Generally speaking, “[c]hance, risk, and security make up a triad of interacting modes of handling uncertainty”.<sup>4</sup> For our purposes, we start with the distinction between the concept of “risk”, which is well-established in economics and business history, and the (in business history under-researched) concept of “security”. Security studies provide inspiration: “Whereas risk describes an active stance of seeking out uncertainty for the possible gains contained in it, security designates a constellation in which the perception of a malevolent threat creates the necessity to act.”<sup>5</sup> This constructivist perspective towards “security” does not suggest that threats are fictitious, but rather directs our attention to historical change in realising them and coping with them.

The first section of this introduction will explore the semantic field of “danger” and “security”, and examine what these terms can mean for the interpretation of historical cases. The second section will discuss *security* as a topic in business history. By employing the approaches of historical security studies to business history, we assemble preliminary ideas of and approaches towards the nexus of *enterprise* and *security*. The case studies in this volume will be introduced in the third section, where we point out common themes and topics that connect the contributions and their diverse subject matters.

### *1. The semantics of security and insecurity: risk, danger, and threats*

*Security* is not a sharply defined concept, and any treatment of security has to start with a few remarks on terminology. The term has normative connotations and can denote many things. “*Security*” has been a key political concept since the beginnings of modern statehood in the Early Modern period, reaching the same importance as other core concepts like *liberty* or *justice*. Originally meaning the security from aggression that states provided to their citizens or subjects, the nineteenth and twentieth centuries in particular saw an expansion of the realm of security to areas beyond the classic military and political sphere. Internal security looks back on the long tradition of policing cities and the countryside, but urbanisation, industrialisation, and social struggle led to new forms of policing in the

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4 Voelz, *Chance*, 391.

5 Voelz, *Chance*, 398.

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nineteenth century, and the dissolution of a clear-cut distinction between external and internal threats blurs the lines between internal and external security.<sup>6</sup> Social security, especially in the form of social insurance, emerged as the third pillar of classical security. Since the 1970s, security studies observed an expansion of the concept of security to more dimensions.<sup>7</sup> Global environmental security, for example, is a relatively young subject, which nevertheless shares the key elements of a security issue: the evocation of a threat against which swift and effective measures have to be taken at the peril of irreversible comprehensive damage and destruction. Although natural disasters are a constant in human history, and modern techniques, including insurance, were developed for coping with them in the late eighteenth century and contributed to the emergence of the modern welfare state,<sup>8</sup> the view that the natural environment itself has become a threatened object and that its security must have priority emerged only in the later twentieth century. If companies appear as actors in a history of environmental security, then as part of a larger history of modernity and its secularised language of security, for which *risk* has been identified as the key term.<sup>9</sup>

Although *risk* and *security/insecurity* are related concepts, we would like to emphasise a fundamental difference. *Risk* is understood as the driving force behind economic development and innovations because, in a Schumpeterian sense, it designates opportunities. Enterprises are rewarded with profits for taking risks in the market, and the costs of failure can be calculated and hedged, provided that prudence and capital are not in short supply. However, the overemphasis of a positively-connotated “entrepreneurial risk” neglects economic actors’ fundamental desire for security and aversion to risk. Risk-taking is only made possible by a sufficient degree of stability and security. For example, the globalisation backlash of the 1930s was also the breakdown of certainty and confidence in economic institu-

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6 Cf. Conze, *Sicherheit*; Krüger, *Dienstethos*. See also for an overview de Graaf/Zwierlein, *Historicizing Security*, 47–50.

7 For an overview, cf. Conze, *Sicherheit*, 47–68.

8 Hannig, *Kalkulierte Gefahren*.

9 Zwierlein, *Prometheus*; “Global Cultures of Risk. Insurance in Non-Western Contexts (1870–1980)”, URL: <<https://www.culturesofrisk.net/>> [08.12.2020].

tions.<sup>10</sup> Business history needs only look to cartel history<sup>11</sup> to find plenty of examples for measures that were designed to eliminate risks. States guarantee investments and exports, or bail out companies in trouble. The elimination of risks is not necessarily a security measure, but we can observe a recourse to security in the dialogue of business and politics in these cases, as several contributions in this volume show. *Security* appears as a category of its own apart from business history's dominant perspective on risk.

For our purposes, *security* as an analytical category can be broken down into at least four dimensions. First, *security* in the classical sense refers to protection from threats provided in the first place by the political system. This dimension encompasses the range of dangers that are man-made and existential, and closest to what is rubricated as *security* in the context of International Relations.<sup>12</sup> Second, *safety* refers primarily to technical security, both of production facilities and employees. In the case of nuclear power plants, security would be concerned with protection from terrorist attacks, for instance, and safety would be concerned with preventing malfunctions and accidents, as well as protecting the health of the workforce, and is thus closely connected to the term *prevention* in the course of the twentieth century. Third, *certainty* refers to the ability to identify and assess threats, and to distinguish risks from dangers. The use of knowledge, experience, and science to project outcomes is captured within the concept of "heuristics" (see below). However, the concept of heuristics is not limited to intrinsic modes of risk assessment and danger projection of a given historical subject, but rather asks for the cognitive frames of reference to which actors revert when distinguishing between secure and insecure situations. Fourth, *confidence* refers to economic actors' trust in their ability to act successfully within the economic system and to trust in the stability of institutions. Security situations are marked by a sense of threat that challenges economic actors' confidence in the established routines and procedures of political, social, and economic systems to cope with shocks and crises.<sup>13</sup> Communi-

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10 "Complex transactions and relations in a globalized society and economy require an element of certainty that is provided by a simple capacity to make equivalences. The most obvious form of this security is the stability provided by an unwavering monetary standard. ... Severe financial crises of the 1931 type do their damage by dramatically heightening monetary uncertainty, and eroding or destroying the idea of a common way of measuring": James, *Creation*, 233–234.

11 E.g. Roelevink, *Intransparenz; Schröter, Cartelization*.

12 Cf. Buzan/Waever/de Wilde, *Security*, 21–22.

13 Cf. Siegenthaler, *Regelvertrauen*, 149–177.

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cating these concerns can be taken as evidence that a situation is assessed as a security problem, not a risk.

Most importantly, following CSS's constructivist approach, *security* as an analytical category should not be understood as a state of affairs or an end in itself. Rather, *security* refers to actions taken in the face of (real, imagined, actual, or anticipated) threats, and to communicating urgency. Security studies have coined the term "securitization"<sup>14</sup> for the act of successfully marking some issue as a security problem and thus legitimising extraordinary action that breaks the rules of political conduct, and "de-securitization" for the return from a securitised state of affairs to the normal political process.<sup>15</sup> Thus, when thinking about business companies and security using the *securitisation* concept, we seek to understand the role of companies in the making and unmaking of security issues and in the process of making "danger knowable and actionable".<sup>16</sup>

Critical Security Studies were developed in the social sciences and therefore as a concept for the analysis of the contemporary world without or with only a limited explicitly historical perspective. Nevertheless, its constructivist approach proved inspiring for historical security studies. Therefore, researchers in historical security studies as in the Collaborative Research Group 138 "Dynamics of Security" are working to historicise the concept and develop a theoretical framework that is more sensitive to historical dynamics. It follows the general idea that *security* does not signify a constant state of affairs or object, but rather must be viewed as a social and communicative construct.<sup>17</sup> CSS asks how something – for example, a political party, immigration, foreign trade, economic policies, industrial espionage – is made into a security problem by persuading an audience of the existence of an existential threat requiring swift and extraordinary action. The term *securitisation* (homonymous with, but very different in meaning from the financial term) denotes the (communicative, political, social) act of declaring something as security-relevant and provoking a response to a given threat.<sup>18</sup> The concept originates from the Copenhagen School, which introduced a framework for analysing actions in Western democracies that circumvented the normal political, constitutional process by legitimising extraordinary actions with reference to *security*. CSS originally re-

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14 "Securitisation" in this volume therefore does not refer to the financial meaning of the term, unless stated otherwise.

15 Buzan/Waever/deWilde, *Security*, 21–26.

16 De Graaf/Zwierlein, *Historicizing Security*, 49.

17 Cf. e.g. Bonacker, *Sicherheit*.

18 For a summary of "securitization" approaches, cf. Conze, *Sicherheit*, 82–101.

garded securitisation as primarily a speech act and explored who persuaded what audience with which communicative means that something was a security problem and thus made it the legitimate object of extraordinary measures by the state.<sup>19</sup> In contrast to Copenhagen's focus on political communication, the Paris School of CSS focuses on security apparatuses, experts, and their routines, e.g. in border control, and studies the bureaucratic process of constructing security issues. From its more sociological perspective, security experts (e.g. policemen, spies, IT specialists) – on the grounds of their professional expertise – define dominating areas of security at the expense of others and create atmospheres of insecurity beyond the exceptional circumstances which are central to the Copenhagen School's approach.<sup>20</sup>

Both the Copenhagen and Paris outlooks are not immediately applicable to historical situations: the Early Modern commonwealth certainly did not work in a manner akin to modern states, let alone Western democracies, and although *security* became a key concept in the political language of the Early Modern period, it hardly regarded the economy as a distinct sector-. Or, to use another example, CSS's focus on states as actors creates a blind spot for non-state actors of *securitisation*.<sup>21</sup> The SFB 138 develops a more comprehensive language and approach to securitisation by historicising *security* and *securitisation*, and its approach therefore acknowledges the dynamic historical development of "spaces of experience" and "horizons of expectations" towards security.<sup>22</sup> For empirical analysis it has developed three key terms: first, "heuristics" provides the cognitive and semantic framework in a given historical setting that guide actors' perception and identification of threats and responses; second, "repertoires" focuses on security measures based on, but also influencing heuristics that are created to counter perceived, usually future, threats; and third, "situations" encompasses the concrete instances when heuristics and repertoires can be identified to have created a security issue and/or are changed themselves by coping with a security issue. To sum up, in historical security research, situations can be a starting point for reconstructing and analysing the emer-

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19 Conze, *Sicherheit*, 82–94.

20 For a summary, cf. Conze, *Sicherheit*, 94–98.

21 Cf. *Westermeier/Carl*, *Einleitung*.

22 However, it should be noted that the tension between historical experience and future expectations marking the distinction between the "pre-modern" and "modern" world view, as in Reinhart Koselleck's classical formulation, poses problems of its own when applied to contemporary history: see *Geulen*, *Plädoyer*, and *Graf*, *Zeit*.

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gence and development of heuristics and repertoires. This starting point can also be the study of a repertoire (e.g. international law) or heuristics (e.g. the discourse marking minorities as a threat to society) themselves.

## 2. *Enterprises and security*

If the language and logic of security can be expanded to areas beyond the military and foreign relations, the denotation of a subject as a security problem should be regarded from a constructivist viewpoint as the result of complex social negotiations and the application of political power. On the one hand, we therefore aim to avoid anachronistic assumptions about security to the past, and ask what security meant in a given business historical instance. We have to trace the emergence, evolution, and in some cases disappearance of security concepts through history. On the other hand, *securitisation* as a perspective from which we approach the past might reveal observations about the relations of businesses with their social and political environment that have been overlooked so far. Overall, the relation of enterprises and security is varied and complicated, not least owing to the mostly blurry definition of *security*. As a starting point, we assume that *security* is broadly recognised as a relational term that only obtains its meaning in relation to *risk* or *safety* in specific situations.

While Critical Security Studies have touched upon the economic implications of politics of *catastrophe* and *security* (while focusing on the question of insurances), economic and business historians have almost never used *security*, *danger*, or *threat* as analytical concepts.<sup>23</sup> Predominantly, business history has been concerned with “risk”, especially “entrepreneurial risk”, “risk management”, and “prevention”. Recently, the “vulnerability” of businesses and their “resilience” have been brought into focus. Although this strand of research addresses questions that are immediately connected to security, like risks, preparedness, and the capability to adapt to threats, the concept of “resilience” is still underdeveloped as an analytical tool in business history.<sup>24</sup> Current research on the interplay between historical experience and the formation of economic expectations has clear implications for the history of business security. It shows that the

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23 *Aradau/van Munster*, Politics of Catastrophe, 52–67; regarding insurance, see *Rohland*, Sharing the Risk; *Zwierlein*, Prometheus (although exceptions ought to be mentioned: cf. *Daniels*, Brain Drain; *Daniels*, Landesverrat).

24 Cf., however, *Köhler/Schulze*, Resilienz, for a successful and yielding operationalization of the resilience approach.

expected outcomes guiding the decisions of economic actors are deeply affected by historical situations and depend on immediate or remembered experiences.<sup>25</sup> Economic actors form “fictional expectations” to overcome fundamental uncertainty, and potential or actual security problems implicitly or explicitly enter the construction of “imagined futures”.<sup>26</sup> *Expectation* appears not so much as an antagonist term of economic risk perception, but experience and expectations rather serve as the empirical foundation and analytical tool respectively to conquer future risks and to overcome the status of uncertainty.<sup>27</sup>

Entrepreneurial *risk* and *uncertainty* have been the object of economic study at least since Frank Knight in the 1920s, of course.<sup>28</sup> Nevertheless, this does not cover the whole spectrum of security, and only partially relates to the concepts of *security* and *securitisation* developed in the social sciences. These social science concepts enable us to write more well-rounded security history and assess the importance of security for entrepreneurial decisions. Moreover, enterprises’ existence and prosperity rely on (legal, political, technological, etc.) security – covered at least in part by institutional economics. They have developed strategies and institutions to overcome, handle, and/or manage risks with the help of institutional and practical instruments from the type of the enterprise to organisational units (cartels, statistics and forecasting, etc.).<sup>29</sup>

*Risk* minimisation strategies of enterprises require a *de-securitised* environment. Economic history studies on the theoretical basis of New Institutional Economics have demonstrated the importance of legal security (such as property rights and contracts) as well as forms of social organisation (such as norms or trust) for economic development.<sup>30</sup> On the contrary, in an environment that enterprises perceive as unsafe, they have to cope with dangers and threats that might incite them to initiate or participate in *securitisation*. As the example of fortifications of the British East India Company in the seventeenth century has shown, security itself could

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25 Cf. *Jakob/Nützenadel/Streb*, Erfahrung.

26 *Beckert*, Imagined Futures.

27 Cf. *Lenel*, Mapping.

28 Cf. e.g. *Knight*, Risk, Uncertainty, Profit; *Keynes*, Theory, esp. chapters 5 and 12; *Taleb*, *Swan*; for a concise discussion of the treatment of uncertainty cf. *Boeckelmann/Mildner*, Unsicherheit.

29 See the closely-related collaborative research network, Priority Program 1859 “Experience & Expectation. Historical Foundations of Economic Behaviour”, URL: <<https://www.experience-expectation.de/>> [08.12.2020]; *Jahrbuch für Wirtschaftsgeschichte* 59 (2018), no. 2, special issue: Experience and Expectation.

30 Cf. e.g. *Demsetz*, Theory; *North*, Process; *Wischermann/Nieberding*, Revolution.



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become a marketable service: “The company began to regard security of the modest kind which its major settlements could offer as not just essential, but also as a marketable commodity.”<sup>31</sup> In the end, the Company transformed “from a trading company to a territorial sovereignty”.<sup>32</sup> At the same time, enterprises themselves can and have become *securitised*, or enterprises were included in more encompassing securitisation moves. One must only look to the discrimination and destruction of Jewish enterprise and businesspeople in Nazi Germany for a complex and brutal example. The *securitisation* approach can prove useful for the examination of less drastic cases as well. The contributions of this volume present historical situations in which enterprises’ heuristics, by which they mark observations as dangerous and the repertoire that companies could bring to bear on them, can be exemplified. Moreover, in the methodological attempt to historicise security dynamics – such as continuity, change, simultaneousness in different organisational units in different regions in different times – the underlying processes rather than outcomes are relevant. Who are the “securitising actors” and which subjects are addressed? Can we identify peaks or patterns in security communication?<sup>33</sup>

Inspirations for business history in particular are derived from the broadened perspective on *threat, risk, danger*, etc. assembled in the semantic field of *security*, as shown above. Inversely, business history can contribute to the empirical horizon of dynamics of security: modern enterprises as non-state actors also ought to be considered as agents of securitisation. They construct their environment according to opportunities for turnover/profit, but how do they construct security in that process? Whose security is defined as relevant? Where and when do they perceive threats? Who do they address when demanding security? Why are certain issues marked as highly security-relevant while others are de-securitised? Is there a competition between securities (security of supply, legal security, financial security, etc.) in entrepreneurial discourse?

Research on an enterprise-security-nexus must take into account that the economy underlies political and military abilities to provide security, but that – at least in liberal market economies – business and the economy follow their own intrinsic logics. Accordingly, there is no consensus on the meaning of “economic security”. The Copenhagen School points out that

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31 Bruce P. Lenman, *Britains Colonial Wars 1688–1783*, Harlow 2001, 90, cited in Füssel, *Politik der Unsicherheit*, 304.

32 Füssel, *Politik der Unsicherheit*, 306.

33 Cf. de Graaf/Zwierlein, *Historicizing Security*, 50, 59.

matters negotiated under the rubric of *economic security* really refer to other sectors of security – the political, military, or social, for example.<sup>34</sup> What is meant by economic security in historical situations and in different economic orders? How do security expectations of enterprises change over time, affecting their attitudes towards risk? How and why do perceptions of security change, for example in times of crisis? Or is economic security merely a rhetorical figure that is applied when economic gains are at stake and contested?

What sources and methods promise to yield insights into enterprises' security and securitisation? The case studies in this volume show that the selection of sources must be a highly individual task. Mostly, the authors reconstruct "dialogues" or "conversations" between enterprises and other actors (state agencies, other enterprises, trade associations, etc.) about security issues on the basis of diverse archival material from corporate and non-corporate sources. In business records, the historian will only seldom find direct references to *security*, but abundant references to *risks*, *hazards*, or *threats* arising in certain situations. The Copenhagen School's approach would direct us to extraordinary situations and let us observe the ensuing communication between an enterprise and its environment for indicators of *securitisation*. The Paris School's approach would direct us to corporate organisation as an object of study and let us observe the preparedness and coping apparatus of enterprises for the management of crises and security breaches. In both cases, the decision to employ a certain approach already limits the perspective on what security refers to in a given historical context, with direct consequences for the selection and assessment of source material that might further exclude security aspects or actors. If we accept that what security means in a given situation is constructed, depending on the perceptions and frames of mind of the actors, the selection of sources cannot follow a general rule. Apart from the focus on the written record, two contributions in this volume (*Brünig* and *Schäffler*) use images not only to illustrate their argument, but show how these images worked as communicative tools in instances of securitisation. Studying entrepreneurial action in given security situations as well might tell us much about the role of security for business decisions and the function of enterprises for the demand and supply of security. How do enterprises participate in the construction and running of repertoires? How do state and private busi-

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34 *Buzan/Waever/de Wilde*, *Security*, 95.

## The Management of Foreign Direct Investment Risk by two Norwegian Firms in the 1960s and 1970s

*Kristin Stanwick Bårnås*

The present paper will investigate the risk management strategies related to the foreign direct investment (FDI) decisions of two Norwegian manufacturing firms in the late 1960s and early 1970s. The two firms are: Dyno Industrier, which produced explosives and industrial adhesives, and invested in West Germany, England, Singapore, Denmark, and Finland; and Norcem, which produced cement, and invested in Ghana, Liberia, the Philippines, and Ras al-Khaimah in the United Arab Emirates.

Risks, in relation to FDI, are often defined as, “the dangers firms face in terms of limitations, restrictions or even losses when engaging in international business”.<sup>1</sup> Security is a relational term closely connected to the meaning of risk, thus security in relation to FDI is the avoidance of such risk. This paper will examine, compare and discuss the strategies the two firms implemented to ensure the success of their investments and manage risks in their FDIs. The primary focus is on the firms’ investments, which risks they were most concerned with when they invested abroad, and how they chose to manage them.

In the last thirty to forty years, research on risk and risk management has increased in scope and scale.<sup>2</sup> Although risk management and the security of investment was an important element of international investment prior to the increase in interest in the topic, there has thus far been only limited research conducted on how firms chose to manage risks related to international investments in business history. An article published by Casson and Lopes in 2013 is one of the few studies that takes an historical perspective and focuses specifically on how firms manage risk when they invest in high-risk environments. This is also one of few studies that compares responses to risk across firms.<sup>3</sup> However, Casson and Lopes’s paper only presents examples of certain risk management strategies, and the reasoning behind the firms’ management of risks is not discussed.

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1 *Eduardsen/Marinova*, Decision-makers’, 12.

2 *Inhaber/Norman*, Risk Interest, 119–120.

3 *Casson/Da Silva Lopes*, High-Risk environments, 375–404.

*Kristin Stanwick Bårnås*

The two firms in this paper are selected because they had FDIs both near and far, in unstable and insecure countries as well as in stable and secure countries. Their investments abroad coincided with an increase in FDIs by other Norwegian firms, and with an increase in interest in risk and risk management research. The two firms thus invested abroad in a period when there was some, though still limited, Norwegian experience on which to base investment decisions, and when there only was limited research available on how to manage the risks involved with such investments. The research below is primarily based on company archives, supplemented by company magazines, government archives and various governmental publications, primarily from the 1960s and 1970s. Oral history interviews were conducted with two former senior managers and decision-makers in the firms: Ragnar Halvorsen from Dyno and Gerhard Heiberg from Norcem.

The paper will first give a short introduction to the risk management strategies that are commonly used to manage risks involved with FDIs. Thereafter, the paper will describe the Norwegian context the two firms invested within. By doing so, the chapter will provide context and background for the firms' investments and help to contextualise the options that were available to the decision-makers. The two firms and their investments will thereafter shortly be described, before the risk management strategies employed by the two firms are discussed.

### *Definitions: Risk and risk management*

Originally, Frank Knight defined risk as a situation in which possible outcomes are unknown but where their probabilities are calculable, and uncertainty as a situation in which even their probabilities are unknown.<sup>4</sup> Several researchers have since pointed out, however, that the proposed distinction between risk and uncertainty is not compatible with most uses of risk in modern society, nor with how risk is used in daily language.<sup>5</sup> The two firms did not make a distinction between uncertainty and risk, nor did they find risk to be a quantifiable construct. More recently, there has been an argument for defining risk in a way that includes both negative and positive outcomes. Rosa, for example, defined risk as: "A situation or event in which something of human value (including humans themselves) has

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4 *Knight*, Risk, Uncertainty and Profit.

5 *Aven*, Risk Concept, 33–44.

been put at stake and where the outcome is uncertain".<sup>6</sup> Rosa's definition of risk has inspired several other commentators to devise definitions of their own. Renn, for instance, defined risk as "The possibility that human actions or events lead to consequences that affect aspects of what humans value".<sup>7</sup> Within the data collected about Dyno and Norcem, there is no evidence that any of them defined what they considered the concept of risk to mean. It is therefore likely that the decision-makers involved in the FDI decision had somewhat different perspectives on what exactly constituted risk and security, as evident from the oral history interviews.

Perceptions and conceptions of risk and security have an impact on decisions taken and the ways in which these decisions are reached.<sup>8</sup> The characteristics of individual managers and decision-makers, such as personal experience, risk appetite, and knowledge each impact their decision-making. The impact of risk on a decision is greater in respect to losses than it is to gains.<sup>9</sup> As such, decision-makers and managers may be more focused on security when the issue is framed as a potential loss with severe implications for the firm than when it is framed as a potential gain. Directly related to FDI, managers' perceptions can have an impact on the timing of internationalisation, the willingness to internationalise, and the selected entry mode. Eduardsen and Marinova found that managers' international orientation impacts how likely a firm is proactively to identify, create, and capture international opportunities.<sup>10</sup> Managers base their decisions on whether to invest abroad on a variety of aspects. Buckley found that decision-makers emphasise production costs, access to resources, market growth, trade barriers, and country-specific factors such as languages, when considering a foreign investment.<sup>11</sup> All these issues can create risks for a firm considering an FDI. Risk may also arise from other sources including the market and the political or socio-cultural environment in the host country.<sup>12</sup> Political risk includes some of the primary risks that can be faced by firms when they invest abroad; as such, it is a significant determinant of FDI decisions and it continues to be of importance even when the FDI is in place.<sup>13</sup> Political risk is often defined as the risk that the govern-

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6 Rosa, *Metatheoretical*, 28.

7 Renn, *Accomplishments*, 51.

8 *Cobrssen/Covello*, *Principles*.

9 *Aharoni/Tibanyi/Connelly*, *Managerial*, 135–142.

10 *Eduardsen/Marinova*, *Decision-makers*, 4–26.

11 *Buckley/Devinney/Louviere*, *Managers*, 1069–1094.

12 *Heidenreich/Mohr/Puck*, *Strategies*, 793–803.

13 *John/Lawton*, *Perspectives*, 847–879.