German Corporate Expansion and the Path to European Integration after the Second World War

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I. Research Problems

How are capitalism and business management in Germany, a European nation, to be understood from the perspective of Japan, an Asian country? Both Germany and Japan received significant American leadership and support after World War II. Both countries developed their enterprises and economies by deploying and adapting technology and management methods from the United States. By these means, both nations became major trading countries. However, current economic and business conditions differ greatly between Germany and Japan. In trade, American influence on Japanese business is still strong. Japan could not and cannot establish a complementary relationship with American industrial sectors and their products in the American market. Furthermore, a common market structure like the European Union does not exist in Asia. In contrast, Germany has developed independently of American influence and become part of a well-integrated regional economy. What were the driving forces that created those differences?

That question is approached based on the assumption that the origins of the distinct characteristics of German business management after the war were developed in the 1950s and 1960s. We analyze the transformation of business management in Germany and explain the characteristics and structure of German management.

Through Germany’s interpretation of the Americanization of business management, how were economic relations (divisions of labor and foreign trade patterns) in the European region built? How were these related to the developments independent of the U.S. and the Europeanization movement that resulted in today’s EU? We describe how the development of German companies determined the current German condition—“the Europeanization of Germany”—while the world faced the advance of globalization. We attempt to clarify how the origin of European integration was determined in Germany at the level of business management by analyzing the internal
structural transformation of management in Germany, as well as market factors in Europe.

2. Research Methodology

We establish the idea of “re-framing,” through the use of which we analyze various problems in the deployment of American management methods. Re-framing refers to business management methods and systems that are defined by the structural characteristics of a country’s capitalism and how these are adapted, modified, and made compatible with the structural characteristics of capitalism in a country to which it is transferred. Five factors are related to re-framing. These are: (1) the structure of productive forces, (2) industrial structures, (3) market structures, (4) management values and cultural factors, and (5) institutional factors.

Regarding the structure of commodity markets, a country’s domestic market and export market characteristics, along with its regional and product compositions are matters of market structure. These issues are closely related to price and quality competition, and to other competitive structures in a market. Management methods must be developed according to differences in market structure. Labor markets are related to a country’s regulatory mechanisms, the state of labor relations, and the system of worker participation in management. In industrial structures, the characteristics of industrial development and international competition are important issues. The characteristics of the structure of productive forces are, to a certain extent, connected to systems of specialized skills and vocational education, and exert a tremendous influence on the deployment of foreign elements of productive forces and the state of labor utilization.

Business management traditions and culture are interrelated with business management standards and values. Even under capitalism, wherein the pursuit of profit is the highest goal, a country’s corporate standards and values may not necessarily match those of other countries.

Institutional factors include legal systems comprising all types of regulations, labor relations, educational systems, and systems for specialized skills. Labor relations define business management characteristics, such as the investment in labor education based on labor conditions and employment security systems, the corporate product and market strategies based on those investments, and the production and management systems adapted to these strategies. A country’s educational system is closely related to its cultivation of executives and managers and its development of skilled workers (Yamazaki, 2013, pp. 10–12).

3. Deployment of American Management Methods

3-1. General conditions of the deployment of American management methods

We first discuss the deployment of American management methods in Germany after the war. The primary characteristics of U.S. management methods introduced in the 1950s and '60s were: (1) management education methods; (2) management and production systems (industrial engineering, human relations, and the Ford system); (3) responses to markets coinciding with advances in mass production (marketing, public relations, and operations research); and (4) divisional structure.

To improve productivity at the time of the introduction of American management methods, the measures and elements that directly related to improving “efficiency” were concerned with the development of productive forces; therefore, these
principles were relatively, proactively, and widely introduced.

In contrast, there were many aspects of American-style management that did not necessarily conform to the conditions in Germany at the time. These included productive forces as well as conditional and environmental factors that supported market adaptation measures, in particular, those aspects with American characteristics, such as the culture and relationships shared among labor and management, the value of management and management style, and management tradition/culture. Therefore, in many cases, there was strong resistance and opposition that prevented the introduction of those aspects, and it was only possible to introduce them by modifying them in the process. Many German companies sought a German-style adaptation.

There was selective adaptation of American technology and management, tailored to the local environment, and creative modifications and innovative hybridizations were observed. However, these modifications and hybridizations should not be understood as a negative phenomenon, as indications of domestic resistance to the transfer process, or even as the mark of inevitable compromise. Rather, they should be seen in a positive light, i.e., the modifications originated from experimental work and innovative learning (Zeitlin, 2000, pp. 11; pp. 15–20).

We next examine how German business management changed with the deployment of American management methods, and the developments that emerged in Germany thereafter.

3-2. Deployment of American management education

Regarding management education, the Training Within Industry (TWI) program was first seen in supervisor and foreman education, emphasizing methods for better communication. However, TWI was often met with a lukewarm reception (Kleinschmidt, 2002, p. 185). Although tailored to the German environment, the TWI programs implemented under the U.S. Technical Assistance and Productivity Program in Germany were clearly lower in number than in other European countries (Kleinschmidt, 2002, p. 75).

German commercial colleges had not yet attained status as providers of basic, broadly-shared education for executives, as had American business schools. In general, it was highly unusual for engineers in America to fill important executive roles (Amdam, 1996, pp. 4–6). On this point regarding the function of management, the American-style method was not well-matched to the German environment, where those with engineering backgrounds were often leaders. Institutions such as business schools did not gain popularity and were not Americanized. The elements that did change were the types of retraining inside corporations, and its content. For example, week-long or multi-week seminars were held for specialists and operational personnel in middle and upper management to learn about and discuss the latest American-style management methods (Kleinschmidt, 2002, p. 78).

In Germany, there were companies’ internal promotion systems; formal programs for executive development were commonplace within each industry. One important reason for this approach was that the true role of this type of training was to instill entrepreneurial spirit, attitudes, and values (Granick, 1962, pp. 117–118; Hartmann, 1959, p. 264).

The impact of attempts to convert traditional forms of education was smallest in German-speaking nations (Schröter, 2005, p. 121). The direct transfer of programs from the American model, such as TWI and top management education, was also unsuccessful because of their traditional views on managerial social policies (Kleinschmidt, 2002, pp. 79; 83).
The most important factor behind changes to general and executive management education was the country’s overall educational system and the strength of its management education system, along with cultural factors, such as styles of management and traditions of learning that could transcend national borders (Amdam, 1996, p. 11). Progress was particularly dependent on each program’s effectiveness and the level of resistance from executives and educators (Gourvish and Tiratsoo, 1998, p. 9).

3-3. Deployment of American management and production systems

Next we examine the deployment of American management and production systems.

**Industrial Engineering (IE):** In the latter half of the 1950s, the increasing importance of work and time studies was particularly apparent in the American predetermined time method. In Germany, use of such methods had expanded greatly by the end of the 1950s (Schmiede and Schudlich, 1981, p. 359). In the early 1960s, the Reichsausschuss für Arbeitszeitermittlung (the state board for work hour determination, REFA) was at the point of expansion into IE (Billhardt, 1962, p. 249).

As part of IE, American techniques like the Work Factor (WF) method and Methods-Time Measurement (MTM) were promoted, with REFA’s strong involvement together with the cooperation of the Work-Factor Company, the German MTM Association, consultants, and others. Between the late 1950s and the first half of the 1960s, U.S. superiority in IE greatly diminished, compared with similar standard methods used in other progressive industrial nations (Hartmann, 1963, p. 125).

However, REFA had long played an important role in Germany, since the rationalization movement of the 1920s. Schlaich notes that, from an operational perspective, it is only natural that the spread of IE is mainly attributed to REFA (Schlaich, 1969, p. 234). New methods, such as MTM and WF, were introduced, but these methods would not have succeeded without their incorporation into REFA’s own methods (Hämmerling, 1960, p. 127). German industry had developed work studies based on REFA thinking over several decades (Schwartmann, 1975, p. 205). The dissemination of IE was related to REFA activities, and was also greatly affected by U.S.-based IE.

REFA did not, for the most part, deprioritize its own systems in promoting WF. The deployment and dissemination of American-style methods continued with the help of REFA’s activities and its leadership in work studies, along with attempts to apply these methods to the German situation, under REFA’s strong influence.

**Human Relations:** We next consider the deployment of human relations (hereafter, HR), which had a great impact on the labor climate in German corporations as well as in labor relations. The opposite had been true of HR’s introduction. In actuality, because of the attitudes of employees and their representatives, discussions on codetermination—beginning at the end of the 1940s—and the societal and managerial traditions in German labor relations, only a miniscule fraction of the American HR model was ever implemented in German corporations. Kleinschmidt attributes the utter failure of German corporations to implement American HR and labor relations strategies to the realities of German management in the 1950s (Kleinschmidt, 2002, pp. 173–175).

Many cases of strong resistance from both corporations and labor against the deployment of HR are recorded. Until the 1960s, most board members of large corporations in the German chemical industry had a different mindset from that of HR; chemists were a prime example of individuals who distanced themselves from the concept.
Technical departments were particularly skeptical of combining human resources and welfare departments because of the common disputes over authority. Similar opposition could be seen in other corporations, and there was also resistance from employee representatives and labor unions. Codetermination was also an issue in which German and U.S. traditions and influence played a role (Kleinschmidt, 2002, pp. 185–186).

German corporations' HR deployment did not lead to widespread adoption of it, even as a labor relations model. In 1963, Hartmann noted that HR, after being imported into Germany as a trendy strategy of the early 1950s, lost its luster and was seen simply as an almost unintegrable product of U.S. economic culture (Hartmann, 1963, p. 173). By the end of the 1950s, the post-war craze for new values and a society modeled on the U.S. abated. Many of the efforts to deploy these reforms evaporated, HR being a prime example (Hartmann, 1959, p. 271).

Large changes to the labor relations framework arising from the Codetermination Act inhibited the spread of HR. These cultural and political differences between the U.S. and Germany underpinned the extraordinary differences in labor relations (Kleinschmidt, 2002, p. 202).

**Ford System:** Deployment of the Ford system was also a very important issue. According to Streeck, there were two types of auto manufacturers in postwar West Germany: mass production manufacturers in the north (Volkswagen, Ford, and Opel) and luxury car manufacturers, a remnant of craft production, in the south (BMW, Daimler-Benz, and Audi). This regional difference developed in response to differences in manufacturing principles and philosophies. Southern manufacturers had technical creativity and were engineering perfectionists (Streeck, 1989, p. 119). For those manufacturers, specializing in these particular market segments with a value-added strategy of high quality and high performance meant that there was little necessity for cost superiority through economies of scale (Kazama, 1997, p. 69). Their strategies for product design concepts and market positioning greatly influenced the important characteristics of quality and flexible production, inherently German traits.

This focus on quality and a flexible production concept could be seen in prewar Germany as one method of production responding to market limits (Stahlmann, 1993). The basic principles of this same production concept could also be seen in postwar Germany. That is, one could identify German characteristics in production methods and systems based on product design concepts, such as avoiding price competition, positioning, and specific niche strategies in postwar international market expansion. Even though the work organization itself was a flow production system that may have been founded on a U.S. model, and although those corporations pursued economies of scale through mass production, the elements of high quality, knowledge-intensive production relying on skilled labor, and the German-specific systems of vocational education and specialist qualifications, such as the Meister system, remained quite significant. In Daimler's case, if we consider production methods from a work organization perspective, they appear to be nothing more than an organized flow of work as would be found in the U.S. However, in the applicability of standardized production factors based on "unit system" principles (Hilger, 2004, pp. 175; 177) and the integration work that increases their applicability, the skills within the key production elements between design and production were significant. Germany had a production system based on technical qualifications and vocational education, and production management work in corporations was dominated by skilled engineers. Thus, the skill level of production managers was very high. This was an important factor in the superi-
ority of the design, development, production, and quality of German products (Lawrence, 1980, pp. 131; 140–141; 150; 187; 190).

In Germany’s case, quality in the form of product functionality, durability, dependability, and safety was heavily emphasized, as was a reliance on expert, skilled labor in certain jobs. This model differs from that in Japan, where integration emphasizing operational capability was a major source of competitive advantage (Fujimoto, 2004).

3-4. Deployment of American marketing methods

As the development of mass production progressed post-WWII, it became important to adapt to the mass market with methods such as marketing. However, in Germany many factors affected the implementation of these American methods. Two waves of Americanization were seen in the area of advertising and publicity. The role of American-type advertising agencies that provide full service was a characteristic of the first wave in the 1950s. However, at that stage, there was considerable social antipathy toward “American” advertising. In the 1950s, the catalytic effect of the American model and Americanization should not be overestimated. Any faltering in the Americanization process was due to economic factors, such as the existence of a seller’s market as well as the much more powerful development of the traditional producer goods industry, compared with that of the consumer goods industry. The second wave of Americanization could be seen in the 1960s, and at that stage, the introduction of American marketing concepts and techniques progressed (Schröter, 1997, pp. 98–103).

There was often a tendency for German suppliers, in contrast to American businesses, to give priority to product policies with an emphasis on traditional brand awareness. This was particularly applicable in companies that focused on brand strength gained through high quality. Hilger characterized this trend as a “model policy that is not constrained by the stream of the times.” From the late 1950s, Daimler-Benz followed a product strategy that sought variation in the appearance of its vehicles at the lowest possible cost by making only slight changes to the bodies of their cars. The company, by facilitating such concession to the market, suppressed American custom, and thus prevented a further shortening of model change cycles in the European market (Hilger, 2004, pp. 90; 192–193).

The degree of acceptance of American companies’ techniques and know-how depended on the intensity of competition. From the late 1950s, there was considerably more powerful systemization of sales policies depending on the new techniques of market research and opinion surveys. However, German companies that had given priority before the war to the traditional policy of mild competition that was part of the market agreement were not so able to follow American business practices (Hilger, 2004, pp. 195; 211–212).

Americanization never meant the displacement of traditional German behavior. The respect for individuality in advertising has never been Americanized (Schröter, 1997, p. 114). In German companies, there were expectations related to the sales function in terms of quality, delivery, and after-sale service, as well as the mindset that good quality products and services would be purchased. Because of the emphasis on providing high-quality products and services, concerns about pricing policies and distribution channels tended to be minor (Lawrence, 1980, p. 94). These points were also reflected in Germany’s approach to introducing American marketing techniques.

In this way, in contrast to America’s strong tendency toward pragmatic thinking, consumer purchasing characteristics and behavior that empha-
size technology, quality, and function can be seen in the German product market. Under these conditions, intense price competition was suppressed, and quality competition in Germany was more significant than in other countries. This German characteristic was a major background force in the introduction and growth of marketing techniques.

3-5. Deployment of divisional structure

We next discuss the deployment of divisional structure. In German compensation systems, the use of performance-linked financial incentives for general managers based on profit responsibility is extremely rare, reflecting the differences between German and U.S. culture and values. American compensation systems ran the risk of leading a general manager to lose objectivity in his business judgment, with plans negotiated between the division and corporate sides potentially in intense conflict with the interests of the division. The introduction of incentives of this sort was often even deemed undesirable. The idea of strengthening profit orientation through the use of compensation systems or methods to generate internal competition—both based on divisional profits—was not explicitly considered in practically all of the 100 largest enterprises. Some of the reasons behind the dismissal of such concepts are that German managers felt that creating direct links between divisional profits and a general manager’s compensation was incompatible with corporate tradition, or that the profit base was too unstable. Even in cases where management responsibility was delegated to a general manager, there was a great deal of opposition to providing the general manager with sufficient freedom and authority along with profit responsibility (Dyas and Thanheiser, 1976, pp. 118–119; 126–127; 137–138).

When we examine traditional management in German corporations, one characteristic can be seen in the new wave of organizational reforms consistent with German traditions of cooperative corporate culture that emphasize technical skills (Wengenroth, 1997, p. 162). Originally, management authority in Germany tended to be exclusive, closely held by the managers themselves, because authority based on trust in top management was considered superior to authority based on function. These ideas changed in response to the U.S. influence, and the exclusiveness of management status decreased (Hartmann, 1963, pp. 271–272; 282–283; 286–289; Hartmann, 1959, pp. 261; 271–272; 274–277). Still, traditions like these, rooted deep in the ideological foundations of management authority, greatly influenced the adoption and operation of divisional structures.

Another aspect of the influence of traditional culture on German corporate management was the tradition of collegial corporate management and the board-majority system, which were unheard of in U.S. corporations. In German corporations, the position of CEO—with one person having the independent authority to make decisions for the company as a whole—did not exist (Dyas and Thanheiser, 1976, pp. 106–107). Collegial management was practiced at the divisional level, with allocation of assignments and responsibilities shared with top management (Dyas and Thanheiser, 1976, p. 129; Bayer AG, 1970, p. 22–1; “Neue Organisation bei Hüls,” 1970, p. 26; Lorenz and Erker, 2003, p. 270).

4. “Re-framing” in the Americanization Process and German-Style Management

Based on the foregoing discussions, we consider the development of business management through the introduction of American management methods from the angle of “re-framing.”
4-1. German-style adaptation and the influence of business management tradition and culture in the Americanization process

We first examine the influence of cultural factors such as the German business management tradition and values. The foremost aspect of these traditions, values, and cultural factors in German business management is the influence of values that emphasize technology, quality, and production. In post-WWII Germany, there was a tendency of contempt toward the spread of American consumer-oriented management practices (Wengenroth, 1997, p. 161). Instead of an orientation toward marketing and the more direct pursuit of profit, there was a strong production orientation that emphasized technology and quality. This not only had great impact on the introduction of American-style management methods but also led to the birth of German-style business management characteristics.

This management orientation can be seen in the high proportion of engineers who also serve as directors or managers. The philosophy emphasizing technology affects the disposition of typical German companies in general, and is related to top management ideas concerning goals and the methods for achieving them (Lawrence, 1980, pp. 80; 83; 96–100; 186; 190). Management values and culture with a long-term orientation and emphasis on technology differed from the management values based on the American vogue of pragmatism, reflected in radical “efficiency-first” personnel policies. Even under strong American influence, these German management values and culture could not be reversed immediately.

However, these types of German management traditions, management values, and cultural factors do not simply reflect the culture in general; rather, they reflect market characteristics and are compatible with the German and European mar-

kets. This indicates the significance of German-style business management. We consider this point in more detail in section 4-5.

4-2. German-style adaptation and the influence of institutional factors on the Americanization process

We next examine the influence of institutional factors. Aspects of industrial relations were an important issue; in Germany, the legally-prescribed codetermination system was one of the most important. The politically-motivated attempt by America to promote the introduction of HR to transform industrial relations was unsuccessful. Traditional German-style industrial relations, emphasizing technology and skills, was an important background factor in the quest to design a compatible German adaptation of American management style and system. Employment and wage security based on the dual system and the characteristics of German-style industrial relations were factors in promoting investment in vocational education, particularly for the labor force within corporations. Such investment in education and training was the foundation for the development of diversified and high-quality production, dependent on skilled workers and requiring labor flexibility.

In education, the traditions and nature of the German university system tended to focus on reasoning and understanding of the topics. The institutional characteristics of these German universities played a major role in the introduction of a more practical American-style management education method. Specialized skills and qualifications systems, such as the Meister system and vocational education, which were vital for training skilled workers, were deeply tied to the introduction of the American production system and the nature of German-style production.

Postwar institutional reforms also had a signifi-
cant impact on the configuration of management and were deeply related to traditional management philosophy and values. The older generations of executives continued on and remained active despite postwar reform (Kudo et al., 2004, p. 20). Representatives of the old elite tended to cling to the uniqueness of the “German spirit” (Lüdtke et al., 1997, p. 25). In its relationship to authority, the German method, as seen in “authority based on credentials,” was also a factor that greatly impacted the decentralization and delegation of authority. In the development of postwar Americanization, the significance of a generation-al shift in management was great; however, this process started in the early 1960s (Berghahn, 1985, pp. 249–252; 255–257; 293).

4-3. Impact of the characteristics of the structure of productive forces

Next, we examine impact of productive forces. In pre-WWII Germany, there was the tradition of “the flexible production concept with an emphasis on quality,” as seen in the automotive industry (Stahilmann, 1993). Germany had tried various methods of mass production that aimed at securing a certain level of flexibility for dealing with demand fluctuations between products and obtaining some of the benefits of mass production even with decreased output under market constraints (von Freyberg, 1989; Siegel and v Freyberg, 1991). After WWII, both domestic and export market conditions were poised to introduce American-style mass production. However, Germany sought market positioning by pursuing competitiveness in Europe’s relatively high share of its exports that was compatible with the characteristics of high-quality European goods. Given these circumstances, German companies pursued a suitable production system. Here, they constructed a quality- and functionality-focused system, with the support of the German-specific spe-
cialized skill qualification and vocational education systems.

4-4. Impact of industrial structure characteristics

In pre-WWII Germany, the core of the industrial structure comprised the coal, iron, steel, chemical, and electrical industries, together with the machinery industry that was the cornerstone of the producer goods sector. After WWII, development of the automotive industry and electrical home appliances progressed rapidly. However, despite the universal Americanization of both the consumer goods market and management style, the traditional dominance of the producer goods industry in West Germany strengthened rather than weakened, due to the country’s new competitive advantage among postwar European manufacturers (Wengenroth, 1997, p. 161).

Under such circumstances, and for those reasons, strengthening the producer goods industries’ international competitiveness became an important issue. As in the case of the machine tools industry, the quality and functionality of producer goods were largely responsible for the quality improvement of final products and had great significance in the pursuit of competitiveness by differentiating quality and functionality. For the sake of maintaining compatible production systems, it was important to expand by keeping their reliance on experienced workers. These points were also valid in the automotive industry, a durable consumer goods sector. There, a production system was developed that was distinct from American-style mass production systems.
4-5. Impact of market structure characteristics: European market structure and German business management

America has had a tradition of emphasizing the principle of efficiency based on standardization. For many years, the American market has been more homogeneous than that in other countries (Chandler 1977, p. 498), and, thus, its standardization of consumption advanced. Given these market and consumption characteristics, mass production and market competition aimed at fully standardizing production. American management styles and methods aimed at “efficiency improvement” were compatible with those conditions in such markets.

In contrast, Germany did not have the same advanced level of standardized consumption as did America. Its market characteristics and consumer behavior trended toward emphasizing technology, quality, and functionality, and focus was put on competition in terms of quality. These market characteristics are not just seen in Germany, but also on the European level, the core market for German exports. Thus, with its different market characteristics, Germany placed a higher importance on product differentiation based on technology, quality, and functionality than the aggressive American-type price competition (Streeck, 1997, pp. 39-40). This German model also suited the European market.

After WWII, because of market structure, divisions with international competitiveness mainly developed compatible product strategies and production systems supporting them. It became important for German companies to have a high degree of dependence on exporting to the European market (Statistisches Bundesamt, 1971, pp. 296-297; 299–300; Statistisches Bundesamt, 1981, pp. 258–259), out of the relative importance placed on having basic similarities in market conditions and characteristics. A complementary relationship was formed in industrial sectors and goods areas. With the main focus on competitiveness in the European market of key industrial sectors, a division of labor was established to supplement existing industries and products (Furuuchi, 2007, pp. 89–100; Sato and Hermann, 1997, p. 218; NHK Shuzaihan, 1988, p. 91).

European-style development is defined by its reflection of the characteristics of the European market, from the fact that German companies have a high dependence on their regional market, taken together with a German-style development of business management, within the Americanism movement, along with German capitalist structure (accumulation structure). The post-WWII accumulation system, the so-called “German model,” is supported by a quality-competitive sector as its core, industrial structure differences among European nations, and a trade structure that is closely related (Furuuchi, 2007).

5. Conclusion: Factors in the Regional Development of German Enterprise—Comparison with Japan

Based on the foregoing analysis, we can clarify the regional developmental factors of German enterprise from the perspective of a comparison with Japan. Shortly after the war, Japan did not have markets nearby as did Germany in Europe; this is primarily because many Asian countries had been colonies. Therefore, Japan’s development of productive forces could sufficiently address only the expansion of its domestic markets and exports to the U.S. Under these conditions, although Japan attempted to implement American management methods, Japanese corporations could create only accumulation structures in the form of a stronger reliance on the U.S. for ex-
ports. In the 1970s and 1980s, Japanese corporations strengthened their competitiveness in the processing and assembly industries, particularly in the automotive sector, by using low cost and high quality—as weapons to augment Japanese production. This strategy resulted in even greater exports to the U.S. However, because the Japanese industries that had international competitiveness and could expand exports were also key U.S. industries, Japan could not build complementary relationships with U.S. producers and industries in the American market. Given that, Japan's independent development became rather complicated. Even today, Asia has achieved no regional economic integration comparable to that of the EU, leaving Japan vulnerable to fluctuations in yen-dollar exchange rates, because of its reliance on exports to the U.S. This has resulted in the hollowing out of industries, putting companies in difficult straits.

On the contrary, German industries adapted to European market conditions very well. Although German corporations experienced an Americanization of their business management, they could develop by re-framing the structure of productive forces and industrial structures in line with European market structures and competition. In addition, they have been able to develop diversified, high-quality production, relying on skilled workers, market structures, and characteristics which focus on quality and functionality in Europe. German corporate management values reflect these market characteristics within Germany and its core export regions in Europe. The promotion of investment in vocational education for corporate workers, employment security, and wage guarantee systems through the codetermination system were significant. German corporations developed a production system that enables product differentiation in quality and functionality which relies on the specialized experience and skill of their workers, rather than on U.S. style mass production based on the principle of thorough standardization, or on Japanese workers’ multi-process skills. German product quality focuses on functionality and durability, and the German production system attempts to differentiate on quality, not price. As a result, Germany has become internationally competitive in durable consumer goods, investment goods, and capital goods, and has built foreign trade patterns that complement the trade of products in the European nations. In so doing, Germany has achieved corporate and economic independence without having to follow the American global strategy.

This type of development focusing on quality and functionality was particularly effective because of European market conditions. Thus, Germany sought to form and reinforce a European reproduction structure, aligned with European integration leading to today’s EU, in order to build a foundation conforming to that strategy. This movement toward integration that enabled development rooted in the integrated region of Europe, although at the same time isolated within Europe, was created at management level. The development of German corporations during the 1950s and 1960s set the direction toward European integration and laid the foundations for today’s EU.

Germany has regionalized, building complementary relationships with other European nations in industrial and production areas. In contrast, Japan continues to lack a common market and has no complementary relationships with the U.S. The conditions leading to these differences arose in the process of corporate development during the postwar boom years and were shaped by regional characteristics. The implication of this paper is that these regional differences explain Germany’s capitalism and business management, including its Americanization of business management, during this period.
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