

Großer Mann – was nun?

Stakeholder management during the *Weltwirtschaftskrise* by Carl Friedrich von Siemens as *Chef des Hauses* Siemens, October 1929 – October 1933

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Abstract

During the Great Depression Carl Friedrich von Siemens struggled for the survival of the companies his father founded. The research question is how did Siemens, and in particular he as the figurehead of the firm, presented the interests of the company and its various stakeholders - and in particular, but not limited to its employees - during the crisis from October 1929 till October 1933?

This thesis applies and integrates the theories about stakeholder management and crisis management, both from the field of management and organisation, to a historical case. So far, the existing literature on stakeholder management in periods of crises is limited, and only addresses certain topics such as the relevance of communication during crisis. These theories are extended with three suggested principles of responsible management. For historical analysis the stakeholder theory is used descriptively and by doing so, it offers a broader perspective on the analysis of companies managing severe crises.

The primary sources of this research are the annual reports of the main companies, Siemens & Halske and the Siemens-Schuckertwerke, and the speeches from von Siemens at the general meetings of shareholders.

In sum, von Siemens took the interests of the various stakeholders on board to the extent these also suited Siemens' interests, the survival of the companies. Notably, in particular for its employees, Siemens did more. The example of this case study supports the conclusion that not all entrepreneurs only focus on the survival of their companies when fighting crises. Rather they take a broader view. The narrative thereof, embeds and integrates the narrow-focussed history of specific businesses, into the history of society with people having various interests in those businesses. For business historians this implies an invitation to also examine the interplay between these businesses and their stakeholders.

The theoretical framework used can be applied more widely. Firstly, other cases in the past, also from different periods, could be researched with these principles of responsible management. Secondly, more corporate events, not crises only, could be reviewed with the broadly formulated principles in mind. Furthermore, next to the type of sources used, internal documents of the company revealing management's decision-making process would be insightful.

Table of contents

1. Introduction	4
2. Theoretical framework	12
3. Siemens 1918-1929: recovery and growth	19
4. The Great Depression: a struggle for survival	24
4.1 Social and economic environment	24
4.2. Siemens 1927-1933: growth, crisis, and signs of recovery	26
5. Siemens during the Great Depression: managing the crisis responsibly?	33
5.1 Shareholders, bondholders, customers, and management	35
5.2 Government	41
5.3 Employees	45
6. Conclusion	54
Attachments	58
Key financial and employee data of	
Siemens & Halske	59
Siemens-Schuckertwerke	60
Statistical data about the legal social costs and voluntary social benefits	61
Overview of remuneration of Executive Boards and Supervisory Boards 1927/28 – 1932/33	62
Bibliography	63

1. Introduction

Still early in what later would be labelled the *Weltwirtschaftskrise*, Carl Friedrich von Siemens, one of the leading entrepreneurs of Germany, wrote the following to chancellor Brüning on 31 July 1930:

‘[...] der Industrie niemand die Garantie geben kann, daß in dieser Zeit das Maß der Arbeit dasselbe bleiben wird. [...] Nur das wirtschaftliche Muß wird ihn zwingen, sich von ihnen zu trennen. [...] Es ist das erste Mal, daß unser Haus, ich glaube seit seinem über 80jährigen Bestehen, zu großen Entlassungen schreiten mußte. Wir waren bisher stolz darauf, daß jeder Mitarbeiter, der tüchtig war und sich einige Jahre bewährt hatte, das Gefühl haben konnte, eine gesicherte Lebensstellung zu besitzen. Darin lag auch eine der Stärken unseres Hauses. Wir haben aber nicht nur die augenblicklichen Schwierigkeiten zu bedenken, sondern müssen die Zukunft im Auge behalten’.¹

In this financial year his companies experienced a sharp decrease in order volume and as a consequence, many jobs were lost at the Siemens factories in the Greater Berlin area. The quote clearly indicated which considerations von Siemens had to made: the proud and longstanding tradition of the company to offer its employees a secure and good workplace challenged by the economic circumstances and forecasts of those days. Mid 1930 the company was already severely hit by the acceleration of the downturn, and the worst was still to come. Two years later Hans Fallada would publicise his hugely successful *Kleiner Mann – was nun?*, in which he impressively described the

¹ [...] No one can give the industry the guarantee that the amount of work will stay the same during this period. [...] Only the force of economic circumstances will cause him to make them take their leave [...] As far as I know, it is the first time in our company's history of more than 80 years that it has been forced to dismiss its employees on such a scale. To date we were proud of being able to give each hard-working employee who had been proven his worth the feeling that he had a secure job for life. This was also one of our company's inherent strengths. We now not only have to consider our current difficulties; we must also keep an eye on our future.’, Wilfried Feldenkirchen, *Siemens 1918-1945* (Ohio 1999) 229, German edition 274-275.

fate of the many unemployed.² Paraphrasing him, for Carl Friedrich von Siemens it now was: *Großer Mann – was nun?*

Siemens, founded by his father in 1847, was an innovative and proud family led company which had achieved a good reputation for its social policies. Since 1919 Carl Friedrich von Siemens led the group through the stormy years of the Weimar Republic. The republic struggled with the aftermath of the war and Siemens, like all other German corporations, had to find its way in this challenging environment. This legacy had many aspects, and from an economic perspective the situation was fundamentally unstable. This led to several crises, most notably the hyperinflation in 1923, structural high unemployment, and a high dependency of the economy on dollar loans from the United States. To a large extent these were used for the reparation obligations.³ The employers complained that the German economy was non-competitive. In their opinion the country suffered under what they called 'politische Löhne', which were caused by the high real wages, not in line with productivity, the eight-hour workday implemented after the war, new social insurances, and *Zwangsschlichtungen* by state mediators in case of wage conflicts between employers and the unions.⁴ Whether the real wages caused the structural high unemployment is debated still.⁵ At the same time, the state had the constitutional mission to create a *Sozialstaat*, and the introduction of the unemployment insurance in 1927 was regarded as a major step towards this ideal.⁶

In an economy already slowing down in 1928, the real crisis was triggered by the decision of the Federal Reserve Board in New York to increase the interest rate October

² *Kleiner Mann- was nun?* was publicised in the *Vossische Zeitung*, a well-known paper in Berlin, from 20 April till 10 June 1932.

³ Detlev J.K. Peukert, *Die Weimarer Republik. Krisenjahre der klassischen Moderne* (Frankfurt am Main 1987) 128, 244-245; Knut Borchardt, *Perspectives on modern German economic history and policy* (Cambridge 1991) 155.

⁴ Peukert, *Die Weimarer Republik*, 128, 130; Jonas Fisher and Andreas Hornstein, 'The role of real wages, productivity, and fiscal policy in Germany's Great Depression 1928-1937', *Review of Economics Dynamics* 5 (2002), 100-127, here 108; Borchardt, *Perspectives*, 158.

⁵ Fisher and Hornstein, 'The role of real wages, 101; Solomos Solomou and Martin Weale, 'Unemployment and real wages in the Great Depression', *National Institute Economic Review* 214 (2010), R51-R61, here R58; Ursula Büttner, *Weimar. Die überforderte Republik 1918-1933. Leitung und Versagen in Staat, Gesellschaft, Wirtschaft und Kultur* (Stuttgart 2008) 225, 824.

⁶ Peukert, *Die Weimarer Republik*, 132, 135.

1929.⁷ This led to the crash on Wall Street and the subsequent economic crisis, later to be called the Great Depression. In the years 1929-1932 Germany experienced a fall in GDP of 53% and an unprecedented unemployment rate of 42% in July 1932.⁸ As a consequence, the country, the city of Berlin, Siemens as one of the city's largest employers, and its employees, they all severely suffered. My research question is focused on: how did the boards of Siemens, and in particular Carl Friedrich von Siemens as the figurehead of the firm, present the interests of the company and its various stakeholders - and in particular, but not limited to its employees - during the crisis from October 1929 till October 1933? With this case I will examine whether Siemens only focused on their own interests, that is the survival of the company, or took a broader perspective in fighting the crisis. If so, business historians should broaden their scope as well. They should not, as often is the current practice, research the specific organisation only. Additionally, they should examine the interplay between the business and a circle of parties with a specific relationship and interest in that business.

The demarcation of the period is for the beginning grounded in the outbreak of the *Weltwirtschaftskrise* in October 1929, which also marked the start of Siemens' financial year 1929-1930. The financial years 1927-1929 will be also examined to contrast these with the subsequent crisis years. The financial year 1932-1933 ended on 30 September 1933 and showed the first signs of recovery from the crisis. As sub-questions I will address, firstly, what impact did the Great Depression have on Siemens as a company in amongst others revenue, profits, number of employees? Secondly, which views on managing the crisis did Siemens management present from the perspectives of the company and its stakeholders in their annual reports of 1927/28 - 1932/33 and in the speeches of Carl Friedrich von Siemens at the annual general

⁷ William C. McNeil, *American money and the Weimar Republic. Economics and politics on the eve of the Great Depression* (New York 1986) 217-218.

⁸ Konrad H. Jarausch, *Out of ashes. A new history of Europe in the twentieth century* (Princeton 2015), 225; Petra Weber, *Gescheiterte Sozialpartnerschaft – Gefährdete Republik? Industrielle Beziehungen, Arbeitskämpfe und der Sozialstaat. Deutschland und Frankreich im Vergleich (1918-1933/39)* (2010), PDF e-book, 855; Jürgen W. Falter, et al., 'Arbeitslosigkeit und Nationalsozialismus. Eine empirische Analyse des Beitrags der Massenerwerbslosigkeit zu den Wahlerfolgen der NSDAP 1932 und 1933', *Historische Sozialforschung* 25 (2013), 111-144, here 114.

meetings of shareholders (AGM)? And finally, which views did the Siemens boards, with their good social reputation, more specifically express about the consequences of their decisions for their employees? The employees were in this period confronted with significant redundancies, or *Kurzarbeit* and decrease of their wages, salaries. How were these measures, despite the social reputation of the firm, explained to their employees and the wider public? Were these measures presented as an inevitable, but necessary evil to survive the crisis, and or as an opportunity to 'rightsized' and further rationalize the company?

The harsh headwind of the crisis will have set the boards of Siemens in a crisis mode, i.e., a struggle for survival to keep the company and its main activities operational and viable. Research and development of new technologies, essential skills of its staff, entrance to the domestic and international markets, and the valued relationships with their clients and suppliers had to be continued as good as possible. Therefore, the theories on crisis management are relevant to evaluate management's decisions and actions. The boards' decisions and actions impacted not only the shareholder by facing lower stock prices and dividends, but many stakeholders. First of all, many employees lost their jobs or were confronted with lower wages and government decisions to raise taxes. Furthermore, external debt suppliers, the government, and customers, all experienced major negative consequences of the crisis. Therefore, stakeholder management theory offers a basis to evaluate the decisions and actions of the Siemens boards.

The contribution to the historical profession is applying and integrating the theories about stakeholder management and crisis management, both from the field of management and organisation, to a historical case. So far, the existing literature on stakeholder management in periods of crises is limited, and only addresses certain topics such as the relevance of communication during crisis.⁹ I extend these theories with three suggested principles of responsible management. These principles will be the benchmark against which the decisions of management will be evaluated. With this contribution for the analytical philosophy of history, specifically stakeholder management during crises, my aim is to offer a useful framework for researching more historical cases. By extending the current theories with the three principles I,

⁹ Please refer to chapter 2. Theoretical framework.

furthermore, counter one of the critiques on stakeholder theory.¹⁰ The theory would not offer guidance to evaluate the breadth and depth of management's decisions and actions in practice. With the suggested principles, a framework is offered for evaluating if, and to what extent, stakeholders' interests were presented as important by management.

The case I will discuss, focuses on a well-known, family-led company, Siemens, which was one of Germany's proud symbols of the second Industrial Revolution and a world-leader in the electrical industry.¹¹ The companies' reputation for its social policies, and its ambition to offer their employees a lifelong secure job with all kind of fringe benefits, offers an interesting case to evaluate management's decisions in the severest crisis since the founding of the company.¹² Clearly, Siemens had a tradition of taking a broader perspective than the shareholders, the owners of the companies, only. This was rooted in the by Werner von Siemens formulated principle of the 'gesunden Egoismus'. Because of this track record, Siemens is an interesting case to validate the stakeholder management theory with the three suggested principles of responsible management in this situation of an unprecedented economic crisis. To evaluate how management presented decisions and actions in this stressful situation in which the continuity of their companies was seriously at stake, is the ultimate test to validate these suggested principles. By doing so, I also contribute to the historiography of Siemens offering a new perspective, i.e., with the theoretical framework used the relationship between Siemens and its relevant stakeholders during the Great Depression.

Finally, though the theories mentioned are of relative recent date and developed well after the period of the Great Depression, I will argue that my proposed additions offer a useful framework for historians to evaluate also other cases in the past. By doing so, this creates a broader perspective, beyond the company, and thus of the historiography of businesses in general.

With this approach I also comply with the specific requirements set by the Honours programme. With the use of frameworks from another field of expertise, the integration of these theories, and in particular, my extension thereof with the three suggested principles, I primarily demonstrate to meet the requirements referring

¹⁰ Ibid.

¹¹ Feldenkirchen, *Siemens*, 149.

¹² Ibid., 352.

breadth and depth of this thesis. By taking the stakeholder perspective, the consequences of the companies' decisions and actions are positioned in and are examined against a wider social context. Therefore, also this dimension of the Honours programme is secondarily addressed.

My research is based on the following primary sources. Firstly, I will use the annual reports of the main operating companies, Siemens & Halske AG and the Siemens-Schuckertwerke AG from the period 1927/28 -1932/33. The *Geschäftsberichten* of those financial years, running from 1 October till 30 September of the next year, comprised of the financial statements and the explanatory notes about the business activities. They typically had between about 20 to 30 pages. From 1929/30 onwards, in the annual report of Siemens & Halske a detailed statistical overview of employee data, the 'gesetzlichen und freiwilligen sozialen Leistungen' for the whole group, was included.

In this period, primarily the shareholders of the company were the audience of the annual report. Therefore, the report was a major agenda item on the agenda of the *Generalversammlung*, which usually took place around late February of the following year. At this annual general meeting (AGM) of shareholders of Siemens & Halske, the chairman of the Supervisory Board, i.e., Carl Friedrich von Siemens, addressed the shareholders. These speeches for the years 1927/28 – 1932/33 will, secondly, be used as primary sources in my research. These speeches of eight to seventeen typed pages gave an overview of the opinions of the company, but also, entailed more personal reflections of von Siemens about the business and the environment in which it operated. Thirdly, newspapers reported about the results of the Siemens companies, expressed their views about the course of business, and sometimes printed large parts of von Siemens' speeches. Finally, I will use a small number of letters of Carl Friedrich von Siemens as primary sources. In these letters he, as the figurehead of the company and in practice the all-important executive of the companies, expressed his views on managing the crisis and the issues Siemens management faced in this respect.

The annual reports, the speeches of von Siemens on the AGM and obviously, the papers, all were in the public domain. Everyone in society had access to this information and the company will have been very well aware of that. Therefore, Siemens will have carefully considered which topics in which tone-of-voice to be incorporated in their communication. The companies' objective to create a positive image of itself before their shareholders and the general public has to be taken into account.

Compared with today's practices, very different accounting policies were applied, and the financial statements disclosed remarkably few details. Essential data was missing; for example, sales revenues were not disclosed. Also, the use of hidden reserves was not only allowed, but openly practiced by Siemens. All annual multi-million investments in *Geräte und Werkzeuge, Werkzeugmaschinen, Betriebsmaschinen, Heizungs- und Beleuchtungsanlagen, Modelle, Fuhrpark, and Konzessionen, Patente, und Markenrechte* were directly depreciated to 1 RM, and booked as expenses.¹³ In the years 1927-1929 these investments amounted 62 million.¹⁴ Though Siemens was criticized for its financial reporting in the press, the company adopted acceptable accounting practices by then.¹⁵ However, these practices hinder to get an insight in the financial buffers of the company at the outbreak of and during the crisis.

Internal documents as the minutes of the Executive and Supervisory Boards, disclosing the considerations of management, unfortunately are, due to the Covid-19 crisis, not accessible at the Siemens Historical Institute at the time of my research. Furthermore, minutes of the boards with the *Betriebsräte*, workers councils, which would give insight in important aspects of the relationship between employer and employees, have been lost in the Second World War.¹⁶ However, the decisions of management are fully reflected in the annual reports, and together with the speeches of von Siemens, these sources are a sound foundation to evaluate how Siemens presented their business results to external constituents, which considerations and issues they made public, and thus, how they managed the crisis they faced.

The outline of this thesis is as follows. I will start with a summary of the relevant parts of the theories about crisis management and stakeholder management resulting in the extension thereof with three suggested principles of responsible management, used as benchmark for examining the research questions. Then, I will give an overview of

¹³ Feldenkirchen, *Siemens*, 327, 329, 651.

¹⁴ *Ibid.*, 413.

¹⁵ 'Der Siemens-Abschluß', *Frankfurter Zeitung*, Frankfurt, 9 January 1929; 'Der Siemens-Abschluß', *Frankfurter Zeitung*, Frankfurt, 4 January 1930; 'Zur Generalversammlung von Siemens', *Wirtschaftsdienst*, Hamburg, 31 January 1930; 'Das Weltgeschäft im Siemens-Konzern', *Kölnische Zeitung*, Cologne, 7 February 1931; 'Bilanzen. Der Siemens Konzern', *Der Deutsche Volkswirt*, Berlin, 13 February 1931.

¹⁶ Greg Patmore, *Worker voice. Employee representation in the workplace in Australia, Canada, Germany, the UK and the US 1914-1939* (Liverpool 2017) 153.

Siemens' organisation and her activities in the period between the end of the war and the outbreak of the crisis. Subsequently, I will sketch the economic and social environment Siemens faced during the crisis. After that I will focus on Siemens during the crisis. I will analyse their struggle as a company from, firstly, a chronological perspective, offering a view of how Siemens management reacted to the crisis over time. Secondly, I will examine the attention for the various stakeholders before and during crisis, and from the perspective of the three principle of responsible management. Finally, I will refer to the research questions and suggested theoretical framework in my concluding remarks.

2. Theoretical framework

In this thesis two theoretical frameworks will be combined, i.e., crisis management and stakeholder management. These will be introduced shortly, before the three principles of responsible management during crises will be presented.

The word crisis is widely used, but the literature shows a lack of consensus about its meaning.¹⁷ Therefore, the models and frameworks presented are diverse in nature, including their applicability.¹⁸ Consensus reached, is that crises can take all forms and shapes, and that 'there are ambiguities in the very concept' of them.¹⁹ They can be relatively brief and intense, or they can be more gradual and persistent.²⁰ As a consequence, the literature gives a wide variety of definitions of what a crisis is. Mitroff, Shrivastava and Udvardia wrote in their foundational article in 1987 that 'the field of crisis management is still in its infancy'.²¹ Though a lot of literature has been added since, consensus about a generally accepted definition has not been reached.

Based on various authors and taking into account that Siemens during the Great Depression is the research theme, the following definition is suggested. A corporate crisis is defined as a low probability, high impact situation that is perceived as threatening the continuity of the organisation as a whole, has major social and economic effects on a wide range of stakeholders inside and outside the organisation, of which the intensity and duration is inherently unpredictable, and which requires unconventional responses of management to overcome.²²

¹⁷ Mladen Pecujlija and Djordje Cosic, *Crisis management. Introducing companies, organizational reactivity and flexibility* (New York 2019) PDF e-book, 1.

¹⁸ Christian Fronz, *Strategic management in crisis communication – a multinational approach* (2011) PDF e-book, 3.

¹⁹ Pecujlija and Cosic, *Crisis management*, 4.

²⁰ Peter Snyder, et al., 'Ethical rationality: a strategic approach to organizational crisis', *Journal of Business Ethics* 63 (2006): 4, 371-383, here 372.

²¹ Ian I. Mitroff, Paul Shrivastava and Firdaus E. Udvardia, 'Effective crisis management', *The Academy of Management Executive* 1 (1987): 4, 283-292, here 285.

²² Alpaslan, Can M., Sandy E. Green, and Ian I. Mitroff, 'Corporate governance in the context of crises: towards a stakeholder theory of crisis management', *Journal of Contingency Management* 17 (2009): 1, 38-49, here 39; Deverell, Edward and Eva-Karin Olsson, 'Organisational culture effects on strategy and adaptability in crisis management', *Risk Management* 12 (2010): 2, 116-134, here 118; Fronz, *Strategic*

The typology of crises is in the literature debated as well. Because of the wide range of crises that should not be a surprise. Economic crises are classified as 'external-normal' and 'relatively predictable', or as 'conventional crises'.²³ This would imply that the Great Depression was to be regarded as an economic crisis of which the predictability, and therefore the response to it, would be relatively standard for the Siemens boards and in particular Carl Friedrich von Siemens. Clearly, that was not the case. Siemens turnover fell in the period 1928/1929 till 1932-1933 with 61% and the number of employees in Germany with almost 50%.²⁴ This crisis fundamentally challenged the continuity of Siemens, and therefore, required responses from management which were far beyond earlier experiences to economic downturns.

Stakeholder management as a term has become widely used from the mid-eighties and was introduced by Freeman.²⁵ He defined a stakeholder as 'any group or individual who can affect or are affected by the achievement of the organization's objectives'.²⁶ Since then many alternatives have been suggested, but Freeman's definition is the most popular still.²⁷ The underlying belief is that in the long run business results will be superior if the interests of the various stakeholders are taken care of. Though not unchallenged, over the last decades research evidence above average results of companies practicing stakeholder management. The idea, therefore, is that business leaders do not have a responsibility to achieve economic results only. The stakeholders are part of the social structure of society and as a consequence,

management in crisis communication, 28; Brent McKnight and Martina K. Linnenluecke, 'How firm responses to natural disasters strengthen community resilience', *Organization & Environment* 29 (2016): 3, 290-307, here 293; Snyder, et al., 'Ethical rationality', 372.

²³ Pecujlija and Cosic, *Crisis management*, 17; Snyder, et al., 'Ethical rationality', 374.

²⁴ Feldenkirchen, *Siemens*, 25; Georg Siemens, *Geschichte des Hauses Siemens, Dritter Band, Die Dämonie des Staates, 1922-1945* (Freiburg/München 1951) 290-291.

²⁵ Julia Roloff, 'Learning from multi-stakeholder networks: issue-focussed stakeholder management', *Journal of Business Ethics* 82 (2008): 1, 233-250, here 233.

²⁶ R. Edward Freeman, *Strategic management. A stakeholder approach* (2010) PDF e-book, 52; Maria Bonnafous-Boucher and Jacob Dahl Rendtorff, *Stakeholder theory. A model for strategic management* (2016) PDF e-book, 1-2; McKnight and Linnenluecke, 'How firm responses', 295; Minoja, Mario, 'Stakeholder management theory, firm strategy, and ambidexterity', *Journal of Business Ethics* 109 (2012): 1, 67-82, here 68.

²⁷ Bonnafous and Rendtorff, *Stakeholder theory*, 3-4.

management has a responsibility to serve the interests of these groups as well, which at the same time is also in the best interest of their own company.²⁸

This notion that a corporation should balance 'the rival interests of its various participants' is an idea introduced after the Great Depression. Initially, four actors were recognized: shareholders, customers, employees, and the community at large.²⁹ Since those early days the list of potential stakeholders mentioned in the literature is almost limitless.³⁰ Next to ones listed, amongst others consumer organisations, the financial community, government, suppliers, NGO's, competitors, trade associations, and regulators are suggested. This has led to the issue which stakeholders to take into account. Though more proposals have been made, Mitchells' classification about which stakeholders are relevant at a certain moment in time is the most influential.³¹ He distinguishes three dimensions, i.e., the real or potential power of certain stakeholders, the legitimacy of their interests, and the urgency to respond to their demands. Stakeholders are qualified as 'definitive stakeholders' if they meet all three criteria.³²

The main critique on stakeholder theory in general is, firstly, that without precisely identifying stakeholders and their interests, every individual or organisation can claim to be stakeholder. Secondly, the theory does not give specific guidance for how the various stakeholders actually should be treated, and how in practice the various interests should be balanced. Still, stakeholder management theory is used by many organisations these days acknowledging the vested interests of the various stakeholders. Also, my personal belief and experience is that involving relevant stakeholders in key-decisions indeed contributes to the long-term success of the organisation. Therefore, stakeholder theory, with all its ambiguities, can form a useful basis to evaluate a case in history, i.e., Siemens during the Great Depression.

²⁸ Ibid., 17; Minoja, 'Stakeholder management theory', 68.

²⁹ Bonnafous and Rendtorff, *Stakeholder theory*, 5.

³⁰ Ibid., 12; Jonathan P. Doh and Narda R. Quigley, 'Responsible leadership and stakeholder management: influence pathways and organizational outcomes', *Academy of Management Perspectives* 28 (2014): 3, 255-274, here 256; Freeman, *Strategic management*, 25; Fronz, *Strategic management in crisis communication*, 17.

³¹ Bonnafous and Rendtorff, *Stakeholder theory*, 13-14; Fronz, *Strategic management in crisis communication*, 16.

³² Ibid.

For the selection of the relevant stakeholders for this specific case of Siemens during the Great Depression, the classification of Mitchell is used. Using his dimensions of power, legitimacy and urgency, as stakeholders are suggested the shareholders, the bondholders, the customers, the government, management and, last but not least, the employees. Firstly, the shareholders, because they supplied long term equity funding if they in return received a dividend which in the long run was at least at market level. Secondly, the bondholders were relevant, because Siemens had major debt in Germany and the United States. The companies were dependent on these investors for financing the group. Not honouring the obligations towards them would damage the long-term financial trust in the company and would close the debt markets to the company. Thirdly, the customers were a relevant stakeholder group as their loyalty and satisfaction were the best predictors for future sales revenues. Fourthly, the government was an essential stakeholder for many reasons. Amongst Siemens' largest clients were the *Reichsbahn* and the *Reichspost*, and their orders were all funded through government's fiscal budget. Finally, from Siemens' perspective the employees and management were very relevant because of their essential know how and experience. The employees' interests at Siemens during the crisis were mainly their job security, their wage-levels and pension guarantees.³³

If stakeholder management is practiced by the organisation, also in times of crises, next to the overriding objective to secure its continuity, management also will consider the interests of the various stakeholders and thus, minimise their losses.³⁴ This is simply regarded as 'a principle of fairness'.³⁵ This implies that not only actual harms that stakeholders experience are taken into account, but potential harm is also anticipated for.³⁶ A crisis like the Great Depression requires from in this case Siemens

³³ Suppliers have not been taken in scope as Siemens, like most companies in those days, controlled large parts of the value chain in-house. As example, the realisation of the hydroelectric plant in Shannon, Ireland, which electrified large parts of the country for the first time in 1925. Siemens did not only deliver the power turbines but actually managed the construction of the canals and the buildings by subsidiaries of the group as well.

³⁴ Alpaslan, Green, and Mitroff, 'Corporate governance in the context of crises', 40; Pecujlija and Cosic, *Crisis management*, 23.

³⁵ Alpaslan, Can M., 'Ethical management of crises: shareholder value maximisation or stakeholder loss minimisation?', *The Journal of Corporate Citizenship* 36 (2009): winter, 41-50, here 42.

³⁶ Alpaslan, Green, and Mitroff, 'Corporate governance in the context of crises', 43.

management, that they in all their critical decisions show that they balance these interests. It also requires that management has an open communication with stakeholders and that these are informed in a timely and honest manner.³⁷ This implies for the research question at hand that in the annual reports and the speeches at the AGM the various interests are commented on, and that in practice Siemens management took these various interests in their decision-making on board.

As already mentioned, the stakeholder theory lacks a normative framework. Current literature only gives high-level statements like the design and the implementation of communication processes with multiple stakeholders, the negotiation with them on critical issues, and decision-making with these stakeholders' interests in mind.³⁸ Pless, Maak and Waldman have extended stakeholder theory by introducing the concept of responsible management with ideal types of leadership. Though their thoughts are focused on the evaluation of an organisation's performance with respect to corporate social responsibility, the concepts can be applied to a wider range of organisational challenges, such as in this case managing a severe crisis.³⁹

Still, also these authors do not give more detail how to evaluate good stakeholder management in practice. Therefore, I suggest the following principles, criteria, to evaluate how decisions and actions of Siemens management during the crisis, and in particular those by Carl Friedrich von Siemens were taken and presented.

1. *The management of the organisation demonstrates taking the interests of the various stakeholder groups seriously and if needed, balances the interests of these.*

This principle implies that next to the interests of Siemens as an organisation, the specific interests of the relevant stakeholders are identified, considered, and if these

³⁷ Pecujlija and Cosic, *Crisis management*, 50.

³⁸ Freeman, *Strategic management*, 25; Linda O'Riordan, *Managing sustainable stakeholder relationships. Corporate approaches to responsible management* (2017) PDF e-book, 77.

³⁹ Nicola M. Pless, Thomas Maak and David A. Waldman, 'Different approaches toward doing the right thing: mapping responsibility orientations of leaders', *Academy of Management Perspectives* 26 (2012): 4, 51-65, here 52, 56, 58, 60.

conflict, management makes a reasoned decision which interests, and to which extent, prevail. In the case of Siemens for example shareholders, bondholders, employees, and management received a variable compensation based on the companies' results. The challenge for the boards in this case was to fairly distribute these rewards across all stakeholders without putting one or more of them in a privileged position.

2.

If management decisions are taken that harm the primary interest of a specific stakeholder, management seeks to justify why such a decision is deemed necessary in the light of the overall continuity of the organisation or the interest of other stakeholders, and if possible, mitigates or alleviates the consequences to a reasonable extent thereof.

In case management decisions are taken by the Siemens boards that have a negative effect for a specific stakeholder, this should be discussed by the boards, weighed against alternatives, motivated, and if possible, subsequently quantified and compensated in full or if not feasible, in part. In particular for employees, potential redundancies or wage cuts are extremely sensitive management decisions, because of their consequences for the individual and his or her family.

3.

The top leadership of the organisation demonstrates empathy and affection, next to rationality, towards the stakeholders, and in particular, in case of negative consequences of their decisions for a specific stakeholder. Furthermore, in such cases, top management personally shares in the burden thereof.

Responsible management does not only imply to take rational decisions during the crisis. Taking the interests of stakeholders seriously, demands feelings and emotions as well. The way these decisions are made, motivated and communicated give insight if, and to what extent, Siemens management and in particular Carl Friedrich von Siemens, demonstrated this in practice. Furthermore, adherence to this principle would imply that the boards and von Siemens personally, also felt the consequences by e.g., lower wages, bonuses or dividend payments.

With these three principles I believe a concise framework is offered to evaluate how management during crises presented its decisions and subsequently initiated its actions. In summary: did they balance the interests of more stakeholders into account? And if so, were negative consequences, if any, attempted to be mitigated? Did they show empathy in case of negative consequences? And finally, did management share in the burden of these?

3. Siemens 1918-1929

Siemens made a remarkable revival after the war in which it lost markets, valuable patents and foreign holdings.⁴⁰ The company quickly recovered benefitting from the high-growth markets they were operating in.⁴¹ In the mid-twenties they were ranked among the top five electrical concerns in the world.⁴² With 850 patents granted in the period 1925-1933, ranking in Germany number two after IG Farben, these innovations boosted sales, which resulted in that revenues in 1925 surpassed the pre-war levels.⁴³

The group structure remained more or less the same in this period. Siemens & Halske A.G. was the parent company, holding many wholly owned, majority and minority stakes in various subsidiaries. The Siemens-Schuckertwerke A.G. was the most prominent subsidiary, in which Siemens & Halske participated for 51,1%. Also, the Siemens-Schuckertwerke had many wholly owned, majority and minority subsidiaries. A few examples within the group of the wide variety of activities and subsidiaries were the Berliner Einheitszeit, Telefunken, Norddeutsche Seekabelwerke, Polizeiruf, Deutsche Telefonwerke und Kabelindustrie, Osram, powerplants, but also Sparbank Siemensstadt for the private savings of the employees, and Wohnungsgesellschaft Siemensstadt for the development of housing for the staff.⁴⁴

The two main operating companies, Siemens & Halske and the Siemens-Schuckertwerke, had a two-tier board structure. The Executive Board was responsible for daily management of the companies, and the Supervisory Board for oversight and monitoring of the Executive Board. Legal requirement was that in the Supervisory Boards of these companies two seats were reserved for employee representatives, who were elected from the Works Councils. The *Betriebsrat*, introduced with many other

⁴⁰ Feldenkirchen, *Siemens*, 149.

⁴¹ Büttner, *Weimar*, 222-223; Wilfried Feldenkirchen, 'Zur Unternehmenspolitik des Hauses Siemens in der Zwischenkriegszeit', *Zeitschrift für Unternehmensgeschichte* 33 (1988): 1, 22-57, here 24.

⁴² Feldenkirchen, *Siemens*, 149.

⁴³ Harald Degner, 'Schumpeterian German firms before and after World War I. The innovative few and the non-innovative many', *Zeitschrift für Unternehmensgeschichte, Journal of Business History* 54 (2009): 1, 50-72, here 61; Feldenkirchen, *Siemens*, 385-386.

⁴⁴ Feldenkirchen, *Siemens*, 284-285.

labour market reforms after the war, in 1921, had regular meetings with top management. The average meeting time was over two hours.⁴⁵ They did not negotiate the collective labour agreements, the *Tariflöhne*; these were the domain of the unions.⁴⁶

A remarkable exception in this traditional corporate governance structure was that the articles of association permitted 'besonderen Weisungsbefugnisse' for one member of the Supervisory Board as *Delegierten des Aufsichtsrats*.⁴⁷ These overriding powers of attorney were granted to Carl Friedrich von Siemens, who in practice, next to chairing the Supervisory Boards of Siemens & Halske and the Siemens-Schuckertwerke, was chief executive of the group as well.⁴⁸ The complexity of the group was held together by organisational and physical centralisation of the companies' top management and group staff units in Berlin-Siemensstadt, and the pivotal role von Siemens himself played in aligning and arbitrating between the various companies of the group. He stressed the autonomy of the various subsidiaries with, at the same time, the principle of good cooperation within *das Haus Siemens*.⁴⁹

Siemens paid extensive attention to its stakeholders. Firstly, for shareholders, for whom the dividend yield was the critical benchmark, Siemens had a longstanding policy of paying a third of the net-profit to the shareholders and reserving two-thirds for improving its production facilities.⁵⁰ Secondly, Siemens financed the group long-term with domestic and foreign, more specifically US dollar, debt. The group was therefore for future loans dependent on the trust of these bondholders and the capital markets. Thirdly, next to the role of customer, the government was a stakeholder. For example, the regular increase of taxes and social charges, and the introduction of the *Arbeitslosenversicherung* in 1927 made the government a party to influence. Fourthly, the customers made the growth of Siemens possible. In the period 1925-1935 the

⁴⁵ Patmore, *Worker voice*, 166.

⁴⁶ *Ibid.*, 156.

⁴⁷ Herbert Goetzler and Lothar Schoen, *Wilhelm und Carl Friedrich von Siemens. Die zweite Unternehmensgeneration* (Stuttgart 1986) 68; Feldenkirchen, *Siemens*, 550-552; Wilfried Feldenkirchen, 'Big business in interwar Germany: organizational innovation at Vereinigte Stahlwerke, IG Farben, and Siemens', *The Business History Review* 61 (1987): 3, 417-451, here 443, 449.

⁴⁸ Feldenkirchen, *Siemens*, 552. Von Siemens himself also viewed himself as 'obersten Leiter der geschäftlichen Unternehmungen'.

⁴⁹ *Ibid.*, 142-143, 150, 297, 362.

⁵⁰ *Ibid.*, 392.

electric power demand doubled per capita in Germany; so, Siemens sales soared.⁵¹ However, Siemens was highly dependent on a small number of customers; 10% accounted for 97% of sales volume, and 0,3% for 49%!⁵² Amongst these key-clients were first and foremost the *Reichsbahn* and the *Reichspost*, and thus the government. In the twenties, because of fierce competition and its high dependency on a very small number of high-volume sales customers, Siemens already faced serious price, and thus margin pressure.⁵³

Finally, the employees were a critical stakeholder as they had the know-how and experience to build the complex products of the firm, and to continuously innovate these further. In 1929 Siemens had approximately 77.000 employees in the Greater-Berlin area.⁵⁴ The overriding motto was 'wer etwas leiste, kommt voran, wenn auch manchmal langsam, und die anderen bleiben eben sitzen.'⁵⁵ The relationship and the social policies with its workforce were based on the principle of what Werner von Siemens called 'gesunden Egoismus'.⁵⁶ Carl Friedrich von Siemens, a practitioner of his father's principle, summarized this policy in his words as creating his own advantage by giving others advantage.⁵⁷ Or put differently: pursuing the self-interest of the family by taking good care of the employees. He established a group HR unit under his direct leadership and continued and expanded the social benefits for the employees.⁵⁸ Examples were building 3.000 residences and a protestant and catholic church in Siemensstadt, extensive training and education facilities, health care insurance, disability insurance, and pensions which were higher than the state pensions.⁵⁹

⁵¹ Büttner, *Weimar*, 222-223; Feldenkirchen, 'Zur Unternehmenspolitik des Hauses Siemens', 48.

⁵² Feldenkirchen, *Siemens*, 269.

⁵³ Feldenkirchen, 'Zur Unternehmenspolitik des Hauses Siemens', 48.

⁵⁴ *Ibid.*, 27; Patmore, *Worker voice*, 150-151.

⁵⁵ Siemens, *Geschichte des Hauses Siemens*, 277.

⁵⁶ Feldenkirchen, *Siemens*, 345, German edition 412.

⁵⁷ *Ibid.*, 352.

⁵⁸ Goetzeler and Schoen, *Wilhelm und Carl Friedrich von Siemens*, 74; Siemens, *Geschichte des Hauses Siemens*, 278.

⁵⁹ Feldenkirchen, *Siemens*, 347-354; Goetzeler and Schoen, *Wilhelm und Carl Friedrich von Siemens*, 74-75; Siemens, *Geschichte des Hauses Siemens*, 278; Carola Sachse and Michel Vale, 'A flow of people and a flow of goods: factory family policy at Siemens, 1918-1945', *International Journal of Political Economy* 18 (1988): 1, 65-81, here 73.

On the other hand, already before the crisis jobs were lost, because of high structural costs driven by amongst others the real wage level and the falling sales prices. Siemens, like all companies, rationalised their production costs and was a leader in this field. Areas of improvement were cost accounting, sales statistics, inventory management, production with tools and techniques of scientific management, and payroll with the introduction of the Hollerith-machine.⁶⁰ In the second half of the twenties the productivity improvements at the Siemens-Schuckertwerke were estimated at almost 30% and led to substantial job losses as a consequence.⁶¹ Also, Siemens made efforts to 'socially rationalise' the workforce. Aim was to decrease the sickness-rate and improve the future quality of its employees.⁶² The company initiated hygiene and nutrition advice, extensive training and engineering academies, and opened a *Kindergarten* for its employees.⁶³

The International Labour Organisation concluded in 1930 that

'die Organisation der sozialen Beziehungen bei den Siemens Firmen wurde zu einem sehr hohen Grade von Wirksamkeit geführt. [...] dem tiefen persönlichen Interesse [zu danken], dass der Chef der Firmen, Dr. Carl Friedrich von Siemens, für soziale Beziehungen bekundet, und der Auswirkung seines persönlichen Beispiels. Siemensstadt ist zweifelsohne ein bemerkenswertes Beispiel der Aufrechterhaltung unmittelbarer persönlicher Beziehungen zwischen der Leitung und den Arbeitnehmern bei einer Firma größten Umfanges'.⁶⁴

The 'healthy egoism' seemed to work, and Siemens' good social reputation confirmed impressively.

⁶⁰ Feldenkirchen, *Siemens*, 185; Feldenkirchen, 'Big business in interwar Germany', 448-449.

⁶¹ Feldenkirchen, *Siemens*, 189.

⁶² Sachse and Vale, 'A flow of people and a flow of goods', 72-74.

⁶³ *Ibid.*, 72-74.

⁶⁴ 'the organisation of social relations has reached a high degree of efficiency. [...] due to the sincere personal interest, which the chief of the companies, Dr. Carl Friedrich von Siemens, shows for social relations, and the effect of his personal example. Siemensstadt is without doubt a remarkable example of the maintenance of personal relationships between management and employees in a corporation of the largest size.', author's translation, Goetzeler and Schoen, *Wilhelm und Carl Friedrich von Siemens*, 75.

Overall, in the unstable political situation of the republic with radicalising political parties, for Siemens the second decade of the century was a period of growth and expansion. However, after October 1929 this trend would dramatically change.

4. The Great Depression: a struggle for survival

In this chapter firstly, the social and economic environment during the Great Depression is described. Against this background the crisis for Siemens unfolded. Based on the annual reports and von Siemens' speeches the narrative of Siemens fighting its severest crisis is outlined.

4.1 Social and economic environment

After the sharp fall of the stock prices in New York in late 1929 US investors were in urgent need of cash and had to liquidate their portfolios. So, they also started to withdraw their loans from Germany. In the months after the crash 4 billion dollar and till the summer of 1931 another 2 billion was repatriated.⁶⁵ The crisis rapidly deepened and led to disillusioning macro-economic figures. Between 1929 and 1932 the industrial output in Germany fell with 53%, the output of consumption goods with 26%, and exports with 45%.⁶⁶ Government purchases fell with 16% in this period, and Siemens highly depending on orders from the *Reichsbahn* and the *Reichspost* would feel the consequences dearly.⁶⁷

In Germany the economic crisis was deeper than in many other industrialized countries. Firstly, the country still struggled with the financial legacy of the war of which the reparation payments were the publicly most debated issue.⁶⁸ Secondly, the austerity policy of chancellor Brüning aggravated the crisis. Every government followed the same economic recipe, but the German cabinet even sharpened this deflationary course to evidence that Germany was not capable of repaying the agreed reparations.⁶⁹ The public spending in railroad construction and public utilities sharply decreased, with notably Siemens as a victim thereof.⁷⁰ Thirdly, the electoral victory of the NSDAP in September

⁶⁵ Jarausch, *Out of ashes*, 210, 223; Büttner, *Weimar*, 402.

⁶⁶ Jarausch, *Out of ashes*, 225; Weber, *Gescheiterte Sozialpartnerschaft – Gefährdete Republik?*, 855; Büttner, *Weimar*, 403.

⁶⁷ Fisher and Hornstein, 'The role of real wages', 101.

⁶⁸ Borchardt, *Perspectives*, 160; Peukert, *Die Weimarer Republik*, 246.

⁶⁹ Peukert, *Die Weimarer Republik*, 202-203.

⁷⁰ McNeil, *American money and the Weimar Republic*, 238; Peukert, *Die Weimarer Republik*, 202-203.

1930 led to a renewed outflow of capital and a contra-cyclical increase of interest rates.⁷¹ As a consequence, from mid-July 1930 the Brüning government and its successors ruled without majority support in parliament and with *Notverordnungen* based on the so-called art. 48 of the constitution. In December 1931 the government proclaimed by decree that all *Tariflöhne* had to be decreased to the level of 10 January 1927. Furthermore, in September 1932 the von Papen government allowed the employers to one-sidedly, and without negotiations with the unions, decrease the wage levels.⁷² As a result, the economic crisis turned into a political crisis as well.⁷³

The crisis was very visible in every-day life. At the trough of the crisis, the first quarter of 1932, 6.1 million people were jobless.⁷⁴ The percentage unemployed rose from 6% in 1928, to 14% in September 1930, and to 42% in July 1932!⁷⁵ In Berlin more than 800,000 people received unemployment benefits in 1932.⁷⁶ These were the official figures; reality was even more depressing. Two million people were estimated as hidden unemployment.⁷⁷ They did not register as unemployed, because either they were not entitled to any social benefits anymore, or perceived their prospects on a paid job as unrealistic.⁷⁸ On top of these grim figures, 23% of all still employed enjoyed shorter working hours - a large hidden unemployment reserve - with an equivalent wage cut.⁷⁹ The situation for the generation under twenty-five years was even more desperate; in the summer of 1932 almost 1.5 million were unemployed.⁸⁰ The material distress and

⁷¹ Borchardt, *Perspectives*, 146; McNeil, *American money and the Weimar Republic*, 239.

⁷² Karl Dietrich Bracher, Manfred Funke and Hans-Adolf Jacobsen, eds., *Die Weimarer Republik 1918-1933. Politik, Wirtschaft, Gesellschaft* (Düsseldorf 1987) 217; Fisher and Hornstein, 'The role of real wages', 109.

⁷³ Borchardt, *Perspectives*, 109; Büttner, *Weimar*, 405; Dieter Petzina, 'Hauptprobleme der deutschen Wirtschaftspolitik 1932/33', *Vierteljahrshefte für Zeitgeschichte* 15 (1967) 1, 18-55, 20.

⁷⁴ Marion Wiese, 'Die Arbeitslosenversicherung in der Weimarer Zeit', *Sozialer Fortschritt*, 37 (1988): 9, 198-203, here 202; Jarausch, *Out of ashes*, 225.

⁷⁵ Falter, 'Arbeitslosigkeit und Nationalsozialismus', 114.

⁷⁶ Bracher, Funke and Jacobsen, eds., *Die Weimarer Republik*, 634.

⁷⁷ Falter, 'Arbeitslosigkeit und Nationalsozialismus', 112; Wiese, 'Die Arbeitslosenversicherung in der Weimarer Zeit', 199-200.

⁷⁸ Peukert, *Die Weimarer Republik*, 246; Weber, *Gescheiterte Sozialpartnerschaft – Gefährdet Republik?*, 865.

⁷⁹ Ibid.

⁸⁰ Detlev J. K. Peukert, 'Die Erwerbslosigkeit junger Arbeiter in der Weltwirtschaftskrise in Deutschland 1929-1933', *Vierteljahrschrift für Sozial- und Wirtschaftsgeschichte* 72 (1985): 3, here 305-328, 311-312;

not seldomly hunger, the psychological consequences of becoming a number in the unemployment bureaucracy with the regular duty of *stempeln*, and a future without any perspective, led with many to loss of self-esteem and apathy.⁸¹ Also, they were an attractive recruiting base for paramilitary organizations like Hitler's SA.⁸²

The state faced a sharp increase of the unemployment costs despite 'forcierten radikalen Sozialabbau'.⁸³ The actual benefits to be paid out grew from 1.5 billion RM in 29/30 to 2.8 billion in 32/33, notwithstanding in 1932 only 14% of unemployed compared with 70% in 1928 were, because of new criteria entitled to the benefits of the *Arbeitslosenversicherung*.⁸⁴ During these years the benefits were step-by-step limited in amount and duration.⁸⁵ The severity of the crisis was evidenced by the fact that despite all measures taken in cutting the unemployment benefits and raising taxes, the actual government spend could not be controlled.⁸⁶ Only early 1932, the discussion to fight the unemployment by creating jobs through *Arbeitsbeschaffung* and *Arbeitsdienst* gained any traction.⁸⁷

Against this background, Siemens had to fight for its survival. For Carl Friedrich von Siemens, obviously, all these developments were hidden still. The unfolding crisis would be of unprecedented scale indeed.

4.2 Siemens 1927-1933: growth, crisis, and signs of recovery

This paragraph will describe how, based on the annual reports and the speeches of Carl Friedrich von Siemens, he and the boards presented this eventful period for the Siemens-companies. In attachment 1 some key financial and employee data are listed. In attachment 2 statistical data are summarised about the *gesetzlichen sozialen Leistungen*, the social charges and the *freiwilligen sozialen Leistungen*, the voluntary social benefits.

Peukert, *Die Weimarer Republik*, 246.

⁸¹ Peukert, *Die Weimarer Republik*, 246.

⁸² Ibid., 246

⁸³ Weber, *Gescheiterte Sozialpartnerschaft – Gefährdete Republik?*, 869.

⁸⁴ Ibid., 870; Wiese, 'Die Arbeitslosenversicherung in der Weimarer Zeit', 203

⁸⁵ Mat Perry, *Bread and work. The experience of unemployment 1918-39* (2000) PDF e-book, 164-168;

Weber, *Gescheiterte Sozialpartnerschaft – Gefährdete Republik?*, 867; Wiese, 'Die Arbeitslosenversicherung in der Weimarer Zeit', 203.

⁸⁶ Büttner, *Weimar*, 404; Fisher and Hornstein, 'The role of real wages', 110, 112.

⁸⁷ Perry, *Bread and work*, 169; Weber, *Gescheiterte Sozialpartnerschaft – Gefährdete Republik?*, 870.

Obviously, this was not the first crisis Siemens management and Carl Friedrich von Siemens personally, faced. The aftermath of the war, the hyperinflation, and the economic dip of 1926 were fresh memories still. But all these crises had been quickly recovered from. This time would be very different.

1927-1928

In the year that the SPD won almost 30% of the votes in the *Reichstag* and their leader Müller was appointed chancellor the annual reports of Siemens & Halske and the Siemens-Schuckertwerke only mentioned the again 'nicht unwesentlich gesteigerten Umsatz', without as usual, giving the figures. The reports had an optimistic tone-of-voice. The total number of employees at the two companies and their controlled subsidiaries had risen to 130.000.⁸⁸ The companies reported the ongoing successful rationalisation efforts and the continuing innovation investments.⁸⁹ At the AGM Carl Friedrich von Siemens reacted on the heavy criticism in the press about the quality of the financial reporting.⁹⁰ Without giving further details he mentioned that Siemens & Halske had made more than 500 million sales revenues and the Siemens-Schuckertwerke almost 250 million.⁹¹ Siemens showed this financial year another year of solid growth.

1928-1929

The annual reports about the financial year 1928-1929, ending one month before the crash at Wall Street, emphasized growth again. Though once more the numbers were not disclosed, sales were 'nicht unbeträchtlich' up.⁹² However, the boards of the Siemens-Schuckertwerke already signalled that the economic climate worsened, with notably less orders from the *Reichsbahn*, the *Reichspost*, and the iron and steel

⁸⁸ Annual report, *Geschäftsbericht*, Siemens & Halske (SH) 1927-1928, 6.

⁸⁹ Annual report SH 27/28, 5; Annual report, *Geschäftsbericht*, Siemens-Schuckertwerke (SSW) 1927-1928, 4

⁹⁰ 'Der Siemens-Abschluß', *Frankfurter Zeitung*, Frankfurt, 9 January 1929.

⁹¹ Speech from Carl Friedrich von Siemens at AGM 1927-1928, 3-4, 6; Feldenkirchen, *Siemens*, 413, he mentions 735 million.

⁹² Annual report, *Geschäftsbericht*, Siemens & Halske (SH) 1928-1929, 5; Annual report, *Geschäftsbericht*, Siemens-Schuckertwerke (SSW) 1928-1929, 5.

industry.⁹³ Again, the innovation efforts were stressed. Siemens & Halske mentioned that more than 15 million RM was invested and emphasized the importance of patents protecting these investments.⁹⁴ The ongoing rationalisation efforts achieved 'Zeitersparnis und Unkostenverringierung' by consolidating staff units of the subsidiaries in centralised departments in Siemensstadt.⁹⁵

In his speech at the AGM of Siemens & Halske, mid-January 1930, von Siemens after again in the press been challenged on the 'unzureichende Berichterstattung', gave some high-level data as the sales turnover of the two companies and the total spend of 270 million on wages and salaries, excluding the year-end bonus.⁹⁶ Four months after the crash at Wall Street, the first signs of the crisis were noticeable. Von Siemens made his intentions very clear; dismissals were to be avoided as much as possible, and the companies' commitment to the voluntary social benefits stood. The crisis unfolded, and this promise would be hard to keep.

1929-1930

In the annual report of 1929-1930 the full consequences of the economic crisis were widely felt. The explanatory notes mentioned for the word 'Weltwirtschaftskrise' for the first time, qualified the situation as 'an all-time low', and referred to job losses.⁹⁷ 'Trotz aller Gegenbemühungen', the number of employees had to be decreased to the level of 1926/27. Sales prices had fallen with more than 25% since 1926, and wages increased with on average 30%. Only by further rationalizing and making the production more capital intensive, margins could be maintained. However, 'das bedeutet eine entsprechend starke Verringerung der beschäftigte Menschen.'⁹⁸

⁹³ Annual report SSW 28/29, 5, 8.

⁹⁴ Annual report SH 28/29, 5.

⁹⁵ Annual report SSW 28/29, 5.

⁹⁶ 'Der Siemens-Abschluß', *Frankfurter Zeitung*, Frankfurt, 4 January 1930; 'Zur Generalversammlung von Siemens, *Wirtschaftsdienst*, Hamburg, 31 January 1930; Speech from Carl Friedrich von Siemens at AGM 1928-1929, 6-7.

⁹⁷ Annual report, *Geschäftsbericht*, Siemens & Halske (SH) 1929-1930, 5; Annual report, *Geschäftsbericht*, Siemens-Schuckertwerke (SSW) 1929-1930, 5, 10.

⁹⁸ Annual report SH, 29/30, 5.

At the AGM von Siemens opened his speech with the intention in the annual reports 'in völlig ungeschminkter Weise, sicherlich frei von allen politischen oder taktischen Ueberlegungen, den Aktionären einen Einblick in die tatsächlichen Verhältnisse zu gewähren'.⁹⁹ The press clearly continued to challenge that Siemens' financial reporting in Germany hid the true state of affairs.¹⁰⁰ They disclosed, based on the US bond prospectus, that Siemens & Halske had made an almost 7 million higher profit in US dollar than reported according to the German accounting policies.¹⁰¹

The crisis deepened, the consequences thereof severely affected Siemens and its stakeholders, whilst Siemens' accounting policies hid the size of the financial buffers to fight the crisis.

1930-1931

Month after month, more bad news came in. Still, towards the end of the financial year 1930-1931 the worst was still to come. The annual reports of the companies fully reflected this trend. In short, sales revenues fell, again without disclosing the numbers, sales prices further fell, government orders even further fell, the British pound devaluated with 30%, and a number of countries introduced currency restrictions, hindering or even blocking Siemens' international business.¹⁰² Research and development investments were reluctantly scaled back.¹⁰³ Siemens & Halske was profitable still, but the financial result was positively influenced by the finalisation of orders from previous years.¹⁰⁴ For the Siemens-Schuckertwerke this was not the case. The financial result showed nil, and a loss – later estimated at 5 million RM - could only be avoided by using the *stillen Reserven*.¹⁰⁵

⁹⁹ Speech from Carl Friedrich von Siemens at AGM 1929-1930, 1.

¹⁰⁰ 'Das Weltgeschäft im Siemens-Konzern', *Kölnische Zeitung*, Cologne, 7 February 1931, 'Bilanzen. Der Siemens Konzern', *Der Deutsche Volkswirt*, Berlin, 13 February 1931.

¹⁰¹ 'Bilanzen. Der Siemens Konzern', *Der Deutsche Volkswirt*, Berlin, 13 February 1931.

¹⁰² Annual report, *Geschäftsbericht*, Siemens & Halske (SH) 1930-1931, 5; Annual report, *Geschäftsbericht*, Siemens-Schuckertwerke (SSW) 1930-1931, 5, 7-8.

¹⁰³ Annual report SH 30/31, 6.

¹⁰⁴ *Ibid.*, 5.

¹⁰⁵ Annual report SSW 30/31, 5; Feldenkirchen, *Siemens*, 464.

End of February 1932, at the AGM von Siemens started with an overview of the 'Weltkrise' and its implications. Not only the domestic business was at an all-time low, but the international activities were severely impacted as well. Still, Siemens continued their export business, as it gave 'tausende und abertausende von Deutschen lohnende Arbeit und Brot' and the state valuable foreign currency.¹⁰⁶ The international business was essential to in part mitigate the domestic misery for Siemens and its employees.

1931-1932

The annual report 1931-1932 of Siemens & Halske opened with the statement that this financial year was still marked by 'der absinkende Konjunktur'. The crisis continued and deepened further. Already in the first pages the management challenge was summarised: how to take care of the employees, and at the same keep the company viable for the longer term. In clear text:

'Wir betrachten es als unsere oberste Pflicht, alle in unser Macht stehenden Wege zu beschreiten, die zu Arbeit für unserer Werksangehörigen führen, soweit das wirtschaftlich noch irgendwie verantwortet werden kann.'

However, 'nicht weniger wichtig als die Aufgabe, Arbeit heranzuschaffen, ist das Unkostenproblem.' Despite all measures taken, costs were too high still.¹⁰⁷ At the Siemens-Schuckertwerke the situation was even worse. Though again a nil result was reported, the actual losses were almost 22 million RM.¹⁰⁸

The speech of von Siemens at the AGM end of February 1933, so a month after Hitler's appointment to chancellor, started with the sales revenues. These were for Siemens & Halske a sobering 186 million RM and for the Siemens-Schuckertwerke 224 million.¹⁰⁹ The continuity of the companies in the ever-worsening economic circumstances required additional cost savings again and again. For the future viability, research and development investments were crucial. To significantly cut these as well,

¹⁰⁶ Speech Carl Friedrich von Siemens at AGM 1930-1931, 7.

¹⁰⁷ Annual report, *Geschäftsbericht*, Siemens & Halske (SH) 1931-1932, 8.

¹⁰⁸ Annual report, *Geschäftsbericht*, Siemens-Schuckertwerke (SSW) 1931-1932, 37; Feldenkirchen, *Siemens*, 464.

¹⁰⁹ Speech from Carl Friedrich von Siemens at AGM 1931-1932, 1.

was another painful decision.¹¹⁰ Furthermore and unavoidably, as the personnel costs were the largest variable cost, even more employees were made redundant. Siemens still was on a downsizing journey.

1932-1933

Both annual reports of 1932-1933 showed that the worst of the crisis could be left behind. The recovery got traction. Remarkably, the tone-of-voice about the Hitler-government, now in power for more than six months, changed dramatically. The explanatory notes of both reports opened with that 'die tatkräftigen Maßnahmen der Regierung' created trust and confidence.¹¹¹ The Siemens-Schuckertwerke added in the language of the regime a reference to its chancellor, with 'und ihres Führers'.¹¹² Still, the usual critical remarks were made, however, more cautiously voiced. The *Reichspost* orders were on an all-time low, and the effect of the *Arbeitsbeschaffungsmaßnahmen* critiqued as very limited.¹¹³ The currency restrictions were a major issue still, and the point was reiterated that the 53 million RM foreign currency Siemens supplied, was critical for the German economy.¹¹⁴ Strikingly though, in the annual report of the Siemens-Schuckertwerke the government's priority for the domestic market was explicitly endorsed.¹¹⁵ The financial results were despite the recovery modest. The Siemens-Schuckertwerke reported despite all the cost cutting nil again.¹¹⁶ The actual result was about 10 million RM negative which was again covered by the hidden reserves.¹¹⁷

In his speech at the AGM early March 1934 von Siemens started that he had little to add to the annual reports.¹¹⁸ In his unusually short speech, he covered the same topics, but his wording was quite different than he used in the years before. 'Der Geist

¹¹⁰ Annual report SH 31/32, 8.

¹¹¹ Annual report, *Geschäftsbericht*, Siemens & Halske (SH) 1932-1933, 7; Annual report, *Geschäftsbericht*, Siemens-Schuckertwerke (SSW) 1932-1933, 5, 35.

¹¹² Annual report SSW 32/33, 35.

¹¹³ Annual report SH 32/33, 8.

¹¹⁴ *Ibid.*, 8-9; Annual report SSW 32/33, 36.

¹¹⁵ Annual report SSW 32/33, 36.

¹¹⁶ *Ibid.*, 52-53.

¹¹⁷ Feldenkirchen, *Siemens*, 464.

¹¹⁸ Speech from Carl Friedrich von Siemens at AGM 1932-1933, 1.

der neuen Zeit' required the industry as 'ein Glied des gesamten Körpers' to contribute to the 'Fortschritt der Volkswirtschaft' and by doing so, to serve 'dem Volksganzen'.¹¹⁹ The hope for a robust recovery was the overall message of this financial year. Though the financial results were scarred by the crisis still, and the research and development investments were only focused on quickly monetising these, the growth in employees, the larger number of hours worked by them, and the raised consumer confidence, these all were positive signs.¹²⁰ The crisis was not over yet, the companies were still very far from what they once had been, but the direction was clear: *es geht wieder aufwärts*.

After a period of growth, the crisis seriously challenged Siemens' continuity. In order to survive the companies had to be significantly downsized. Obviously, the impact of the crisis on Siemens would not remain unnoticed for its stakeholders. These consequences will be considered now.

¹¹⁹ Speech von Siemens 32/33, 8, 9.

¹²⁰ Annual report SH 32/33, 9.

5. Siemens during the Great Depression: managing the crisis responsibly?

The overriding management challenge these years was the continuity of *das Haus*. For Carl Friedrich von Siemens personally, this meant passing on his father's legacy, a leading electrical engineering firm in the world, to the next generation. The primary objective was to stay in business, i.e., to continue to operate in as many products and markets the companies were active in and to maintain the valued relations with the very small number of customers which were the source of the majority of the sales revenues. Though this already was a huge effort these years, this described only half of the challenge. For the future viability of Siemens, and with the ambition of retaking its prominent and dominant position from before the crisis, the critical know-how and experience of its employees had to be preserved, and research and development - essential for innovations and thus future revenue and profit streams - had to be continued, also during the crisis. Otherwise, Siemens could not benefit from the recovery of the crisis, and it would become a laggard in the industry instead of the proud leader it had been.¹²¹

Obviously, these two objectives required contradictory management actions. Managing the crisis demanded quick and heavy cost cutting in order to minimise the financial losses. Otherwise, structural losses would inevitably lead to insolvency. However, maintaining the viability of the firm would require substantial investments in research and development, new production resources, and continuous training and development of staff. All stakeholders would feel the consequences of the crisis and these conflicting objectives dearly. For Carl Friedrich von Siemens it was indeed: *Großer Mann – was nun?*

With the three principles suggested, the actions of the Siemens boards, and Carl Friedrich von Siemens as the pivotal manager, will be evaluated. These principles are:

1.

The management of the organisation demonstrates taking the interests of the various stakeholder groups seriously and if needed, balances the interests of these.

2.

If management decisions are taken that harm the primary interest of a specific stakeholder, management seeks to justify why such a decision is deemed necessary in the light of the overall continuity of the organisation or the interest of other stakeholders, and if possible, mitigates or alleviates the consequences to a reasonable extent thereof.

3.

The top leadership of the organisation demonstrates empathy and affection, next to rationality, towards the stakeholders, and in particular, in case of negative consequences of their decisions for a specific stakeholder. Furthermore, in such cases, top management personally shares in the burden thereof.

In summary, the first principle will be referred to as 'balancing interests' of the stakeholders, the second as 'mitigating the effects' of management's decisions, and the third 'demonstrating empathy' and 'burden sharing' by management

The analysis of how Siemens presented the interests of the stakeholders, and thus if any, adhered to the beforementioned principles takes two perspectives. Firstly, the relative importance of the relationship with the stakeholder will be examined. Siemens considered all stakeholders relevant; they paid attention to all. However, they were not all perceived of equal importance. The importance is determined on the basis of the attention paid to a specific shareholder in the annual reports and von Siemens' speeches. Secondly, the positive or negative attitude will be assessed based on the tone-of-voice towards this specific stakeholder.

This results in the following matrix in which the importance of the relationship with the various stakeholders, and the attitude towards them, is plotted.

¹²¹ Feldekirchen, *Siemens*, 149.

	Positive	Negative
Important	Employees Shareholders (pre-crisis)	Government
Unimportant	Shareholders (crisis) Bondholders Customers Management	

Firstly, the stakeholders which were considered unimportant during the crisis, yet which were engaged with a positive attitude will be described. Secondly, the government as an important stakeholder however, approached with a negative attitude, and finally, the employees who were seen as an important stakeholder and were positively appreciated, will be analysed.

5.1 Shareholders, bondholders, customers and management

Shareholder

In the financial year 1927-1928, another year of growth, Carl Friedrich von Siemens explicitly valued the loyalty of the 'Daueraktionär' who deserved a stable income. Therefore, the dividend proposal was the same as previous year.¹²² For the shareholders 14% dividend at Siemens & Halske and 10% at the Siemens-Schuckertwerke would be declared.¹²³

The next year, 1928-1929, the dividend percentages remained stable, as was the policy of *das Haus*.¹²⁴ On 21 March 1930 in an extraordinary meeting of shareholders von Siemens extensively explained the complex terms and conditions of the two bond tranches, to be issued in the Germany and the United States. The bonds would carry an interest rate depending on the dividend percentage.¹²⁵ He acknowledged that the share

¹²² Speech von Siemens 27/28, 1-2.

¹²³ Annual report SH 27/28, 10; Annual report SSW 27/28, 10.

¹²⁴ Annual report SH 28/29, 12; Annual report SSW 28/29, 11.

¹²⁵ Speech from Carl Friedrich von Siemens at Extraordinary General Meeting of shareholders, 21 March 1930, 1-10.

price was negatively influenced by the bond issues, but expressed with 'wir hoffen, die richtige Linie getroffen zu haben' to have balanced all interest.¹²⁶

In the first year of the crisis, 1929-1930, Siemens paid no specific attention to its shareholders, though the Siemens-Schuckertwerke shareholders received a lower dividend of 7,5%. The dividend of Siemens & Halske remained at 14%.¹²⁷ At the AGM von Siemens immediately addressed his shareholders by stating that only because the financial results were positively impacted by previous years, Siemens & Halske could maintain its dividend percentage.¹²⁸ He reiterated that he valued loyal shareholders, and that these deserved a stable dividend. The recent bond issues with an interest rate dependent on the dividend, were another reason that the dividend percentage the same despite the much worse economic situation.

In the financial year 1930-1931, Siemens & Halske experienced a sharp decline in profits and the Siemens-Schuckertwerke booked a nil result. The shareholders were severely hit for the first time as well; they only received a dividend of 9% from Siemens & Halske and none from the Siemens-Schuckertwerke.¹²⁹ The lower dividend was the only reference to the interests of the shareholder this financial year.

In the worsening crisis the shareholder did not receive specific attention anymore. At the very end of the AGM of the financial year 1931-1932 von Siemens in a one-liner remark informed the Siemens & Halske shareholders present that a 6,2 million RM, 7% dividend would be paid, only because of the prudent way of doing business over the last almost 90 years.¹³⁰ Those from the Siemens-Schuckertwerke would again receive no dividend.¹³¹

In the annual reports of 1932-1933 and in the speech of von Siemens the shareholders were not mentioned. The dividends for the companies remained at the level of the previous year.¹³²

¹²⁶ Speech von Siemens, 21 March 1930, 16.

¹²⁷ Annual report SH, 6; Annual report SSW 29/30, 12.

¹²⁸ Speech von Siemens 29/30, 1-3.

¹²⁹ Annual report SH 30/31, 15; Annual report SSW 30/31, 16.

¹³⁰ Speech von Siemens 31/32, 13-14; Annual report SH 31/32, 2.

¹³¹ Annual report SSW 31/32, 45-46.

¹³² Annual report SH 32/33, 18; Annual report SSW 32/33, 44.

In sum, the attention paid to the shareholder varied over these years. Before the crisis, the financial years 1927-1929, the shareholders received continuous attention of the boards and von Siemens. Their loyalty was explicitly appreciated, and they, therefore, deserved a stable dividend. Remarkably, in the years that the shareholders received substantial less to no dividend anymore, the attention for them decreased. In the crisis-years the only reference to this stakeholder was the mentioning of the dividend percentage, if any. Still, Siemens balanced the interests of all its stakeholders, and even during the crisis the shareholders of Siemens & Halske received a dividend, though significantly less than they were used to.

Bondholder

For the first time in the financial year 1928-1929, because of the debt issue in Germany and the United States, the bondholders were seen as a relevant stakeholder. The market appetite to consume the bonds had to be raised by the special conditions offered, of which the dividend dependent interest was the attraction.¹³³

In the subsequent year, 1929-1930, Siemens had to live up with the expectations of its new bondholders. Von Siemens acknowledged the unfavourable bond prices and explained that despite the poor financial results, the dividend percentage of 14% was not lowered, because the interests of the new bondholders were balanced.¹³⁴ Disappointing the bondholders in the first year with already lower prices on the bond market would have frustrated them. Moreover, it would have severely damaged Siemens' reputation on the capital markets.

Only at the AGM of 1932-1933 the bondholders received specific attention again. Von Siemens was proud that during the crisis the bondholders did not have to write off their investments.¹³⁵ In the first place, Siemens wanted to honour its obligations towards them, and secondly, obviously, aimed to protect its reputation on, and future access to, the United States capital market.

To conclude, in the year of the bond issue, the holders of this investment, naturally, also were prominent in the annual reports and meetings. Because of their

¹³³ Speech von Siemens, 21 March 1930, 1-10.

¹³⁴ Speech von Siemens 29/30, 1-3.

¹³⁵ Speech von Siemens 32/33, 7.

expectations at the time of issue, the dividend percentage and thus the interest rate they received, remained as in previous years.¹³⁶ Not unlikely, this compensation was only offered, because it mitigated the legal risk Siemens faced for not having informed its potential investors in the prospectus sufficiently. Moreover, the bondholders were only mentioned if and when Siemens had to protect its reputation on the capital markets. With the principle of the 'healthy egoism' in mind, the interests of this stakeholder were balanced with all others.

Customer

Remarkably, in the annual reports the customer played no role in the long descriptions of the business activities. The word was hardly used at all, and if so, only in the light of the own achievements. As an example, in the annual report 1928-1929 the new lightning equipment for the Pigalle theatre in Paris as proof of the high-quality Siemens products was mentioned.¹³⁷ During the crisis, von Siemens offered longer payment schemes, which subsequently as he noted, saved jobs, and what he did not state, resulted in otherwise missed revenues.¹³⁸ Early signs of recovery were evidenced by the customers spending again and resulting in the increased sale of electric stoves, water boilers, and low-priced, highly reliable refrigerators.¹³⁹ Furthermore, 'die politische Entwicklung brachte eine starke Belebung des Rundfunkgeschäftes mit sich'.¹⁴⁰ The new regime's media strategy resulted in more sales.

Overall, customers did not play any role in the annual reports and AGM's, not before and not in the crisis. If they were mentioned, it was because they were evidence of the innovative and high-quality Siemens products. Serving and pleasing customers, caring about them and managing their satisfaction, all were not mentioned. If customers needed headroom for buying Siemens products, they were facilitated. Surely, also for this stakeholder, the 'healthy egoism' aligned the interests of Siemens and its customers.

¹³⁶ Speech von Siemens 29/30, 1-3.

¹³⁷ Annual report SH 28/29, 8.

¹³⁸ Speech von Siemens 30/31, 4.

¹³⁹ Annual report SSW, 42.

¹⁴⁰ Annual report SH 32/33, 10.

Management

In the annual reports of the companies the compensation of the Supervisory Board members was mentioned, and from 1931-1932 onwards that of the Executive Boards as well. No further explanatory remarks were added. With the exception of the speech of von Siemens at the AGM of 1929-1930 no attention was paid to this stakeholder. On that occasion he only reacted extensively on press articles about the, what he called, 'freierfundenden Zahlen' about the remuneration of the Executive Boards. He assured the shareholders without sharing details that 'auf diesem Gebiete Ordnung und Sachlichkeit herrschen'.¹⁴¹

In those years, disclosures about management's remuneration were very limited still. Though towards the end of the period more information was given, the following overview is an educated guess still. Based on von Siemens' speech at the AGM early 1931 and the annual report of Siemens & Halske of 1931-1932 onwards, the remuneration packages of management are derived.¹⁴² The compensation of the Executive Boards of both companies consisted of a base salary and a bonus, which depended on the dividend percentage. They were only eligible for the bonus if the average dividend percentage of both companies was above 6%.¹⁴³ The total amounts for the Executive Boards were for the first time disclosed in the annual reports of 1931-1932.¹⁴⁴ The Supervisory Board members received an allowance booked as general expense, and one funded from the net profit. This regular allowance was for the first times separately disclosed in the annual reports of 1932-1933.¹⁴⁵

The actual compensation of the Executive Boards and Supervisory Boards during the period was impacted by the crisis. The available set of data, related to profits, dividend percentages and number of employees, is summarised in a separate

¹⁴¹ Speech von Siemens 29/30, 9; 'Wie von Siemens die Lage beurteilt', *Kölnische Zeitung*, Cologne, 25 February 1931; 'Ohne Lastensenkung keine Gesundheit', *Deutsche Bergwerks-Zeitung*, Düsseldorf, 26 February 1931.

¹⁴² Speech von Siemens 29/30, 10-11; Annual report SH 31/32, 21; Annual report SSW 31/32, 46.

¹⁴³ Speech von Siemens 29/30, 10-11

¹⁴⁴ Annual report SH 31/32, 21; Annual report SSW 31/32, 46.

¹⁴⁵ Annual report SH 32/33, 18; Annual report SSW 32/33, 44.

attachment.¹⁴⁶ In the pre-crisis years, till 1928-1929, the Supervisory Board members received an allowance from the net-profit of approximately 45.000 RM. In the first year of the crisis the board members of the Siemens-Schuckertwerke had already to accept a 46% lower allowance, reflecting the 40% lower profits made in the financial year 1929-1930. After that they did - assumedly - not receive any allowance anymore, as profits were reported nil, and losses were actually made. Between the financial years 1929-1930 and 1932-1933 the allowance for the Supervisory Board members of Siemens & Halske decreased with 88%, from 46.600 RM to 5.700 RM. In those years net-profit fell with 63%, the number of employees decreased with 44% and the dividend percentage was 50% lowered. For the Executive Boards data of two financial years is available only. Comparing 1932-1933 with 1931-1932, the total compensation of Siemens & Halske board decreased by 36%, whilst net-profit was 12% lower, and the dividend percentage was stable at 7%. The Siemens-Schuckertwerke board's compensation was lowered with 14% over these years, as the company was loss-making still, albeit less.

The Supervisory Board members had to accept a very substantial cut in their compensation. In this sense, they shared in the burden of less income for all. The decrease was higher than the negative impacts for the shareholders. Compared with the employees who lost their jobs, or for the ones still employed suffering from lower wages combined with *Kurzarbeit*, the conclusion is not that clear. For the Executive Board members, the data is too limited to draw a conclusion.

Conclusion

During the crisis the shareholder, bondholder, management and the customer all suffered. The first three were confronted with lower income. Dividend, interest and bonuses, evaporated alongside the poor financial results of the companies. However, these stakeholders enjoyed the good and the bad times, and that resulted in no or very low rewards during the crisis. Customers in need for longer payment schemes were offered relief. Siemens demonstrated to balance their interests and adhered to the first principle.

¹⁴⁶ Attachment 3 - Overview of remuneration of Executive Boards and Supervisory Boards 1927/28 - 1932/33.

Still, Siemens management understandably did nothing to alleviate the negative consequences of the crisis for its shareholders and bondholders. After all, the character of their stakeholder relationship was alignment with Siemens' entrepreneurial risk. The negative consequences of the crisis were only compensated for the customers, also because this matched the interests of Siemens in the first place. So, Siemens did not, or in part only, mitigate the negative effects of the crisis for these stakeholders, and adhered to the second principle.

Whether Siemens adhered to the third principle of responsible management, and therefore, management fairly shared in the burden of the crisis, remains an open question. The remuneration data available, is too limited to come to a firm opinion whether the boards shared the fate of all other stakeholders, and in particular that of their employees. Still, the boards' compensation was without doubt severely impacted by the crisis.

5.2 Government

The government was prominent in all annual reports and von Siemens' AGM speeches. In fact, after the employees this stakeholder attracted most attention. In this sense, Siemens' interests towards this important stakeholder were continuously and actively balanced. The first principle of responsible management was top of mind for management these years. The tone-of-voice towards the government was consistently negative and did not change. The recurring theme in all years during the period was the decreasing order volume of the *Reichsbahn* and even more, Siemens' largest client, the *Reichspost*. This resulted in lower profits and less jobs, both highly disturbing from Siemens' point of view.

In the annual reports of 1927-1928 management of Siemens & Halske criticized government by complaining about the relative high share of employee costs in GDP, resulting in a too low share for profits and thus entrepreneurs.¹⁴⁷ Furthermore, the remark was made that the *Reichsbahn* and *Reichspost* order volumes had decreased and that these orders were unpredictable. As a consequence, this led to costly up- and downscaling of production capacity, thus inefficiencies, but moreover, to the dismissal of

¹⁴⁷ Annual report SH 27/28, 5.

experienced staff.¹⁴⁸ At the AGM Carl Friedrich von Siemens had a clear message; too much was spent on unproductive and 'unnötige Aufwendungen', which resulted in a shortage of capital for creating or maintaining jobs.¹⁴⁹ The government policies created a for Siemens unfavourable entrepreneurial climate, and as a consequence, jobs were lost.

The critique continued in the annual reports 1928-1929. The companies noted the significant increase year-over-year of the *gesetzliche soziale Leistungen*, the social charges per employee. From almost 50 RM in 1914, 140 RM in the previous year, they had risen to over 155 RM now.¹⁵⁰ The decreasing *Reichsbahn* and *Reichspost* orders were complained again.

This theme was prominent in the annual reports of 1929-1930 once more. Only with extra price discounts the production levels for the *Reichspost* could be maintained. The reason for this repeated remark became clear, when Siemens disclosed that these orders were 13% of total sales.¹⁵¹ At the AGM early 1931, von Siemens launched a long and frontal attack on the Brüning government. The general statement was that the government 'zweifelloos war denjenigen, die in erster Linie verantwortlich sind, als deren Folge fast 5 Millionen Menschen brotlos geworden sind'. Only when production costs significantly fell, this would end 'das Elend der Arbeitslosigkeit'. Little steps like 'künstliche Arbeitsbeschaffung' would not be sufficient.¹⁵² He added a hard and direct complaint about the level of taxes and social charges. Of every 100 plates production, the factory owner had to make 40 for the state, for which he was not paid for. The remaining 60 had to cover all costs. 'Diese Zahlen müssen jedem denkenden Menschen sagen, dass hierbei ein Volk zugrunde gehen muss'.¹⁵³ In order to stay competitive, the corporate sector should be offered room to invest.¹⁵⁴ Criticising the government was a yearly tradition, but this time von Siemens was unique in his wording.

¹⁴⁸ Ibid., 5.

¹⁴⁹ Speech von Siemens 27/28, 2-3.

¹⁵⁰ Annual report SH 28/29, 6.

¹⁵¹ Annual report SH, 7.

¹⁵² Speech von Siemens 29/30, 5.

¹⁵³ Ibid., 5.

¹⁵⁴ Ibid., 7.

Saving jobs was a major theme during the crisis. The annual reports of 1930-1931 stressed that more orders from especially the *Reichspost* were essential for maintaining the number of employees.¹⁵⁵ At the AGM of early 1932, the tone-of-voice of von Siemens' speech was more gentle, more directed to the consequences for the number of jobs in Germany, and of course, for Siemens. Government orders were not only important for the companies, but especially were in the interest of its employees. He stated:

'Es ist unsere Pflicht, im Interesse unseres Hauses und damit aller seiner Angehörigen, uns um Arbeit zu bemühen und [...] die Zahl derjenigen, denen wir Arbeit und Brot geben können, ist direkt abhängig von den Aufträgen, die wir erhalten'.¹⁵⁶

In the financial year 1931-1932 the comments for the government continued the tradition. The order volume from the largest client, the *Reichspost*, was only 15% of the average of the previous six years. This could not be compensated.¹⁵⁷ Furthermore, the *Arbeitsbeschaffungsprogramme* were qualified as ineffective.¹⁵⁸ At the AGM early 1933, von Siemens had many words for the new government. The intentions of the new regime were clearly criticized; one did not have to be a diplomat to understand these. The freer the economy was from political influence, the better she could fulfil her task of 'die materiellen Grundlagen für das Staats- und Volkswohl zu schaffen'.¹⁵⁹ Furthermore, he stressed that Germany needed exports with their size of population and the limited resources the country had. Notably, 60.000 jobs in Germany depended on Siemens' export business.¹⁶⁰ The foreign currency was critical to acquire these necessary goods, and 'um den Wohlstand des Volkes und damit seine Lebenshaltung einmal wieder zu erhöhen'.¹⁶¹ He candidly concluded in the new language of the regime with 'wir glauben

¹⁵⁵ Annual report SH 31/32, 7.

¹⁵⁶ Speech von Siemens 30/31, 13.

¹⁵⁷ Annual report SH 31/32, 8.

¹⁵⁸ Ibid., 9.

¹⁵⁹ Speech von Siemens 31/32, 11-12.

¹⁶⁰ Ibid., 7.

¹⁶¹ Ibid., 6.

damit unserem Vaterlande und damit der Gemeinschaft aller Volksgenossen am besten dienen zu können'.¹⁶² If the export was made impossible, then there was no alternative 'als den harten Weg weiterer Zusammenschumpfung fortzusetzen'.¹⁶³ If the new regime would like to solve the unemployment, government orders and international business would be the remedy, not the ineffective state programs.

In the annual reports of 1932-1933 the new government was as mentioned before, explicitly welcomed, still the criticism remained. At the AGM early 1934 von Siemens was, understandably taking the violent reputation of the new regime into account, more careful in his wording. However, the government could not have missed the points he made. Germany and - what he really meant - Siemens, were depending on export and foreign currency.¹⁶⁴

Conclusion

The relationship with the government and balancing the interests of this important stakeholder was a sensitive management task. On the one hand, the government as representative of the state created an in the eyes of Siemens management unfavourable entrepreneurial climate, and, therefore, was firmly and consistently negatively commented on. On the other hand, was the government indirectly, through the *Reichsbahn* and *Reichspost*, Siemens most important client. Therefore, in addition to his speeches at the AGM's von Siemens personally attempted to influence the government evidenced amongst others by his letter to Brüning.¹⁶⁵ Only criticizing them, would not increase their appetite to purchase more. Siemens adhered to the first principle; they paid extensive attention to and balanced the interests of the government in these turbulent political years of the Weimar republic. However, their approach was ineffective. In practice, order volume only fell and social charges went up. Only after January 1933 the government changed course, and that was not because they had listened to von Siemens' criticism.

¹⁶² Ibid., 8.

¹⁶³ Ibid., 9.

¹⁶⁴ Speech von Siemens 32/33, 2, 4.

¹⁶⁵ Feldenkirchen, *Siemens 1918-1945*, 228.

5.3 Employees

Before and during the crisis the employees were consistently treated as the most important stakeholder, and with a positive attitude. Siemens' employees mattered. The interests of this important stakeholder were not only continuously and actively balanced, the negative consequence of management's decisions, more specifically the large numbers of dismissals and the consequences of lower wages and *Kurzarbeit*, were in part mitigated. Furthermore, management and von Siemens demonstrated empathy towards their employees and former employees.

At the AGM 1927-1928 von Siemens' words showed that he valued his employees as critical contributors to the success of the companies. He elaborated on the new 'Abschlußprämien' for employees longer than 10 years at the company. The bonus depended on the dividend percentages of the two companies, in so far as these were above 6%. Purpose was to reward employees who had long-standing and valued careers at the company, and also to show 'die Verbundenheit zwischen Kapital und Arbeit'.¹⁶⁶ In the revised plan, employees already after 8 years were entitled to the year-end bonus. More employees benefitting from the bonus deemed the Executive Boards fairer than increasing the amounts of the bonus.¹⁶⁷

In the last year of growth before the crisis, the financial year 1928-1929, the total number of employees at the two companies and their controlled subsidiaries rose to 137.000. Together with the Siemens-Schuckertwerke, funds were made available to build for the employees another 1.500 private residences in Siemensstadt and Berlin-Zehlendorf. Also, the city of Berlin would build 1.000 houses close to Siemensstadt, which would offer many employees their new home close to the workplace.¹⁶⁸ Also, both companies funded 5 million RM each for building a rail connection from the Berlin S-Bahn infrastructure to Siemensstadt.¹⁶⁹ With the workplace at Siemensstadt to be reached quicker, as well the employee as the employer benefitted. Von Siemens spent considerable time on the employees and their prospects at the AGM early 1930.¹⁷⁰ The deteriorating economic situation had for the 'Belegschaft' at Siemens & Halske hardly

¹⁶⁶ Speech von Siemens 27/28, 6.

¹⁶⁷ Ibid., 7.

¹⁶⁸ Annual report SH 28/29, 10-11.

¹⁶⁹ Ibid., 11; Annual report SSW 28/29, 10.

¹⁷⁰ Speech von Siemens 28/29, 6.

any consequences yet, though in the last months the number of employees decreased. However, at the Siemens-Schuckertwerke already many employees had been made redundant. He clarified that 'unser ernstestes Bestreben ist es, diese Einschränkungen so gering wie möglich zu halten'. However, this would depend more on the government policies than on the business policies 'unseres Hauses'.¹⁷¹ Furthermore, he reiterated the firm's commitment to the voluntary social benefits. The contributions to the pension fund were 60% of these, with a sharp increase over the previous years. Other sizable amounts were spent on nutrition subsidies and the running costs for the health care facilities and vacation homes.¹⁷² His views towards the employees were summarized in that Siemens' reputation in the world was based on the labour quality, and therefore on the spirit of the employees.¹⁷³

In these years of growth, the employees were presented as highly appreciated and loyal. The reintroduction of the year-end bonus, the building of private residences, the public transport connection to Siemensstadt and the voluntary social benefits, they were all perfect examples of the 'healthy egoism' summarised by von Siemens in:

'nur wenn sie selbst die Verantwortung für ihre Arbeit fühlt und mit Freude unserem Hause angehört, können wir unserm Ruf aufrecht erhalten. Es ist daher im eigenen geschäftlichen Interesse, wenn wir ihr eine dauernde Zugehörigkeit vorteilhaft gestalten'.¹⁷⁴

Still, the companies and von Siemens demonstrated empathy for their employees, and not in words only.

During the crisis years, the prominent and dominant stakeholder in the annual reports and von Siemens' speeches continued to be the employees. The personal consequences of the crisis were extensively commented on, and not in business terms only. The dramatic decrease in the number of employees – in Germany in five years halved to about 48.000 – said it all. But also, the remaining employees suffered under lower wages and *Kurzarbeit*. The reports evidenced that the Siemens boards and Carl

¹⁷¹ Ibid., 7-8.

¹⁷² Ibid., 8.

¹⁷³ Ibid., 9.

¹⁷⁴ Ibid., 9.

Friedrich von Siemens personally, tried to mitigate the negative consequences, and also showed their empathy with the fate of their employees and former employees.

In the first year of the crisis, 1929-1930, the total number of employees already decreased to 113.000, and in Germany to 81.000. The press quoted von Siemens' letter of end of July to his chairmen of the Executive Boards, in which he ordered them to cut at least 10% of the *Angestellte*.¹⁷⁵ To be fair, in those parts not printed, he fully acknowledged 'das schwere Leid, welches die Entlassungen' caused, yet stressed the overall purpose 'das Haus finanziell gesund zu erhalten'.¹⁷⁶ Because of the mass redundancies the press printed headlines as 'Der raubt dir dein Brot' with his name and picture.¹⁷⁷ Still, Siemens continued its voluntary social benefits spend. As examples, a vacation home for 120 men opened, the *Kinderheim* expanded with an infant station, and more houses were built.¹⁷⁸ In his speech at the AGM, early 1931, strikingly von Siemens spent only a few words on his employees. The organisation was downsized because of the situation, 'wobei manche Kräfte frei geworden sind, die wir mit Bedauern aus unserem Hause haben scheiden lassen'.¹⁷⁹ Later in the meeting, with pleasure he reported that the year-end bonus had been paid again.¹⁸⁰ In the annual reports the redundancies were covered with empathy like 'die Arbeitslosigkeit die heute uns allen so stark lastet'.¹⁸¹

The annual reports 1930-1931 showed continuous cost cutting, 'äußerste Sparsamkeit' as it was called.¹⁸² Both reports mentioned the measures taken. Further redundancies were the consequence, and Siemens employed 69.000 in Germany only.¹⁸³ Almost all others still employed, worked in *Kurzarbeit*.¹⁸⁴ The employees had to accept a

¹⁷⁵ 'Doch Personalabbau bei Siemens?', *Frankfurter Zeitung*, 26 July 1930; Feldenkirchen, *Siemens*, 614-615, German edition 590-591.

¹⁷⁶ Feldenkirchen, *Siemens*, 614-615, German edition 590-591.

¹⁷⁷ 'Der raubt dir dein Brot', *Die Rote Fahne*, Berlin, 16 August 1930.

¹⁷⁸ Annual report SH, 11.

¹⁷⁹ Speech von Siemens 29/30, 2.

¹⁸⁰ *Ibid.*, 10.

¹⁸¹ Annual report SSW 29/30, 5.

¹⁸² Annual report SSW 30/31, 6.

¹⁸³ Annual report SH 30/31, 7.

¹⁸⁴ Annual report SSW 30/31, 6.

wage decrease of 18% in this financial year, combined with an on average working day of only 6,4 hours.¹⁸⁵ The reports evidenced that these measures were not taken lightly:

'Wir mußten zu unserem Bedauern zu weitgehende Entlassungen schreiten, auch von bewährten Kräften, von denen wir uns nur ungern trennten. Viele ältere Arbeiter und Angestellte – auch in leitenden Stellungen – wurden pensioniert.'¹⁸⁶

At the AGM early 1932 von Siemens spent much time on the position of his employees and again, in clear language. Because the costs had, understandably, to be managed down, negative consequences for the staff were unavoidable.¹⁸⁷ He stated that the measures led to 'tiefe Enttäuschung und Elend' and that the task of management, and not only the boards and himself, were also 'vor allem menschlich niederdrückend'.¹⁸⁸ He made his responsibility clear in:

'wir erachten es als unsere Pflicht, unsere ganze Kraft dafür einzusetzen, dass der wertvollste Teil des deutschen Volksvermögens, die unübertroffenen deutsche Arbeitskraft, auch Möglichkeiten findet, sich auszuwirken.'¹⁸⁹

Reacting on press articles, he made clear that he had not asked for financial support by the government. However,

'es ist unsere Pflicht, im Interesse unseres Hauses und damit aller seiner Angehörigen, uns um Arbeit zu bemühen [...]; die Zahl derjenigen, denen wir Arbeit und Brot geben können, ist direkt abhängig von den Aufträgen, die wir erhalten'.¹⁹⁰

¹⁸⁵ Feldenkirchen, 'Zur Unternehmenspolitik des Hauses Siemens', 44-45.

¹⁸⁶ Annual report SSW 30/31, 6.

¹⁸⁷ Speech von Siemens 30/31, 2

¹⁸⁸ *Ibid.*, 3.

¹⁸⁹ *Ibid.*, 3.

¹⁹⁰ *Ibid.*, 13.

The Siemens boards, and Carl Friedrich von Siemens showed their emotions and feelings with:

‘wir werden zu unserem Bedauern immer mehr gezwungen, uns auch von Mitarbeitern zu trennen, die jahrelang zu unserer vollen Zufriedenheit ihre Arbeit geleistet haben und nach der Geschichte unseres Hauses das berechnete Gefühl haben konnten, eine sichere Lebensstellung zu besitzen. Unsere oberste Pflicht muß es aber sein, dafür zu sorgen, daß das Haus nach Ueberwindung der heutigen Zeit noch die Kraft besitzt im Konkurrenzkampf auf der Welt deutscher Arbeitskraft lohnende Beschäftigung zuzuführen’.¹⁹¹

Next to their verbal statements and intentions, obviously, their actions counted. The companies tried to mitigate these consequences with pre-retirement programs aimed at avoiding ‘das Elend der Arbeitslosigkeit’. These growing pensions were funded through their voluntary social benefits.¹⁹² In this respect Siemens further increased their contributions for the voluntary social benefits to 14 million RM.¹⁹³ For the first time, these were higher than the social charges.¹⁹⁴

The crisis was far from over in the financial year 1931-1932, and for the employees this all meant, fewer jobs – in Germany only 53.000 remained – and again, lower wages through *Kurzarbeit* and emergency decrees. As a consequence, for the first time, the total of social charges for the companies decreased year-over-year.¹⁹⁵ Siemens continued their voluntary social benefits efforts. The spend grew to 16,8 mio RM, due to more employees in pre-retirement schemes and support for ‘in wirtschaftlicher Not

¹⁹¹ ‘We regret to be more and more forced to part ourselves from employees, who have worked to our fullest satisfaction for years, and based on the tradition of our companies could have the justified sentiment that they would have a secure job for life. It must be our highest duty, that the company is still able to supply German rewarding labour after succeeding in this present competition on the world markets.’, author’s translation, annual report SH 30/31, 6

¹⁹² Speech von Siemens 30/31, 4.

¹⁹³ Annual report SH 30/31, 16.

¹⁹⁴ Ibid., 16.

¹⁹⁵ Annual report SH 31/32, 10; attachment 3 - Overview of remuneration of Executive Boards and Supervisory Boards 1927/28 - 1932/33 for Siemens & Halske AG and Siemens-Schuckertwerke AG.

befindliche Arbeitnehmer’. This entailed also ‘Notspeisung ehemaliger Arbeitnehmer’.¹⁹⁶ The number of residences in Siemensstadt would be expanded, also to support the employment in the construction sector. Furthermore, 216 employees in *Kurzarbeit* were put to work in the realisation of a railway station.¹⁹⁷ In his speech at the AGM early 1933 von Siemens reported that, again, redundancy rates were high with in Germany almost 22% and internationally 24%.¹⁹⁸ He reiterated that:

‘wir versuchen natürlich jeden Weg, um das Los der Arbeitslosigkeit von einer möglichst grossen Zahl alter Mitarbeiter fernzuhalten, dazu gehört zweifellos auch das Mittel der Kurzarbeit, die wir bis zur äusserst möglichen Grenze angewandt haben. Diese ist aber gegeben durch das dann noch verbleibende Nettoeinkommen’.¹⁹⁹

He reiterated that the majority of the voluntary social benefits was spent on pre-retirement pensions; in clear text: ‘wir legen den größten Wert darauf, unseren alten Mitarbeitern auch über ihre aktive Tätigkeit hinaus unsere Dankbarkeit zu beweisen’.²⁰⁰ The statements in the annual reports and of von Siemens personally, also this year, made clear how the companies attempted to mitigate the effects of their cost cutting decisions. Though the voluntary social benefits did not escape from cost savings, Siemens remained loyal to its commitments. These efforts though, could only relieve the personal hardship, but not avoid it. Occasionally, press articles stressed the misery and the hopeless position of the unemployed. *Die Rote Fahne*, the communist paper, reported about the suicide of a former employee and his family.²⁰¹

In the financial year 1932-1933, the message was one of hope. The reversed economic trend resulted in growth of the number of employees again. Since the low of February 1933, the companies hired 6.500 new employees, and more staff was able to

¹⁹⁶ Annual report SH 31/32, 10.

¹⁹⁷ Ibid., 18.

¹⁹⁸ Speech von Siemens 31/32, 2.

¹⁹⁹ Ibid., 2.

²⁰⁰ Ibid., 13.

²⁰¹ ‘Angestelltentragödie in Siemenstadt. Entlassen – Selbstmord mit Frau und Kind’, *Die Rote Fahne*, Berlin, 24 May 1932.

work more hours a week. This trend was expected to continue, for example because the government planned to build more power plants.²⁰² Von Siemens explicitly stated in his speech at the AGM early 1934 that he was delighted with the rehiring of many former employees, and the 14.000 former employees who received a stable pension.²⁰³ The number of words for the employees was considerably less than in previous years. The remarks made were geared to hiring new skills and extending the number of working hours. The companies' commitment to the voluntary social benefits was continued with a spend of almost twice the social charges now.

Conclusion

Siemens took the interests of their employees seriously. They were consistently before and during the crisis treated as the most important stakeholder, and with a positive attitude. The attention paid to them in the annual reports and von Siemens' speeches evidence that Siemens balanced their interests in the good and the bad times and adhered to the first principle.

During the crisis, Siemens' viability was at stake and the survival of the companies was the overriding objective in managing the crisis. Lower sales revenues forced to structurally cut costs. As personnel costs were variable and a major share of total costs, the employees and their families were severely affected through job losses, lower wages and *Kurzarbeit*. Obviously, these measures were in contradiction with the interests of the employees who aimed for a secure job, with a full hours working week and regular wages. Von Siemens expressed the dilemma in his letter to the companies' Executive Board chairs with 'wir haben das Haus finanziell gesund zu erhalten, da sonst in der kommenden Zeit wir unsere Stellung in der Welt sowohl finanziell als technisch nicht aufrechterhalten können' and in the same letter wrote 'das schwere Leid, welches die Entlassungen [...] as a consequence would bring.'²⁰⁴

However, these dismissals and other measures could not be avoided. On the contrary, tens of thousands of the employees were victim of the crisis. The reports and speeches give convincing evidence of Siemens' attempts to mitigate the consequences

²⁰² Annual report SH 32/33, 7-8; Annual report SSW 32/33, 37.

²⁰³ Speech von Siemens 32/33, 6.

²⁰⁴ Felddenkirchen, *Siemens*, 614-615, German edition, 590-591.

thereof, and continued commitments to its voluntary social benefits. These were not words only. The yearly actual spend of the voluntary social benefits was from 1930-1931 onwards higher than the domestic social charges.²⁰⁵ The spend per employee grew from that year 200 RM to 324 RM in 1932-1933.²⁰⁶ In addition, the house building efforts and other programs continued. Von Siemens and his companies stood firm in their commitment to their employees. At the same time, they were well aware that this could not compensate for the misery their employees and former employees lived in. Though, as mentioned, Siemens had out of the 'healthy egoism' a vested interest in keeping loyal and high-performing employees, the companies financially mitigated – in part – the negative consequences of the crisis and therefore, adhered to the second principle of responsible management.

Furthermore, the annual reports and the speeches of Carl Friedrich von Siemens clearly evidenced the feelings and emotions for especially the fate of the employees during the crisis. Many examples thereof have been given so far. Von Siemens expressed his view at the AGM early 1932, when almost one out of two were unemployed in Germany, and Siemens had dismissed approximately 40% of its staff the previous two years: this

'zwingt uns daher zu Massnahmen, die, wie wir wissen, tiefe Enttäuschung und Elend bereiten müssen. Massnahmen, die seit dem Bestehen des Hauses anzuwenden, niemals notwendig war. Die Aufgaben des Vorstandes und aller für die Leitung Verantwortlichen waren daher nicht nur geschäftlich schwierig, sondern vor allem menschlich niederdrückend'.²⁰⁷

He gave in plain text an impressive personal testimony what the crisis meant for him and his management. Not only by this example, von Siemens and his companies showed

²⁰⁵ Based on data of attachment 2 - Statistische Zahlen über die gesetzlichen und freiwilligen sozialen Leistungen.

²⁰⁶ Ibid.

²⁰⁷ This 'therefore, forces us to measures, of which we know will cause strong disappointment and misery. Measures, which since the existence of the firm, were never necessary. The board's task and all those responsible for management were not only from a business point difficult, but moreover, humanly depressing', author's translation, speech von Siemens 31/32, 3.

sincere empathy and therefore, adhered to the third principle of responsible management.

6. Conclusion

In the period 1929-1933 like almost all other corporations and society at large, Siemens struggled for survival. Carl Friedrich von Siemens, Siemens' *großer Mann*, must regularly have felt as the unemployed hero of Hans Fallada's novel, the *kleiner Mann* permanently. Both exclaimed in despair:

'Woher [...]geld [...] für die nächste Woche zu nehmen ist, das weiß der liebe Gott, aber er weiß es wahrscheinlich auch nicht. [...] Das Schlimmste ist, dass es eben weitergeht, immer so weitergeht ... Es ist nicht abzusehen.'²⁰⁸

From early 1930 onwards, Siemens experienced a dramatic fall in revenues, profits, and the number of employees. What is called the *Weltwirtschaftskrise* now, was indeed an unprecedented economic and societal crisis. Carl Friedrich von Siemens' overriding goal was the survival of his companies and the continuity of his father's proud legacy. The research question is how did Siemens, and in particular he as the figurehead of the firm, presented the interests of the company and its various stakeholders - and in particular, but not limited to its employees - during the crisis from October 1929 till October 1933?

The sharp and sudden downturn and the impact thereof between October 1929 till October 1933, were clearly presented in the annual reports and von Siemens' speeches at the AGM's. The numbers presented over these years were daunting and disillusioning. When reading these reports and speeches today, one can still feel the struggle and the unwanted, though necessary decisions to again further decrease the costs and therefore, to dismiss appreciated employees once more. These annual reports and speeches primarily reflected Siemens attempts to maintain the companies' short and long-term viability, but at the same time addressed the interests of many others.

Though stakeholder management theory did not exist in those days, much attention was paid to the interests of the various stakeholders of the companies. In fact, Siemens already practiced the theory as management instrument. Shareholders, bondholders, customers, employees, government and management, their sometimes also conflicting interests were all considered during the crisis. However, not all

²⁰⁸ Hans Fallada, *Kleiner Mann - was nun?* (Berlin, 2017) 439.

stakeholders received equal attention. The government and first and foremost the employees were regarded as important. Siemens took note of the interests of the shareholder, bondholder, customer and management during the crisis, but not prominently. All stakeholders with the exception of the government, were engaged with a positive attitude. The central guidance, though officially applicable for the employees only, was the principle of the 'healthy egoism': doing good for yourself through others. Siemens' management demonstrated balancing the interests of all stakeholders seriously and therefore, adhered to the first principle of responsible management.

Siemens consistently disapproved the government's policies and actions. The government, indirectly Siemens' largest client, negatively influenced the bottom line by strongly reducing the order volumes of the *Reichsbahn* and the *Reichspost*. These directly resulted in less jobs as well. Von Siemens' disqualifying the government with the remark that 'jedem denkenden Menschen' will understand, that 'hierbei ein Volk zugrunde gehen muss' was nothing else than a frustrated direct attack and offense towards this key stakeholder.²⁰⁹ Therefore, the 'healthy egoism' referred to the government as well. Their policies and actions were in sharp contradiction with the interests of Siemens and its employees, and in that sequence.

Primarily, the employees were in the centre of management's attention. This was rooted in Siemens corporate culture, the principle of the 'healthy egoism'. Carl Friedrich von Siemens was a worthy follower of his father's principle. Within the overriding purpose of 'das Haus finanziell gesund zu erhalten', the companies seriously attempted to relieve their employees from the hardships of the crisis.²¹⁰ In many instances, Carl Friedrich von Siemens and the boards demonstrated their sincere empathy for the 'tiefe Enttäuschung und Elend' of their employees, and therefore, adhered to the third principle of responsible management.²¹¹ Moreover, not only in words, in acts as well, Siemens remained loyal to their commitments toward their employees. During the crisis the voluntary social benefit programs were intensified substantially, and the yearly costs outgrew the social charges by far. The companies and Carl Friedrich von Siemens as figurehead, seriously attempted to financially mitigate the negative consequences, and

²⁰⁹ Speech von Siemens 29/30, 5.

²¹⁰ Feldenkirchen, *Siemens*, 614-615, German edition, 590-591.

²¹¹ Speech von Siemens 30/31, 3.

therefore, adhered to the second principle of responsible management. Surely, these measures were also taken out of pure self-interest and were perfect examples of the 'healthy egoism'. In the end, Siemens needed motivated, knowledgeable and hard-working employees for producing the innovative, high-quality products the customers demanded. Furthermore, keeping as many of these employees as possible was a bare necessity for the best financial results after the crisis.

Management's remuneration was severely impacted by the crisis, and as such, they shared in the burden of the crisis. Whether Siemens adhered to the third principle of responsible management remains an open question. The information available, is too limited to come to a firm opinion whether the boards shared with their remuneration the fate of all other stakeholders, and in particular that of the employees.

The case of Siemens shows that management's task in crises is navigating in a challenging situation of an unknown duration with ever changing circumstances and continuous unfortunate surprises. First priority is survival of the company with minimal damage. Next to that overriding goal, this thesis adds to the current business historiography the interests of the various stakeholders of a company during crises. Stakeholder theory claims that they have a valid stake in the company and their interests should be optimised. In this sense, the recent theory is prescriptive, and by management also practiced as such these days. For historical analysis the theory is used descriptively. It offers a broader perspective on the analysis of companies managing severe crises, resulting in a more realistic and complete view of management's decisions and actions, and the rationales behind these.

Stakeholder theory and the suggested three principles of responsible management offer the historian a useful framework to examine the words and acts of management during crises. They give structure to the research with a specific lens on the interests of the relevant stakeholders in the very specific situation under investigation. The principles of responsible management offer also a normative element, not in the ethical sense, but into the scope and scale in which management presents the vested interests of its companies' stakeholders. The example of this case study supports the conclusion that not all entrepreneurs only focus on the survival of their companies when fighting crises. Rather they take a broader view. The narrative thereof, embeds and integrates the narrow-focussed history of specific businesses, into the history of society with people having various interests in those businesses. For business historians

this implies an invitation to also examine the interplay between the business and its stakeholders.

In my opinion, the theoretical framework used can be applied more widely. Firstly, other cases of companies fighting crises in the past, also in different periods than here at hand, could be researched with these principles as well. Secondly, more corporate events, not crises only, could be reviewed with the broadly formulated principles in mind. Obviously, further research would have to substantiate these claims. Furthermore, in addition to the type of sources used in this thesis, internal documents of the company revealing management's decision-making process, would be insightful. Such internal documents could be minutes of the Executive and Supervisory boards, and minutes of meetings of the company with unions and works councils.

Carl Friedrich von Siemens succeeded in his primary objective; his companies survived the crisis, though significantly smaller. He balanced the interests of the various stakeholders to the extent that these also were in the best interest of the companies. In this respect, the principle of the 'healthy egoism' served him well. Notably, in particular for his employees, Siemens did more. The hardships of the crisis were - in part - alleviated, not only out of self-interests. In the years in which Siemens struggled for survival and made losses, the massive growth of the voluntary social benefits was, next to the sincere empathy in many instances shown, the most striking evidence thereof. In this respect, in my opinion, he truly was a *großer Mann*.

The many - with all the respect they truly deserve - '*kleine Männer*', and von Siemens, the *grosser Mann*, all will sometimes have thought: 'Alles, alles ist zu Ende'. Even in this case reality was: 'Nichts ist zu Ende. Das Leben geht weiter, alles geht weiter'.²¹² The companies, Carl Friedrich von Siemens, his employees and former employees would quickly recover from this crisis, before, only in a few years provoked by the Third Reich, experiencing even worse times.

²¹² Fallada, *Kleiner Mann - was nun?*, 434, 437.

Attachments

1. Key financial and employee data of
Siemens & Halske
Siemens-Schuckertwerke.
2. Statistical data about the legal social costs and voluntary social benefits,
Statistische Zahlen über die gesetzlichen und freiwilligen sozialen Leistungen,
for Siemens & Halske AG (including Siemens Bau-Union) and Siemens-
Schuckertwerke AG.
3. Overview of remuneration of Executive Boards and Supervisory Boards 1927/28
– 1932/33 for Siemens & Halske AG and Siemens-Schuckertwerke AG.

1.

Key financial and employee data²¹³ (in million RM, rounded)

	<u>27/28</u>	<u>28/29</u>	<u>29/30</u>	<u>30/31</u> ²¹⁴	<u>31/32</u>	<u>32/33</u>
Siemens & Halske						
Rohüberschuß	27,9	31,0	36,1	31,5		
Reingewinn	18,5	18,7	16,4	11,0	6,9	6,1
Spareinlagen ²¹⁵	11,5	14,7	17,4	17,7	17,5	16,6
Pensionskasse ²¹⁶						
- Beamte	1,0	1,3	1,4	1,5	1,5	1,5
- Arbeiter	2,9	3,4	3,9	4,2	4,2	4,2
Soziale Leistungen						
- Gesetzlich	4,6	5,7	5,4	4,9	4,2	3,6
- Freiwillig	2,8	3,4	4,0	4,2	4,7	4,6

²¹³ Source: annual reports (*Geschäftsberichte*) Siemens & Halske and Siemens-Schuckertwerke 1927/28 – 1932/33.

²¹⁴ From 1930/31 the balance sheet and P&L show more details; the gross margin, *Rohüberschuß*, is not separately mentioned anymore.

²¹⁵ Savings by the employees which were integral part of the balance sheet, i.e., not separated in dedicated legal entity.

²¹⁶ Pensions for the employees which were integral part of the balance sheet, i.e., not separated in dedicated legal entity.

59

	<u>27/28</u>	<u>28/29</u>	<u>29/30</u>	<u>30/31</u> ²¹⁷	<u>31/32</u>	<u>32/33</u>
Siemens-Schuckertwerke						
Rohüberschuß	35,2	38,2	32,9	22,5		
Reingewinn	16,6	16,6	9,8	0,0	0,0	0,0
Spareinlagen ²¹⁸	9,6	11,0	13,4	14,0	13,9	12,6
Pensionskasse ²¹⁹						
- Beamte	2,4	2,5	2,6	2,6	2,6	2,6
- Arbeiter	6,6	7,0	7,5	7,5	7,5	7,5
Soziale Leistungen						
- Gesetzlich	8,0	8,9	8,8	7,8	5,8	4,6
- Freiwillig	5,9	7,0	8,0	9,5	12,0	10,9

²¹⁷ From 1930/31 the balance sheet and P&L show more details; the gross margin, *Rohüberschuß*, is not separately mentioned anymore.

²¹⁸ Savings by the employees which were integral part of the balance sheet, i.e., not separated in dedicated legal entity.

²¹⁹ Pensions for the employees which were integral part of the balance sheet, i.e., not separated in dedicated legal entity.

60

2.

Statistische Zahlen über die gesetzlichen und freiwilligen sozialen Leistungen²²⁰

For Siemens & Halske AG (including Siemens Bau-Union) and Siemens-Schuckertwerke AG

All numbers in million RM, rounded, if not indicated otherwise

	<u>28/29</u>	<u>29/30</u>	<u>30/31</u>	<u>31/32</u>	<u>32/33</u>
Gesetzliche Leistungen	16,1	16,1	14,3	10,0	8,2
Gesetzliche Leistungen, Inland	14,9	14,9	13,3	9,1	7,6
Arbeitslosenversicherung	3,2	3,6	4,9	3,4	2,8
Freiwillige Leistungen	10,8	12,4	14,0	16,8	15,5
u.a.					
Krankenpflege	0,3	0,4	0,2	0,2	0,2
Fürsorge Kinder und Jugendliche	0,2	0,3	0,2	0,2	0,2
Ernährungsfürsorge	1,6	1,7	1,4	0,8	0,7
Altersfürsorge ²²¹	6,2	7,2	9,3	11,7	11,9
Unterstützungen ²²²	1,0	1,3	1,4	2,5	1,5
Allgemeine Bildung	0,2	0,3	0,2	0,2	0,2
Average number of employees (Inland)	95.955	84.933	69.943	53.307	47.801
Gesetzlichen soziale Leistung/Kopf RM	155,38	175,80	192,62	171,37	161,34

²²⁰ Statistical data about the legal social costs and voluntary social benefits. Source: annual reports (*Geschäftsberichte*) Siemens & Halske and Siemens-Schuckertwerke 1929/30 – 1932/33.

²²¹ Pensions for former employees not entitled to regular pensions.

²²² Support for employees, families of employees passed away, voluntary contributions, and contributions for the social care foundation.

61

3.

Overview of remuneration of Executive Boards and Supervisory Boards 1927/28 – 1932/33²²³

	<u>27/28</u>	<u>28/29</u>	<u>29/30</u>	<u>30/31</u>	<u>31/32</u>	<u>32/33</u>
Executive Board in million RM ²²⁴						
- Siemens & Halske					1.1	0.7
- Siemens-Schuckertwerke					1.4	1.2
Supervisory Board in RM ²²⁵						
- Siemens & Halske	41.000	45.500	46.600	23.000	10.000	5.700
- Siemens-Schuckertwerke	45.500	45.500	24.000	0	0	0
Profit in million RM						
- Siemens & Halske	18,5	18,7	16,4	11,0	6,9	6,1
- Siemens-Schuckertwerke ²²⁶	16,6	16,6	9,8	0 (-5)	0 (-22)	0 (-10)
Dividend in percentage						
- Siemens & Halske	14	14	14	9	7	7
- Siemens-Schuckertwerke	10	10	7,5	0	0	0
Employees in numbers						
- Total	130.000	137.000	113.000			
- Germany ²²⁷		96.000	85.000	79.000	53.000	48.000

²²³ Source: annual reports (*Geschäftsberichte*) Siemens & Halske and Siemens-Schuckertwerke 1927/28 – 1932/33.

²²⁴ Total remuneration for all board members.

²²⁵ Remuneration per member of the board, excluding the works council members.

²²⁶ Source of the actual results between brackets: Feldenkirchen, *Siemens*, 464.

²²⁷ Average number of employees, rounded in thousands.

62

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