

Pázmány Péter Catholic University
Faculty of Humanities and Social Sciences

**The History of Herend Porcelain Manufactory
in the First Part of the 20th Century**

Doctoral thesis (PhD)

Written by: Szűts István Gergely

Consultant: Dr. Ö. Kovács József, DSc

Doctoral School of History

Head of Dept.: Dr. Fröhlich Ida, DSc

Social and Lifestyle History Workshop

Head: Jánokiné Dr. Újváry Zsuzsanna, PhD

I. Problem statement, background of the research

This dissertation is the result of a document selection process started in the Archives of Veszprém County of the Hungarian National Archives in 2010 and a parallel historic research. Although several studies have come to light on the Herend Porcelain Manufactory in question in the past hundred years, my work can be regarded as fundamental research due to the fact that the whole relevant documentation in the archives has not been worked up as of yet. One of the reasons is that such documents and document types have been found and identified which were unknown to the preceding researchers. On the other hand, the approach and the source handling of the research is totally different from the ones before. This is because the topic has only been approached from the perspective of the aesthetics of the products, the porcelain objects, with the history of the Herend Porcelain Manufactory having been written along the successful milestones.

In my dissertation I have also examined the history of one of the most outstanding companies of the Hungarian applied art from the year of the millenium to the outbreak of the second world war. Nevertheless, I have mostly incorporated aspects of economic and social history with their methodology in my research, and not events. My primary aim was to find out how the company worked. What kind of causes, series of causes could underlie the financial and business successes or failures of the company in the fifty years in question?

I believe, the operations and the daily routines of a business venture cannot be scoped out, let alone comprehended from the mere ordering of events and results. That is why we have to know the emotional and rational motives and relationships that lie behind the decisions of the management and the owners, depending on the sources. The reconstruction of the operation of the business venture cannot be carried out independently of the industry, the political and economic situation of the age, and the role of the employees making the products of the company.

Consequently, I have based my research on the mapping and analysis of the decision making processes and of the roles, the personalities and relationships of the decision makers. In short, I wanted to look into how a business venture worked in the light of the complexity of the roles of its owners and managers in the leadership, and their strategies in the market, and how the relations with the state, with the production and the sales determine its financial

results. Only after the mapping and analysing of all these can the background of the success of a Hungarian business venture known in all Europe be reconstructed.

II. Methodology

In the course of my research and constructing this dissertation I regarded the Herend Porcelain Manufactory as a business venture. From the methodological point of view I mostly used the perspectives of the new company history approach, the Business History, which was formed in the 1970s/80s. The core of this method is the micro-scaling and perspective, and the multiperspective examination of the operation and daily running of the given company, often with social scientific methods. In the case of the latter the grounds were the sociometrical analyses borrowed from sociology. Although several Hungarian researches and analyses have been made recently, besides these examples I have mainly used the most prominent works from the German company history (Unternehmensgeschichte). One of the works of the German Hartmut Berghoff must be highlighted here, in the focus of which stands a business venture in a village very similar to the one in Herend, which later became world famous. Berghoff gave a very important theoretical help to me with my research not only because of his theme, but also his approach. The German author analysed the history of a business venture in a small village in Baden-Württemberg in a wider context, embedded in the economic structure of the region, and placed in the network of international markets. One of his most important questions was how a rural small trading venture could become a world famous company, and what decisions, relationships, operational mechanisms and market conditions intervened in this process? When modelling the development of the venture he used the business philosophy of the peculiar generations, and their interrelations as framework. Besides he paid special attention to the technological and innovative investments affecting the financial and market position of the venture, that is the transactional costs in a broader sense.

Thus Berghoff modelled the development of a rural firm which was very similar in size and the way it was developing. The Herend Porcelain Manufactory with its documentation in the archives complemented with other sources seemed appropriate to apply the Berghoff method to a Hungarian venture. Based on these, I started to map and analyse the operation of this small trading company from a village in Veszprém County growing into a corporation which employs hundreds of people, and the network of relationships of its owners and

managers, their decision making mechanisms, the causes and series of causes lying behind them and their investments.

In order to examine the network of relations of a business venture, especially if it is so deeply embedded in the cultural and diplomatic life of a country like Herend, it is inevitable to unravel the informal channels, namely the private and professional networks of relationships, key positions, which could each significantly affect the performance of the company. For this reason, I have compiled the personal details of and the different public and professional roles played by the ones who took part in the management of the company later on (board of directors, supervisory board, general meeting, preferential share holders). The knowledge of these pieces of information was inevitable for me to be able to analyse the sociometrical patterns of the people in any way related to the company who were involved in the decision making and presumably contributed to the running of the company either directly or indirectly. All the private or semi-private correspondence and records that have survived up to date in the documentation of the company or in other public collections proved to be very useful, though quite scarce. As it is almost impossible to scope out all the relationships, I had to restrain myself to focus on the most important connections and to identify and interpret only the relations of key importance.

In the research the statistical figures, compasses and the different registers proved to be useful quantitative sources. All the data elicited from these could be more profoundly analysed with the help of formal reports, correspondence, private documents, fragments of documents, letters, records and photos made possible by the archive of the company. As a result, heretofore unknown pieces of information have come to light about the daily life of the company, the relationships of the managers, the business and personnel policy of the company.

In the dissertation great emphasis is given to the issue of the porcelain as a traditional symbolic object in the diplomatic affairs, and the role it played in forming the relations between the company and the state, namely the governmental commissions and the various financial supports, and the implicit or explicit governmental diplomatic marketing. In order to reconstruct these, I have used the contracts and correspondence between the ministries and the company, and the informal messages put down in writing. It can well be reconstructed from the documentation of the company why and how the governmental relations from tight to loose changed in the given period.

Besides the governmental relations the economic connections had to be overviewed when analysing the operational mechanisms of the Herend Porcelain Manufactory. It was unavoidable to look into the dimensions of the influence of the financial sector. Obviously, the presence (or more often the lack) of (external) capital was a recurring issue also for Herend.

The 50 years in question strengthens this correlation. Fortunately, during the period between the two world wars, the financial maneuvers of the company and the motives of would-be investors, financial circles and banks giving loans or some fortune hunters can clearly be seen due to the well documented files.

III. Results

In the preamble of the dissertation I described the establishment of the porcelain manufactory, with the successes of the first decades, briefly mentioning the professional prizes and the orders which are the most immediate signs of success. From the 1840s Fischer Mór increasingly spread the image of the brand not only in Hungary but also in the Austrian Monarchy, thanks to his political connections and excellent business sense. This was endorsed by the aristocratic patrons who did not wish to invest capital in the business but by paying a lot of money as customers they helped promote the company. The fragmented documents shed light on the practice of Fischer Emil, who tried to sell his high quality products for target groups, the Hungarian aristocrats and in the commercial centres of Vienna and Western Europe. The sale was conducted via personal contacts, without mediators in every case.

Sadly enough, we do not have enough sources from the 1880s to know about the details of operations of the company, which was going through a tough period after several reorganizations. What we do know is that the theretofore widely reputed brand in Europe was approached by the Hungarian government and in an attempt to save it from bankruptcy they bought it in return for the settlements of its debts and set it up again as a limited company. Although the research did not cover this period, it would be worth examining in the future why this limited company set up by the state went inoperational. The research is hindered by having only a few files from the documentation of the company from these years, so the analysis could only be based on secondary sources.

This paper starts with the year of the millenium, when the grandchild of Fischer Mór buys back the company once made successful by his uncle. In the next three decades or so, the

sole proprietorship set the possibilities and the boundaries of the company. The owner, Farkasházy Jenő, who was an excellent expert of arts and not a businessman, regarded the porcelain manufactory a stage of the creation of art, as he once saw it in Sèvres or in Meissen. Without a business attitude he could not or hardly could provide the necessary financial background for the creation of arts.

His personality merged the private and the business man, as is proven by the fragmented sources in the archive of the company. The sole proprietorship and leadership entailed serious disadvantages in the case of a business with a well known brandname even at the turn of the century because in this period another significant Hungarian business venture, the Zsolnay also was operating in the form of a limited company, let alone the western European competition. In the case of partnerships the ownership was shared between the shareholders, and the leadership and management were increasingly taken on by paid employees, managers. Farkasházy Jenő was far from this, so he lagged behind his competition.

As in the second part of the dissertation, which deals with the years when the business worked as a limited company, the international outlook and benchmarking played an important part in the years hallmarked by his name. This is necessitated by the fact that the company depended on the European porcelain industry in terms of both the raw material import and the product export already from the middle 19th century. In the 15 years preceding the first world war the big Czech companies, which were working as limited companies totally saturated the Hungarian market with their products in the common market of the Monarchy. Due to this, the Hungarian porcelain industry including Herend could not become a visible player in the market as for the industrial and commercial statistics.

In this situation it seemed to be a really good business strategy to sell its high quality products via personal interactions outside the business processes. In the event of the handicraft industry this local or regional sale was totally widespread, but Farkasházy had connections of European scale as he was continuously on the road between Paris, Vienna and Budapest and from 1896, Herend. Although the great European porcelain manufactories also sold their products via agencies already at the turn of the century, in the case of Herend this became a normal routine later on. The main reason for this was the personality-driven attitude of ownership.

That is why I tried to map the relationship network of Farkasházy Jenő in the first part of my thesis, getting to know people, institutions and businesses which directly or indirectly linked to the daily life and products of the company. The meeting point of the interactions was

Paris and the French culture. Farkasházy Jenő had a strong spiritual and ideological connection with the people who he had studied together or socialized with in Paris, which is well reflected by the fragmented private documents and scattered corporate correspondence.

These connections largely determined his „sales policy” and trading routes, as his porcelains were sold mostly to French and Belgian customers before 1914. His French connections were also useful in Hungary. These relationships could make a difference in the course of daily business and the realization of self-interest, as for example Zichy Jenő, who supported the company as the president of the National Industry Association.

The fragmented financial documents, however, show that despite the promising domestic output the business had invariably suffered from financial problems. In order to understand this, it was inevitable to reveal the cornerstones of his mentality and business perspective.

The second part of the dissertation analyses the decision making mechanisms, relationship networks, and sales policy of the company working on as a limited company from 1923.

As for the latter, I have set the framework of analysis and evaluation along macroeconomic periods. Consequently, the great depression and the short boom before the second world war mark the intervals in which I examined the sales policy and its efficiency compared to international figures. In this 15 years sales growth can be detected from the middle 1920s and 1930s depending on the international markets, the economic situation of the country, and thirdly, on the management of the company.

As for the sales, just as in the period under Farkasházy Jenő, it seemed important to reveal the background figures and directions. From the mid-20s the management worked according to distinctive responsibilities, and sales became the responsibility of the director, Gulden Gyula. Gulden shaped the business according to its ideals in the given period. For this, he obtained the majority of the shares and had great achievements thanks to his excellent connections and business sense.

He was a businessman who did not make business connections based on personally shared experiences, but he rather based them on more pragmatical aspects. He was the first leader of the company with a manager perspective. According to the sources that have remained he had an enormously rich network of relationships in the field of the national financial, political and cultural life. Moreover, he could continuously expand these not only in

Europe, but also overseas. Although Gulden and the board of directors had extent connections all over the world, the political, diplomatic and macroeconomic relations and systems of relations largely determined the destinations of his products. I take a detailed look at the diverse export destinations, the particular countries, the target markets. The foreign trade turnover of the company essentially aligns with the Hungarian economic indicators, so Austria and France in the 1920s, England and the USA from 1934 to 1939/1940 became the primary destinations for the export. From 1936 the foreign trade with Germany and Italy reached an unprecedented level.

Much emphasis was put on the relations between the private business and the incumbent Hungarian governments of the era in the dissertation. The situation of the Herend porcelain was unique in as much as it became an essential object in diplomacy from the second part of the 19th century. This way the state became a remarkable but unpredictable customer. It was the state itself that the board of directors led by Gulden Gyula saw the potentials in as regular customer, which came true from the middle 1930s when the orders from the different branches of the state gave continuous work to the company.

Examining the sales and operations of the company in the 50 year period in question it can be observed that whenever the government acted as a regular customer or as a partner granting discount credits, the financial situation of the company became stable and improved.

Working relationships which were given much care and attention made a difference not only with the domestic and foreign business partners but also with the different branches of the government. Analysing the sociometrical patterns I tried to model the transaction costs over the period, which is one of the key aspects of the Business History. It means taking into account all the investments and costs whose level of profitability may refer to the success or failures of the transactions, most precisely the market research (advertisements, inquiries, commercials), quality assurance and the involvement of experts. In the 50 years in question the reduction of transactional costs and their highest return aligned with the period when the company acted as one limited by shares, especially the second part of the 1930s. There are several examples supporting this in the final chapter.

Scoping out the relationships, interest groups, and the way their interest was realized was crucial in being able to profoundly evaluate the business results of the company. All these encompassed the other market players outside the company. Part of the dissertation is the description of an attempt to get a status which well indicates the different movements in the

Hungarian economy in the first part of the 1920s through intricate interactions, clashes of interests.

In the chapters I highlight the most important figures of daily operation, the workforce of Herend. Although the research focuses on the network of relationships of the company, its decision making process, and its changes, the composition and skills of the workforce, the situation of the apprentices also had an impact on the production, and on the operation, in a broader sense. Due to the given framework of the dissertation I could not take a more detailed look at their employment and existential conditions.

Although the dissertation ends with the year of 1939, the outbreak of the second world war, when the structure of ownership changed, I also outlined the events and the results of the years of the second world war.

IV. Bibliography

- A műhelytől a szalonig. A Herendi Porcelánmanufaktúra a Monarchia idején. Veszprém, 2011. 112p.
- Az otthon dísze. A magyar porcelánpiac helyzete 1903-ban. Aetas, 2012/3. 65-75.
- Visszacsatolt piacok? A Herendi Porcelángyár kereskedelmi kapcsolatai és fogyasztási szokások Észak-Erdélyben 1940-1944 között. Korall 2013/1. 186-209.
- A Herendi Porcelángyár Rt. fővárosi üzletének vendégeköre egy irodai napló alapján, 1938-1939. in: Halmos Károly- Kiss Zsuzsanna- Klement Judit (szerk.): Piacok a társadalomban és a történelemben. Budapest, 2014. 221-231.
- A Herendi Porcelángyár Rt. fővárosi üzletéhez érkezett önéletrajzok, mint normaminták 1935-1942. Urbs. 9. 2014. 243-253.
- Egy vállalatigazgató New Yorkban. Gulden Gyula herendi ügyvezető igazgató útibeszámolója, 1939. Korunk 2015/7. 85-90.
- Üzlet és diplomácia. A Gulden Gyula vezette Herendi Porcelánmanufaktúra. Veszprém, 2015. 176p.
- A Herendi Porcelángyár Rt. államosítása. Betekintő 2015/3.
- Die deutsch-ungarische Handels- und porzellanindustrielle Kontakte in der ersten Hälfte des 20. Jahrhunderts in: Zsolt K. Lengyel (Hg.) Ungarn Jahrbuch. (32.) Regensburg, 169-176.