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Pacemakers of Globalization in German Industry: Corporate Strategies at Siemens, Daimler-Benz, and Henkel, 1945–1975

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In the age of globalization, from the late twentieth century onward, we have measured strategic management qualities by their ability to deal with structural changes in a flexible and innovative manner. Until the early 1970s, German companies got the necessary managerial tools to do this by facing up to their American competitors and learning from their management practices. With the help of expertise and innovations from the United States, German companies were able to meet the challenges posed by a global world economy. Using business records, I examine globalization at a microeconomic level by analyzing corporate strategies and techniques German companies such as Siemens, Daimler-Benz, and Henkel chose to cope with the internationalization of business until the 1970s. I address the motivations and results that accompanied this process of globalization.

Globalization of German industry, begun in the late nineteenth century with the opening of new geographical markets, received severe setbacks from worldwide protectionism during the 1930s and the Second World War. Only from the 1960s onwards did internationalization again power corporate growth. German companies began global expansion because of decreasing domestic markets. The entry of international competitors produced completely different market conditions for German producers than they had before the war, particularly in marketing and sales policy.[1]

Using business records from corporate archives, I examine globalization at a microeconomic level. I analyze the management strategies and techniques German companies such as Siemens, Daimler-Benz, and Henkel (now ranking among the world's top one hundred companies) chose to cope with the changing competitive conditions during the early period of globalization between the 1950s and the early 1970s. How did globalization evolve and how did it work

[1] This paper is part of my habilitation thesis, Susanne Hilger, *Die 'Amerikanisierung' deutscher Unternehmen. Wettbewerbsstrategien und Unternehmenspolitik bei Henkel, Siemens und Daimler-Benz nach dem Zweiten Weltkrieg (1945 – 1975)* (Stuttgart, 2004).

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on a microeconomic level? What were the mechanisms and the knowledge companies needed to globalize? Moreover, how did companies transfer globalization expertise?

Globalization can be measured by a company's share of employees, sales, and profits in foreign European and non-European countries. Global players have to obtain a leading role internationally, particularly in their core competences. This means they must perform in foreign markets exactly like a domestic company. Globalization occurs not just because of an adequate institutional and legal base, the deregulation of markets, or the implementation of a worldwide communication technology, but also because of the abolition of cultural barriers and by the implementation of a "global" system of values.

The globalization of production, investment, and capital markets has recently become the "new American challenge" of the late twentieth century.[2] Thus, we might interpret Americanization strategies that provided modern management expertise and growth strategies as "pre-globalization" because they enabled German companies to globalize their business in the nearer future. In this view, terms such as "American-style capitalism" and "economic globalization" seem almost synonymous. Following its rise to world power after World War II, the United States has influenced the western world both politically and economically. While the War delayed innovation processes within European economies, the United States, with highly developed research potential, strong technology, and a very efficient industrial management system gradually developed the universally accepted model for globalization.

The interrelation between economic globalization on the one hand and Americanization on the other has not been sufficiently researched, although it offers a great deal of information on the economic, political, and cultural rooting of the western economy during the second half of the twentieth century. Thus, in this paper I will not only deal with the motivations and results that characterized German companies' increasing worldwide activities from the 1950s onwards, but also with the influences of U.S. companies such as Procter & Gamble (P&G), Westinghouse, Radio Corporation of America (RCA), International Business Machines (IBM), General Motors, and Ford on the growth strategies of German industry in the aftermath of World War II.

I look at Siemens, DaimlerChrysler, and Henkel as global players and how the changing economic conditions from 1945 onward in the integration of the Common European Market and the appearance of new competitors coming from the United States affected their emergence. We can identify a number of strategies that might be indicators of globalization. These include the expansion of corporate foreign business, the use of internationally-oriented growth strategies such as diversifications, merger, and cooperation activities, the

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[2] Paul Bracken, "The New American Challenge," *World Policy Journal* 14 (1997): 19.

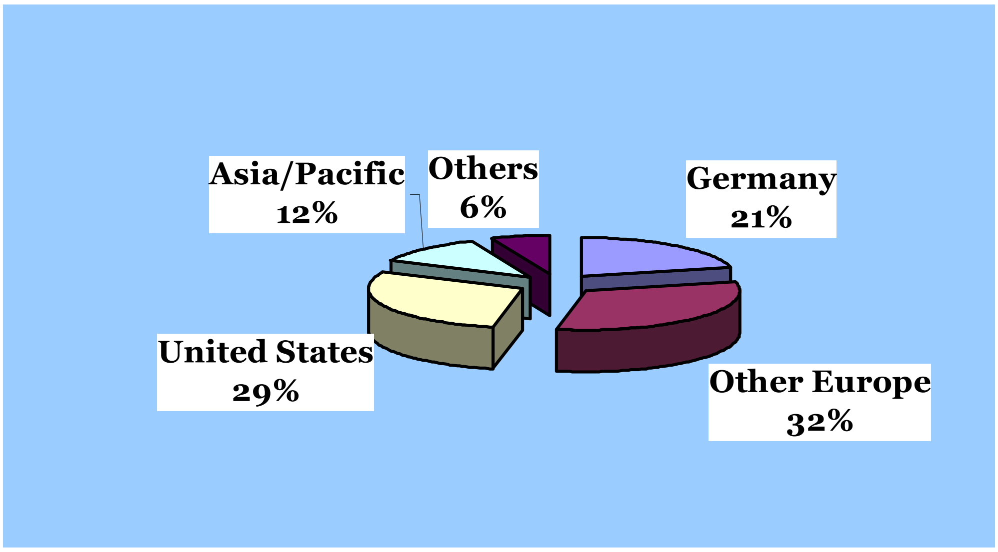
implementation of growth-oriented productivity concepts such as rationalization, automation, and "economies of scale," and the professionalization of management using organizational instruments and personnel policy.

The Emergence of Siemens, Daimler-Benz, and Henkel as Global Players

Founded in 1847, Siemens AG at first concentrated mainly on the telegraph business developed by Werner Siemens. Further innovations, such as the dynamo in 1866, contributed to the company's international reputation in various branches of electrical engineering. Focusing on investment goods, Siemens exhibited less activity in the electrical consumer-goods business (such as household appliances, radio sets). Power engineering, communication, and information technologies, medical and automation technologies, all of which are now the company's core competences, have expanded geographically since the first half of the twentieth century.[3]

In 2002, company turnover was about 84 billion Euros. Figure 1 shows the percentage breakdown by geography. At the end of the same year, Siemens employed 426,000 people worldwide, of which 41 percent were working in German plants, 25 percent in plants in other European countries, 22 percent in the United States, 10 percent in Asian/Pacific countries, and 2 percent in other countries.[4]

FIGURE 1
Siemens AG, Regional Turnovers in 2002



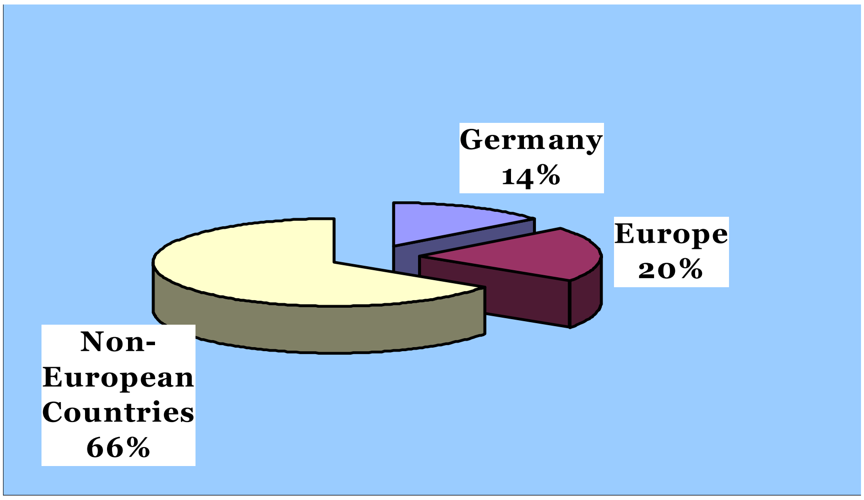
Daimler-Benz AG (DBAG) began in the year 1926, when two established German motor manufacturers merged. The company

[3] See Wilfried Feldenkirchen, *Siemens: Von der Werkstatt zum Weltunternehmen* (München, 1997).
[4] See http://www.siemens.com/.

constructed and manufactured motors and automobiles. Daimler-Benz' products (cars and trucks) had a high reputation because of their artisanship and quality. After World War II, the company acquired a number of German automobile manufacturers, expanding its manufacturing capacities. In the private car market, up to the late 1970s the company concentrated exclusively on the "premium class." Because of the oil crisis in the 1970s Daimler-Benz changed from an automobile manufacturer to a global technology combine, which diversified from the mid-1980s onwards in innovative industries such as aviation, military, space, and information technologies. Yet, 10 years later economic recession led the company to the return to the core business. To improve its competitive position, Daimler-Benz merged in 1998 with the U.S. manufacturer Chrysler.[5]

This also may be seen as Daimler-Benz' most important move toward globalization. The company, which at the end of 2001 employed 372,470 people worldwide, had a turnover in 2001 of 152,873 million Euros, of which 23,157 million Euros came from Germany, 33,483 million Euros from other European countries, and 108,233 million Euros from non-European countries.[6] See Figure 2 for percentages.

FIGURE 2
DaimlerChrysler AG, Regional Turnovers in 2002



Henkel KGaA today is one of the worldwide leading producers of consumer chemistry. Founded in 1876, Henkel & Cie. established a

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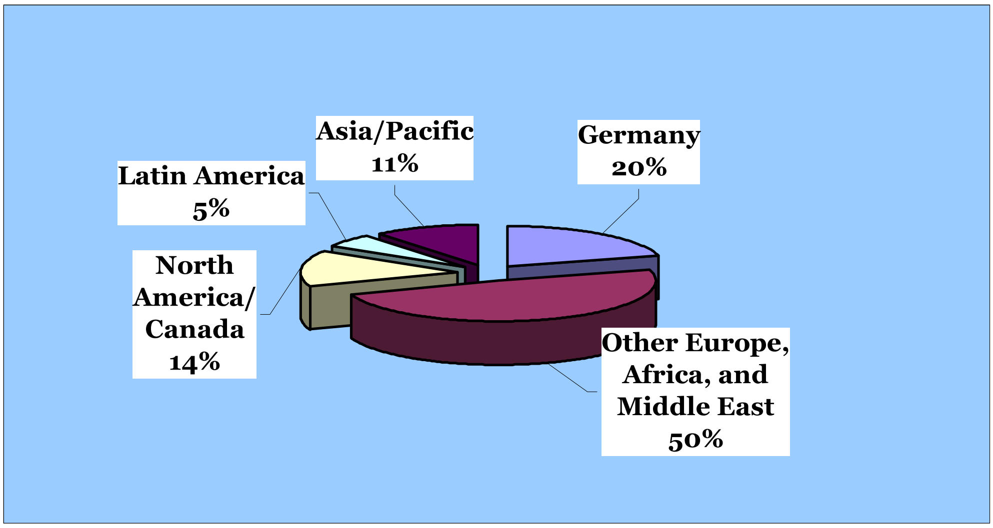
[5] Franz Bea et al., *Strategie und Organisation der Daimler-Benz AG: Eine Fallstudie, Schriften zur Unternehmensplanung 47* (Frankfurt/Main, 1997); Max Kruk and Gerold Lingnau, *100 Jahre Daimler-Benz: Das Unternehmen* (Mainz, 1986); Armin Töpfer, *Die Restrukturierung des Daimler-Benz Konzerns 1995–1997*, 2d ed. (Neuwied, 1999), 11, 172–77. See also Wilfried Feldenkirchen, *Vom Guten das Beste. Von Daimler und Benz zur DaimlerChrysler Ag, Bd. 1: Die ersten 100 Jahre* (München, 2003).

[6] **http:// www.daimlerchrysler.com/.**

market for detergents in Germany at the beginning of the twentieth century. The development of Persil, the first "self-active" detergent, in 1907 brought supranational growth to the company. Increasing domestic demand and rising export activities in the 1920s led to new businesses. Henkel acquired subsidiaries in various fields, such as household cleaning products and adhesives. They also acquired key raw material plants such as water glass, phosphate, soda, and fats and oils, making the firm independent from external suppliers during states of emergency or war.

Henkel, which is mainly family-owned even today, continued its expansion and diversification from the 1950s onwards. Similar to the growth of its domestic business, Henkel also expanded its single divisions internationally. The company actually has four portfolios: detergents, cosmetics, adhesives, and hygenics, all of which were strongly internationalized from the 1950s onward.[7] In 2002 the company had a turnover of 13,060 million Euros, of which 1,922 million Euro came from Germany, 4,613 million Euros came from other European, African, and near Eastern countries, 1,354 million Euros came from North America/Canada, 512 million Euros came from Latin America, and 1,009 million Euros came from Asian/Pacific countries. Of its 46,219 employees worldwide, Germany employed 25 percent and foreign countries 75 percent.[8] See Figure 3 for the percentage breakdown for turnover.

FIGURE 3
Henkel KGaA, Regional Turnovers in 2002



[7] Wilfried Feldenkirchen and Susanne Hilger, *Menschen und Marken: 125 Jahre Henkel KGaA* (Düsseldorf, 2001).

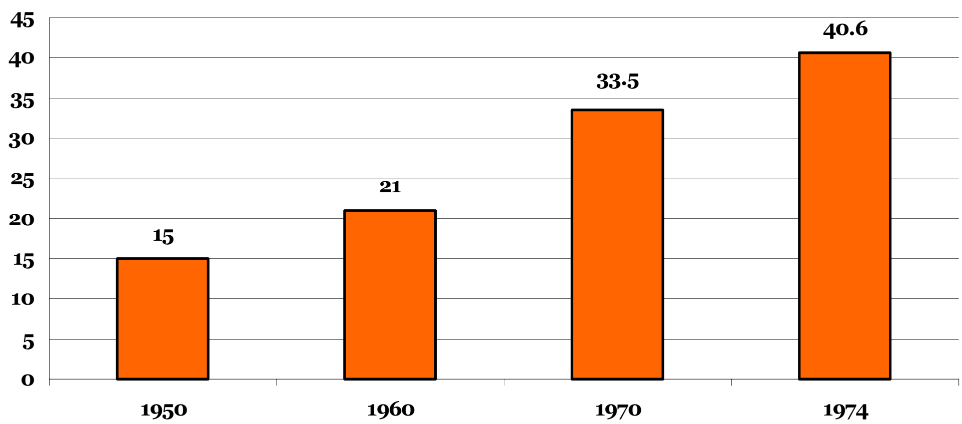
[8] **http://www.henkel.com/.**

Competition Policy in the Emerging European Market

According to the American business consultancy Stanford Research Institute (SRI), the growing number of U.S. firms active in Europe strongly influenced traditional German business culture.[9] To succeed in international markets for raw materials, capital, and labor, German companies had to acquaint themselves with Americanized competition. Indeed, the challenge and the strategies employed by U.S competitors in German markets was a catalyst, accelerating the global competitiveness of German firms.

The political and economic integration in post-war Europe from the 1950s onwards was of great interest to U.S. companies. These companies, on the road to worldwide expansion, immediately entered European markets, subjecting established companies to a level of competition previously unknown. In 1950, only 15 percent of all U.S. foreign direct investment (FDI) went to Europe. This share rose to 21 percent in 1960, to 33.5 percent in 1970, and by 1974 had reached 40.6 percent (see Figure 4). Given its liberal investment climate, its tax advantages, and comparatively low wages, the sum of U.S. foreign investment in West Germany grew from 11.8 to 192.6 billion U.S. dollars between 1950 and 1979.[10]

FIGURE 4
U.S. FDI in Europe



This differed from the pre-war situation where some German producers such as Siemens or Henkel had geographic market agreements with U.S. competitors until well into the 1930s. These (with some exceptions) were to keep American competitors away from European, and particularly German, markets. This era of "peaceful coexistence,"

9 Henkel Archives (HA) 251/2b, SRI, Long-term planning Persil/Henkel, Phase II, vol. 2, July 1968, p. 320.

10 Hubert Kiesewetter, "Amerikanische Unternehmen in der Bundesrepublik Deutschland 1950–1974," in *Der Boom 1948–1973: Gesellschaftliche und wirtschaftliche Folgen in der Bundesrepublik Deutschland und in Europa*, ed. Hartmut Kaelble (Opladen, 1992), 63–81, here p. 67f.

however, ended after World War II, when American companies started a run on the Common European Market.

Tough profit-seeking and new marketing strategies accompanied the "Americanization" of competition that occurred in Germany. These strategies became obvious especially in the market for consumer goods. Taking Procter & Gamble and IBM as examples, we can see this business culture mirrored in an aggressive product, price, and sales policy. German companies labeled this thinking in terms of market shares and sales as "American."[11] They had little choice but to adopt similar strategies themselves if they were to survive in the vigorously contested markets. So increasing competitive pressure in German and European markets forced domestic companies, weakened by wartime and not in a position to match United States standards, to get used to a new "Americanized" competition.

Indicators of Globalization

To withstand this "American challenge" and to defend or regain market shares, German companies from the 1950s onwards had to address new corporate strategies and to open up new geographic markets. The objective, then, was to achieve long-term international growth. By adopting management practices and technological expertise from the United States, which included specific growth strategies, productivity models, and organizational concepts, German companies started catching up to their American competitors. Thus, from the early 1970s onwards, internationalization became the driving force behind corporate growth in Germany and smoothed the way to a globalized business.

Expansion of Foreign Business

The expansion in foreign business, which began after World War II, was not new for German companies that had been involved in worldwide export activities and foreign direct investment since the late nineteenth century. Indeed, some German chemical and electrical producers were very international by 1939. In the period following 1945, however, German companies were hardly in a position to recommence international business because the Allies had seized their foreign assets.

The return of foreign assets and the stabilization of macroeconomic conditions in the 1950s were major milestones in the internationalization of business activities. Attracted by the U.S. economy's considerable head start, German firms such as Henkel showed interest in foreign activities as a fresh impetus. They were looking for an opportunity to test product quality and appearance

[11] Henkel Archives (HA) 153/6, daily minutes, 21 Nov. 1950 and 30 Jan. 1951. "The advertising of our competitors become more and more aggressive." Ibid., report on meeting of the board of directors, 29 Sept. 1950. HA 333/1, memorandum, 21 April 1958.

under "objective" market conditions and to learn some valuable lessons about the general market economy.[12]

The deregulated international markets played their part in driving forward geographic expansion of European companies in post-war times, as did the "challenge from corporate America" in the form of direct investment. Given decreasing sales in their domestic markets, German companies used foreign business activities to compensate. By the mid 1950s, companies such as Siemens set out to internationalize by founding and acquiring foreign subsidiaries in Europe and overseas. Facing reduced market shares in German markets for detergents and household products, because of strong American competitors, Henkel also decided to focus on geographical expansion from the early 1960s onwards.[13] "Europe is not big enough for Henkel," Henkel's CEO, Konrad Henkel, said in a statement explaining the company's international expansion plans.[14]

Even Daimler-Benz noticed the decreasing demand in domestic markets by the early 1960s, also attributed to the strong competition coming from American, French, British, and Swedish car producers in Germany. In order to achieve geographical expansion of its markets, Daimler-Benz expanded its production and sales activities, especially in South America and the United States. In doing so, the company laid the foundations for globalization in the late 1970s.[15]

Strategies of Global Growth: Diversifications, Merger, and Cooperation Activities

In contrast to their U.S. counterparts, German companies traditionally favored "controlled growth." Indeed, this was why conglomerates, characteristic of the U.S. economy, were always the exception in Germany until well after World War II. A good example is Siemens, which believed in achieving "organic business growth" from inside the company rather than using strategies based on mergers and acquisitions. By the mid 1960s, however, this attitude had changed with corporate Germany realizing that it had to grow further "or fail in

[12] HA 455/9, Henkel & Cie to Thompson, 16 Oct. 1950. Cf. also HA 455/11, Kobold to Pfaff, 29 July 1949.

[13] See Richard E. Reichel, *Direktinvestitionen deutscher Unternehmen in den USA* (Gelsenkirchen, 1982), 39.

[14] Christian Leitzbach and Asta Schröder, "Die Entwicklung des Henkel-Auslandsgeschäftes," unpublished manuscript, Henkel Archives, 129f. Also R. Ball, "Germany isn't Big Enough for Henkel," *Fortune* (Aug. 1972), 118–20.

[15] DaimlerChrysler Corporate Archives, Sifi Huppenbauer 271-75, Müller, Breitschwerdt, Knapp, Gedanken zu den in Amerika gewonnenen Erkenntnissen, 31 July 1963. Gerd Tacke, *Ein Beitrag zur Geschichte der Siemens AG* (München, 1977), 205. Siemens Archives (SAA) 16.Lh 262, Sitzung des Aufsichtsrates der Siemens AG, 27. Oct. 1971. Also Olaf Gempt, *Zukunftsperspektiven der europäischen Automobilindustrie: Zwang zu weiterer Konzentration* (Göttingen, 1971).

achieving business success."[16] From that time on, continuous external growth would help boost the prospects for German industry on international markets.

Within the scope of corporate growth, portfolio diversification became the "trend of the 20th century."[17] Just as in the United States, West German companies began diversifying their products and regional markets by the 1960s. This far exceeded the usual backward and forward integration into neighboring industries such as raw materials, production plants, or sales organizations. German producers of branded articles such as Henkel ("Persil") had always avoided entering entirely new markets such as food because management worried about negative effects on corporate image. This mindset was not comprehensible to American competitors, who were used to combining differing branches of business.

American consultants believed that German companies had been "stuck to the knitting," concentrating on their core businesses for too long and thus missing economic opportunities. Only when the usual two-digit market share of their core business clearly began to decline because of growing competition and economic downturn, did increasing numbers of German producers decide to give "new products and new markets" a chance.[18] To benefit from the opportunities offered by corporate growth and counter the danger of one-sided market activity, Henkel, mirroring the longstanding strategy of its main competitor P&G, decided to expand its business into other areas. This, in turn, affected its core business: Its share of detergent sales fell from 80 percent in 1938 to 43 percent in 1966.[19]

Cooperative agreements and joint ventures, characteristic features of the international economy from the 1960s onwards, often accelerated diversification. According to Steinöcker, "this trend was initiated by U.S. American companies" that can be seen as the "forerunners in all kinds of mergers."[20] Since the 1930s, American companies used licensing agreements as a way of marketing expertise, for example, in production or processing. Following the fundamental improvement in conditions for transnational cooperation, brought about by the integration of worldwide economies after World War II, the exchange of licenses and patents between U.S. and German companies became a precondition for today's globalized corporate networks.

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[16] DaimlerChrysler Corporate Archives, Sifi Huppenbauer 271-75, Müller, Breitschwerdt, Knapp, Gedanken zu den in Amerika gewonnenen Erkenntnissen, 31 July 1963.

[17] HA 153/17, Daily minutes, 18 April 1961.

[18] HA 251/1, The Implementation of a Long-Term Corporate Planning – Phase I, April 1967. HA 455/57, F-UPE to ZGF-Sekretariat, 12 Oct. 1970. Ibid., F-UPE to ZGF, 22 May 1970. HA 153/32, daily minutes, 18 April 1967.

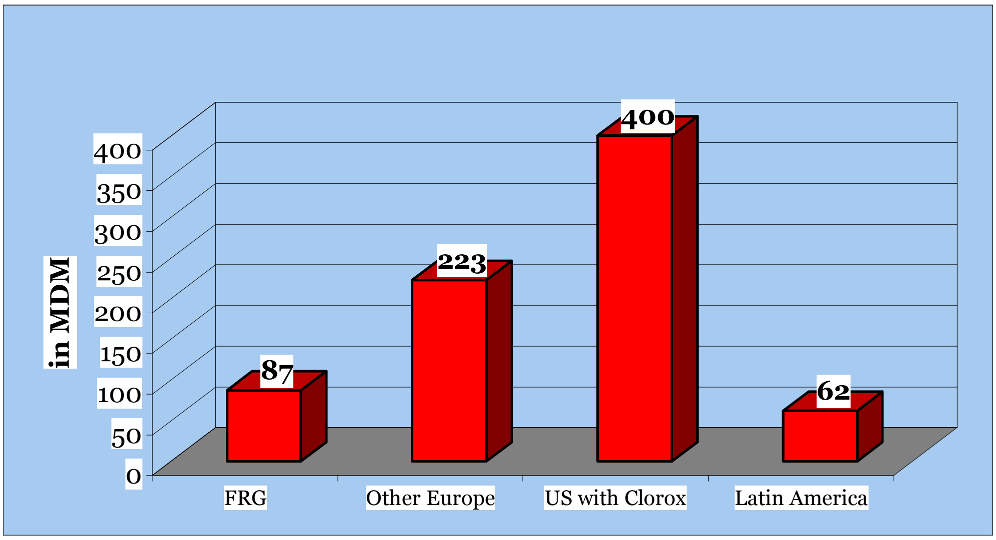
[19] HA 153/31, report, 13 Dec. 1966.

[20] Reinhard Steinöcker, *Mergers and Acquisitions: Strategische Planung von Firmenübernahmen: Konzeption, Transaktion, Controlling* (Düsseldorf, 1998), 7.

Although cooperation between companies had long been part of German corporate culture, German industry, because of its aversion to external influence, would never have entered into so many cooperation and merger agreements during the 1960s and 1970s had it not been for very strong competition from American companies in European markets. Indeed, this was true above all for foreign business, which often put great strain on the financial and personnel resources of companies. This led companies such as Siemens to act on the assumption that, "to set up permanently in new regional markets, we will need to cooperate with a strong domestic partner."[21]

In terms of its international business, Henkel began drawing on so-called partner strategies based on the exchange of shares in the early 1970s, as Figure 5 shows.

FIGURE 5
Henkel, Acquisitions by Region, 1970-1982



Cooperation with U.S. chemical producer Clorox, which began in 1973/74, was based on a desire for both companies to be involved in "attractive markets."[22] Yet, supranational cooperation agreements were not the "magic bullet" ("Allheilmittel"). Indeed, some of them such as the one in the 1960s between Daimler-Benz and U.S. producer Studebaker-Packard failed because of differing corporate cultures, which still shake transnational agreements today.[23]

"Economies of Scale"

Oriented toward an expansive market policy, economies of scale were among the most important aspects of the "American productivity

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[21] SAA 16.Lh 262, Plettner, paper, 29 Oct. 1970.
[22] HA, Interview with former CEO Helmut Sihler, 26 May 2000, pp. 10f. HA, Interview with CEO Hans-Dietrich Winkhaus, 26 June 2000, pp. 5, 15, 20.
[23] Hilger, "Amerikanisierung."

concept." Based on ideas of standardization and automation, economy of scale assumes a reduction in unit costs achieved by increasing production. Expanding plants, productivity units, facilities, and machines should increase profits. From a long-term perspective, economies of scale are an important pillar of globalized corporate policy.

One of the major prerequisites for this model was making complex production processes easier using easy-to-process materials, simplified construction methods, and continuous transport systems. After implementation of the unit construction system ("Baukastensystem") in the U.S. motor manufacturing industry, the number of cars manufactured in this way rose from 7 percent in 1959 to 45 percent in 1961.[24] As far as standardizing components such as engines, gearboxes, axles, and chassis was concerned, most of the German companies still lagged behind their American counterparts in the 1960s. In 1963, Ford plants in Cleveland produced up to 2,500 engines per day; it took Daimler-Benz in Stuttgart 17 hours to produce only one.[25]

German companies had begun to reduce costs through industry standards and assembly lines before World War I. However, they were reluctant to go further because of a conservative attitude toward "unlimited" corporate growth. Most of the companies were against unrestrained American-like productivity because they feared a lack of plant utilization in times of decreasing national demand. Moreover, Daimler-Benz had forgone mass-production methods for quality reasons, arguing that a Mercedes-Benz was a first-rate product and a class apart from Ford's cars for the masses.

Expanding car markets made this adherence to expensive handmade workmanship untenable. Wanting to develop its Sindelfingen works into a modern assembly plant, the company started a development project encompassing ten passenger car models. Drawing on American manufacturing methods, they based these cars on a uniform construction platform "from windshield to back."[26] In the end, economies of scale contribute to global competitiveness by decreasing productivity costs.

Corporate Organization: The Multidivisional Structure as an Imprint of Globalized Corporate Growth

American management sees "Organizational capability" as a key to corporate success. According to Alfred D. Chandler, Jr., a company's organizational structure mirrors its ability to adapt to changing

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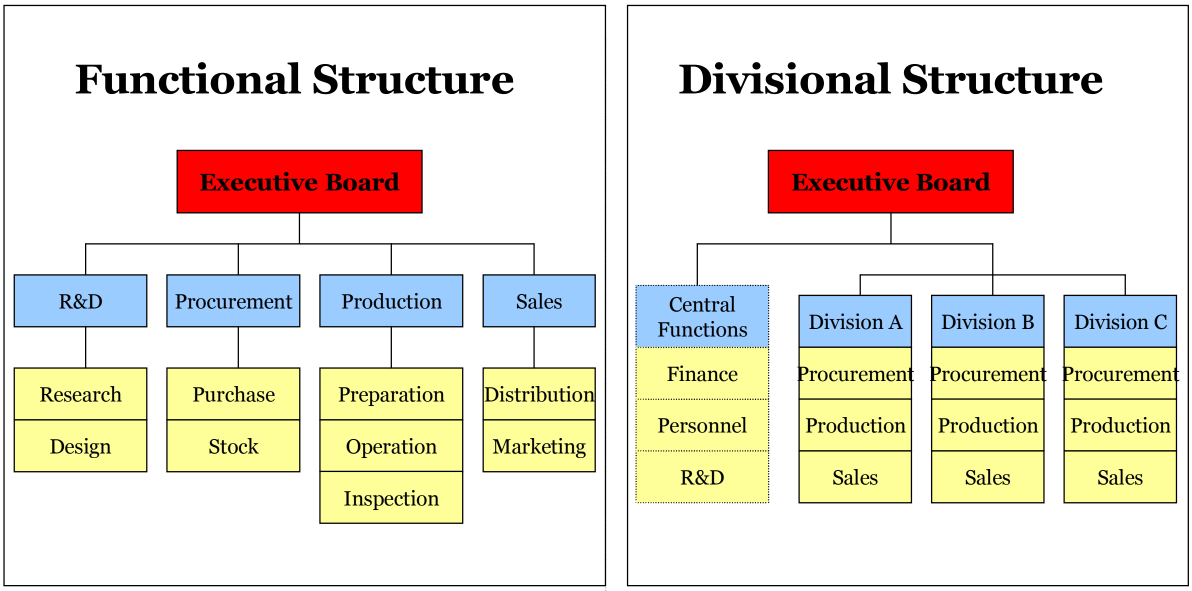
[24] DaimlerChrysler-Konzernarchiv, Hitzinger 10/Langheck, International Budd Division, Mitteilungen über die Automobilindustrie, Aug. 1961.

[25] DaimlerChrysler-Konzernarchiv, Scherenberg, USA 1963, Langheck, Report, trip to the U.S., 31 March–21 April 1963.

[26] DaimlerChrysler-Konzernarchiv, Hitzinger 14/Nallinger, Nallinger, Das Entwicklungs-Programm für Personenwagen der Daimler-Benz AG bis 1970, 15 May 1963.

environments. Paralleling the diversification of portfolios during the first half of the twentieth century, U.S. conglomerates developed a new organizational structure based on divisions for individual products or markets, unlike the functional model that had gone before. We can view this model, described as "American capitalism's most important single innovation of the twentieth century"[27] as a groundbreaking move, paving the way for corporate globalization.[28]

FIGURE 6
Models of Corporate Organization



In contrast to their U.S. counterparts, European companies following the World War II were still characterized by the somewhat old-fashioned functional structure that stood in the way of product and regional diversification and, indeed, of efficient decision making (see

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[27] Oliver E. Williamson, *Corporate Control and Business Behavior. An Inquiry into the Effects of Organization Form on Enterprise Behavior* (Englewood Cliffs, N.J., 1970), 382. Also Richard Whittington, "Chandlerism in Post-war Europe: Strategic and Structural Change in France, Germany and the UK, 1950–1993," *Industrial and Corporate Change* 8 (1993): 519–50, quotation at p. 529. Oliver Zunz, *Making America Corporate 1870–1920* (Chicago, 1990).

[28] Peter Drucker, The Concept of the Corporation (New York, 1946), Alfred D. Chandler, Jr., "The M-Form: Industrial Groups, American Style", *European Economic Review* 19 (1982): 3–23; here p. 10. Ibid., *Visible Hand: The Managerial Revolution in American Business* (Cambridge, Mass., 1984). Hallgeir Gammelsaeter, "Divisionalisation: Structure or process? A Longitudinal Perspective," *Scandinavian Journal of Management* 10 (1994): 331-46, quotation at p. 331. Robert F. Freeland, "The Myth of the M-Form? Government, Consensus, and Organizational Change," *American Journal of Sociology* (Sept. 1996): 483-526. Lawrence G. Franko, "The Move toward a Multidivisional Structure in European Organizations," *Administrative Science Quarterly* 19 (1974): 493–506.

Figure 6). "Growth illnesses" that manifested themselves in problems of coordination and ponderous administrative systems compelled German companies to restructure during the latter half of the 1960s.

At that time Siemens, for example, had outgrown the size that would allow a centralized management structure. In 1966, a new, more appropriate organization with well-defined responsibilities and logical links was to improve management and do away with traditional areas of friction within the boardroom. This divisional structure would integrate the various lines of business and connect the main features of product, function, and region.[29]

Corporate organization also became the focal point of Henkel's corporate policy by the latter half of the 1960s. P&G, Henkel's main competitor, had a divisional structure in place for many years and this became the model for Henkel, which did not seem to be "modern enough to have a standing in the highly competitive detergents market."[30] This transformed the company from a firm whose main interests were in German markets into an international business group. Splitting the company into divisions and functions offered considerable advantages for Henkel's intended corporate growth and its impending internationalization by integrating both the domestic and foreign divisions and creating a base from which to begin globalization.

Personnel Management

Systemizing and coordinating personnel management tailored to the needs of expanding multinational firms is a longstanding tradition in U.S. management. Even before World War II, the term "human relations" was used to describe a change in American corporate attitude that encouraged teamwork and dismantled authoritarian management styles. Indeed, breaking down of hierarchical structures and moving toward delegating management responsibilities contributed to corporate success on a broader scale because a liberal and cooperative corporate leadership is an essential feature of multinational management.

Unlike their American counterparts, German companies such as Siemens, Henkel, and Daimler-Benz cultivated a more traditional and patriarchal style of management, which did not fit very well with a systematic personnel management policy. In particular, American consultants criticized the lack of employee-oriented leadership.[31]

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[29] Siemens AG, Business report 1968/69, S. 14f. SAA 16.Ll 409, Niederschrift über die 63. Sitzung der Firmenleitung mit den Wirtschaftsausschüssen der Siemens AG und SE, 6 Feb. 1969. SAA S 10, Protokoll Nr. 45 über die Sitzung des Zentralausschusses am 18 Aug. 1969, 22 Aug. 1969.

[30] Hans Otto Eglau, "Weniger Clan – mehr Elan," Die Zeit 13, 26 March 1971, p. 28.

[31] Josef Winschuh, *Das neue Unternehmerbild* (Baden-Baden, 1954), 52. Erwin Bramesfeld et al., *Human Relations in Industry: Die menschlichen Beziehungen in der Industrie: Beobachtungen einer deutschen Studiengruppe in USA* (München, 1956), 25.

Siemens stuck steadfastly to an individual management style in the belief that its management methods were not to be found in American personnel management concepts. However, the company eventually adopted a more transparent management structure and delegated management responsibilities at home and abroad as its workforce, its manufacturing plants, and its business volumes increased worldwide.[32]

Daimler-Benz' corporate hierarchy at the beginning of the 1960s also appeared like the "pecking order in a henhouse" ("Hackordnung im Hühnerhof"). This led to a situation in which no one in executive management knew much about the company "as a whole."[33] This prompted the company's board in Stuttgart to introduce a management based on U.S. business culture that included delegating responsibilities and breaking down the tendency to think in terms of hierarchical structures. Some of the ways they achieved this included doing away with titles and putting Daimler-Benz's business managers in psychological training courses.

While implementing its own divisional structure, Henkel also adopted some "American personnel management" practices. These included delegating executive responsibilities when it came clear that in the past they had overburdened a few people by making them responsible for too many areas. Detached from the day-to-day running of the business, the decision to introduce a central executive board during the late 1960s enabled Henkel's directors to focus on the emergence of long-term corporate strategies.[34] Overall, the adoption of U.S personnel management practices strengthened the global expansion of German companies and improved co-operation and communication with their foreign subsidiaries.

Conclusion

We see flexible and innovative business strategies as preconditions for economic globalization. Until the early 1970s, German companies obtained adequate managerial tools to do this by facing up to their American competitors and learning from U.S. management practices (see Figure 7).

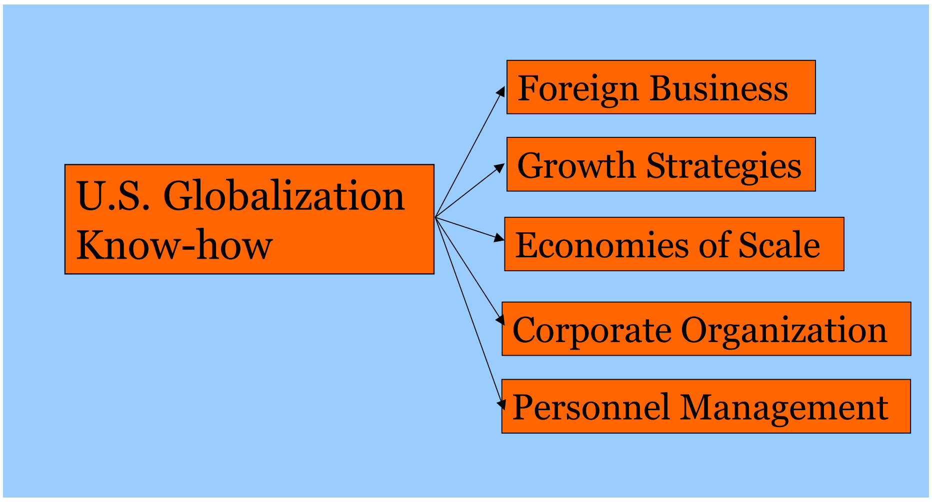
New patterns of growth and improvements in productivity, a systematization of management through a modernized corporate organization, and modern personnel policies were combined to replace the timeworn system of "trial and error" that had long been prevalent in German companies. The cultural and economic transfer, known as Americanization, to a certain degree prepared German firms to "play on

[32] Tacke, Beitrag, 131.

[33] DaimlerChrysler Corporate Archives, Hitzinger 14/Nallinger, Nallinger to Hitzinger, 22 May 1963.

[34] HA 251/1, SRI, Implementation of a Long-Term Corporate Plan, Phase I, April 1967.

FIGURE 7
Indicators of Globalization



a global scale" and that meant to meet the challenges posed by a globalized world economy.