Managers and Management in West Germany

Peter Lawrence

Managers and Management in West Germany

Peter Lawrence

CROOM HELM LONDON

Croom Helm Ltd, 2-10 St John's Road, London SW11

British Library Cataloguing in Publication Data

Lawrence, Peter
Managers and management in West Germany.
1. Industrial management – Germany, West
I. Title
658'. 00943 HD70.G2

ISBN 0-85664-912-0

TO MY MOTHER

Printed and bound in Great Britain by
Redwood Burn Limited Trowbridge & Esher

PREFACE

Most books about management have been written by Americans, and with the USA as the empirical reference, implicitly or explicitly. Books in English about management in non-English speaking countries are not very numerous, serious studies of management in such countries usually being the work of their own nationals.

This makes the present book a little unusual. It is about management in West Germany but it is not by a German. What is more, it is probably a different book from the one a German would have written. A German might have chosen, for instance, to emphasise the universalism of management and corporate practice, whereas the present writer has chosen to discuss those features of management in West Germany which appear distinctive and which are interesting from a non-German standpoint. West Germany is a particularly fruitful subject for this kind of exercise since there are many distinctive features for the observer whose base line is American-influenced Britain. The approach and emphasis is different in Germany, where the American business-marketing-corporate-organisational orientation is less in evidence, and where the dominant orientation is (still) technical-production-entrepreneurial-pragmatic.

The treatment here has also been influenced by the author's historical and sociological training as well as his British nationality. This has determined his interest in institutions, the relationship between German companies and their business environment and in the views which German managers themselves express about their work. There are also a number of what one might term sociological sub-plots, or implicit discussions of phenomena which are sociological concerns. These have been deliberately left as part of the latent structure of the book, but they are there nevertheless.

A contribution has been made, for instance, to the study of elites. Industrial managers are members of an elite group, and this claim is particularly valid for West Germany with its national emphasis on economic achievement. The ensuing account of German managers constitutes, *inter alia*, a partial characterisation of an elite group and its relationship to the wider society. In discussing managers and management one is also making an oblique contribution to an understanding of

industrial relations. This is not as marked as it would be in a book about British management, since wage negotiations in West Germany are typically between an employers' federation on the one hand and a trade union on the other. Nevertheless, if German management does not constitute one half of the bargaining equation, it is still the major part of one of those 'two sides of industry' and its character has some significance for the quality of industrial relations.

The characterisation of 'the professions', a standard theme in occupational sociology, is also taken up and illustrated with reference to both managers and engineers. The view expressed here is that the issue of whether or not any particular occupation should rank as a profession is not a significant one for an understanding of what work is done, or how it is done. Indeed it is an issue which the Germans, both linguistically and empirically, have largely avoided.

There is also a sociological orientation in the importance attached to the beliefs and convictions of German managers, and these are explored particularly in the three middle chapters. The *point de départ* is that what people believe to be true and primary is an important determinant of action and outcomes. If German managers did not believe in *Technik*, their version of entrepreneurialism, and in the achieving society, the character and practice of German management would be very different.

This exercise of characterising German management tends to expand at various points into a discussion of some institutions and aspects of German society. Most of what emerges, both from the main task and from these discussions, tends to underline the distinctive nature of German society *vis à vis* both Britain and the USA. Indeed the whole book may be regarded as negative evidence for the contentions of convergence theory, which asserts the increasing homogeneity of highly industrialised societies. The more one is able to make comparisons on management and industrial organisation between countries such as Britain, France and West Germany the more suspect even general labels of the 'advanced industrial society' kind become.

The book is also meant to be a reminder that there are other modes of explanation besides the economic. While the main purpose is simply to characterise German management, there are several points at which features of German management and industrial organisation are related to the considerable success enjoyed by West Germany as a national economy. Here a minor paradox exists. Neither management, nor the organisational context in which it operates, is an economic phenomenon in the sense that say a country's monetary policy is. Yet the quality and

purposefulness of management is an important determinant of a country's economic success.

Finally the discussion of German management also countenances the possibility that other countries may learn from German practice. Although this kind of complex cross-cultural borrowing is fraught with all sorts of difficulties, and these are frankly presented in the last chapter, it is firmly argued in the conclusion that German management does display a number of definite strengths.

ACKNOWLEDGEMENTS

This book is based on a variety of sources. On the one hand I have made use of the literature on management, German industry and institutions, of the research of others, and of handbooks and official publications. On the other hand the book is also, in part, an indirect result of a number of research assignments I have carried out in West Germany, and of considerable direct contact with German companies. In this connection I would like to thank many business firms in West Germany for their hospitality and readiness to help a foreign academic, and many individual managers for giving up time to talk to me about their work.

Several of my friends have read all or part of the manuscript and made helpful comments about it. In this connection I would like to thank Michael Fores, former Senior Economic Adviser at the Department of Industry; Ian Glover, Lecturer in Business Studies at the Dundee College of Technology; Stanley Hutton, Professor of Mechanical Engineering at the University of Southampton; David Jenkinson, Senior Lecturer in German at the University of London, Goldsmiths' College; and Arndt Sorge, Research Fellow at the Internationales Institut für Management und Verwaltung, West Berlin. I have also discussed some of the ideas with Peter Hollowell, Lecturer in Sociology at the University of Southampton. For any errors and inadequacies I alone, of course, am responsible.

Finally I would like to thank my secretary, Mrs Diana Hodgkinson, for a splendid and splendidly fast typing of the manuscript.

Peter Lawrence

Le Grand Pressigny

CONTENTS

1 ECONOMIC LIFE: PAST AND PRESENT

Now

The German economy is the context within which management functions. This economic context has been revolutionised since the end of the Second World War, though the revolutionary change itself is already a thing of the past.

West Germany is now a major economic power, and has been for some years. Since the late 1950s West Germany has been the world's second largest trading nation.[1] West Germany also has the fourth largest gross national product in the world:

Country[2]	GNP 1975 (in millions of US $)
USA	1,508,680
USSR	665,910
Japan	495,180
West Germany	408,756

A few comparisons may be of interest:

Country[3]	GNP 1975 (in millions of US $)
France	304,600
UK	214,940
Canada	151,730
Brazil	107,870
Australia	76,190

The richest countries of the world, using the measure of gross national product *per capita*, are no longer to be found in either north-west Europe or North America:

Country[4]	GNP *per capita* 1975 (in US $)
Kuwait	11,510
United Arab Emirates	10,480
Qatar	8,320

Setting aside these anomalies and concentrating on the industrialised countries West Germany is in sixth place:

Country[5]	GNP *per capita* 1975 (in US $)
Switzerland	8,050
Sweden	7,880
USA	7,060
Denmark	6,920
Canada	6,650
West Germany	6,610

Again some comparisons may be of interest:

Country[6]	GNP *per capita* 1975 (in US $)
Norway	6,540
Belgium	6,070
Luxembourg	6,050
France	5,760
Australia	5,640
Iceland	5,620
Netherlands	5,590
Finland	5,100
Austria	4,720
New Zealand	4,680
Japan	4,460
East Germany	4,230
UK	3,840
Czechoslovakia	3,710
Israel	3,580

West Germany has for years enjoyed a substantial trade surplus:

Year[7]	Imports	Exports (both in millions of DM)
1969	97,320	113,353
1970	109,130	125,144
1971	119,630	135,912
1972	128,146	148,915
1973	144,509	178,228
1974	177,967	230,068
1975	182,521	221,206
1976	220,556	256,303

It will be noted that West Germany continued to enjoy a favourable trade balance throughout the period of the oil crisis and the world recession, indeed 1974 was a record year with a trade surplus of over DM 50,000 million.

The trade surpluses for 1975 and 1976 were not so impressive, but the first nine months of 1977 showed a 10 per cent improvement over the previous year.

All the wealthy industrialised countries fell victim to inflation after the 1973 oil crisis. There were, however, remarkable differences in degree. If we take the change in consumer price indices over 12 months up to May 1978, well after the worst effects of the oil crisis and ensuing world recession, marked differences are still apparent. West Germany is in second place in a list of 25 countries including the major industrialised countries of the free world:

Country[8]	Change in consumer price index over 12 months to May 1978 as a %
Switzerland	1.6
West Germany	2.7
Luxembourg	2.9
Japan	3.5
Netherlands	3.5
Austria	3.8
Belgium	4.4
Ireland	6.2
USA	6.6
Portugal	7.5
Norway	7.7
UK	7.7
Australia	8.2
Canada	9.0
France	9.0
Denmark	10.8
Sweden	11.5
Italy	12.2
Greece	13.5
Yugoslavia	14.0
New Zealand	14.7
Spain	22.0
Iceland	42.8
Turkey	52.3
Average OECD Total	8.1
Average OECD Europe	10.3
Average EEC	7.5

If one takes the longer term indicator of consumer price indices for 1977 where 1970 = base 100 then West Germany is in first place among the same group of countries. West German, that is, had the smallest rise in consumer prices over this seven year period:

Country[9]	Consumer Price Index 1977 (1970 = 100)
West Germany	146.3
Switzerland	149.2
USA	156.1
Austria	161.0
Canada	165.4
Luxembourg	166.0
Belgium	174.8
Norway	178.0
Sweden	180.2
France	183.2
Denmark	189.0
Japan	203.6
Australia	207.6
New Zealand	217.5
Finland	224.0
Greece	227.0
Italy	236.6
UK	249.0
Ireland	249.9
Spain	258.9
Portugal	302.4
Turkey	307.3
Iceland	519.0

West Germany had, and continues to have, its unemployment difficulties. In comparison with other industrial countries, however, the German record has been quite good. In 1973 Germany was in fourth place on a list of 19 West European countries plus the USA, Canada, and Japan; that is, only three of these countries had lower unemployment figures than West Germany:

Country[10]	Unemployed as proportion of civilian working population 1973
Luxembourg	0.0
Switzerland	0.0
Denmark	0.7
West Germany	1.0

By 1977 rather more countries could claim lower unemployment figures than West Germany, but Germany's position was still not unfavourable seen in an international context:

Country[11]	Unemployed as % of civilian working population 1977
Switzerland	0.4
Luxembourg	0.6
Norway	1.5
Sweden	1.8
Japan	2.0
West Germany	4.0
Belgium	4.3
France	4.9
UK	5.8
Denmark	5.9
Finland	6.0
Spain	6.3
USA	6.9
Netherlands	7.0
Canada	8.1
Ireland	9.7

West Germany has a better strike record than most countries. For the period 1966-70 Germany had the best record, that is the fewest working days lost through strikes, of 16 West European countries plus the USA, Canada, Australia, New Zealand and Japan.[12] For the longer period 1966-75, West Germany was in second place:

Country[13]	Annual average working days lost per 1000 persons employed 1966-75
Sweden	49
West Germany	52
Norway	61
Netherlands	62
Japan	247
France	303
New Zealand	355
Belgium	368
Denmark	535
UK	775
Finland	833
Ireland	927
Australia	1,036
USA	1,318
Italy	1,766
Canada	1,849

Enough has been said to indicate that West Germany is a rich country, a substantial member of the international economic community, and a country which compares well with most of its neighbours on the evidence of statistics on economic performance and industrial well-being. These facts, other things being equal, give an added interest and salience to the study of German management.

There is an extension to this argument. Not only does German management function in a society that is economically successful now; this same society, only 30 years ago, was just emerging from a period of extreme, if artificial, poverty.

Then

That a country experiences deprivations during wartime is obvious. That Germany, on the losing side in the world's worst war, suffered particularly is well recognised. What is perhaps less readily appreciated is that in several respects Germany suffered more in the period 1945-8 than in the period of her successive military failures, that is, between 1942 and 1945.[14] With the end of the War, death and destruction in combat and through aerial bombardment ended: they were replaced by homelessness, hunger and death by 'natural causes' – malnutrition.

It was, in fact, the purely physical destruction of German cities which most impressed those who wrote eye-witness accounts. Here is a young British lieutenant's account of his entry into Hamburg in an armoured car in May 1945:

> If the damage in Harburg had been startling to our eyes the streets and waterfront of Hamburg were a revelation. None of us had ever seen anything to equal this wholesale destruction. It was Caen all over again, only ten times worse because ten times as big an area was affected. In the half light we could not see the damage in detail, but it was apparent that whole rows of houses, whole blocks, were a mere mass of rubble, sometimes heaped to one side, sometimes blotting out what had been a road.[15]

An American officer, travelling through parts of Germany already liberated by the Allies early in April 1945, still some weeks before the end of the War, made the following comment in his report:

> In every important town the preliminary official estimates of the damage were over 75%. The larger towns are almost completely destroyed, the smaller outlying communities on the other hand are to a large extent unscarred. According to official estimates, for instance, Saarbrucken is more than 90% destroyed, but damage in the area of the town's rural hinterland is very slight. The same applies to Frankfurt and Kassel, where damage is estimated at 80% or more.[16]

Another American officer reported similiarly on a journey through Germany in May 1945:

> The towns offer the well-known picture of destruction, which imposes itself everywhere; only Wiesbaden has been spared serious damage. The centres of the large towns Frankfurt, Cologne, and Essen are completely desolated. In Cologne and Essen even the outer suburbs are badly damaged. The centre of Cologne is completely deserted. In these three towns many streets are still completely blocked, and in some cases it is impossible to recognise them under the rubble. Apart from a few standpipes, the water supply has not yet been reconnected. Nowhere is there any public transport, except in Düsseldorf where one sees the occasional tram.[17]

Germans use two rather vivid phrases to refer to the end of the war and all that it entailed. One is *der Zusammenbruch*, the collapse, break up, disintegration. Used with the definite article it is a standard expression referring to 1945. The other is *die Stunde O*, the hour nought, the absolute zero: the time when there was no government, no index of industrial production, no trams, no water, no bread in the shops. The early occupation period was also characterised by widespread lawlessness. Thousands of foreign workers, the 'slave workers' of the Third Reich, were liberated by the advancing Allies and set about looting. This again was noted in American reports from the April-May 1945 period:

> Without question the foreign workers have plundered on a considerable scale – a universal accompaniment of their holiday mood. The men made for the wine cellars, the women for the clothes shops, taking on the way everything edible they could get their hands on.[18]

And the same source notes that this looting was not confined to the foreign workers:

> In the devastated areas of every town one sees Germans, men and women, with shopping bags stuffed with loot taken from damaged flats and shops belonging to other people.[19]

Another feature of the early *Zusammenbruch* period was the fear of epidemic disease which was noted by an American officer in April 1945:

> The single problem, which really gives cause for concern, is the lack of water, since this poses a threat to public health. In Kassel the officers of the military administration were concerned that the beginnings of a typhoid outbreak might spread rapidly, since the civilian population in Kassel have been taking water from the damaged system and from (flooded) bomb-craters. (At the time of the last heavy air raid on Kassel, hospital patients were dispersed over the town; these included 20 typhus cases, 8 of these have never been brought back to hospital.)[20]

In these American reports dating from April 1945, there is a remark concerning food and health:

> Nowhere have I seen signs of acute food shortage or extensive health problems.[21]

This observation, doubtless true when it was written at the beginning of April 1945, was not to apply for long. A month later another American official notes:

> At the moment people in the towns are struggling to solve the simplest problems of human existence: they clear rubble, bring their scattered possessions back into houses, return on foot to their old apartments where these had been evacuated, petition the military authorities for travel permits, and queue for food.[22]

If lawlessness, chaos and rubble were the dominant features of the first few weeks of 'peacetime', these soon gave way to homelessness hunger and illness. The available housing was very poor largely as a result of the Allied bombing. The early eye-witness accounts agree that private housing was the worst victim of the bombing, and some were surprised that even enormous industrial complexes, for instance, the Ford factory in Cologne and the IG Farben chemical works in Frankfurt, had escaped almost unscathed. The housing shortage was made worse by the presence of the occupying forces and military government personnel; to put it bluntly, they requisitioned on a grand scale. As if this was not enough, Germans expelled from Sudetenland, which was acquired by Czechoslovakia, and from the German territory east of the Oder-Neisse line, which was acquired by Poland, poured into the rest of Germany in their millions (see below). The result of all this was two-fold. There was widespread over-crowding, and a large section of the population was forced to live in damaged, inadequate buildings, or quite simply in cellars. A detailed and moving account of the miseries of the housing situation, supported by extensive photographic evidence, is given by Victor Gollancz.[23]

Another British socialist, Fenner Brockway, was quick to observe the effects of malnutrition on a visit to Germany in the spring of 1946:

> As I walk I look at the people. The first glance brings a surprise: they are well-dressed – better, I think, than at home. Then I look again, and notice the frequency of ill-looking faces, grey and yellow, lines running from eyes to mouth, protruding cheek-bones . . . Never anywhere else have I seen these gaunt features passing with such regularity.[24]

The explanation is not hard to find. The food allowances in the British Zone at the time of Brockway's visit were as follows[25]:

Basic (i.e. German adults not engaged in heavy or very heavy manual work)	1,048 calories
Heavy Workers	1,753 calories
Very Heavy Workers	2,312 calories
British Civilians	2,800 calories

It should be noted, too, that the 2,800 calorie allowance was for British civilians in post-war food-rationed Britain, not for those working in occupied Germany whose allowance was much higher.

Brockway, or rather his friend Wolf, gives an account of a German family meal, in Berlin, in fact where the calorie allowance was a little higher:

> I've been hearing about calories and proteins: Wolf has seen what they mean in German homes and kitchens. He has been into one home today where there were actually potatoes (not officially distributed for some weeks); the family had bartered their cigarette allocation for them – one meal of potatoes for a month's cigarettes. The potatoes were fried with coffee grouts, kept from the previous day's *Ersatzkaffee*: the woman says that the grouts give the potatoes a 'particular taste'. This main potato dish was preceded by 'soup'. Wolf was present when it was made, and it consisted entirely of bread crumbs and salt dissolved in hot water. The family had 'tea' with the meal, tea made from pine tree needles.[26]

This general food shortage had a number of consequences. Most obviously it encouraged large scale black market operations. It had the effect of depressing the marriage rate, although marriage to members of the Allied Forces was seen as highly desirable by German girls. Similarly, it made employment with the occupying forces, especially employment in their messes, very attractive to Germans since it opened up opportunities for supplementing the small official food ration. And of course undernourishment, over a sustained period, led to a rise in the mortality rate, a rise in the infant mortality rate and in the rates of particular illnesses associated with malnutrition and poor housing. To give one gruesome illustration, in April 1946, the month of Brockway's visit, no less than 3,969 *new* cases of tuberculosis were reported in the British Zone and British Sector of Berlin; this was not an unusually high figure