Change in Leadership in Germany Inc.:

The German Business Elite in Transition, 1960-2005

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0 Introduction

Within the comparative capitalism literature Germany is treated as one typical example of a political economy that departs from the model of neo-classical economics and is “capable of providing satisfactory levels of long-run economic performance” (Hall/Soskice 2001: 21). Germany’s prominent role in these theoretical approaches has been vividly discussed. The debate centers on the question of whether the process of economic liberalization and the increasing exposure to the global market of the past twenty years have fundamentally changed the inner logic of German capitalism. A key question is whether the interactions of market actors in Germany remain shaped by strategic interaction or whether they are increasingly structured by the market mechanism. With authors highlighting different aspects of and different developments in the German economy “it remains unclear whether the changes that undoubtedly take place in Germany really hit the core of the systemic functionality of the German economic model and will ultimately cause it to fail” (Busch 2005: 133).

One group of authors claims that the strengthening of the market mechanism has generally not turned cooperative relations between the actors into relations structured mainly by free-market mechanisms (Hall/Gingerich 2004; Hall/Soskice 2001; Heinze 2003; Kogut/Walker 2001). This interpretation is especially championed by proponents of the Varieties of Capitalism approach, one of the currently most discussed theoretical models in the comparative capitalism literature (Jackson/Deeg 2006).

The literature on the dissolution of *Germany Inc.* opposes this interpretation and points out that there are signs indicating crucial changes in the social production regime. Within this literature two positions can be distinguished. One group of authors argues that the interactions between market actors have so fundamentally changed – even though they may appear stable on the surface – that the German economy is witnessing a process of transformation towards the liberal market model (Höpner 2007; Plumpe 2005; Streeck 1997; Streeck 2006; Streeck/Höpner 2003).

A somewhat intermediate position is taken by a group of authors that highlights the changes as well as the stabilities. According to this reading by merging two different functional logics the German political economy has undergone a process of hybridization, not transformation (Beyer 2006a; Beyer/Hassel 2003; Deeg 2005; Höpner/Jackson 2001; Lütz 2000; Rehder 2003; Vitols 2003). While certain features of the German capitalist system remain in place, especially in the realm of industrial relations, other features have clearly changed and adopted a different logic, this is particularly true of the sphere of corporate finance and corporate governance.

This paper contributes to this discussion. From an elite-sociological perspective it looks to arbitrate among the three stated positions. In addition, it provides new insights into one of the core actor groups of the German political economy by focussing on the German corporate elite.

The paper is structured as follows. The following section will explain why and in which way an elite-sociological perspective can help to understand and judge ongoing changes in the German economy. Drawing on the sociological management literature I will shortly summarize the most typical recruitment features of the German corporate elite and put them in the context of the German political economy as described by in the comparative capitalism literature. The empirical section of the paper will show how selected recruitment patterns of the German corporate elite have evolved over time, thereby highlighting the stabilities as well as the changes. The paper ends by relating the empirical findings to the debate on the present and future of the German social production regime.

1 An elite-sociological perspective

Elite research provides the social sciences with an established and elaborate literature which at its core is concerned with the simultaneous occurrence of stability and change in a society. The elite literature stresses that every society at all times is divided into those who rule (elite) and those who are ruled (masses) (Michels 1989 [1925]; Mosca 1950 [1922]: 53; Pareto 1942 [1916]). What varies, however, is the composition of the ruling class, the elite structure.

Following Aron's definition, elite structure refers to "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 first two features concern the horizontal relations between different sub-elites of a society. One stresses the power differences between sub-elites (as for instance between unions and employer's associations), the other emphasizes the degree to which the different sub-elites are integrated yet at the same time distinct.[1]

The last two features of the definition – namely recruitment and openness – highlight the hierarchical structure of the groups represented in the elite (sub-elites).[2] The recruitment patterns indicate the acknowledged qualifications and the shared evaluation system of a sub-elite: What are the bases and foundations for promotion? More specifically, which criteria are acknowledged as legitimate? The ease and difficulty for entering the elite relates to the degree of openness: is social mobility vertically possible? To what extent do actors have the same

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[1] The existence of elites poses a challenge to the precepts underlying democracy as it implies inequality among equals. Throughout the 20th century elite research has been concerned with the question of reconcilability of elites and democracy (most prominently: Michels 1989 [1925]). In the aftermaths of the fascist experience and in presence of the cold war elite literature of the 1950s and 1960s was engaged in showing that elites were not generally incompatible with democracy, rather it was a question of how elites were recruited and the way they interacted: "What makes democracy distinctive is the attempt to set them up as watchdogs for each other, through their relative autonomy, particularly that of the nongovernmental elites from the government" (Etzioni-Halevy 2001: 4422). Distinguishing the Western form the socialist countries, elite research highlighted the differences in the elite structures (Aron 1950a; Aron 1950b; Röhrich 1975: vii; Stammer 1975 [1951]). The degree of unity was identified as one crucial feature in this context (Aron 1950a; Aron 1950b).

[2] They are especially related to the degree of unity in the sense that little differences between sub-elites can suggest a low degree of distinctiveness of the different groups.

chance to reach an elite position? To what extent is one group of people favoured while another one is hindered?

As this elite structure is understood to be a characteristic of each society, (Aron 1950b: 141) it incorporates information on the respective societal structures and rules of interaction. Studying the elite structures of different societies can therefore help reveal differences between societies. This holds for a comparison between societies at a given point in time but is not limited to it.

Rather, elite research also enables inter-temporal comparison of one or more societies. Accordingly major societal changes should become apparent by a modified structure of a society's elite. Moreover the composition of a society's elite can help detect changes even in those cases where (formal) institutions remain unchanged. As Raymond Aron points out, the "aristocratic parliaments of the nineteenth century were fundamentally different from the popular parliaments of our own century, even when no point in the constitution has been altered" (Aron 1950b: 141).

Elite research thus stresses that one cannot (necessarily) deduce societal stability from observing formal stability on the surface. Moreover, while they may not be observable at first sight, crucial changes may indeed have taken place. This conclusion relates to an argument in the current debate over how institutional change can evolve in advanced political economies (Streeck/Thelen 2005).[3]

Given that corporatism can also be labelled as a cartel of elites (Streeck 2006: 149), the current interest in the elite structure to understand and illustrate new trends and developments of neo- and post-corporatist Germany is not surprising. Analysing the backgrounds of

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[3] The similarity of the argument becomes especially clear in a quote by Gregory Jackson. Studying the evolution of German codetermination he concludes: "Rather than undergoing collapse and replacement by a new institution, the 'working out' of ambiguous relationships led codetermination to gradually evolve into an institution very different from its nineteenth-century origins" (Jackson 2005: 250).

members of the Bundestag Standing Committee for Labor and Social Affairs, Christine Trampusch (2004) shows how the interdependencies between social politicians and interest groups have decreased over time. These alterations in the unity of the German elite have important implications for the relationship between the sub-elites, challenging the traditional corporatist arrangement of post-war Germany (Trampusch 2004: 20).

Partly picking up on these findings, Anke Hassel (2006) elaborates on the decreasing political influence of the German trade unions. While not neglecting the drop in membership of the unions, her analysis centres on the decline of union member representation in crucial elite positions of the German society. According to her analysis, trends of union pluralization and the unions' changing relations to the political parties are crucial factors behind the reported loss of political influence (Hassel 2006: 220).

As capital is the third core actor (not only in neo-corporatist Germany), it comes as no surprise that members of this sub-elite have been subject to research. As Michael Hartmann notes, it is rather surprising how little well-grounded research on the German business elite has been (Hartmann 1996: 10). Lately however, especially German managers have become the centre of attention.

With respect to the political, social, and economic developments in Germany, several studies on German business leaders have come to different conclusions.

Analysing the career patterns of the CEOs of the 40 largest German (non-financial) stock exchange companies of the 1990s, Martin Höpner (2003) reports a trend towards professionalization and marketization in the recruitment of managers. Among other factors he concludes that these developments have helped facilitate shareholder value as the new company objective on German corporate boards (Höpner 2003: 132-133).

In his study on the hundred largest companies of 2003, Jürgen Beyer (2006) reports a correlation between the degree of the companies' integration in the German company network (*Deutschland AG – Germany Inc.*) and selective career patterns of the respective CEOs. According to this, finance CEOs are for example positively connected to the degree of disintegration from the company network (Beyer 2006a: 133).

While these two studies imply a connection between the changes in the corporate elite and in the German economy, other authors contest these conclusions.

In a study of the CEOs of the one hundred biggest companies at three points in time (1970, 1995 and 2004) Michael Hartmann (2006), while explicitly accepting the crisis of *Germany Inc.*, rejects the notion that this is facilitated by the recruitment of a somehow new corporate elite. His findings rather show the persistence of traditional characteristics of German managers. With regard to the elite structure, Hartmann however recognizes a change in the power relations between the representatives of capital and labor, which have tipped at the expense to the latter (Hartmann 2006: 452-454).

Drawing on several studies Hans-Joachim Gergs and Rudi Schmidt (2002) as well as Markus Pohlmann (2003) also highlight the stability of the career patterns of German managers. As does Hartmann, these authors also acknowledge some changes in the ways companies are run. Unlike Hartmann, however, they do not point to a change in the horizontal relations between sub-elites. Drawing on Mannheim's generation concept they make a generational argument. Thus, changes in the companies' objectives are seen to be initiated and facilitated by the replacement of one older generation of managers by a new and younger one (Gergs/Schmidt 2002; Pohlmann 2003).

Given the differences in the findings, conclusions, and arguments the German corporate elite remains an interesting subject of investigation. But with regard to the research interest the analysis of recruitment patterns of German managers can also be defended with two further theoretical reasons.

(1) The Varieties of Capitalism approach, whose proponents highlight the stability of the German social production regime, even in the face of liberalization and globalization, puts firms as actors at the centre or their model (Hall/Soskice 2001: 6). According to this framework, it is from the interaction with their core environment that firms develop national specific strategies which vary between national contexts. But the strategies of a firm are not only linked to its environment. With natural persons acting on behalf of the firms, the appointment of company leaders "reflects who controls the organization and the bases for that control. It is also a symbolic decision that affirms organizational strategy and structure and the contingencies in the environment" (Fligstein 1987: 44).

As this implies that certain managers are better suited or more likely to meet the expectations and challenges posed by the core environment, enduring changes in the relation with a company's surrounding should (sooner or later) promote alterations in the management personnel. Considering that CEOs are the top representatives of their respective companies, it seems more than reasonable to focus on them.

(2) In addition, the sociological management literature has been able to show that it is not only strategies that are specific to national contexts but that this applies also to the management personnel.

"…specific patterns of work organization and enterprise structure are linked with specific patterns of human resource generation, of industrial and sectoral structures, and of industrial relations. What happens on one of the dimension has implications for what happens on the other dimensions. … The implication is that such characteristics are specific for a society, and the identity of society is constituted through the reproduction of such characteristics" (Sorge 1996: 76).

This research has stressed, however, that this relation is more than a mere expression of a company's relations with its environment. Certain manager traits are not only seen to complement the institutional setting. Rather, some characteristics associated with a national social production regime are said to crucially rely on certain characteristics of the respective management personnel (Glover 1976; Maurice/Sorge/Warner 1980; Sorge 1978; Sorge 1979; Walgenbach/Kieser 1995).

In particular, research in this field has stressed important differences in the management traditions of different countries - thereby highlighting differences between German managers with their counterparts from an Anglo-Saxon context, commonly the UK and US (Egan 1997; Glover 1976; Lane 1989; Sorge 1978; Walgenbach/Kieser 1995). For this reason, we can draw on a body of literature not only spelling out the traits of corporate leaders associated with a certain national context, but also linking these to characteristic features of the social production regimes. Thus the results of this literature will orient the discussion and help in understanding potential changes in the structure of the German corporate elite.

The following part of the paper will first shortly spell out four traits commonly associated with German managers and differentiate them from their Anglo-Saxon counterparts. It will also briefly relate these to characteristics of the German social production regime. Next the paper analyzes the development of the four features over a period of roughly the past 45 years.

The analysis is based on a new dataset of the German corporate elite, defined as the CEOs of the 50 biggest industrial companies in Germany for every five years between 1960 and 2005. The dataset consists of 338 natural persons for whom biographical and career paths information was collected and coded. Of the total 500 points of observation (fifty companies x ten years of observation), 57 were excluded from the analysis due to poor data availability. The following analysis thus rests on 443 valid points of observation.

2 German management – Does it exist? Can it survive?

In comparison with managers from other nations certain career features are seen as characteristic for German CEOs. Four of the most commonly named patterns will be analyzed in the following section: technical expertise, in-house career (Hauskarriere), age when appointed CEO, and length of tenures.

Analogous to the high technical quality of German products, German managers are known for their high degree of technical competencies and qualifications (Bleicher 1983: 143; Egan 1997: 6; Marr 1996: 2865; Sorge 1999: 67; Warner/Campbell 1993: 97). Other than in the Anglo-Saxon countries, managers in Germany are more likely to hold a degree in engineering or natural sciences rather than in economics or business administration (Lane 1989: 93-95; Poensgen 1982: 23-24; Swinyard 1980). Studies from the 1950s, 1960s and 1970s confirm the technical expertise of German managers. CEOs with a degree in engineering and natural sciences outnumber CEOs with a background in economics and business administration (Hartmann 1956: 158-159; Kruk 1972: table 21; Poensgen 1982: 16-20; Pross/Boetticher 1971: 65; Zapf 1965: 139).[4]

Another distinguishing mark in the context of the recruitment of the German corporate elite is the absence of an external market for managers. When appointing a CEO, loyalty and achievement play an important role, favouring managers from within over external ones. Thus

[4] 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.

changing firms in the course of managers' careers is more frequent in the Anglo-Saxon context than in Germany where managers customarily work their way up within the same company (Hauskarriere – in-house career), and where they often enter on lower levels (Kaminkarriere) (Faust 2002; Walgenbach/Kieser 1995).

The longer career paths from lower levels of the companies to the top become apparent also in higher average ages of the appointment of German managers (Egan 1997: 6; Glover 1976: 7; Lane 1989: 95; Warner/Campbell 1993: 97). During the 1960s and 1970s German CEOs were on average appointed in their early fifties, while their colleagues in the United States reach this position in their mid-forties (Kruk 1972: table 28; Poensgen 1982: 22; Swinyard 1980).

However, the longer time it takes German mangers to reach the CEO position is not to their disadvantage when it comes to the length of tenure. Particularly in comparison with their Anglo-Saxon counterparts, German managers are less easy to replace which is shown in their longer tenures (Bleicher 1983: 143; Egan 1997: 5).

One feature commonly associated with the German political economy is the high technical standard of German goods and products. The Varieties of Capitalism approach argues that this strategy of diversified quality production is facilitated and supported by a set of national institutions (Hall/Soskice 2001). The close ties between the financial and industrial sector of the German company network, also referred to as *Deutschland AG* (*Germany Inc.*), shelter German firms from the threat of hostile takeovers, provide them with capital and encourage cooperation and knowledge exchange among competitors as well as among supplier-customer relations. In addition, the specific system of industrial relations helps promote a well trained workforce. In a nutshell, firms in this context are seen to be better equipped to pursuit long term strategies which facilitate the development and production of high quality goods associated with Germany.

According to the sociological management literature, the traits of the German management personnel also play a part in this. The fact that in German companies "the production department is central, and the other departments are considered to be at its service" (Lane 1989: 48) is emphasized by the high relevance of the company leaders' technical expertise. This expertise is deepened by the specific career paths of German managers. During the course of their ascendancy German managers complement their established specialist knowledge with concrete knowledge of experience and application.

However, the practice oriented technical background of German CEOs does not only promote a production conception of the company. It also influences the relations of supervisory staff and employees. German managers define themselves not so much by their formal hierarchical position but rather by their professional occupation. This distinct professional imprint (*berufsständische Prägung*) establishes a space of shared qualifications and helps bridging (though not overcoming) hierarchical differences between supervisory staff and employees (Maurice/Sellier/Silvestre 1979; Sorge 1999: 37). While differences in the status positions are not reduced by the pool of shared qualifications, it is reported to facilitate communication and cooperation within departments, thereby helping to improve quality.[5] The relevance of the practical knowledge and the intimate familiarity with the company further give rise to the favouring of internally recruited managers over external ones – hindering the emergence of an external market for corporate leaders.

The longer tenures of German CEOs are also part of the companies' long term strategies. Not only do they confirm the lower external pressure on the boards to meet short term financial targets, as there is no reason why German managers should overall be better at this than their

[5] The social integrative effects are commonly attributed to the technical and natural scientific education (Fores/Sorge 1981; Sorge 1999: 49-53). However, it applies to the commercial division as well, as practical knowledge is regarded a prerequisite for managers in the technical as well as in the commercial departments (Fores/Sorge 1981; Sorge 1978: 178): "The businessman (*Kaufmann*) is foremost an expert among other specialists" (Faust 2002: 74, my translation).

Anglo-Saxon colleagues. Knowing that they are less likely to leave their position after only a short time in office, German company leaders can more easily engage in longer term strategies.

To conclude, the sociological management literature shows that there is not one single best type of manager. The German *specialist* is not a deviation from the superior manager type of the Anglo-Saxon *generalist*. Rather, the German political economy has given rise to and is at the same time dependent on a kind of management personnel which refutes the idea of *management as a unified profession* (Sorge 1978: 101-102).

The following section will analyze if and how these characteristic career features of German managers have changed over time. Following the two different arguments on the presence and future of the German political economy and against the background of the elite literature two different expectations on the development of the German corporate elite can be formulated. From the stability thesis, as argued by the Varieties of Capitalism literature, only minor changes in the elite structure are expected to occur over the period of observation. The change thesis, however, as spelled out by the literature on the dissolution of the *Germany Inc.,* would expect modifications in the career patterns of the German corporate elite. These should especially show up from the 1990s onwards. According to both positions, the transformation-thesis as well as of the hybridization-thesis, adoptions of the career patterns known from the Anglo-Saxon context would be expected to become observable.

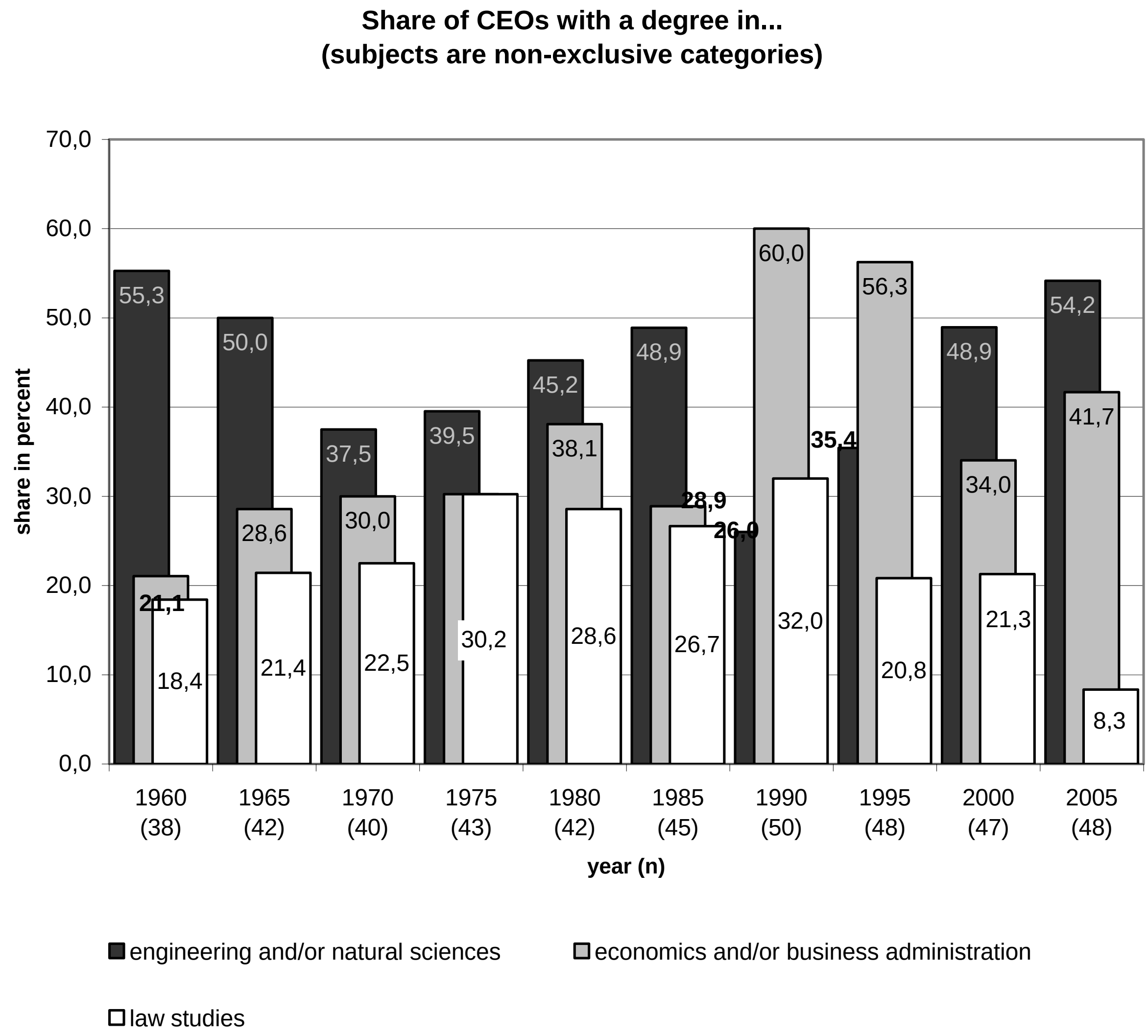
2.1 Professional qualification

The first trait to analyze is the technical expertise of German managers. Following the operationalization of other studies, a background in engineering and natural sciences is associated with technical expertise.[6]

At first glance the technical expertise of German managers is confirmed. With the exception of the 1990s, the shares of managers with a degree in engineering or natural-sciences exceed the shares of managers who studied economics or business administration as well as those with a degree in legal studies. There are only two years in which CEOs with a background in economics and business administration have higher shares than CEOs with technical expertise, namely 1990 and 1995. In those two years of observation clearly more than every second CEO has studied economics or business administration. In the same two years the shares of CEOs with a degree in engineering and natural sciences are the lowest reported over the whole period of observation. At the turn of the century, however, they have regained most of their shares from earlier periods outnumbering the managers with a degree in economics and business administration by more than ten percentage points. From 2000 onwards the leading positions in the German economy are dominated to a higher degree by trained engineers and natural scientists than in the heyday of the *German model*, that is the 1970s and early 1980s.

[6] One could question this by pointing out that natural sciences may not be related to technical expertise. However, in the sense it is used here, technical expertise refers to the competencies of the managers in the field of production of a company. Whereas finance and legal backgrounds are more associated with organizational issues of running the company, engineering and natural science degrees indicate a more profound understanding of the firms' processes of development and production.

Figure 1: Occupational background



However one interprets these developments of the professional qualification of the corporate elite, one observation clearly stands out. The 1990s show a very different pattern than the other years of observation. While between 1985 and 1990 the share of CEOs with a background in (business) economics more than doubles (from 29 to 60 percent), the share of those who studied engineering and natural sciences is almost halved (from 49 to 26 percent). Given the fact that the professional qualifications in this summary are not exclusive categories, trained (business) economists clearly not only gain in importance but even displace those that studied engineering and natural sciences during this decade. Drawing on studies of the corporate elite in the US (Dobbin/Jung 2006; Fligstein 1987; Fligstein 1990;

Zorn 2004), this development may indicate a sharp change in the strategic orientation of the companies, namely in the conception of control:

> "Actors who control organizations … must interpret their organizational fields and then make policy based on their reading of those fields. This policy, by necessity, will be bounded by the internal logic of their organizations, what those actors know, how they perceive the world, and what they define as appropriate organizational behavior. The perspective that managers and entrepreneurs develop can be called conception of control." (Fligstein 1990: 10)

In terms of the research question, these results are ambiguous however. They can be interpreted as indicating stability just as well as change, depending on which professional qualification one highlights.

Within the framework of the Varieties of Capitalism approach especially the complementarities of the different institutions are expected to help reinforce the old equilibrium after (external) shocks. The comeback of trained engineers and natural scientists at the turn of the century after their rapid decline may be seen to prove the inertia of the inner logic of the German political economy. After all technical expertise still seems to play an important role on the way to one of the leading positions in the German economy.

Focussing on the development of the CEOs with a background in (business) economics, however, seems to provide some support to the change hypothesis. Even though trained (business) economists appear to be unable to confirm their dominance over the last decade of the 20th century, they do gain influence over the whole course of time. Between 1960 and 2005 the share of CEOs with a degree in (business) economics doubles from 21 to 42 percent.

In this context it is illuminating to take a closer look at the third big group of professional occupation, the CEOs with a degree in law. Until the 1990s and with the exception of 1980 the shares of CEOs who studied law develop fairly similar to those holding a degree in (business) economics. With shares approximately between twenty and thirty percent they reach their all-time high share in 1990, when every third CEO has a background in legal studies (exceeding even the share of trained engineers and natural scientists for this year of observation). By 2005, however, their influence has faded, with not even every tenth CEO holding a degree in law studies anymore.

While the significance of CEOs with a degree in law studies is marginalized after 1990, trained (business) economists manage to establish their influence next to the engineers and natural scientists. By the end of the period of observation more than every third CEO holds a degree in (business) economics. Without refuting the dominance of the engineering and natural sciences in the professional qualification of German CEOs, (business) economics is obviously gaining importance in the leading positions of the German economy.

Finally, the development of the professional occupations of the German corporate elite does not promote a clear interpretation with regard to the research question posed. From the data presented no conclusion can be drawn as of whether the dominant conception of control has been changed. At the same time neither is there overwhelming proof for the opposite case. The abrupt changes in the occupational backgrounds of the corporate elite however suggest that the old logic of the social production regime has at least been challenged in this decade. Whether this is related to the uprising of a new understanding of the company is an open question.

There is some evidence suggesting that the high shares of managers who studied economics and business administration in the 1990s have facilitated a diffusion of a shareholder value conception of control and that this does not run counter to the technical expertise of the CEOs after 2000. Studies on the US corporate elite for instance report a decline of the share of CEOs with a financial background (Ocasio/Kim 1999). But highlighting the establishment of chief financial officers (CFOs) on the board of US companies from the late 1970s onwards Zorn (2004) points out that the decline of finance CEOs need not imply the end of the finance or shareholder value conception of control. His findings suggest that companies have developed a functional equivalent for company leaders with a finance background: “Finance CEOs may indeed come and go, but CFO positions have become firmly entrenched at the top” (Zorn 2004: 362). In a similar vein Beyer argues that in the German case the group of managers, exercising finance markets oriented practices meanwhile exceeds the financial experts (Beyer 2006b: 196). Given the (seeming) plausibility of the new conception of control (ibid) it may be argued that the finance CEO may have been necessary for diffusing the new company objectives. Once in place, however, special finance expertise at the top was no longer needed to keep the firms being run according to the new logic.

So while the analysis of the occupational backgrounds suggests the 1990s as a decade of some change without providing a definite answer of its degree or even direction, perhaps other career features shed more light on this issue.

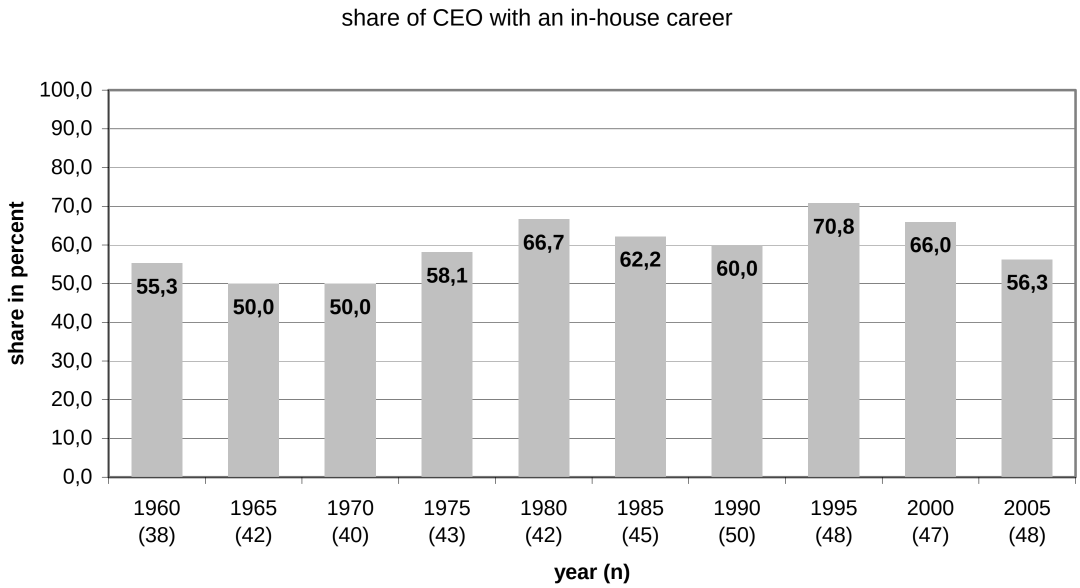
2.2 In-house career

In-house careers (Hauskarrieren) are said to be another typical feature of German managers. According to this companies in Germany tend to appoint internally promoted managers as CEOs, that is managers who have spent most of their career within the same company.[7] As Figure 2 shows the relevance of in-house careers does not vanish over time. The share of

[7] In the dataset that forms the basis of this analysis careers which for at least two thirds take place within the same corporate group the person is later assigned to as CEO are coded as in-house careers.

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. With at least sixty percent the shares are even higher between 1980 and 2000. The lowest shares can be found in the beginning of the period, especially 1965 and 1970. The share of CEOs with an in-house career indeed drops about 15 percents points between 1995 and 2005. If this development indicates a lasting trend however can at present not be determined.

Figure 2: In-house career

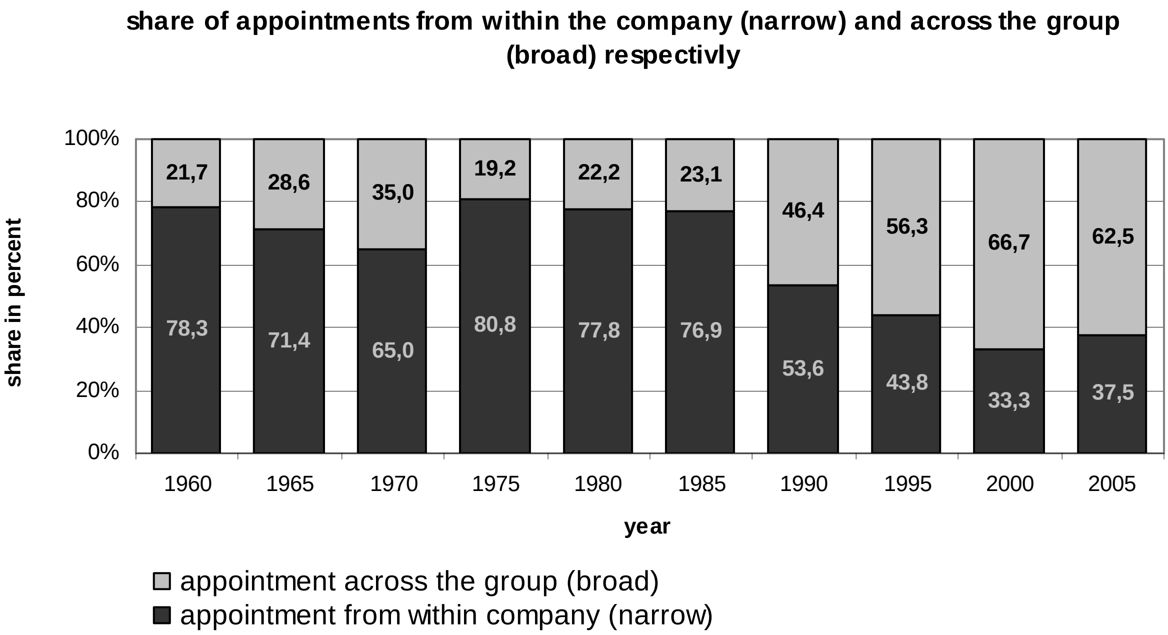


The enduring relevance of in-house careers for appointing CEOs seems to indicate lasting rather than changing recruitment patterns. Instead of an emerging market for company leaders one typical feature associated with German managers appears to be strengthened, especially throughout the 1980s and 1990s. On the basis of similar findings authors of other studies conclude that the career patterns of German managers indeed prove to be quite stable over time (Gergs/Schmidt 2002; Hartmann 2006; Pohlmann 2003).

What these studies miss, however, is the fact that in-house careers can take place within the same company (intra-corporate) or within the same company group (across the group). The differentiation of the managers with an in-house career along with whether they were appointed CEO from within the company (narrow in-house career) or across the company group (broad in-house career) proves worthwhile and illuminating.

Figure 3 shows that 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 two-thirds to one-fourth 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.

Figure 3: Changing structure of in-house careers



Similar to the development of the occupational backgrounds by 1990 the structure of the in-house careers clearly departs from the 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 the occupational 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 vanishing dominance of the broad in-house career seems unlikely for another reason. The greater relevance of across the group careers today is related to a change in the 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 the production and operating business but rather runs the group by financial target figures.

Finally, even though the in-house careers appear at first sight as a stable pattern of German CEOs, a closer analysis reveals a clear structural change. With internal recruitment remaining relevant in the German context an external market for managers does not seem to evolve. This however is not to belittle the structural change from narrow to broad in-house careers. Rather than establishing an external market for managers as by and large associated with the Anglo-Saxon context, a new pattern may evolve within the German context. The increasing appointment of CEOs with a broad in-house career may indicate an evolving *internal* market for managers, thus combing traditional German recruitment aspects – such as loyalty and achievement – with more competitive elements. Conventionally one of the management board members was elected as CEO, whereas usually only managers in charge of production, development or finance were considered. Thus taking into account managers across the group as prospective CEOs increases the number of competitors for that position. A sharpened competition for the CEO position is also indicated by the two last characteristics analyzed and discussed in the following section.

2.3 Age of appointment and tenure

While the results of the occupational backgrounds were ambiguous with respect to the question of change or stability, the changing structure of the in-house careers gives some evidence for ongoing change. Though an external market for managers has not yet been established, recruitment of the CEOs is limited to narrow in-house careers to a much lesser extend today. Not only does this development indicate at least a slight intensification of competition for these positions but it also implies a more broad operating experience on the side of the CEOs.

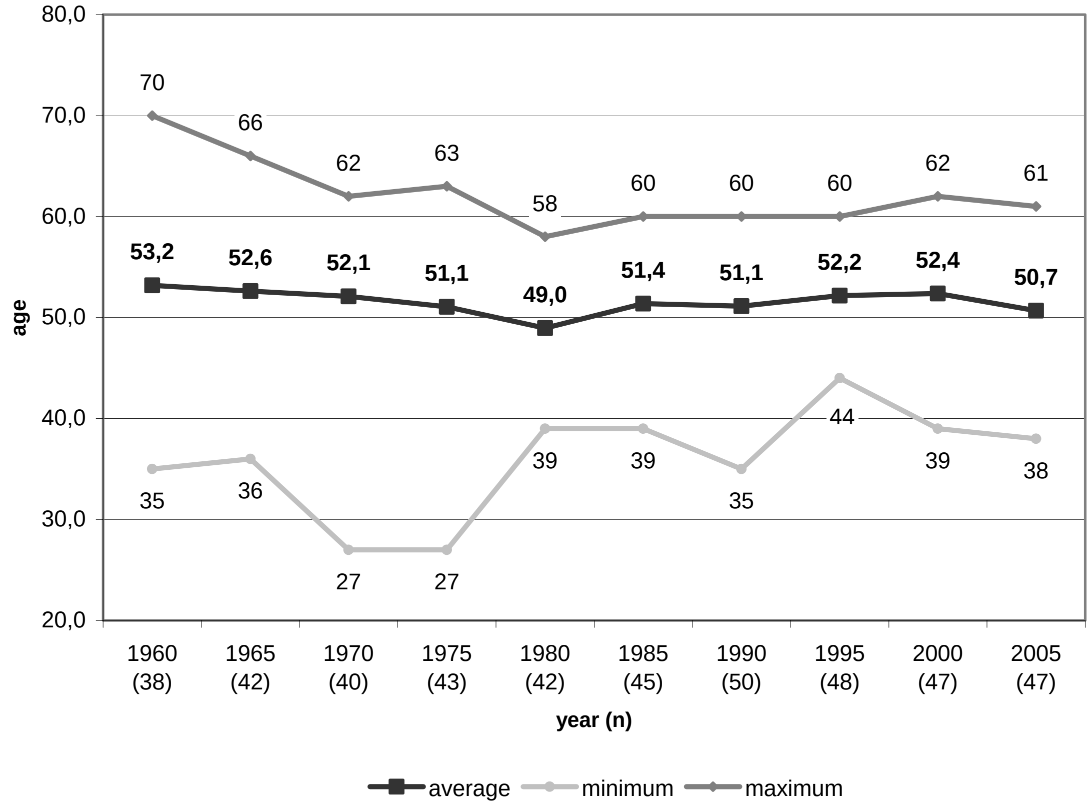
The following chapter analyzes the development of the average age of German managers when appointed CEO and the average length of their tenure. As with the in-house careers the average age of appointment appears stable at first sight. Again, however, a closer analysis reveals interesting insights. As for the average tenure the results are more clear-cut, suggesting a change in the role and autonomy of the CEO.

German managers are said to be older than their international colleagues when appointed CEO. It is reasoned that this circumstance to some extent reflects their lower levels when entering the company and their longer as well as more concrete hands-on experience in their respective departments. In this respect the higher average age of appointment is seen to be related to the missing understanding as management as a unified profession in the German context. After all, it is also the longer time frame managers spend in their respective departments which lets them ascend to the top slower.

The analysis of the average age of appointment shows only a slight alteration (see Figure 4). The CEOs of 1960 were on average not even three years older than their successors of 2005.

With the exception of 1980 German CEOs reach their position in their early fifties.[8] 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 show in this period of observation – which they actually did with respect to the above discussed patterns.

Figure 4: Average age when appointed CEO

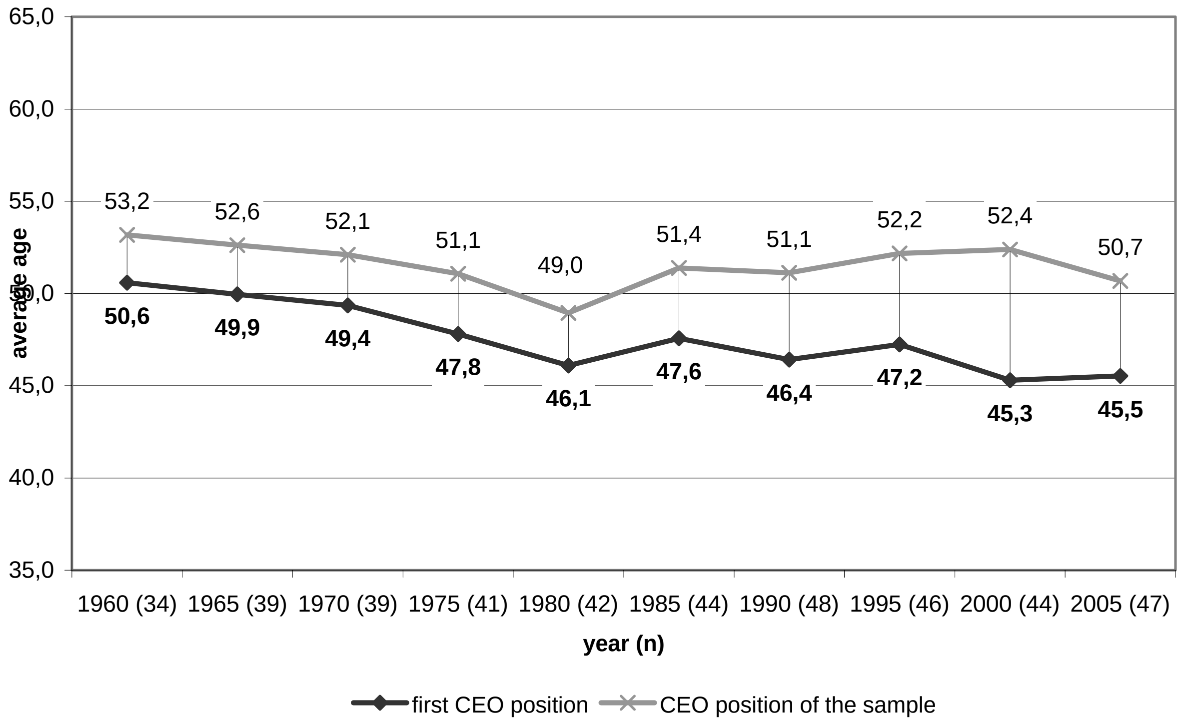


Taking into account the lowest and highest ages of appointment for each year even seems to suggest a stabilization of the recruitment patterns. The level of the age difference is much lower after 1980. Whereas it ranged from 30 to 36 years between 1960 and 1975, during the second half of the observation period it varies between 16 and 23 years. Thus with respect to the age of appointment the period after the 1980s seems to indicate not only stability but even stabilization.

[8] 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 share of this cohort related its high share of losses in the Second World War, since this cohort was aged between 16 and 27 during 1939 and 1945.

Yet, the average age of appointment as presented above only considers the CEO position of the top 50 industrial companies in Germany. That is to say it does not capture the age at which a manager reaches his[9] first CEO position.   maps the average age the members of the German corporate elite (as defined above) reached their first position as CEO and contrasts this with the average age they reac hed the CEO position of this sample.

Figure 5: Average age at first and sample CEO position



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. This drop is twice as big as the decline of the average age when appointed CEO of the sample over the whole period.

Second, the gap between the two average ages doubles between 1960 and 2005. In the last year of observation the difference amounts five years which matches the commonly agreed contract duration for CEOs. Whereas both average ages develop quite similar in the first half of the observation period, the gap between both increases after 1980. The growing differences

[9] There are no female CEOs in the top 50 industrial companies in Germany.

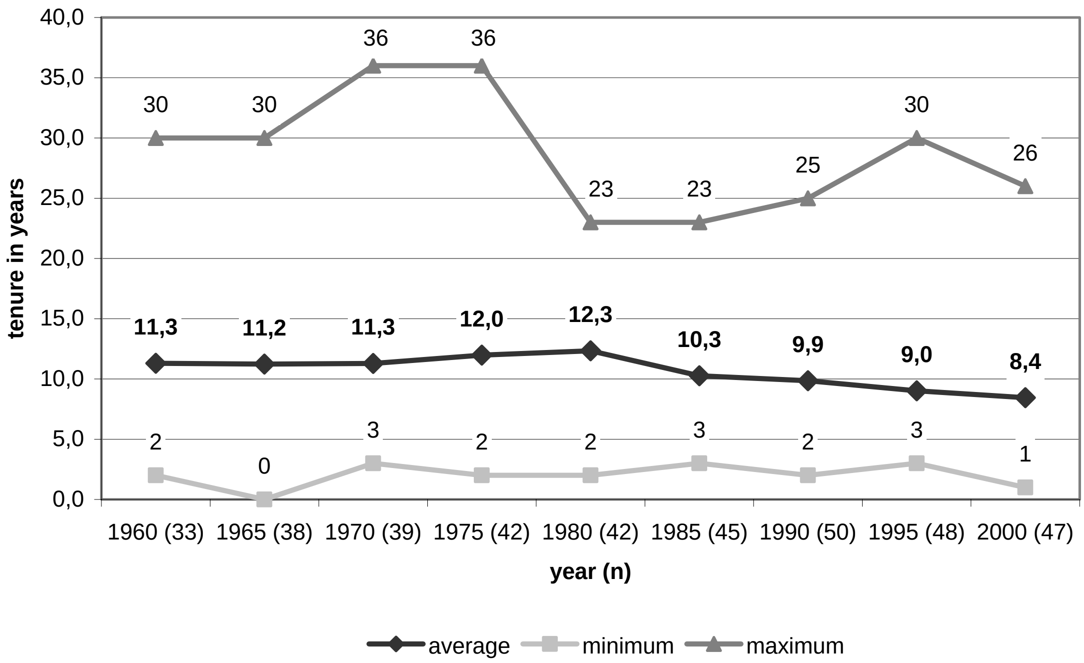
between the average age when first appointed CEO and when appointed to the CEO position of this sample suggests that members of the German corporate elite have increasingly managed a company before they were appointed CEO of one of the top 50 companies in Germany.

Yet again a closer examination of the career pattern of interest suggests that behind the façade of stability an interesting rearrangement of the feature's inner structure can be observed. The observation that German managers increasingly provide experience as CEO when being promoted to CEO of one of the top 50 companies in Germany can be interpreted as an approximation towards management as a unified profession. Especially the finding that on average they reach their first CEO position in the second half of their forties suggests a compression of their careers. In comparison with their predecessors of 1960 they have on average five years less to prove themselves as prospective executive manager.

At the same time this development seems to provide further evidence for a decentralization of company structures. The reorganization of firms into parent and subsidiary companies increases the number of CEO positions within the same company group when the latter are run self-contained. Further the competition between the subsidiaries' CEOs as prospective head of the company group is intensified as the financial reports of their respective subsidiaries enhance comparability thus encouraging the evolution of an internal market for managers. But an increase in the degree of competition not only seems to stem from the growing number of potential successors.

Figure 6 reports 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 constantly declines. The mean tenure being 8.4 years the corporate elite of the year 2000 on average does not complete the second term.[10]

Figure 6: Average tenur of CEOs



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 alterations in the CEOs' environment.

The long tenures of German CEOs were seen as being related to the principle of collective responsibility, practiced on the German management boards. Unlike their Anglo-Saxon counterparts (Jackson 2000: 284), German CEOs were *firsts among equals* (Streeck 2006: 165). In this context, mistakes in the business strategy could not easily be ascribed to one particular person. However, with a more hierarchical board structure the CEO has a more

[10] 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 common age of retirement.

prominent position and more responsibility than his fellow board members, thus tying the chief executive's fate more closely to the company performance.

The decisive decline of the average tenure seems to indicate that German CEOs are becoming less sheltered from performance expectations of their environment. Unlike in earlier days, 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) as well as the outside (by stockholders and business partners).

3. Conclusion

The aim of this paper was to contribute to the discussion on the presence and future of the German styled capitalism from an elite-sociological perspective. Therefore, the recruitment patterns of the German corporate elite have been analyzed for a period of 45 years.

Elite research has argued that changes in the elite structure can be studied as a proxy for societal changes which themselves may not be observable directly (Aron 1950a; Aron 1950b). Drawing on this claim of the literature two contrasting expectations on the evolution of the career patterns of the German corporate elite were derived from the stability-thesis of the Varieties of Capitalism approach and the change-thesis of the literature on the dissolution of *Germany Inc*. While from the former point of view little change should be observed over time, from the latter perspective alterations in the recruitment patterns are expected to show – especially from the 1990s onwards.

At first sight some of the traits typically associated with German managers appear to be quite stable. Especially the remaining relevance of the in-house careers and the high age when (finally) appointed CEO seem to confirm the conclusion of earlier studies that the career patterns of the German corporate elite show little signs of change (Gergs/Schmidt 2002; Hartmann 2006; Pohlmann 2003). In addition, these career patterns comply with the characteristic features of German managers identified by the sociological management literature.

A more differentiated analysis, however, reveals significant alterations in the inner structure of those seemingly stable career patterns. All of the four features known to be characteristic for German CEOs prove fairly stable during the first half of the period of observation. Yet from the late 1980s onwards clear changes can be noticed. Hence, in the second half of the period studied career patterns of the German corporate elite depart from those identified as characteristic by the sociological management literature.

Consequently, the analysis of the career patterns of German managers meets the expectation derived from the change-thesis rather than that formulated following the stability-thesis. Changes can clearly be observed to take place in the second half of the period investigated. Furthermore, the magnitude of this alteration in the composition of the German corporate elite from the late 1980s onwards suggests a sea change in Germany’s political economy.

But the literature of the dissolution of *Germany Inc.* finds support for its stated change-thesis by the evolution of the recruitment patterns of German CEOs beyond the mere observation of alterations. Proponents of this literature – be it the transformation-thesis or the hybridization-thesis – claim that the market mechanism is increasingly gaining relevance in structuring the interactions and relations of market actors. The analysis of the corporate elite backs this reading of Germany’s current trajectory as it has been argued that the CEO positions are becoming more and more competitive.

With a restructuring in parent and subsidiary companies the number of prospective successors for the CEO position of the parent company who have already run a company increases. This is suggested by the growing relevance of across the group appointments as well as by the rising gap between the age when appointed to the first CEO position and the CEO position of the sample.

The decline of the average tenure suggests that the CEOs are increasingly contested in their positions even after their appointment. This trend may be related by two developments, one internal and one external. In comparison with his fellow board members the CEO position has been strengthened, abandoning the traditional principle of collective responsibility. As a consequence company performance is increasingly attributed to the CEO’s merit. Closely related to this is the growing importance of the financial markets as a source of company funding. Following the logic of these markets, however, management personnel, especially at the top, is more easily replaced when company performance is rated unsatisfactory.

The interpretation of the occupational background is in this respect less straight forward. With the regained shares of the CEOs with a background in engineering and natural sciences at the turn of the century, technical expertise has – at least for now – not been replaced by financial expertise. Some evidence suggests the reading that the shareholder value conception of control has been diffused among German companies (Beyer 2006a; Höpner 2003). This position can neither be supported nor refuted on the basis of the analysis of the occupational backgrounds alone. Studies on the US corporate elite, however, show that decreasing shares of finance CEOs must not prematurely be interpreted as the ending of the finance or shareholder value conception of control (Zorn 2004).

Summing up, the newly emerging career patterns of German CEOs show some signs for more competitiveness in the relations of the firms and their core environments. Even though this suggests the adoption of elements from the liberal market model these developments appear to evolve alongside the German capitalist tradition. The recruitment of the German corporate elite shows for example more competitive elements than before, thus approaching patterns known from the Anglo-Saxon context. Yet at the same time some traditional elements of the German corporate elite persist as for instance the high relevance of in-house careers. The emergence of internal markets for corporate leaders seems to imply that the increasing influence of the market mechanism is conditioned by the existence of the traditional recruitment patterns.

Having said this, the question whether this change constitutes the transformation of the German political economy towards the liberal market model or rather a process of hybridization, combining traditional German institutions with elements from the liberal market model, remains unanswered. After all, the hybridization of the German political economy may turn out to be only a stage in the process towards a liberal market economy.

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