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Germany's New Top Managers?
The Corporate Elite in Flux, 1960–2005

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Abstract

Against the background of an observed strategic realignment of corporations in Germany towards the financial markets and the interests of shareholders, attention is also increasingly drawn to the top managers. Yet recent studies on the recruitment and career patterns of the German corporate elite present ambiguous results. While some studies suggest that career paths remain stable, others find evidence that patterns are changing. Drawing on these different results, scholars either highlight or reject a linkage between the career patterns of top managers and the realignment of corporate strategies. Against the background of these contradictory findings, this paper investigates the changing composition of the German corporate elite. It is based upon a unique dataset capturing the career paths of the CEOs of the fifty largest industrial companies in Germany for every five years between 1960 and 2005. For the first time the development of the career paths of German top managers can be analyzed over a period of 45 years. The analysis focuses on four career patterns which are commonly associated with German managers. Although these patterns appear stable at first sight, closer examination reveals substantial changes. Building on insights from the sociological management literature and economic sociology, the results of this study indicate a link between career patterns and the observed change in corporate strategies. Therefore it is argued that the changing composition of the German corporate elite may be relevant to the discussion on the unwinding of *Deutschland AG,* the specific corporate governance system of postwar Germany.

Zusammenfassung

Im Zusammenhang mit einer stärkeren strategischen Ausrichtung deutscher Unternehmen an den Finanzmärkten sowie den Interessen der Anteilseigner geraten Topmanager zunehmend ins Zentrum des Interesses. Bei der Analyse der Rekrutierungsmuster und Zusammensetzung der deutschen Wirtschaftselite kommen jüngste Studien zu keinem eindeutigen Ergebnis. Es ist zum einen umstritten, ob sich die Rekrutierungsmuster des Topmanagements verändert haben. Zum anderen gibt es widersprüchliche Analysen zum Zusammenhang zwischen den Rekrutierungsmustern und der strategischen Neuausrichtung von Unternehmen. Vor dem Hintergrund dieser unterschiedlichen Beurteilungen untersucht das Papier Veränderungen in der Zusammensetzung und den Rekrutierungsmustern der deutschen Wirtschaftselite. Die Grundlage dafür bildet eine Datenbank, in der die Karriereverläufe von Vorstandsvorsitzenden der deutschen Industrie zu zehn Zeitpunkten zwischen 1960 und 2005 erfasst sind. Erstmals können die Karrieremuster der Topmanager in Deutschland über einen Zeitraum von 45 Jahren analysiert werden. Untersucht werden einige Karrieremerkmale, die im internationalen Vergleich als typisch für deutsche Manager gelten. Auf den ersten Blick scheinen sich die Karriereverläufe der Manager durch hohe Kontinuität auszuzeichnen. In einer differenzierteren Analyse werden hingegen substanzielle Veränderungen sichtbar. Auf Erkenntnisse der soziologischen Managementliteratur und der Wirtschaftssoziologie aufbauend deuten die Ergebnisse der Studie auf eine Verbindung zwischen den Karrieremerkmalen der Manager und dem beobachteten Strategiewandel in der Wirtschaft hin. Vor diesem Hintergrund sollte die veränderte Zusammensetzung der deutschen Wirtschaftselite auch für die Literatur zur Auflösung der Deutschland AG von Interesse sein.

Contents

1 Introduction

The debate on current developments in the German political economy shows an increasing interest in a certain group of key actors within the companies, namely the chief executive officers (CEOs). Motivated by earlier research in the fields of sociological management studies and economic sociology, the importance and impact of the CEOs' backgrounds are discussed with respect to a perceived realignment of corporate strategies and goals in the German economy over the past two decades. Recent studies on recruitment patterns of the CEOs and the composition of the German business elite provide ambiguous results. The first point is that it is disputed whether recruitment patterns for corporate leaders have significantly changed at all and if so, to what extent. Secondly, the interrelation between modifications in the composition of the corporate elite and the inner logic of the German political economy are not clear. Against the background of this debate, this paper provides a longitudinal analysis of the changing composition of the German corporate elite. The paper is based on a unique dataset which captures the career progressions of the German corporate elite between 1960 and 2005.

At first glance the intertemporal comparison of four characteristics usually associated with German managers seems to indicate little changes in the composition of the corporate elite. Yet a closer examination reveals important changes in the career patterns of the CEOs from the late 1980s onwards. Drawing on insights from the sociological management literature and economic sociology, the observed trends can be linked to changes in the structures and strategies of big corporations. It is argued that the results of this paper are also of interest to the current debate on the future of the distinctive German production model, especially with regard to shifts in corporate strategies.

The paper is structured as follows. The second section discusses the interrelations between the distinctive German-style capitalism and its management personnel against the background of recent developments in Germany's political economy. The third section of the paper presents the empirical results of a longitudinal analysis on the career and recruitment patterns of the German corporate elite. The fourth section summarizes the empirical results with respect to the differences in recent studies on the German corporate elite and the change in corporate strategies.

Earlier versions of this paper were presented and discussed at several conferences and workshops including the 16th International Conference of the Council for European Studies in Chicago and the Workshop on Comparative Corporate Governance held at the Institute for Research on Labor and Employment in Berkeley. In particular I would like to thank Birgit Apitzsch, Jürgen Beyer, Pepper Culpepper, Neil Fligstein, Paul Lagneau-Ymonet, Brian O'Boyle, Armin Schäfer, and Nick Ziegler for their helpful comments.

2 German managers in German capitalism

The Comparative Capitalism (CC) literature treats Germany as one prominent example of a highly competitive market economy which clearly departs from the theoretical reference model of neo-classical economics (Boyer 2005; Hall/Soskice 2001; Jackson/Deeg 2006; Streeck 1997). During most of its existence, several formal and informal institutions in the Federal Republic of Germany were identified as constituting a less market driven economy, some of which are still in place today.

Corporate financing was first and foremost based on loans provided by *Hausbanken*, a company's long-term main bank. Company shares were known not to be widely spread but divided among a few major blockholders. The practices of corporate reporting made an evaluation of company performance difficult for outside observers. The financial and personnel ties between corporations of both the financial and industrial sector built a dense company network. In all, the capital market did not have much influence on German business for a long time. Furthermore, the system of interest representation and coordination was said to have special features that impeded purely market-based solutions. Within the companies, the position of workers is still formally strengthened by legislation on works councils and codetermination. The mixed composition of the supervisory boards, uniting representatives from workers, creditors, competitors, and suppliers, calls for negotiation and mutual consent. The system of wage autonomy lays the foundation for collective agreements on wages, working conditions, and vocational training between unions and employer associations, thus setting the basic parameters for companies well above the firm level.

Summing up, the close ties between the financial and industrial sector of the German company network, also referred to as *Deutschland AG* (Germany, Inc.), used to shelter German firms from the threat of hostile takeovers, while providing them with patient capital and encouraging cooperation and knowledge exchange among competitors, and between suppliers and customers. In addition, the specific system of industrial relations was said to eliminate wages as a factor in corporate competition, produce high levels of social peace, and help promote a well trained workforce. In a nutshell, firms in this environment were seen to be better equipped to pursue long-term strategies which facilitate the development and production of the high-quality goods associated with Germany. With the accelerated integration of the German economy into European and global markets, including the planned liberalization and strengthening of the domestic financial market, market competitive elements have become more apparent in Germany.

The adaptation of internationally applied accounting standards has enhanced both the transparency and the comparability of company reports (Deeg 2005; Lütz 2005). Corporations increasingly accept profit maximization as the ultimate corporate goal and adopt strategies to increase their market capitalization (Beyer/Höpner 2004; Höpner 2001, 2003). The disengagement of large (financial) corporations within the national company network has started to unravel the company network (Beyer 2006a: 120–122;

Heinze 2003; Höpner/Krempel 2003, 2006). Hostile takeover attempts have become more frequent (Höpner/Jackson 2003; Lütz 2000). All in all, changes affecting the systems of corporate governance and corporate financing have enhanced the impact of financial markets on German corporations.

In the realm of industrial relations, associations of both labor and employers struggle with decreasing membership and the task of organizing their members (Ebbinghaus 2002; Haipeter/Schilling 2006; Hassel 2007; Trampusch 2004, 2005). Relations between the social partners are seen to deterioriate (Haipeter/Schilling 2006; Hassel/Rehder 2001; Streeck 2006). Collective negotiations have changed in their subject matter and have increasingly integrated socio-political issues (Streeck/Rehder 2003). At the same time, opt-out clauses and hardship regulations make it possible to partially circumvent collective agreements reached at the associational level (Bispinck/WSI-Tarifarchiv 2005; Rehder 2003: 199–224; Schmierl 2003). The changes in the German economy taking place over the past two decades and the discussion on the future of German-style capitalism have directed growing attention to the social world of top managers (Jackson 2000). This research interest in management personnel is guided by well established understandings of the characteristics of German managers from different theoretical approaches.

Theoretical and empirical precursors

Scholars are investigating whether and how perceived and documented changes over the past two decades in Germany's political economy as a whole and business strategies in particular can be linked to a new type of corporate leader. Most of the recent studies start from the well established archetype of the German manager as identified by the literature and examine the extent to which the characteristic features can still be documented today. These analyses are based on insights from three different strands of research and bring them together: elite research, sociological management literature, and economic sociology.

Elite research provides the social sciences with an established, comprehensive body of literature on the simultaneous occurrence of stability and change in a society. This literature stresses that all societies at all times are divided into those who rule and those who are ruled (Michels 1989 [1925]; Mosca 1950 [1922]: 53; Pareto 1942 [1916]). Variation occurs, however, in the elite structure, i.e. in "the relationship between the groups exercising power, the degree of unity between these groups, the system of recruiting the élite and the ease or difficulty of entering it" (Aron 1950b: 141). The elite structure is seen to be characteristic for every society and thus enables comparisons of societies in time and space.

In the second half of the twentieth century, research on elites was mainly interested in identifying who occupies the outstanding and influential positions in a given society and to what extent the elite structure complies with democratic standards (Aron 1950a, 1950b; Röhrich 1975: vii; Stammer 1975 [1951]).[1] Its interest in the economic elite was based mainly on it being part of a society's power elite (Mills 2000 [1956]). The linkage between different capitalist economies and their economic elites was neglected, however. In line with this literature, several studies in Germany have analyzed the career paths and social worlds of the corporate elite, especially of the 1950s, 1960s and 1970s. The main focus lay on the social background, the education and training profile, and the professional advancement of the managers and corporate leaders (H. Hartmann 1956, 1959a, 1959b; M. Hartmann 1996; Kruk 1972; Poensgen 1982; Poensgen/Lukas 1982; Pross/Boetticher 1971; Zapf 1965).

Although not explicitly labeling (top) management as part of a society's elite, the sociological management literature linked the particularities of national economies to their particular management personnel, thereby filling a gap left by elite research. Starting in the late 1970s with the societal effects approach (Glover 1976; Maurice/Sellier/Silvestre 1979; Maurice/Sorge/Warner 1980; Rose 1985; Sorge 1979, 1981; Sorge/Warner 1980, 1981), this research tradition has discovered how different social production regimes foster and rely on different types of managers. Identifying complex interdependencies between the organizational structure of corporations and its environment, this perspective implies a non-random relation between the careers of top managers and the functioning of the social production regime in general.

Mainly during the 1970s and 1980s, scholars identified differences and commonalities between the management personnel of different countries on the basis of cross-national comparison. In particular, this literature highlighted differences between German managers and their counterparts in an Anglo-Saxon environment, usually the UK and US, and associated these with differences in the social production regimes (Bleicher 1983; Egan 1997; Glover 1976; Lane 1989; Sorge 1978; Walgenbach/Kieser 1995; Windolf 2003). Sociological management literature was successful in accentuating and discussing the particularities of managers in diverse national settings. On the downside, the insights gathered from international comparisons cover only certain moments in time. This static position is (partly) overcome by research on corporate elites within the field of economic sociology.

Economic sociology has focused on understanding changes in corporate strategies. Starting roughly in the last decade of the twentieth century, scholars linked patterns in the professional ascendancy of management personnel to the strategic alignment of corporations. In contrast to the sociological management literature, this line of research concentrates on intertemporal comparisons within a national context.

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1 International comparisons were of interest especially for classifying countries as more or less democratic (most prominently: Aron 1950a, 1950b).

Building on the new institutionalist approach, authors investigate how conceptions of control change over time and how they spread across the corporate world. Conceptions of control are dominant understandings of a company, its goals, and the strategies perceived as legitimate (Fligstein 1990: 10). According to this literature, modifications in the structural conditions trigger changes in the conceptions of control. As new interpretive frameworks are perceived to provide better diagnoses of and solutions for the economic challenges of that time, they undermine and displace the hitherto established corporate strategies (Fligstein 1987, 1990; Zorn 2004). The recruitment of a CEO thus displays which career traits are seen to be particularly promising for present and future challenges on and beyond the board level. For the US in particular, changing recruitment patterns for corporate leaders have been used to track and unveil reinterpretations in the dominant conceptions of how business ought to be done (Fligstein 1990, 2001; Ocasio/Kim 1999; Zorn 2004).[2]

With their more dynamic approach, scholars in the field of economic sociology have been able to capture and explain the continuing genesis of new corporate strategies and link them to management personnel. The blind spot of this literature lies in its main focus on developments in one country and the widely neglected linkage between specifics of a nation's political economy and the recruitment of its management personnel.

So far, cross references between these three strands of literature have been scarce. This paper uses specific results on the traits of German career patterns (identified by elite research and sociological management literature), findings on interdependencies between the management personnel's characteristics and the social production regime (offered by sociological management literature), and on alterations in corporate strategies (provided by economic sociology). The longitudinal analysis of Germany's corporate elite is contrasted with recent developments in German-style capitalism. Thus the paper overcomes the static approach of the sociological management literature and avoids the downside of elite research and economic sociology: their lack of interest in the relationship between a nation's political economy and the recruitment of its corporate elite.

The core insight of elite research, i.e., that societal change will become apparent in the recruitment and composition of the elite, forms the basis of the following analysis. More specifically and in accordance with sociological management literature and economic sociology, it is presumed that depending on the environment and the internal organization, managers with certain traits will be more likely to be recruited than others. The extent to which the expectations and challenges posed by the external environment differ in time and space is expected to be reflected in differing characteristics of top managers.

2 Over the course of the twentieth century Neil Fligstein (1990, 2001) identifies five conceptions of control for the US case, with the last two being based on finance figures. The finance conception of control spreads in the late 1970s and declares a company's end to lie in the maximizing of growth and profits. The shareholder value conception takes this logic a step further, defining the maximization of the owner's profits as the ultimate goal.

Either new managers pursue new strategies or new strategies demand managers with a different profile. Regardless of the direction of causality, managers' characteristics will provide insights on corporations and their environment over the course of time. In taking the insights from the literature discussed as its starting point, this paper presents a novel, elite-sociological perspective on the changes in Germany's political economy.

The managers of *Deutschland AG:* The reference point

The traits most commonly cited to be specific to German managers and acknowledged to distinguish them especially from their counterparts in the United Kingdom and the United States are their high degree of technical expertise and their hands-on qualifications (Bleicher 1983: 143; Egan 1997: 6; Lane 1989: 93–95; Marr 1996: 2865; Poensgen 1982: 23–24; Sorge 1999: 67; Swinyard 1980; Warner/Campbell 1993: 97). Studies on the German corporate elite from the 1950s, 1960s, and 1970s confirm the technical expertise of German managers: CEOs with an engineering or science degree outnumber CEOs with a background in economics or business administration (H. Hartmann 1956: 158–159; Kruk 1972: table 21; Poensgen 1982: 16–20; Pross/Boetticher 1971: 65; Zapf 1965: 139).[3]

A second feature of the recruitment of the German corporate elite is the fact that when it comes to appointing a CEO, loyalty, seniority, and company-related achievement are ranked first (Lane 1989: 95), favoring managers from within the company over external ones (Bleicher 1983: 140; Windolf 2003). In comparison with management personnel in the UK, interfirm careers are less frequent (Walgenbach/Kieser 1995; Windolf 2003). In Germany managers customarily enter the firm at lower levels, working their way up within not only the same company *(Hauskarriere)* but often within one department (*Kaminkarriere – Kamin* being a chimney) (Faust 2002; Walgenbach/Kieser 1995). The specific knowledge German managers gain throughout their career advancement from practical experience and implementing applications serves to complement the specialist knowledge they have acquired during their education and training.

This hands-on technical expertise of company leaders is interpreted as supporting the specific organizational hierarchy within German companies in which "the production department is central, and the other departments are considered to be at its service" (Lane 1989: 48), an arrangement fostering the development and production of high-quality products. Yet the practice oriented technical background of German CEOs not only promotes a production-oriented conception of the company, but it also influences the relations of supervisory staff and employees. The societal effects literature argues that the sense of sharing a common profession *(berufsständische Prägung)* gives

3 While the concrete shares vary between the different studies, the shares of CEOs with a degree in engineering or natural sciences are always higher than those of CEOs with a background in economics and business administration.

supervisors and employees a feeling of sharing qualifications that helps bridge (though not overcome) hierarchical differences (Maurice/Sellier/Silvestre 1979; Sorge 1999: 37). While differences in the status positions are not reduced, the pool of shared qualifications is reported to facilitate communication and cooperation within the departments, thereby helping to improve quality.[4]

One consequence, especially of the lower entry levels, is that it takes German managers longer than their counterparts from the UK and US to reach top positions, which, it is argued, is manifest in the average higher appointment ages of German CEOs (Egan 1997: 6; Glover 1976: 7; Lane 1989: 95; Warner/Campbell 1993: 97). During the 1960s and 1970s, German CEOs took office in their early fifties, while their colleagues in the United States reached this position in their mid-forties (Kruk 1972: table 28; Poensgen 1982: 22; Swinyard 1980).

However, becoming a CEO at a higher average age is not to the disadvantage of German managers when it comes to the length of tenure, the fourth characteristic associated with the German corporate elite. On average, German corporate leaders stay in office longer than their fellow managers in the UK and US (Bleicher 1983: 143; Egan 1997: 5). The absence of a market for managers not only becomes apparent in the internal recruitment practices of German corporations, but also in the longer tenures of German CEOs. These observations are closely connected with the limited discretionary powers of German managers.

Codetermination and the mixture of interests represented on the supervisory boards – from employees and competitors through to creditors – broaden the scope of corporate strategies. This diversity spreads responsibility for corporate performance within and beyond the executive board. Furthermore, the executive board structure in Germany differs significantly from the Anglo-Saxon one, with the former operating on the principle of collegiality in which CEOs are *firsts among equals* (Streeck 2006: 165), while the latter "concentrates power in the in the hands of the CEO" (Jackson 2000: 284).

In effect German top managers may "rarely have the capacity for unilateral action" (Hall/Soskice 2001: 24), yet they are also less likely to be rapidly replaced. After all, the principle of collegiality on the executive board and the multiple interests influencing strategic planning blur responsibility and limit the possibility of ascribing corporate performance to a CEO. In this context the preterm replacement of top managers is unlikely to be used as a device for disciplining managers and improving corporate performance. With managerial prospects of long tenure and a more stable corporate envi-

4 These social integrative effects are especially attributed, yet not limited to the engineering and science professions (Fores/Sorge 1981; Sorge 1999: 49–53). As practical knowledge is regarded a prerequisite for managers in the technical as well as in the commercial departments, these shared qualifications can be found in the commercial division as well: "The businessman[*Kaufmann*] is foremost an expert among other specialists" (Faust 2002: 74, translation by SF; see also: Sorge 1978: 101).

ronment that shelters German firms from moves like hostile takeovers, strategies with a medium- to long-term payoff become more likely. At the same time longer-term strategies also reinforce the favoring of internal top managers over external candidates for the position of the CEO, and longer tenure in office. In a setting where long-term perspectives are highly valued and the scope for a constant reinvention of the corporation and its strategies are limited, intimate knowledge of a firm can be regarded as essential for corporate executives.

The interrelationships described between the characteristics of German managers and the social production regime imply that changes in the realms of corporate governance and industrial relations should be accompanied by changes in the recruitment patterns of management personnel. As will be shown in the next section, recent studies on the German corporate elite both confirm and refute this expectation.

Recent studies, ambiguous results

Scholars have recently been discussing changes in German capitalism and assessing the connections between a new type of CEO in German companies and the general readjustment of corporate structures and strategies. All studies understand top managers as *one* factor among others. The literature does not show clear-cut results. While some authors present results suggesting a linkage between changing career patterns of managers and the reorientation of big corporations in Germany, other scholars find evidence for stable recruitment patterns and conclude that such a connection does not exist. Despite the differences, all studies find that the corporate strategies of German firms are changing, yet they disagree on the part top managers' backgrounds play in this.

Drawing on several studies, Gergs/Schmidt (2002) and Pohlmann (2003) highlight the stability of the career patterns of German managers. They make special mention of the continuing importance of CEOs with an in-house career and a degree in engineering or science. Nevertheless the authors acknowledge changes in the ways companies are run. Like economic sociologists, they attribute this development partly to external factors. The increase in capital-market-oriented strategies of German companies is said to stem in part from the growing influence of the financial markets on corporate financing (Gergs/Schmidt 2002: 572).

Despite their conviction that the career patterns of top managers remain stable over time, the authors recognize changes in the composition of the corporate elite as another factor impacting on corporate strategies. Drawing on Mannheim's generation concept, they argue that changes in corporate objectives are initiated and facilitated by the replacement of older managers with a new and younger generation (Gergs/Schmidt 2002; Pohlmann 2003). New conceptions of control are not mainly spread by a new balance of power between the subunits within a company as argued in the economic sociology.

The different interpretive frameworks and understandings of corporate objectives are more likely to reflect that members of different generations were brought up, molded and socialized in distinct historical contexts with varying socio-economic and political conditions, shaping their view of the world.

Michael Hartmann (2006) presents similar results but a different conclusion. Based on his study of the CEOs of the one hundred largest companies and the 50 largest industrial companies at three points in time (1970, 1995, and 2004), he rejects the notion that the strategic reorientation of German corporations is facilitated by the recruitment of a kind of new corporate elite. Hartmann's findings show the persistence of traditional characteristics of German managers. Focussing on industrial companies, he found that CEOs with technical expertise were not outnumbered by those with commercial expertise only in the mid-1990s. The importance of in-house careers seems to have declined, yet still almost every second CEO was recruited internally (M. Hartmann 2006: 438). The only important change in the recruitment of the corporate elite is the drastic loss of significance of CEOs with a law degree, whose share was more than halved between 1995 and 2005.

Although also contesting the relationship between the new corporate strategies and the CEOs' career backgrounds, Hartmann's (2006) line of reasoning differs substantially from the generational approach of Gergs/Schmidt and Pohlmann as he explicitly accepts the crisis of *Deutschland AG*. According to Hartmann, the new corporate strategies are driven and enabled by changed power relations between the representatives of capital and labor at the expense of the latter (M. Hartmann 2006: 452–454).

These three studies suggest that – at least for the German case – the link between corporate strategies and the top managers' recruitment is overestimated. Yet other scholars present results that claim the opposite.

Proceeding from the sociological management literature's premise of a relationship between the typical features of a political economy and its management personnel, Höpner (2003) analyzes the career patterns of the CEOs of the 40 largest publicly traded nonfinancial German companies of the 1990s. From the development of professional backgrounds during the 1990s he concludes trends toward professionalization and marketization in the recruitment of managers.

The claim of professionalization in top managers' backgrounds is based especially on aspects of training and professional skills (Höpner 2003: 126–128). Nowadays, there is a decreasing number of CEOs without a university degree, CEOs with a business or economics degree increasingly outnumber those with a science or engineering degree, and the share of CEOs with experience in the field of finance is rising.

In addition, the appointment and dismissal of top managers display signs of a marketization in the sense that filling the CEO position is becoming more contested (Höpner 2003: 128–131). Despite the continuing dominance of in-house careers, an increasing share of CEOs is recruited externally, i.e. from a different company. Furthermore, the average tenure of the CEOs is declining.

Both processes, professionalization and marketization, induce more flexible and market-oriented recruitment and career patterns. According to the sociological management literature, competitive elements in the professional backgrounds of CEOs fit better with corporate strategies oriented towards shareholders and the capital market than the patterns typically associated with German managers. Höpner's analysis led him to introduce the managers' professional background as an additional independent variable to explain German companies' shift from stakeholder value to shareholder value (Höpner 2003: 133–134).

These results find some support in a qualitative case study on the German Bayer AG. Tracing the leadership and organizational structures of the company, Münch/Guenther (2005) argue that the finance orientation has spread within the company and among the management board. Although degrees in engineering or science are still highly valued in the Bayer AG, executives with backgrounds in business administration or economics were able to gain some influence. While the former were not replaced by the latter, financial figures became the yardstick for performance throughout the company, a trend which is also observed in the German car industry (Kädtler/Sperling 2002). According to Münch/Guenther this displays a change in the conception of control, in which the company's environment helps to establish and spread more finance-market-oriented strategies. Despite the high proportion of executives academically trained as engineers or scientists, the results show significant similarities to US studies on the rise of the shareholder value conception of control.

Finally, Jürgen Beyer's (2006a, 2006b) study on the one hundred largest companies in Germany in 2003 links the diffusion of financial market-oriented corporate strategies throughout the 1990s to the corporate elite of Germany and finds support for a similar process. His statistical analysis shows that companies run by CEOs with a background in finance are far less integrated into the German company network than those run by CEOs with a background in production (Beyer 2006a: 132–135). This suggests that the unwinding of the traditional *Deutschland AG* and the adaptation of financial market-oriented strategies were particularly enhanced by managers from the finance and controlling departments. However, according to studies by Münch/Guenther, Kädtler/Sperling and, for the US case, Dirk Zorn (2004), the new conceptions of control are no longer limited to the finance CEOs. While they may have operated as disseminators of a new understanding of the company, top managers with other backgrounds quickly picked up these worldviews.[5]

5 While the growing importance of the financial markets and the plausibility of the new concepts may have helped spread the new conceptions of control, top managers' own interests may have been a similarly motivating factor. The rapid increases in executive remuneration throughout the 1990s (Höpner 2003: 140–147) suggest that corporate leaders detected how they could use the new conceptions of control to their own benefit.

Despite growing interest on the part of research to link the developments of the past years – especially the realignment of corporate strategies – to the German corporate elite, scholars come to different conclusions. All authors observe a change in the understanding of a company's goals and legitimate practices, yet not all of them find evidence for changes in the career patterns of the top managers. What may partly account for the different findings and therefore complicate the discussion is the lack of comparability of the studies – a well known difficulty which also applies to earlier research on the German corporate elite. Studies vary in terms of their samples (size and criteria), their methodology, the considered periods or points in time as well as the sources used. This paper helps to close this gap.

3 Germany's new top managers?

This section presents results from a longitudinal analysis of the career characteristics of German corporate leaders. The data presented allows for intertemporal comparisons of CEOs' career and recruitment patterns for a period of more than four decades. In general the results help to assess both the validity of the career traits claimed to be characteristic for German managers and the dispute on their temporal stability. More specifically, the data provides insights for the discussion on the evolution of a market for managers and the professionalization of German CEOs.

Data and method

The basis for this paper is a unique dataset containing the career paths of German top managers. The sample consists of the CEOs of the 50 largest industrial companies in Germany for every five years between 1960 and 2005. The companies were taken from the list of the largest one hundred companies in Germany annually published by the *Frankfurter Allgemeine* Zeitung *(FAZ)* since the late 1950s. The CEOs for those companies were identified by checking the respective company reports. For 338 individuals, biographical and career path information was collected from various sources and coded. The main sources were the Munzinger database, various issues of *Wer ist Wer?* (the German Who's Who), information provided by the companies, newspapers, and internet research.

Focusing on the industrial sector reflects the observation that national differences in the career paths are especially pronounced in this sector of the economy. Because of its importance, the industrial sector has influenced the building of the national institutional setting. This is especially the case in Germany, where, according to the CC literature, diversified quality production (Streeck 1991) has long constituted the country's competitive advantage. Since the industrial sector is more representative of developments in the German style of capitalism than other sectors, changing career patterns of industrial CEOs are particularly interesting.[6]

The four career traits analyzed are known to be characteristic for German managers, especially in comparison with their Anglo-Saxon counterparts. As capital markets gain significance for corporations and firms orient their business strategies more strongly toward shareholder value, I expect certain changes in leadership recruitment and the career patterns of top managers to occur.

The professional qualification is based on the kind of university degrees the top managers hold. It was coded by whether or not a CEO holds a degree in (a) engineering or science, (b) business administration or economics, and/or (c) law. What is expressed is not the proportion of one subject relative to the others but the proportion of CEOs with a degree in one field of study. As a CEO can hold more than one degree, these categories are non-exclusive and the percentages do not add up to one hundred percent. Following the assertion that corporate strategies are increasingly aligned with the financial market, financial expertise is expected to edge out production orientation. More specifically, the proportion of CEOs with a degree in engineering or science should decrease and of those with a degree in business administration or economics should increase over time. Second, top managers were coded to have had an in-house career if two-thirds of their career took place within the same company group in which they later were appointed CEO. Assuming an evolving market for corporate managers, the significance of in-house careers should decline over time.

The other two elements examined in the study were average age and average tenure. In relation to a possible evolution of a market for managers, they were both analyzed for the sample position, that is for the CEO position for which the top manager was included in the dataset. The average age at which top managers become a CEO and their average tenure are both expected to decline, indicating faster career tracks and a growing impatience with corporate performance.

6 The selection of the largest 50 industrial companies in Germany includes foreign owned and foreign controlled companies. Foreign companies produce in the same institutional environment as the German companies, they are subject to the same legal regulations and the same industrial relations system, and are often run by German managers. Therefore even foreign owned and controlled companies are influenced by the surrounding environment to a large extent (an exception may be the integration into the German company network). Furthermore, accepting size as a criterion for influence means that it is of less importance whether a company is German or foreign. This is also supported by the observation that German subsidiaries are members in the various business and employer's associations. Finally, including foreign companies in the sample selection lowers the differences in sizes between the companies. By selecting only German companies this difference could have easily become greater.

Professional qualification

Following the operationalization of other studies, a background in engineering or science is associated with technical expertise, while degrees in business administration or economics are interpreted as commercial expertise.[7]

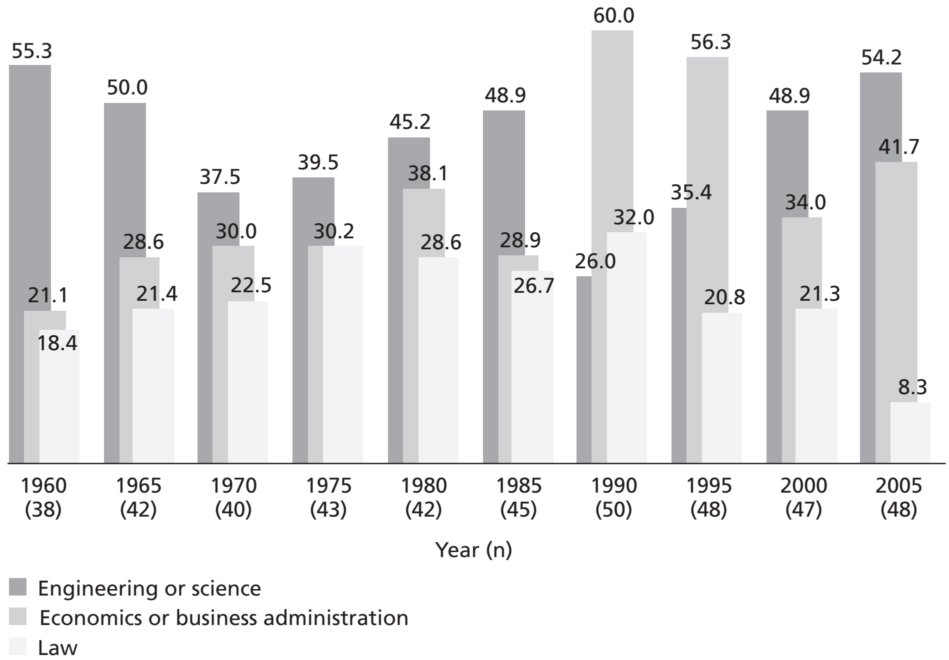
At first glance the technical expertise of German managers is confirmed. With the exception of the 1990s, the share of managers with a degree in engineering or science exceeds both the number of managers who studied economics or business administration and those who studied law. There are only two years in which CEOs with a background in economics or business administration are more highly represented than CEOs with technical expertise, namely 1990 and 1995 (see Figure 1). In those two years of observation, it clearly emerged that one in two CEOs had studied economics or business administration. In the same two years, the proportion of CEOs with a degree in engineering or science was the lowest reported over the whole period of observation. By the turn of the century, however, they had regained most of their proportions of earlier years, outnumbering managers with a degree in economics or business administration by more than ten percentage points. From 2000 onwards, the leading positions in German industry are more dominated by people with academic backgrounds in engineering and science than in the 1970s and early 1980s.[8]

Until the 1990s and with the exception of 1980, the proportion of CEOs with a degree in law developed along more or less the same lines as those with a degree in economics or business administration. With shares approximately between twenty and thirty percent, they reached their all-time high in 1990, when every third CEO had a law background (exceeding even the share of those with an engineering or science background for this year of observation). By 2005, however, their influence had faded, with not even one in ten CEOs having a law degree. This observation is consistent with the claim of a *dramatic decline* (M. Hartmann 2006: 445) of the legal profession – long considered an integral part of the German elite – among the corporate elite throughout the last decade. However, in interpreting the developments of the professional qualification of the corporate elite, one observation clearly stands out. The 1990s show a very different pattern

7 The objection could be made that science is not necessarily associated with technical expertise. However, in the sense it is used here, technical expertise refers to the skills of the managers in the field of production of a company. Whereas finance and legal backgrounds are associated with organizational issues of running the company, engineering and science degrees indicate a more profound understanding of the firms' processes of development and production.

8 CEOs holding a degree in the combined program of study *Wirtschaftsingenieurwesen*, industrial engineering and management, were counted as having technical and commercial expertise. In effect the difference in percentage points between managers with degrees in engineering or science on the one hand and those with a degree in business administration or economics on the other hand remains the same. Note also that the number of industrial engineers is lower than one might expect. With the exception of the year 2000, when 15 percent of all CEOs had studied industrial engineering and management, the proportion of trained industrial engineers is below 5 percent.

Figure 1 Proportion of selected degrees, in percent (multiple selections possible)



than the other years of observation. While between 1985 and 1990 the percentage of CEOs with a background in economics or business administration more than doubles (from 29 to 60 percent), the share of those who studied engineering or science is almost halved (from 49 to 26 percent). Given the fact that the professional qualifications in this summary are not exclusive categories, CEOs who studied business administration or economics clearly not only gain in importance but even displace those who studied engineering or science during this decade.

Regarding this study's hypothesis, however, these results are ambiguous. They can be interpreted as indicating stable just as well as changing recruitment patterns, depending on which professional qualification one highlights. The comeback of CEOs trained as engineers and scientists at the turn of the century after their rapid decline confirms M. Hartmann's (2006) findings and may be interpreted as evidence for inertia in the composition of the German corporate elite. Technical expertise still seems to have some clout in climbing the ladder to top corporate positions in Germany.

Focusing on the development of the CEOs with a background in business administration or economics, however, seems to support the notion that financial expertise is increasingly established in the corporate elite. Even though CEOs with degrees in business administration or economics have apparently been unable to retain the predominance they enjoyed during the last decade of the twentieth century, they did gain influence over the whole period of observation. Between 1960 and 2005, the proportion of CEOs with a degree in business administration or economics doubled from 21 to 42 percent.

While the impact of CEOs with a law degree decreased after 1990, their counterparts with degrees in business administration or economics managed to establish their influence alongside the engineers and scientists. By the end of the period of observation, more than one in three CEOs holds a degree in business administration or economics. Without refuting the dominance of engineering and science in the professional qualification of German CEOs, a background in business administration or economics is obviously gaining importance for corporate leaders in Germany, thereby confirming the results by Münch/Guenther (2005) and Höpner (2003).

From the data presented no conclusion can be drawn as to whether or not the dominant conception of control has changed. The abrupt changes in the educational backgrounds of the corporate elite suggest, however, that the traditional understanding of who should run a company has at least been challenged in this decade.[9]

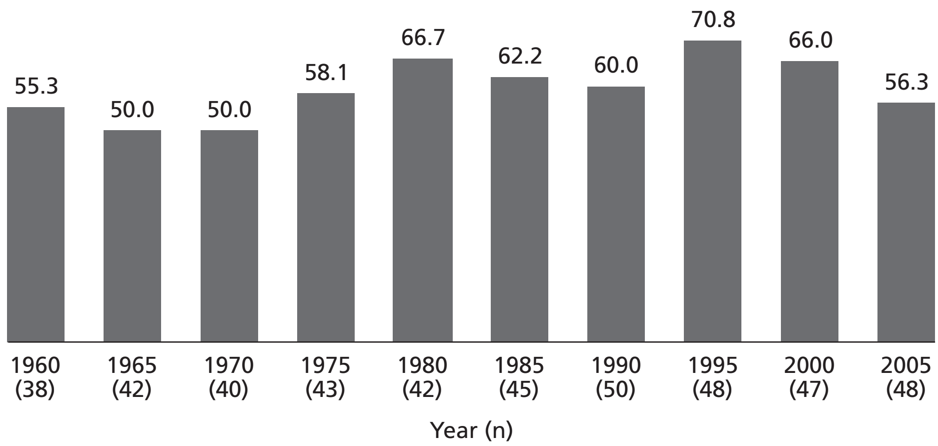
In-house career

Companies in Germany tend to appoint managers from inside as CEOs, that is managers who have spent most of their career within the same company. As Figure 2 shows, the relevance of in-house careers does not vanish over time. The share of CEOs with an in-house career is about the same at the beginning and at the end of the period of observation, exceeding fifty percent. The proportion is even higher – at least sixty percent between 1980 and 2000. The lowest proportions can be found in the beginning of the period, especially 1965 and 1970. The percentage of CEOs with an in-house career drops about 15 percentage points between 1995 and 2005. At present, however, it cannot be determined if this development indicates a lasting trend.

The enduring relevance of in-house careers for appointing CEOs seems to indicate stable rather than changing recruitment patterns. Rather than an emerging market for corporate leaders, we observe the reinforcement of a typical feature associated with German managers, in-house recruitment – especially throughout the 1980s and 1990s. This seems to confirm the position of Gergs/Schmidt (2002), Pohlmann (2003) and M. Hartmann (2006), who argue that the career patterns of German managers prove to be stable over time.

9 It should be noted that the swift rise and fall of commercial experts between 1985 and 1990 can be explained neither by a change in the company sample nor by an increased number of tenures completed (although the number of completed tenures per year increases significantly from the 1990s onwards). It is more the result of a general trend in which technical experts were replaced by commercial ones. Every second CEO leaving his position between 1985 and 1989 had a technical background, while almost two thirds of the CEOs taking up their job in this period have a commercial background. At the end of the decade there is a general trend in the opposite direction. Almost sixty percent of the newly recruited CEOs between 1995 and 1999 have technical expertise. With sixty percent of all CEOs leaving their position during this period, only one in five new corporate leaders has an educational background in business.

Figure 2 Proportion of CEOs with an in-house career, in percent



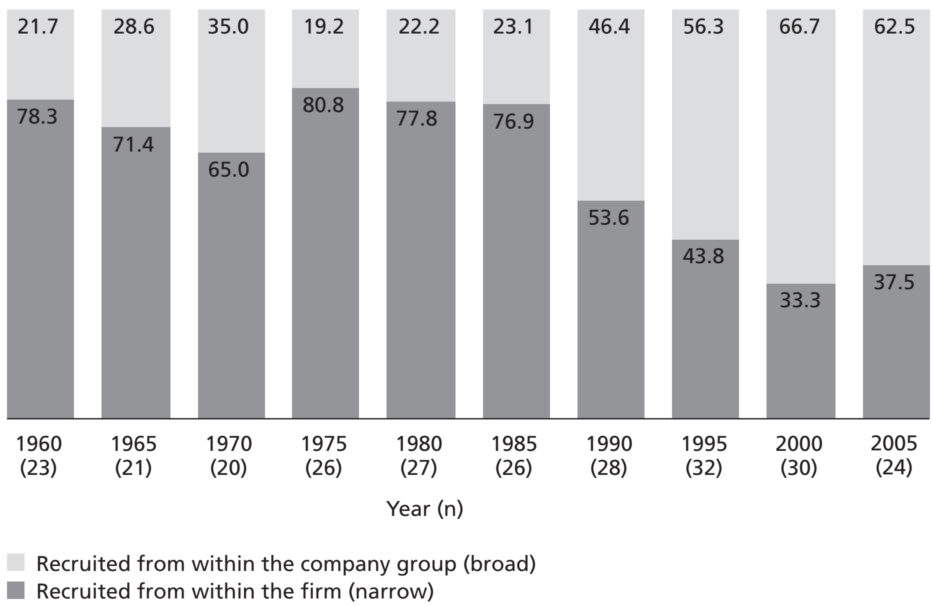
What these studies miss, however, is the fact that in-house careers can take place within the same company or across the company group. To capture this aspect, top managers with an in-house career were coded as to where they were recruited from. Those managers who had been working in the same company they subsequently headed for the five years preceding their appointment were coded as *internally recruited in the narrow sense.* Likewise managers who had been working outside the company but within the company group were coded as *internally recruited in the broad sense.*

Figure 3 shows that this distinction is valid and illuminating. In spite of its lasting relevance, the structure of the in-house career has changed over time. A decisive shift from narrow to broad in-house careers occurs after the 1980s. Until then at least two-thirds of the internally recruited CEOs had been working in the very same company before their appointment. By 2005 their share has been reduced to a good third of managers with in-house careers, the great majority being recruited across the group.

Similar to the development of the educational backgrounds, by 1990 the structure of the in-house careers clearly departs from earlier patterns. In comparison to 1985 the share of managers with a broad in-house career doubles from 23 to 46 percent. Yet in contrast to professional qualifications, this development has not been reversed since the turn of the century.

Not only do the data not indicate a backlash of the structure of internally recruited managers, a disappearance of the dominance of the broad in-house career seems unlikely for another reason. The greater relevance of careers within the company group today is very likely a result of changes in corporate structure. The increasing decentralization of firms has facilitated a structural divide in parent and subsidiary companies, limiting the possibilities for narrow in-house careers. This applies especially to those holding companies in which the parent company is not involved in production and operations but runs the group by setting financial target figures.

Figure 3 Proportion of CEOs with an in-house career recruited from within the firm (narrow) and from within the company group (broad), in percent

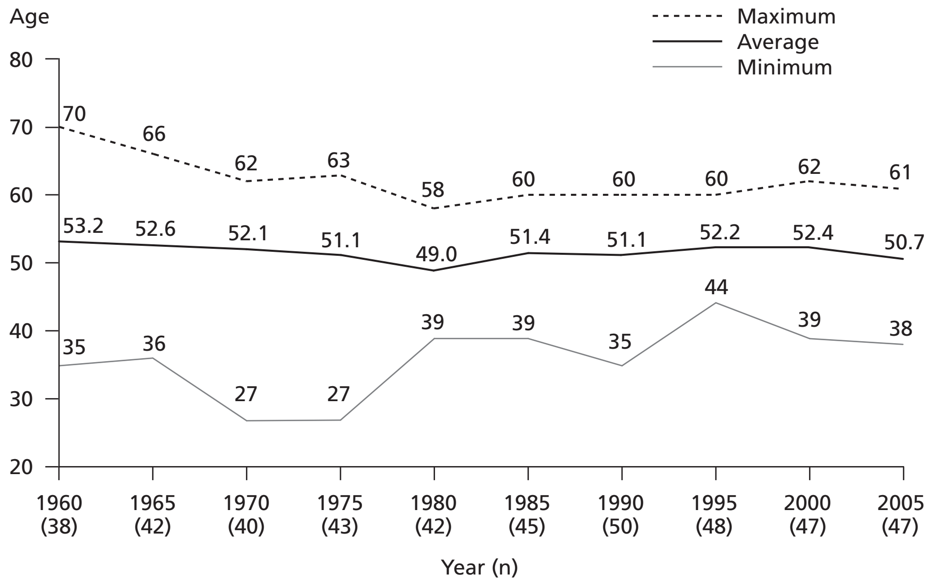


In essence, with internal recruitment remaining relevant in the German context, an external market for managers does not seem to be evolving. The structural change from narrow to broad in-house careers should not, however, be underestimated. In Germany a new pattern could evolve in place of the establishment of an external market for managers largely associated with the Anglo-Saxon world. The increasing appointment of CEOs with a broad in-house career may indicate an evolving *internal* market for managers, thus combining traditional German recruitment aspects – such as loyalty and achievement – with more competitive elements. Conventionally one of the management board members was elected as CEO, with usually only managers in charge of production, development or finance being considered. Broadening the scope to take in managers across the group as prospective CEOs should increase the number of competitors for that position. These results thus support Höpner's (2003) diagnosis of an evolving marketization in the recruitment of top managers.

Age on appointment, tenure

Turning finally to the development of the average age of German managers when appointed CEO and the average length of their tenure, we find that the average age on appointment changes only moderately (see Figure 4). On average the CEOs in 1960 were not even three years older than their successors in 2005. With the exception of

Figure 4 Age when appointed CEO of firm in the sample



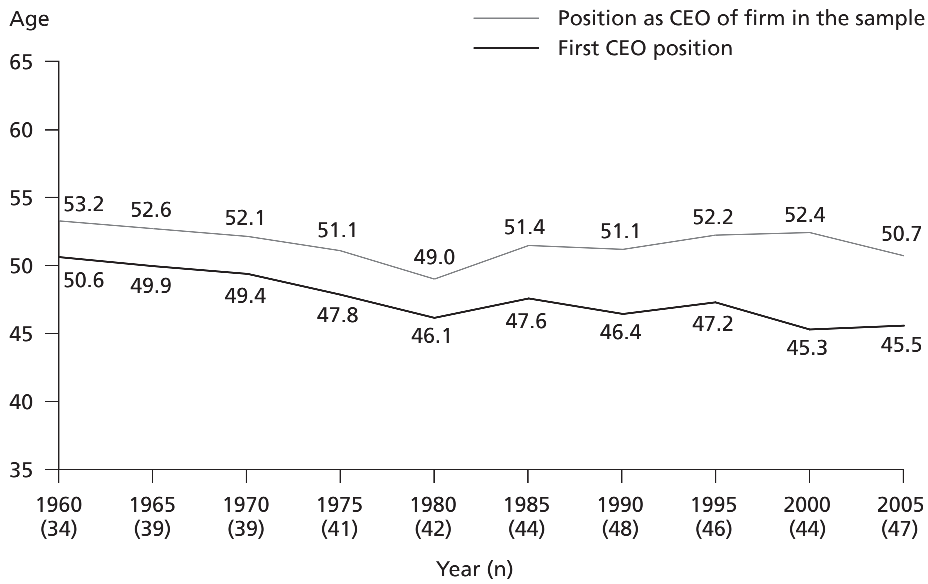
1980, German CEOs attain their position in their early fifties.[10] The average age proves remarkably stable from the mid-1980s onwards, considering that changes in the composition of the German corporate elite were expected to occur in this period of observation.

Looking at the lowest and highest ages on appointment for each year, we find that recruitment patterns seem to be stabilizing. The difference between the lowest and the highest age at which managers were appointed CEO is much smaller after 1980. While the age difference ranged from 30 to 36 years between 1960 and 1975, it varied between 16 and 25 years during the second half of the observation period. Regarding age on appointment, the period after the 1980s thus seems to indicate not only stability but even stabilization.

Yet the average age on appointment as described above only includes CEOs in the top 50 industrial companies in Germany. It does not record the age at which a manager first becomes a CEO. Figure 5 maps the average age at which the members of the German corporate elite first became a CEO and contrasts this with the average age at which they got the CEO position of this sample.

10 The fact that the share of managers born between 1918 and 1923 is smaller than it would be expected for 1980 lowers the average age of this year. It is plausible to assume that the small proportion of this cohort is related to its high share of losses in the Second World War, since this cohort was aged between 16 and 27 between 1939 and 1945.

Figure 5 Average age when taking up first CEO position and position as CEO of firm in the sample

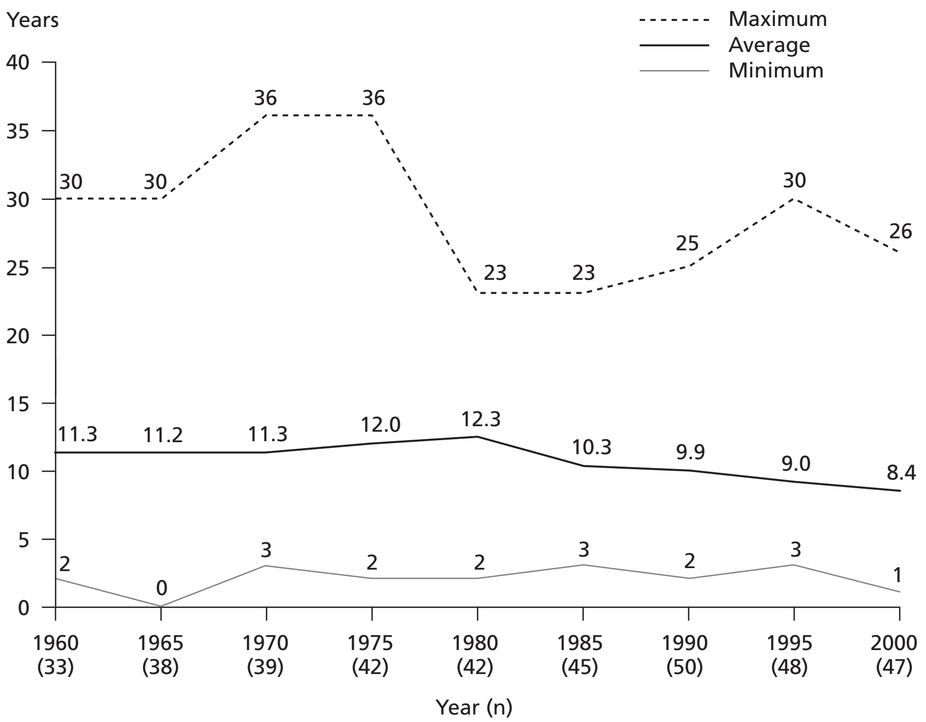


Two observations stand out. First, over the whole period the average age when first appointed CEO declines by five years from 51 years in 1960 to 46 years in 2005. Second, this drop is double that of the decline in the average age on appointment to CEO in the sample. Whereas both average ages develop quite similarly in the first half of the observation period, the gap between both increases after 1980. In the last year of observation the difference amounts to five years, which matches the commonly agreed contract duration for CEOs. The growing differences between the average age when first appointed CEO and when appointed to the CEO position in this sample suggests that members of the German corporate elite have increasingly held balance sheet responsibility before taking on their positions in the sample.

Again, a closer examination of these career patterns suggests that behind the façade of stable recruitment patterns an interesting rearrangement of the feature's inner structure can be observed. The observation that German managers increasingly bring along experience as a CEO when being promoted to CEO of one of the top 50 industrial companies in Germany can be interpreted as a trend toward management as a unified profession. In particular, the finding that on average they become a CEO for the first time in the second half of their forties suggests a compression of their careers. In comparison with their predecessors in 1960 they have on average five years less to prove themselves as prospective executive managers.

This development corresponds with the process of corporate decentralization. When the subsidiaries are run on a self-contained basis, the reorganization of firms into parent and subsidiary companies increases the number of CEO positions available within

Figure 6 Tenure as CEO of firm in the sample, in years



the same company group. When subsidiaries' CEOs can all be considered prospective heads of the company group, competition among them intensifies. Their financial reports to the parent company enhance comparability and encourage the evolution of an internal market for managers.

Figure 6 shows how the average tenure of the German corporate elite has evolved over time. Unlike the other career aspects presented above, the development of the average tenure is unambiguous. During the first half of the period of observation, the average tenure proves quite stable. Ranging between eleven and twelve years, the average tenure matches more than two full terms as CEO – five years being the commonly agreed contract duration. From the mid-1980s onwards, however, the average tenure consistently declines. With mean tenure being 8.4 years, the corporate elite of the year 2000 on average does not complete the second term.[11]

The development of the average tenure shows that the CEO positions of the top 50 companies in Germany become vacant in shorter time periods after 1980. The increasing turnover related to this decline in tenure suggests important changes in the CEOs' environment.

11 At the time of analysis not all tenures of the years 1995 and 2000 had been finished. This concerns one case in 1995 and seven in 2000. For these cases the tenure was estimated by assuming the affected CEOs would stay in office until turning 65, the usual age of retirement.

It has been argued that the long tenures of German CEOs are related to the principle of collective responsibility, as practiced on the German management boards. In this context, mistakes in business strategy could not easily be ascribed to one particular person. However, with a more hierarchical board structure, the CEO has a more prominent position and more responsibility than his fellow board members. In effect the chief executive's fate is more closely tied to the company's performance.

The decisive decline of the average tenure seems to indicate that German CEOs are becoming less sheltered from the performance expectations of their environment. Unlike in the past, the competition for the CEO position does not end after the appointment, as incumbents are more and more critically eyed from the inside (by aspiring successors) and the outside (by stockholders and business partners).

4 Conclusion

Recent studies of the career patterns of German top managers present partly contradictory findings. All scholars recognize a change in the corporate strategies of companies in Germany. However, while some find evidence for stable recruitment and career patterns, others highlight important changes in the composition of the German corporate elite. The aim of this paper was to present comparative data and a more comprehensive account of how the career patterns of the German corporate elite have changed over time. To do this, the changing composition of the corporate elite was illustrated by analyzing four features typically associated with German top managers over a period of 45 years. Several observations in the analysis stand out.

First, it should be noted that the results of this study are consistent with earlier findings. During roughly the first half of the period of observation (1960–1980) the corporate elite matches the German type of manager portrayed by the sociological management literature. The traits associated with German managers are confirmed: technical expertise is valued highly as can be seen by the high percentage of CEOs with a university degree in engineering or science; careers usually develop within the same company, thus in-house careers are the rule rather than the exception; top managers are on average in their early fifties when appointed CEO; and on average they serve more than two terms.

Not only does the study confirm earlier findings for the first two decades analyzed, but the career patterns also turn out to be quite stable during this period. This can be interpreted as evidence that there really was a distinct German type of manager.

Second, at first sight the recruitment and career patterns appear to be stable from the mid-1980s onwards as well. In particular, the lasting relevance of in-house careers and the advanced age when (finally) appointed CEO seem to confirm the conclusions of earlier studies that the career patterns of the German corporate elite show little signs of change. On its own the average age when appointed CEO remains quite stable as well, hovering around the low fifties. Only the average tenures of the CEOs denote a clear downward trend, starting in 1985. On the basis of these results a close link between a change in corporate strategies and the career patterns of top managers does not seem to be confirmed. However, a closer examination of the characteristic traits leads to somewhat different conclusions.

Thus, thirdly, a more differentiated analysis reveals significant changes in the structure of the seemingly stable career patterns. Over the whole course of time, the percentage of CEOs with business expertise increases. Particularly during the 1990s, the proportion of CEOs with a degree in business administration or economics exceeds that of top managers with an engineering or science degree by far. Another striking development is the loss of significance of top managers with a law degree towards the end of the period of observation.

These results correspond with Michael Hartmann's (2006) findings on professional qualification. However, while Hartmann takes the revival of technical expertise as an indicator for stable career patterns, this development also allows for a different interpretation. Instead of being an exceptional period, the 1990s may really be a decade of transition. On the basis of studies on the German and US situation, scholars argue that top managers with business expertise may be beneficial in spreading the finance and/or shareholder value conceptions of control, yet the adaptation of new corporate strategies is not limited to this group of top managers (Beyer 2006a; Dobbin/Jung 2006; Fligstein 2001; Kädtler/Sperling 2002; Münch/Guenther 2005; Zorn 2004). In this respect the sudden rise and fall of commercial experts may be interpreted as an overshoot, facilitating the establishment of new corporate strategies, and a process of normalization. The upshot is that while business experts cannot replace technical experts, they do manage to establish themselves at a similar level by the end of the period of observation.

In addition, a closer look at the top managers with in-house careers reveals that an increasing proportion is recruited not from within the same company but from within the company group. This suggests an emerging internal market for managers. Within a company group, top managers compete for the CEO position. This trend may represent what Höpner (2003) terms a marketization of the recruitment of managers, especially if one considers the declining average tenures which indicate a more stringent attitude towards the CEOs on the part of the supervisory boards and the shareholders.

The decline in the average age at which a CEO in the sample first became a CEO as well a the growing gap between the average ages of the first and the sample CEO position suggest that the German corporate elite has taken balance sheet responsibility before their appointment. The balance sheet serves as a standard measure to compare the top managers' merits. This observation can thus be interpreted as yet another indicator for a growing marketization in the recruitment of top managers. Once again, it indicates the growing importance of financial figures as measures of performance, as Münch/ Guenther (2006), Kädtler/Sperling (2002), and others have pointed out.

Summarizing all the developments of the four traits from the mid-1980s onwards, significant shifts in the recruitment and career patterns of the German corporate elite can be observed. To the extent that this implies that the term *manager* loses its mere positional meaning and becomes an acknowledged unified profession, a professionalization is taking place (Höpner 2003; Windolf 2003).

Overall the new career patterns seem to be becoming increasingly compatible with the new corporate strategies oriented toward the interests of shareholders and the finance markets. This realignment of corporate goals was acknowledged by all the authors of recent studies on the German corporate elite. The rejection of a linkage between top managers' career paths and corporate strategies by some scholars was based upon seemingly stable patterns. The results of this study show, however, that upon closer examination significant changes in the careers of German CEOs can be observed, indicating a link between career paths and corporate strategies. Because of this connection, the results of this analysis may prove illuminating for the discussion on the disintegration of *Deutschland AG* and shed light on the processes of realignment and restructuring in Germany's corporate world.

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