

## **Business, Finance and the State in Russia in the beginning of 20th Century:**

### **example of Poutiloff Company**

Svetlana KUZMINA

University Paris-Sorbonne (Paris IV)

State always plays an important role in any economy, but in various countries, their level of intervention is different. The specific characteristic of Russia during its history is the particular importance of the state in this economical development. It was the government which was the initiator of modernizing process in country's economy as the most active and the strongest social organization. In the beginning of the twentieth century in Russia, was built a system of development in which government controlled almost every parts of national economy. One part of this economy was the state property and the other was under the regulation of government. As said Witte, financial minister: "Art, literature, science and industry –all that in Russia was at state's service. If it was not the totality, at least it was the bigger part of it". The main method of regulation of economic processes in the country has become the established system of state orders. The question about getting the state order was determined for Russian heavy industry as it depends directly on the survival of the company and its successful development. Then, the relation between state and business were very close.

Overall, business and state's relations was particularly close in the industrial military trust because the most important goal was the support of the political and military world position influence. The greater example of relation between state, business and finance was shown in the Poutiloff factories. The biggest private firm of the country at the beginning of the twentieth century began its activity in rail production under government protection and good circumstances of national expansion. Then, in the factory other sides were progressively developed like wagons and locomotives construction, metal works, boat buildings and artillery. The factories production assortment determines the close relations with government which was the most important client and consumer of factories production.

### **1Trends in state policy**

The failure of the Russo-Japanese War of 1904-1905 fluctuated considerably in the international prestige of Russia and put the question on its military power. Against the background of strengthening inter-state conflicts in the early XX century and the development of science and

technology have led to radical changes of technical equipment of armies of the developed European countries. Before Russia faced the task of conducting large-scale military reform. Supplies of war materials were provided to Russia until the early twentieth century by the state industry and considerable foreign orders. The military industry in the private sector as a particular branch of the national economy barely existed<sup>1</sup>. The failure of the Russo-Japanese War highlighted the apparent inability to meet the requirements to provide the army and the fleet by the institutions of the state. At the same time, foreign orders were to escape the country's monetary resources and made important tributary arms of Russia companies and foreign governments. The combination of weak growth in the war industry in Russia with the rapid development of military technology forced the Russian government to recognize the need to invest in the reconstruction of the national military-industrial complex on its own.

In November 1907, the Russian government decided to provide for military needs "in Russian factories in Russia and materials by the Russian workers"<sup>2</sup>. So, it was established the principle under which the state orders should be placed in Russia. It was only in the case of a failure to use indigenous production that orders could be carried out abroad. In April 1908, Ivan Shipov, the representative of the Ministry of Finance in the commission of "the installation of new building munitions plants," wrote that all necessary state orders should be produced in Russia, and if this was impossible, it was then, with the help of foreign firms, "introduce new industries, necessary for the defense"<sup>3</sup>.

After years of financial difficulties, resulting from the war and the revolution of 1905-1907, economic growth and improving the fiscal situation in Russia, authorized the government to increase its military spending. From 1910, the State undertook numerous actions to strengthen the army and navy. In March 1910, the Tsar adopted the "small" program with a military construction project funding over ten years of 1,265,000 rubles for the supply of the army and fleet. In May 1911, entered into force on the building program of the Black Sea fleet, which included the construction of ships for a total cost of 102 million rubles. In June 1912, the Tsar supported a second five-year shipbuilding for the period 1912-1916 for the benefit of the squadron of the Baltic

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<sup>1</sup> Шацкило К. Ф. *Государство и монополии в военной промышленности России конец XIXв. -1914 г.*, М.: Наука, 1992, с. 252. / Shatsillo (K. F.) *State monopolies and the military industry in Russia of the end XIX century -1914*, Moscow: Science, 1992, p.232.

<sup>2</sup> РГИА, ф. 1276, оп. 4, д. 237, л. 146. / RGIA (Russian State Historical Archives), f. 1276, op. 4, d. 237, f. 146.

<sup>3</sup> РГВИА, ф. 2000, оп. 1, д. 1789, л. 3. / RGVIA (Historical Archives Russian State Military), f. 2000, op. 1, d. 1789, fol. 3.

Sea. The cost of this construction was expected to 421,146,027 rubles<sup>4</sup>. In addition, in 1911-1912 the Ministry of the Navy began developing the "big" program of naval construction in which the expenditure prior to building plan of the Russian fleet for the next twenty years (until 1930) were estimated at 2 billion rubles<sup>5</sup>. The final program adopted in 1913 foresaw a significant increase in the Army and the strengthening of the artillery.

This funding is so important that the government intended to produce weapons gave very favorable prospects for the development of private industry, especially for the national shipbuilding industry. As a result of the Russo-Japanese War, Russia was deprived of much of its fleet. The reconstruction of the naval forces became one of the main objectives of the Russian government. Given the past experience of war and technological advances will develop projects to strengthen the Russian fleet. Initially, the process of rebuilding the Russian navy was concentrated in the shipyards of State. But in 1910, the Duma Commission came to the conclusion that the productivity of plants was not sufficient to state taxation of obligations of all naval reconstructions<sup>6</sup>.

The new Minister of Marine Ivan Grigorovich (1911-1917) was a member of the very close collaboration between the state and private companies and was in favor of their involvement in the construction of the Russian military fleet. Given the urgency of the mission of strengthening the navy, he proposed to send some orders state to private operators Russian hitherto neglected. The government sided with the opinion of Grigorovich and project development programs shipbuilding was developed taking into account the potential of private companies<sup>7</sup>.

So from 1910, the Russian government to achieve its planned building of the army and the fleet turned to the domestic private industry in order distributed very important. These state orders contributed to the rapid development of industry and prominent Russian military in the private sector. In this expansion the company Poutiloff factories played a key role as the leading Russian company in the area of national defense.

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<sup>4</sup> Бовыкин В. И. *Банки и военная промышленность России накануне первой мировой войны* // Исторические записки №64, М., 1959. С. 82. / Bovykin (V. I.) "Banks and the military industry of Russia on the eve of the First World War", *Historical note* №64, Moscow, 1959, p. 82.

<sup>5</sup> Зайцев А. А. *Военное судостроение в России накануне и в период первой мировой войны*. М., 1948. С.232. / Zayzev (A. A.), *The construction of warships in Russia on the eve of the period the First World War*, Moscow, 1948, p. 232.

<sup>6</sup> Петров М. А. *Подготовка России к мировой войне на море*. М.; Л., 1926, с. 136-137. / Petrov (M. A.), *Russia preparing for World War at sea*. Moscow; Leningrad, 1926, p. 136-137.

<sup>7</sup> Поликарпов В. В. *Из истории военной промышленности в России (1906-1916 гг.)* // Исторические записки №104, М.: Наука, 1979, с. 142-143. / Polikarpov (V. V.), «From the history of the military industry in Russia (1906-1916)», *Historical note* №104, Moscow, 1979, p. 142-143.

## 2 State influence on the structure of production of the Poutiloff factories

### 2.1 Metallurgical industry

The Company Poutiloff factories was the largest private Russian early twentieth century, "Krupp Russian" as it is nicknamed. During its history, the state had the decisive role in the functioning of the company as the main consumer of its production. And obtaining orders of State defined the development success of the company Poutiloff.

The history of the Company Poutiloff factory began again in 1789, when near Saint-Petersburg was built the new smelter plant state. But strengthening the position of this plant in the domestic industry to radically distinguished by the activity of a remarkable businessman Nikolai Poutiloff<sup>8</sup>. In 1868, he gave the state its plant, based on which Poutiloff organized the mass production of iron rails, and merchants. The application of the innovative method in the production of iron rails structure with heads of steel, increased considerably better technical competitiveness of the company in the domestic market and assured the business of state protection is achieved by distribution of large orders<sup>9</sup>. During the years 1868-1878, the company becomes provider Putilov priority state rolling stock made 42.5% of values rails in Russia<sup>10</sup>. No other Russian company had the same government support. Orders of State assured the rapid growth of the institution Poutiloff.

But from 1881, the Russian government changed the policy towards strengthening the industrial protectionism and adopted a series of restrictive measures in the customs system. The outcome of this protectionist policy was in the validation of the tariff of 1891, which settled higher taxes on the proceeds of foreign steel. Therefore, from 1886, companies based their production on the use of foreign materials were considerably reduced in development.

The absence in the North-Baltic raw materials and also the proximity of the maritime boundary determined the characteristic of the functioning of Poutiloff factories, who based his production on the use of fonts and imported coal (English). With the restrictions on import of

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<sup>8</sup> Мительман М., Глебов Б., Ульяновский А. *История Путиловского завода 1801-1917*. 3 изд. М.: Соцэргиз, 1961, С. 17-18. / Mitelman (M.), Glebov (B.), Ulyansky (A.), *History of Poutiloff factories 1801-1917*. Moscow, 1961, p. 17-18.

<sup>9</sup> Соловьева А. М. *Промышленная революция в России в 19 в.* М.: Наука, 1990 с. 124. / Solovyova (A. M.), *The Industrial Revolution in Russia in the XIX century*, Moscow: Science, 1990, p.124.

<sup>10</sup> *Обзор промышленных мероприятий по развитию в России металлической промышленности*. Сост. Алексей Антипов. СПб., 1879. С. 38. / *Review of industrial development activities in the Russian metal industry by Alexey Antipov*, St. Peterburg, 1879, p. 38.

foreign iron, the company Poutiloff was in a difficult situation. And the sharp reduction in construction of railways in the early 1880s, led to the aggravation of competition for orders between the State Russian operators. To increase its competitiveness for state orders, the Company of Poutiloff addressed the government with a petition in the award in exchange for development of iron production in the region of Olonetz. The government accepted the proposals and the company began in 1895, the construction of a smelter in Finland Widlinski. The state supporting the expansion of iron production in Finland provided the company in order for eleven and a half million pounds of rails. The price of a pood of rails Poutiloff returned to the government at 1.68 rubles, while the market price was 85 kopeks. Therefore, the payment of state for this command was 10 million rubles, which would be estimated as an encouragement and financial support for the development of the mining area to the north.

The factory was preparing Widlinski only the melting of wood in small quantities. Its production was not enough to cover the one month depending on the Company and the melting Poutiloff who was cast proved poor. In 1898, the establishment Poutiloff stopped the exploration of mines. And in 1902, the plant Widlinski was stopped because the price was higher than returns from melting purchased. Intensive development of metallurgy in the new industrial region of southern Russia were impossible to endure increased competition for the company of Poutiloff<sup>11</sup>. The strategy of the company was forced to reorganize its business in fundamental ways. The transformation of the production structure by developing the production of metal processing, metallurgical section leading into the background in the civil Society Poutiloff. The new workshop building locomotives and wagons, mechanical and artillery grew as big as the metal loses its importance.

## *2.2 Section of construction of rolling stock and locomotives.*

The intensive development of the network of Russian railways in the years 1867-1878 created a strong demand not only rails but also rolling stock. In this industry, Russia was previously entirely dependent on foreign imports, as businesses in the country specializing in this field were absent. In 1868, to change this situation, the government introduced a high tax for imports of convoys and adopted incentives for Russian industry such as orders guarantees, advance payments

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<sup>11</sup> Archives de Banques Cr dit Lyonnais, DEEF 22120.2. / Archives of Credit Lyonnais Bank, DEEF 22120.20.

and the deductible rate at the entrance of metals foreign production of locomotives and wagons<sup>12</sup>. The effects of state actions had a positive result, some Russian factories engaging in new productions which included the company Poutiloff who opened the new workshop of cars in 1874.

But the promise of state to ensure orders for domestic operators had not been met. As a result of unstable market conditions did not develop this branch of industry in a big way. Until the late nineteenth century, in the structure of its production company Section Poutiloff construction of rolling stock had an additional, representing only 7.9% of turnover, far from the metal, the main branch of industry (*see Annex Table 1.*). This was replaced by a great boom in the 1890s that was linked to developing large-scale construction of railways in Russia and the sudden increase in traffic required a considerable amount of convoys. Russian companies by increasing production, expanding the spectrum of manufacturing.

The extension of the domestic car construction and opening in 1893 of the section of locomotives continued in society Poutiloff<sup>13</sup>. The manufacture of rolling stock was a branch of industry which the company relied on to perform the reorganization of the structure of production while the government assured the society of control plants Poutiloff guaranteed eight locomotives per month<sup>14</sup>. In the table, it can be seen (*see Annex Table 1.*), in the 1890s, sales of the section of rolling stock increased gradually. In 1890 it rose to 12.5% in 1895, she was already at 31.7%. In the years 1900-1905 was a main branch in the production structure of society Poutiloff plants on which rested more than 50% of sales (1900 to 53.3% from 1905 to 54.1%)<sup>15</sup>.

The company Poutiloff was a leading provider of railway locomotives in Russia even if it was not easy. I must say that in the early years, the construction of locomotives in society Poutiloff effected by copying existing models. But from the beginning, it ran into stiff competition from plants in Central Russia, the giant construction of rolling stock as Kolomna, Bryansk and Sormovo. These firms had an advantage over Poutiloff. The production of locomotives in central Russia was

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<sup>12</sup> Артоболевский И.И., Благоднравов А.А. *Очерки истории техники в России (1861-1917)*. М.: Наука, 1975. С. 167./ Artobolevsky (I. I.), Blagonravov (A. A.), *Essays on the history of technology in Russia (1861-1917)*, Moscow: Science, 1975, p.167.

<sup>13</sup> Archives de Banques Crédit Lyonnais, DEEF 13599, dossier Poutiloff.

<sup>14</sup> Ильинский Д. П., Ивалицкий В. П. *Очерк истории русской паровозостроительной и вагоностроительной промышленности*. М., 1929, С. 79. / Ilyinsky (D. P.), Ivalitsky (V. P.), *Essay on the history of Russian steam locomotive and carriage-building industry*, Moscow, 1929, p. 79.

<sup>15</sup> Archives de Banques Crédit Lyonnais, DEEF 22120.2 ; Archives B.U.P., CN 393, dossier n° 190.

less expensive because the area was more close to the south, so raw materials cheaper and the price of labor was lower than that of St. Petersburg<sup>16</sup>.

To maintain its place in the competition on the domestic market, the company Poutiloff in basic policy strategy in the section of construction equipment on the basis of industrial progress in creating its history for several Russian railways models of locomotives of the most modern technical level. For this purpose, the management of the company instituted a technical office of locomotives, which had the following main functions: to build new ones, improve the old and create their own models. The very important contribution in the technology of locomotives and particularly in Russian society Poutiloff was brought by the remarkable work of two brilliant Russian engineers: Gololoboff Michail (1870-1919) and Raevskiy Alexander (1872-1924) the authors locomotives of the Russian-built four-cylinder series У, Уу Лп and so on. high-performance technical level.

However, the inventions of the company Poutiloff does not guarantee commendams state always wanted. Often the company was developing a new model of locomotive, then received a small order first for this type, but mass production was passed on to other companies<sup>17</sup>. However, the company could keep Poutiloff its place among the leading manufacturers in the construction of rolling stock, particularly through its ongoing participation in cartels. But it must be said that Russian companies were working with a backlog incomplete. Orders for locomotives not cover the possibilities of productive enterprises. The company plants Putilov had the capacity to build 300 locomotives annually but it produced an average of 140 a year<sup>18</sup>. So each company continued to obtain a large order in the context of a tense competition.

### 2.3 Section of artillery

The artillery section of society Poutiloff was of utmost importance in the arms of the Russian army on the eve of the First World War. The company Poutiloff factories turrets, shells, gun carriages, cannons and howitzers and other weapons. The representative of large foreign firms for the construction of war material in Russia and the creator of its own new weapons systems, the company was the sole operator Poutiloff national of a series of artillery systems among the most

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<sup>16</sup> Мительман М., Глебов Б., Ульяновский А. *История Путиловского завода 1801-1917*. 3 изд. М.: Соцэкгиз, 1961, с. 40. / Mitelman (M.), Glebov (B.), Ulyansky (A.), *History of Poutiloff factories 1801-1917*. Moscow, 1961, p. 40.

<sup>17</sup> Там же./ *Ibid.*

<sup>18</sup> Archives de Banque Crédit Lyonnais, DEEF 13599.

modern. "Exceptionally Poutiloff the company built a series of weapons systems, without the liners. This includes: the barrel of 3 inches (76.2 mm), 3-inch gun (76.2 mm) 1913 model, the barrel of 3 inches (76.2 mm) DCA, the 122 mm howitzer model 1906 and 1910, the barrel of 6 inches (152 mm) and the Schneider 107 mm gun, model 1910 "recalled General artillery Vadim Mikhailoff<sup>19</sup>. In terms of technical requirements of this time there were two institutions in Russia: a society of state Obukhov and Poutiloff.

The installation of the artillery section was begun in the 1880s. Early in his organization, the service of artillery took the utmost importance. Considerable investments were placed in the organization of this workshop. The tools were based on modern equipment and the most perfect stranger. The operation of the service company of artillery Poutiloff to build relationships with leading foreign companies producing war materials. Among the foreign technology absorbed by the company Poutiloff, a lead role was awarded to French industry, especially at home Schneider Co<sup>20</sup>. However, the company began its activity Poutiloff in the production of military equipment based on foreign technology, from the beginning, she embarked on research to develop its own technical achievements, thus developing new systems arming<sup>21</sup>. In 1892, we established the technical office of artillery, which became a major center of science construction in Russia. Here was developed the first model of gun for the contest Poutiloff state rearmament of Russian artillery<sup>22</sup>.

The effects of the Russo-Turkish war of 1877-1878 showed the ineffectiveness of the Russian artillery against the Turkish fortifications. Consequently, the General Staff of the Russian army became aware of the need to modernize the Russian artillery and, to this end prepared a draft reform based on the principle of unity of class and the shells, which came directly from France. For the competition state model of the best gun for rapid fire light artillery caliber 76 mm. The company Poutiloff technique developed in collaboration with Schneider very place two models of canon 1900 and 1902 years. The model of canon 1902, which was a synthesis of foreign technical improvements and innovations Russian, was recognized as one of the best guns company at the

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<sup>19</sup> Генерал Михайлов В.С. Документы к биографии. Очерки по истории военной промышленности. М.: РОССПЭН, 2009. С. 375. / General Mikhailov. Documents for the biography. *Essays on the history of the military industry*, Moscow, ROSSPEN, 2009, p. 375.

<sup>20</sup> Archives de Banques Crédit Lyonnais, DEEF 11850.1 *Poutiloff*; Archives de ministère des affaires étrangères. Affaires diverses commerciales, №436, carton 27<sup>e</sup>.

<sup>21</sup> РГВИА, ф. 514, оп. 1, д. 64, л. 3, 139, 213./ RGVIA, f. 514, op. 1, d. 64, fol.3, 139, 213.

<sup>22</sup> Мительман М., Глебов Б., Ульяновский А. *История Путиловского завода 1801-1917*. 3 изд. М.: Соцэкгиз, 1961, с. 155. / Mitelman (M.), Glebov (B.), Ulyansky (A.), *History of Poutiloff factories 1801-1917*. Moscow, 1961, p. 155.

time. On 3 March 1903, the Russian army had recourse to this canon, selected from the eleven models of large houses<sup>23</sup>.

The competitive success of the company Poutiloff reported large orders of state. Between 1900-1904 the company Poutiloff absorbed a quarter of the amount allocated by the state for the rearmament of its artillery, which represents more than 21 million rubles<sup>24</sup>. The company became Poutiloff supplier of state of the utmost importance in ordnance. Large orders allowed the company Poutiloff overcome the trials of the economic crisis of the early twentieth century. And the outbreak of the Russo-Japanese War in 1904-1905 had an important role in the order confirmation state. In the production structure of the company, the section of artillery developed a significantly and gradually took a dominant place (*see Annex Table 1.*).

From the end of 1907, the State undertook numerous actions to strengthen the army with the infusion of substantial funds. For his artillery, the government planned fundamental changes since the unsuccessful campaign against Japan demonstrated the need for a variety of types of guns especially for the heavy artillery<sup>25</sup>. Faced with the limited capacity of its industry to meet the weapons program of heavy artillery of his army, the Russian government appealed to foreign know-how. Before the First World War, the Russian Army adopted his artillery to several new types of weapons, most of whom were of foreign technologies.

The Poutiloff society in its ambition to strengthen its position as the best company in manufacturing artillery drew up a very stubborn business strategy based on the principle of being sole representative of foreign technology. It was his leadership and in 1907 signed two very important contracts with large houses Krupp and Schneider, which defines the further development of the institution. These contacts gave the company permission to manufacture materials Poutiloff artillery systems and assured their technical support in the transfer of advanced technology and know-how pay a fee<sup>26</sup>. Agreements ensured the company's position in Russia Poutiloff licensed as the exclusive representative of Schneider and Krupp.

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<sup>23</sup> Барсуков Е. З. *Артиллерия русской армии (1900–1917 гг.)*, М.: Воениздат, 1948–1949. Т. 1, Ч. 2., с. 213. / Barsukov (E. Z.), *The artillery of the Russian army (1900-1917)*, Moscow, Voenizdat, 1948-1949, Vol. 1, Pt. 2, p.213.

<sup>24</sup> Мительман М., Глебов Б., Ульяновский А. *История Путиловского завода 1801-1917*. 3 изд. М.: Соцэкгиз, 1961, с. 159. / Mitelman (M.), Glebov (B.), Ulyansky (A.), *History of Poutiloff factories 1801-1917*. Moscow, 1961, p. 159.

<sup>25</sup> Широкоград А. Б. *Энциклопедия отечественной артиллерия* / под общ. Ред. А.Е. Тараса. – Минск:Харвест, 2000, с. 456. / Shirokorad (A. D.), *Encyclopedia of the National Artillery, Minsk, 2000, p. 456.*

<sup>26</sup> ЦГИА Санкт-Петербурга, ф. 1309, оп. 1, д. 256, л. 121. / ZGIA de Saint-Pétersbourg, f. 1309, op. 1, d.256, fol. 121.

In 1909-1910 the Russian army adopted six systems of heavy artillery: 1 of Krupp and 5 of Schneider. The company had Poutiloff patents for the manufacture of these types of weapons and in most cases their rights were exclusive. This unique position as the only Russian company producing foreign systems of most modern artillery allowed the company of Putiloff to occupy a dominant national armaments. This was facilitated by the development of their own design ideas. The activity of intensive technical research department had an important role in the development of the artillery section of the company. The direction of Franz Lender, the founder of Russian anti-aircraft artillery, the society was Poutiloff developed new systems such as two Russian artillery anti-aircraft guns, the world's first 57 mm (1910) and the barrel 76 mm (1914), the short barrel (mountain) 76 mm (1913), which was widely circulated during the First World War<sup>27</sup>.

The company accumulated a very large state orders for several million rubles is comprised 43.3% of its total production, which ensured a great activity to their workshops and has led their development, reporting and 70% of profit<sup>28</sup>. The position of the company Poutiloff in the domestic market on the eve of First World War was indisputable. She played a leading role in the rearmament of the Russian artillery. This position was strengthened even more thanks to huge investments made in 1912-1914 by the Russian-French financial group.

### **3. The company Poutiloff - birth of a leader national.**

#### *3.1 The French investment in the development company Poutiloff*

The funding important that the Russian government intended to strengthen its army and navy had the effect massive investments of a private in the defense industry promised substantial revenues and stable. The fundamental role of these belonged to a few large Russian and foreign banks which, in combination with powerful international companies such as Schneider, Vickers, Krupp, Skoda and others established their control over private companies producing Russian weapons<sup>29</sup>. The financial and industrial groups that were formed as a result generously invested in the expansion and construction of new Russian companies in ensuring the financial and technical assistance.

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<sup>27</sup> Широкоград А. Б. *Энциклопедия отечественной артиллерия* / под общ. Ред. А.Е. Тараса. – Минск:Харвест, 2000, с. 458. / Shirokorad (A. D.), *Encyclopedia of the National Artillery, Minsk, 2000, p. 458.*

<sup>28</sup> Бовыкин В. И. *Финансовый капитал в России накануне первой мировой войны* М.: РОССПЭН, 2001. с. 220. / Bovykin (V. I.), *Financial capital in Russia on the eve of First World War, Moscow, ROSSPEN, 2001, p. 220.*

<sup>29</sup> Бовыкин В. И. *Финансовый капитал в России накануне первой мировой войны* М.: РОССПЭН, 2001. с. 83. / Bovykin (V. I.), *Financial capital in Russia on the eve of First World War, Moscow, ROSSPEN, 2001, p. 83.*

The company Poutiloff appeared highly relevant to business. Possession of the open society of the financial perspective because the remarkable state orders piling up. This was the only company that could have been able to organize the construction of heavy guns in Russia. And the possibility of approval of existing programs to strengthen the Russian fleet sparked a possibility of having a percentage of orders for which the State Board is considering a project of the foundation of the shipyard, "The installation sites in order to get orders from the Navy, the company had put Poutiloff major interest in terms of ensuring more work to constant, increasing sales, reducing overhead costs were levied other commands"<sup>30</sup>. The realization of these projects requires substantial investment in business development.

The Schneider-Creusot, was in technical relationship with the company since 1888 Poutiloff. She wanted to develop its collaboration with the great Russian company in a more stable and more intensive. In 1910, Schneider intervened to help establish contacts the company Poutiloff with French banks<sup>31</sup>. The position of this company in the arms industry aroused the interest of national banks. In the summer of 1912, upon completion of the transaction increased the company's capital from 16 million to 25 million rubles, the French financial group, "Union of Russian business," which brought together the bank of Union Parisienne, Societe Generale de Belgique and the houses of banks Hirsch and Thalmann, with the participation of Schneider's house and a Russian investment bank's Russo-Asian took control of the Company Poutiloff<sup>32</sup>.

The new board of directors launched a full technical reorganization of the Russian company. We developed a program transformation workshops in an increase and a gradual change in its facilities according to modern methods. Schneider undertook the technical work to provide for the redevelopment and development of society. Large amounts of capital were invested in the modernization of all industries Poutiloff. Between 1912-1914, in the reconstruction had invested about 30 million rubles. New construction and installations carried out within the company have developed considerable work for the fulfillment of state<sup>33</sup>.

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<sup>30</sup> Archives B.U.P., CN 394, dossier n° 202. *Poutiloff. Extrait du rapport du conseil d'administration de la Société Poutiloff 16/29 mai 1913.*

<sup>31</sup> Beaud (C.), « De l'expansion internationale à la multinationale Schneider en Russie (1896-1914) ». In : *Histoire, économie et société*. 1985, 4<sup>e</sup> année, n°4, p. 579-583 ; La Broise (de T.), Torres (F.), *Schneider. L'histoire en force*. Paris, J.-P. de Monza, 1996, p. 115.

<sup>32</sup> Beaud (C.), « De l'expansion internationale à la multinationale Schneider en Russie (1896-1914) ». In : *Histoire, économie et société*. 1985, 4<sup>e</sup> année, n°4, p. 588.

<sup>33</sup> Archives B.U.P., CN 394, dossier n° 202, *Poutiloff*.

On the eve of First World War, the state orders for institutions Poutiloff accumulated. In 1911, the company received orders for 26.7 million rubles, after a year now, they represented a total of 48.3 million and in 1913 reached the figure of 90 million. In 1914, schools honored Poutiloff orders for a total of 125 million rubles. 70% of these were orders from the Department of the Navy and Army<sup>34</sup>.

### *3.2 Technical reorganization of the company Poutiloff serving state.*

The new board had to deal with the profusion of state orders. In order to ensure fulfillment of orders, the company was conducting the reorganization Poutiloff fundamental technique. Construction shipyards Poutiloff were central to this restructuring technique performed by the new board of directors with strong influence of French banks.

On 6 June 1912, the Czar passed a shipbuilding program for the period 1912-1916 for the benefit of the squadron of the Baltic Sea<sup>35</sup>. Through this program, 4 October 1912, the company obtained Poutiloff order against eight destroyers, two cruisers and a rescue vessel for a total of 32.6 million rubles<sup>36</sup>. On 14 November 1912, to the healthy society was founded on new shipyard in Poutiloff. The new large shipyards Poutiloff had the technical level the best performance based on advanced marine engineering capable of performing all the commands of the Navy's most demanding.

French investments were instrumental in the founding of the shipyards Poutiloff. Between 1912-1914, the Russian-French financial group invests in the work of nine 14.6 million rubles, which represented 44% of the funding made in the development of the company. But it was technology that brought the German technical assistance in building construction. Still 4 October 1911, the Company entered into a contract with German company Blohm und Voss of Hamburg, which provided technical collaboration for the installation of this project<sup>37</sup>. Another German firm AG Vulcan Stettin also made a technical support work in the shipyards Poutiloff. After signing the

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<sup>34</sup> Шацкило К. Ф. *Государство и монополии в военной промышленности России конец XIXв. -1914 г.*, М.: Наука, 1992, с. 149. / Shatsillo (K. F.) *State monopolies and the military industry in Russia of the end XIX century -1914*, Moscow: Science, 1992, p.149.

<sup>35</sup> Бовыкин В. И. *Банки и военная промышленность России накануне первой мировой войны* // Исторические записки №64, М., 1959. С. 82. / Bovykin (V. I.) "Banks and the military industry of Russia on the eve of the First World War", *Historical note* №64, Moscow, 1959, p. 82.

<sup>36</sup> ЦГИА Санкт-Петербурга, ф. 1276, д. 2594, л. 1. / ZGIA of Saint-Petersbourg, f. 1276, d. 2597, fol. 1.

<sup>37</sup> ЦГИА Санкт-Петербурга, ф. 1309, оп. 1, д. 18, л. 93. / ZGIA of Saint-Petersbourg, f. 1309, op. 1, d. 18, fol. 93.

July 16, 1913 a new agreement with the company Poutiloff, Schneider - Le Creusot adjoined construction of the shipyard.

In the course of the first year it was finished installing the main constructs. It was built a large dock with a length of 250 meters, 80 meters wide, with 14 cranes from 8 tons and four small blocks for the construction of vessels of small and medium tonnage. The Shipyard Poutiloff was very well equipped. Were installed several different machine shops, shipbuilding, boiler and turbine for copper<sup>38</sup>. The pride of the shipyard was the workshop of the turbines, equipped to handle the technical forefront<sup>39</sup>. Although the construction of Shipyard Poutiloff continued until the First World War and was interrupted by the start, the level of facilities to initiate the implementation of state orders.

The order included the construction of destroyers against class *Novik* class cruisers *Svetlana* and the first Russian ship to rescue *Volkhov*. The story of their invention is of great interest because the company Poutiloff was central to that. For the competition state, the company prepared with input a large Russian manufacturer G. Chlesinger projects original ship with a new stage in the evolution of the domestic shipbuilding industry and the technical characteristics, they were very efficient in their category of the best in the world.

Major investments in the modernization of society Poutiloff in 1912-1914 took place in other industries. About 5 million rubles were placed in the renovation of the metal workshop, which was in poor condition for some time. These funds made it possible to install two new plate mills, a workshop in cylinders, an electric oven, the rehabilitation of Martin steel oven with the adoption of 40 tons, the reconstruction of the copper smelter and workshop manufacture of turrets.

In this period, the facilities of the artillery section, the board was invested more than 6.2 million rubles<sup>40</sup>. A very large sum representing 18.8% of investments in new construction company Poutiloff. The renovations continued with the installation of a gun shop for the manufacture of medium and large caliber of an assembly shop for the manufacture of speed, an annex to the workshop torpedoes and the installation of a 20 ton ram. Artillery became the best division Poutiloff, making 46.6% of total production, it provided 83% of the total income of the company.

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<sup>38</sup> Путиловская верфь. Спб., 1913. С. 1—10./ *Shipyard of Poutiloff*, St. Peterburg, 1913, p. 1-10.

<sup>39</sup> Цветков И. Ф. *Гвардейский крейсер «Красный Кавказ»*. Л.: Судостроение, 1989. С. 17. / Zvetkov (I. F.), *Guards cruiser « Red Caucasus »*, Leningrad, 1989, p. 17.

<sup>40</sup> Archives B.U.P., CN 402, dossier *Darcy*.

The work of the facilities have developed significantly in productivity and progressive company that becomes the absolute thought leaders on the national market.

### *3.3 The strategy of the company Poutiloff.*

The study of the production factor concluded that the company Poutiloff was a prominent business structure includes a wide variety of manufacturing of metal building. The strategy of the company in this industry was to strengthen its leadership in the development of its industrial potential. She succeeded by the commitment of substantial funding to modernize the company and with the active application of advanced methods in the manufacturing process. To maintain its leadership position in the domestic market, the company Poutiloff devised a development policy with the objectives of strengthening in technical collaboration with large houses for global growth in industrial performance. For the technically most satisfactory, the company introduced the Poutiloff know-how and modern technology through the establishment of a technical collaboration with Schneider, Saint-Chamond, Krupp, Skoda, Cockerill, Blohm und Voss AG Vulcan Stettin, etc. Vickers.

At the same time, one can observe that the Russian company places considerable emphasis on research. An intense drive for innovation found expression in the foundation of engineering firms and the active support of their work and the commitment of top engineers and builders as Russian Michail Gololoboff, Raevskiy Alexander, Franz G. and Lender Chlesinger etc.. These high-level research on remarkable results emerged: several new machines with exceptional performances and were created within the company Poutiloff.

The strategy applied to industrial society Poutiloff consolidated the position of the company in Russia and increased the development of the national industrial base.

### ***Conclusion***

In terms of general development of industry in Russia early twentieth century and through the protective policy of the state to stimulate economic development, the company Poutilov Mills became a huge business complex for the production of important key industries the metal for its time. The Poutiloff factory had a privileged position of the only private firm producing pieces of artillery. At more, Poutiloff factory produced exclusively in the country a line of artillery systems new and only from its own production and those of Schneider and Krupp which was in contract. In

1912-1914, Poutiloff company was in very close relationships with French capitals which actively participated in enterprise financing and their technical managing. Thanks to the French banks and industries influence at Poutiloff enterprise several production processes has been settled of different types of weapons at the most up to date technical. Before First World War, Poutiloff company has gotten a very important role in the Russian defense system. In this condition, between Poutiloff company and French-Russian financial group exclusive relationships has been founded. The study of these relationships has become the main point of the present research.

### *Annex*

Table 1.

**Proportion in % of sales of various services of the company Poutiloff**

<b>Year</b>	<b>Artillery</b>	<b>Rolling stock</b>	<b>Metallurgy</b>	<b>Mechanical</b>	<b>Shipbuilding</b>	<b>Various</b>
<b>1885-1886</b>	3,3	7,9	77,5	10,8	0,5	-
<b>1889-1890</b>	5,7	12,5	60,4	20,7	0,7	-
<b>1894-1895</b>	10,9	31,7	49,9	6,4	1,1	-
<b>1899-1900</b>	14,6	53,3	26,8	5,3	-	-
<b>1905</b>	26,8	54,1	7,5	10,3	-	1,3
<b>1910</b>	42,2	34,9	14,0	7,2	1,0	0,7
<b>1911</b>	43,3	26,3	12,3	13,3	4,2	0,6
<b>1912</b>	30,3	29,6	14,3	9,5	15,5	0,8
<b>1914</b>	41	32,8	10,1	14,2	0,5	1,4

Source : Archives B.U.P., CN 397, dossier n°348 *Poutiloff*.