GOING GLOBAL — ACTING LOCAL: SIEMENS IN THE CHINESE ELECTRICAL MARKET, 1904 - 1937

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The German electrical manufacturer Siemens has been active in the Chinese market since the 1870s and established its first office in Shanghai in 1904. Focusing on marketing, the paper analyzes Siemens' business activities in China in the period from 1904 to 1937, and argues that the company exemplified a strategy of "glocalization," i.e. combining global business objectives and local adjustments. At the same time, the growing importance of international markets affected the development of the company as a whole. Referring to the contributions of "product," "price," "place" and "promotion" to the enterprise's development, this paper emphasizes the close connection between marketing and internationalization.

In recent years China has become a business dream for many foreign companies, even though high expectations sometimes turn into frustration. For Siemens, with more than 90 subsidiaries, approximately 40,000 employees and a business volume of more than five billion Euros, China has emerged as its third largest single market.[1] Since the People's Republic economic opening in 1978, the electrical manufacturer has led the way for German industry in China. Siemens' success stems in part from its many years of prior experience with the Chinese market. As a matter of fact, the company made the first generator to light Shanghai's harbor in 1879. The company's great expectations regarding the Chinese market go back just as far. In 1872, as Siemens started to deliver needle telegraphs to China, an internal company memorandum predicted: "The size of the prospects offered by this enormous empire once a start is made are obvious." Even in 1919, when Siemens lost its entire foreign sales organization after World War I, the company still perceived China to be "an infinite area for the expansion of our business."[2]

In addition to having a century-long tradition in the Far East, where a first office was established in Tokyo in 1892, Siemens also has been the nucleus of German electrical engineering. Despite its origins in the field of producer goods (telegraph systems, power plants), the company played a leading role in all fields of electro-technics including consumer goods like

home appliances, radio receivers and light bulbs. Founded in 1847 by Werner Siemens (1816-1892), it is one of the oldest transnational companies in Europe and its history stands for change and continuity in international business relations. At the eve of the First World War, Siemens ran 168 branch offices and subsidiary companies in 49 countries, starting with offices in England (1851) and Russia (1855). One fourth of its 82,000 employees worked outside Germany, especially at production sites in England, Russia, Austria, Hungary, France, Belgium and Spain. Despite World War I's economic consequences the company continued to internationalize during the interwar years, and by 1939, boasted 177 branch offices and 195 subsidiary companies on all continents.[3]

Consequently, the company had to devise strategies and structures to develop foreign markets and to overcome specific difficulties that appeared in the process. Especially in the inter- and transnational field with its different technical and economic systems, different languages and different cultural backgrounds, successful transactions and the effective operation of markets depended strongly on consensus regarding standards and rules of the game. Companies faced the challenge of establishing trust-building mechanisms or, rather, of creating a basis for the development of trust. As Geoffrey Jones noted, companies needed to address "how far products, brands and prices needed to be different in different markets; how to create distribution channels or access existing channels abroad; and how far to adjust to local circumstances advertising, promotions, packaging and services."[4]

This study on Siemens in China contributes to this ongoing, but still unsystematic research of the phenomenon of internationalization in business history. Especially in the case of China, foreign markets activities are a promising, but from a German perspective, mostly undeveloped field of study.[5] It gives attention to aspects of economic action that have long been neglected. For the internationalization of a company — which can be understood as increasing integration of foreign markets into corporate structures of communication — activities in marketing are decisive if they are defined as the "handling of the market's troubles regarding information and insecurity."[6] Focusing on the agency of business in developing market structures, this paper investigates Siemens' achievements in adapting to the Chinese market in the period from its establishment of a branch office there in 1904 — the "Technical Office Shanghai" (Technisches Buero Shanghai, TBS) — and the outbreak of the Sino-Japanese War in 1937. Although Siemens remained active in China during the Second World War and afterwards (until the Communist Party forced foreign businesses to leave the country), business conditions were so unfavorable that those years were not included in this study.

The main purpose of this paper is not to assess whether Siemens realized profits in the period from 1904 to 1937, but rather, how the company tried to advance its strategic position. Here, the modern concept of marketing — integrated planning, organization, execution and control of all business activities with the sales market in mind — lends itself as a system of analysis. Even if the term marketing had not been part of German business

vocabulary at that time, businesses obviously had to concern themselves at least partially with its functions. As Richard Tedlow phrased it, "Without marketing there is no business."[7] This paper argues that Siemens' business actions in the Chinese market in the first half of the 20th century can be described as a conscious strategy of "glocalization."[8]

In the history of marketing, different phase models have been developed to conceive the changing perception of marketing activities.[9] They show a striking proximity of the development of marketing and economic internationalization, as they identify similar turning points. In the 1870s, increased productivity and competition initiated and enhanced marketing activities. Not only does this coincide with the beginning of the Siemens company's overseas activities, but it can also be traced to the same causes. The steamboat and the telegraph were just as much fundamental conditions for putting the overseas markets in the focus than new products and production techniques. Yet another intensification of marketing efforts that took place after 1900 also reflects increased activities abroad. On the German domestic market, sales crises and strong processes of concentration shaped this phase of reorganization. This led Siemens to strengthen its activities in foreign markets through its overseas offices. Thus, a marketing perspective seems essential for examining economic internationalization. An analysis of the four P's — product, price, place, and promotion — reveals important development directions.

Regarding product and pricing policy, the company's long-time focus has been cutting edge technology. Business historians often see Siemens as a classical example of the orientation of German companies towards product and production technique. Werner Siemens time and again emphasized that he preferred "advertising through performance" to advertising through words.[10] Not until the end of the 19th century did the company establish a sales organization. The company paid only little attention to product and pricing policy for China as well, especially since Western companies regarded the (electrotechnically) undeveloped China as a seller's market with an enormous (future) demand at the time of market entry. This image mirrored the power-political backgrounds. In summary, China can be characterized as a "half-colony": formally, it was an independent empire, but it was strongly influenced both politically and economically by European powers since the mid-nineteenth century and later also by the US and Japan. The colonial powers' open-door policy created a free-trade zone with favorable import conditions for western industrial companies. In particular, the phase of New Imperialism around the turn of the century led to an opening of China. Siemens reacted to this in 1895 by appointing a general agent, the merchant house Heinrich Mandl & Co. based in Hamburg, Shanghai and Tianjin.[11] In 1904, the German manufacturer intensified the cooperation by sending its own personnel and establishing an office. In this early phase Siemens focused its market activities on producer goods. Similar to Germany, the market entry was supposed to succeed by means of entrepreneurial activities (so called "Unternehmergeschaefte"), which meant the electrical manufacturers

themselves constructed power plants and similar institutions. Siemens considered power plants to be "the prerequisite for a continuous sales business of electrical motors, devices, and installation material and so forth."[12]

The difficult market circumstances can be characterized by the fact that all Siemens projects of this kind failed. The first power plant in Beijing was destroyed in 1900 during the Boxer Uprising; in Wuchang it was World War I that forced Siemens to sell the newly constructed installations; and a power plant built in Tsishuyen near Wushi in 1924 had to be decommissioned due to sales difficulties. The actual development could not fulfill the expectations — especially since this would have required a lasting industrialization of China, which only took place to a very limited extent. The overall development resembles an endless alteration of growth and backlash which is also reflected in the Siemens business. The annual turnover increased to 4.7 million Marks in 1914, before business almost completely succumbed to the war. In the mid-1920s, a record annual volume of fourteen million Reichsmark was reached; the volume subsequently leveled off at seven to ten million Reichsmark.[13]

Positive signals kept the hopes of Western businesses alive, which led to a strong engagement of all internationally leading electrical manufacturers such as General Electric and Westinghouse. However, as the opportunities for growth were limited, "an acrimonious competition over the few objects developed, which had a negative effect on the obtained prices."[14] In the decisive areas of pricing and financial policy the Siemens Company was hardly competitive. Especially after 1918 the financially stricken company had considerable difficulties keeping up with the international competition. Additionally, the in-house pricing system introduced in the 1890s initially did not leave much leeway for adaptation. Even after the company later introduced overseas rebates and special discounts, complaints about overpriced charges for deliveries from Germany remained common.

The decisive factor for the problematic price setting compared to US companies was differences in production techniques and product policy. Focusing more on quality control, Siemens made a point that "in our factories, we will not produce export articles of inferior quality and therefore cheaper, but that there would be the same quality of our goods sold overseas."[15] This strategy yielded a cutting edge in electrical engineering for Siemens in China (1899 first tram, 1911 first waterpower plant, 1924 first interurban power plant). However, the success of this strategy led to pricing problems, especially with regard to consumer goods. An almost absurd example was the price of a Siemens radio receiver which at times was 50 to 100 percent higher than that of the competition. The Shanghai office communicated to Berlin: "The high prices may be partially justifiable by the receivers' wave band of 200-2000 meters compared to 200-600 meters of the American receivers. This advantage can however not be made use of from a sales point of view, since there is not a single station in the East that transmits on a wavelength above 600 meters."[16] Nevertheless, in other areas such as telephone systems, a high-tech policy was successful. While the American competition tried to

sell systems discarded in North America, Siemens was able to secure market share of 25 percent during the interwar period by selling new, automated telephone systems.[17]

The company stood by its focus on technological top-rate performance. A specialization and differentiation of the product range came to be the most promising strategic solution. In doing so, Siemens paid special attention to the plant construction business, in which it could pit its own technical strength through individual solutions. In retrospect, Siemens director Hermann Reyss analyzed: "It was easier for us to comply with special requests by customers because of the less strict normalization of our products. Also, ... we were more able to offer and finalize complete turnkey installations including products of other manufacturers that often surpassed the value of our own."[18] By focusing on single product lines and a more flexible pricing system, Siemens reacted to its experiences in China and elsewhere — even though this did not fully tap the potential of a marketing-oriented production. The local representatives floated the idea of direct investments and joint ventures after the Anglo-American model multiple times, but the Berlin management blocked such ambitions.[19]

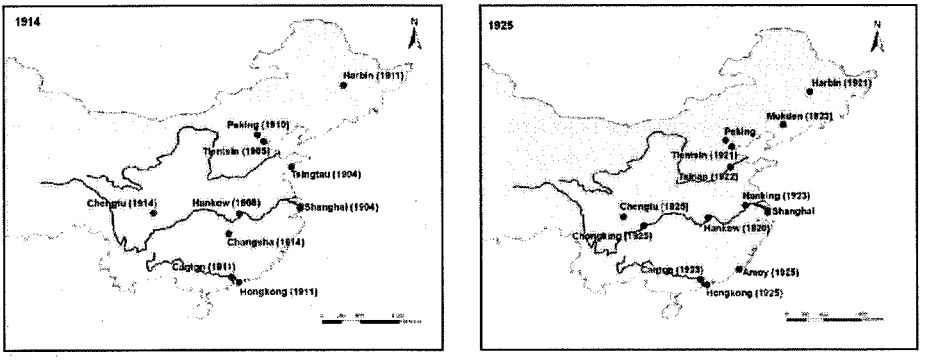
Product policy had a direct impact on distribution policy and sales channels in China. The more plant construction became Siemens' core business, the more thorough customer care gained importance. This necessitated a sophisticated sales organization with as many branch offices as possible, ample storage, and well-equipped outlets. At the beginning of its engagement in China, Siemens had only little contact with the ultimate buyers of its products. Like all importers, they depended on the existing trade networks. Export took place via China merchant houses and thus was doubly indirect, since the importers did not negotiate directly with Chinese customers but were again dependent on their "compradors." The comprador was not just the head of the Chinese staff of a foreign business, who recruited, supervised and paid the Chinese workers. He also won Chinese customers, appraised their credit rating, negotiated with them, and acted as a guarantor for their payment behavior.[20] Arguably, he assumed the role of a cultural intermediary in the trade relations between China and the Western world. The comprador was the control center and therefore also the bottleneck of business relations with customers and distributors.

Both points of contact became increasingly problematic for Siemens. While the merchant houses "with their years of experience with the special circumstances of the big overseas countries"[21] were the right place to go to gain a foothold there themselves, cooperation soon turned out to be difficult. When the chances of other sales channels became more important than the security of a general agency, the symbiosis came to an end. In 1910 Siemens launched the "Siemens China Electrical Engineering Co. GmbH" that operated under the name "Siemens China Co. GmbH" since 1914 and stayed active in China until after World War II. The new company did not just try to build a network of its own offices, but also sought to establish manifold business contacts. However, autonomy also caused the company to lose some

valuable contacts with Chinese customers. The chief engineer in charge since 1904, Meyer, contributed to the initial difficulties due to his lack of business acumen. Berlin headquarters reprimanded Meyer: "Almost all issues coming in from your office lack a certain clarity, objectivity and completeness."[22] After only a few months Berlin provided Meyer with a German merchant conversant with Chinese language and culture.

Within a short amount of time, Siemens had solidified a network of offices in many of the country's cities. Unfortunately, this network did not survive the First World War, when all offices closed down with the exception of Shanghai and Beijing (here business could be continued by assuming Chinese aliases). After 1919 Siemens quickly rebuilt the office network and in the process paid increased attention to optimal spatial distribution (see figure 1). When the "golden age of Chinese capitalism" ended abruptly in 1925 because of civil war, branches closed again. However, Siemens reacted with only a moderate dismantling and replaced most branches with agencies. These representatives played an important role in systematically closing the gaps in Siemens' own office network. They included single liaison men, German merchant houses with attached Siemens engineers, Chinese trading companies, retail stores and installation shops. In this way, Siemens established a one-of-a-kind distribution network for a German company.[23]

Figure 1: Offices of Siemens China Co. in 1914 and 1925 with year of (re-)opening



Source: "State of Overseas Organization, May 31, 1914," SArch 68/Lr 488; "Annual Report of Siemens China Co. 1924/25," SAA 15/Lp 168.

The relevance of the compradors who were uneducated in technical matters and often only spoke Pidgin English declined after the First World War. Compradors' functions were spread across a wider base of Chinese engineers and "Chinese Managers." Instead of the compradors the company created the position of a "Chinese Advisor" to initiate business with the Chinese government. Here, Siemens not only reacted to a professionalization of the Chinese market, but also to its own experiences. While the company

at first followed an ethnocentric approach by using only personnel from Germany, functional criteria became increasingly important. Regional knowledge was essential when it came to customer service; therefore the company focused on Europeans with many years of experience in China and soon also on local employees. Siemens employed mainly Chinese workers in the shop and the installation department, two areas which the company massively expanded in the 1930s. By 1937, the percentage of Chinese employees amounted to 76 percent.[24]

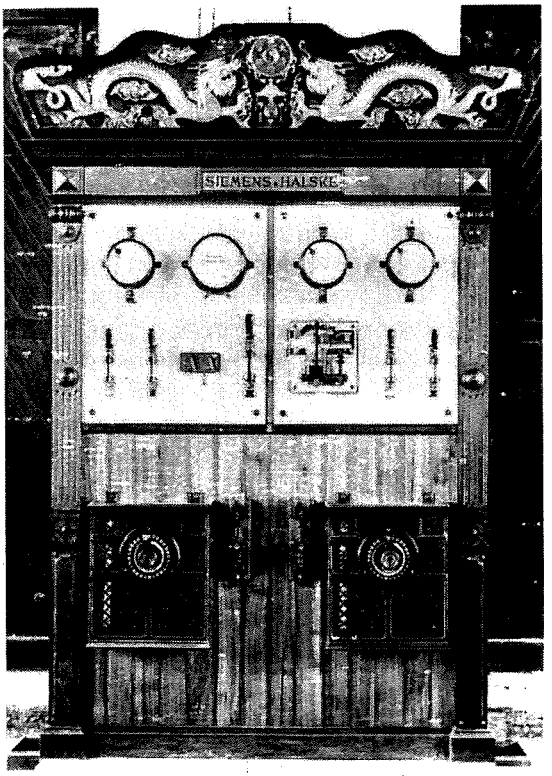
However, when it came to management, the Siemens China Co. retained a rigorous hierarchic and ethnocentric principle.[25] Gustav Probst, the director of Siemens China Co., stated in 1937, "Even the best Chinese employee needs to stay a subordinate to us or we will no longer be in control of him and can expect heavy business setbacks."[26] The "Central Administration Overseas" (Central-Verwaltung Übersee, CVU) filled management positions after a "very thorough selection" process, in which they paid attention not only to a candidate's professional area but also to length of employment with Siemens, aptitude of character and the ability of "the person in question and his family to adapt to the foreign circumstances, to understand the mentality of the locals — both the employees and the customers, to learn their language, to tolerate the climate etc."[27] Here, disconnected from the German expatriates who in China were mostly deployed in the mercantile domain, company policy created a relatively homogenous group of German senior management staff members who were exchanged between the individual national subsidiaries. This three-tiered structure of personnel with its "local managers," "expatriates" and "corporate diplomats" primarily served to strike a balance between localization and globalization and to ensure the cohesiveness of the multi-tiered company organization.[28]

Simultaneous with the evolution of management strategies were changes in communication policies, as Siemens developed a distinct corporate image for the Chinese market. The company's emphasis on engineering that was strengthened by its concentration on technical peak performance, should not be confused with the absence of advertising and public relations activities. Even before World War I, the Siemens China Co. had expended funds on press reports of opening ceremonies as well as advertisements and brochures in English and Chinese. In addition, Siemens China established a showroom in Shanghai which developed into a retail store. Since the company's representatives came to the conclusion that Chinese customers were strongly aware of brands, the quality label "Siemens" was at the center of the company's advertising and promotional efforts. A sign with the Chinese characters of the paraphrase "Dsie-men-dse"[29] was attached to all products delivered to China since 1909.

It is particularly remarkable how the company expressed its own self-conception through this phonetic transliteration of its name. According to the memories of John Rabe, who was an employee of Siemens China Co. from 1911 to 1938, the name "Hsi-Men-Tze" was translated as "The son who came in through the Gate of the West."[30] To a certain extent Siemens

was able to deliberately select the characters of its Chinese company name and use this to propagate the self-perception of a technical advisor to the Chinese. Siemens tried to portray itself as part of the country's economy, a "Good Corporate Citizen." Pure power politics had already proved to be counterproductive at the beginning of the 20th century due to the population's disposition against foreigners. For that reason all transnational companies pursued their own business diplomacy. In general, this was not purely a public relations trick, although this was the case with Siemens together with Chinese partners founding the "Tseng Hua" in 1921. Internal reports describe this corporation as a "bogus production" to "give us the outward appearance of a company manufacturing in China."[31] As a matter of fact, from the beginning, Siemens had tried to affiliate itself with Chinese culture through its marketing communications. For example, Siemens decorated the German-made switchboards for the Beijing tram's power plant with Chinese dragon themes (Figure 2). Obviously, this is mainly a stereotypical copying, but it also illustrates the basic efforts Siemens made to integrate into Chinese culture.

Figure 2: Switchboards for the Beijing tram's power plant (1899)



Source: Siemens Corporate Archives Picture Library

In the mid-1930s, public relations and advertising gave Siemens China Co. decisive momentum. The local branch paid increased attention to the growth opportunities of consumer goods. A new marketing unit in Shanghai organized standardized marketing campaigns as well as sales drives with gangs of peddlers. When new Shanghai showrooms opened in April 1937, 40 representatives of the press and more than 500 important customers attended. At this time, the company maintained offices or agencies in 23 Chinese cities and employed a staff of 275.[32] However, the attempt to make advertising the core of the company's activities was short-lived. Just after Siemens arrived at the heart of Chinese economic life by establishing a branch in Nanjing Road, Shanghai's main business road, the new dawn came to a sudden end as war began in July 1937.

Since Siemens China Co. considered the plant construction business the basis for successful economic activity, customer care ("service") and getting the customers to commit to the company were at the center of market communications. The Shanghai Installations Department was particularly important since it completed larger contracts to electrify office buildings, thus contributing to tying customers to Siemens. As the Shanghai office stated in 1909, the goal was "to establish ties in every manner possible."[33] In the process, different approaches for different groups of business-to-business customers developed. When doing business with the German colonial authority in Jiaozhou before 1914, Siemens could follow proven German procedures. Negotiations with the Chinese government — especially concerning munitions — were the compradors' field of responsibility. When selling to foreign companies, Siemens could fall back on contacts in Europe or within the contracted harbors. After 1910, when the number of power plants run by Chinese increased, Siemens at first had to depend on the compradors' procurement. For bigger plants, Siemens provided the operator with an engineer or a mechanic for several years. The Chinese entrepreneurs bore the cost for these "attached engineers," but often Siemens also provided them with a salary. When it came to obtaining orders for spare parts or plant expansion, these representatives were worth the cost.

These consultants were also of great importance on a political-military level. The national government under Jiang Jieshi showed an especially strong interest in foreign experts. One of the best known civil consultants was the German Gustav Amann. After working for the Siemens China branch for thirteen years, he was hired as a consultant for the Chinese National Government in 1924. Siemens continued to pay him — in strict secrecy — a larger monthly sum as a "retaining fee."[34] Amann is not only an example of the importance of personal contacts that were supposed to compensate for missing market structures, but also for the system's susceptibility to bribery and corruption. "Squeeze" — as this was commonly called — was part of the daily routine. Rabe wrote: "It was agreed upon that a 'Squeeze' of up to 10% was considered to be 'honest', but one above that was absolutely 'unfair.'"[35]

Along with a professionalization of the Chinese market, young Chinese engineers replaced foreign consultants — especially in private

businesses. When looking for alternative channels of influence, Siemens managed at an early stage to use the contacts of German military and civil consultants to set the course in the long term. Through the "Chinese Association of German Engineers" (Chinesischer Verband deutscher Ingenieure), the company gained influence over the standardization efforts of the Chinese government and was able to push through German standards (imposed by DIN, the German Institute for Standardization) over Anglo-American alternatives.[36] Simultaneously, Siemens used education and so called "cultural propaganda" to keep close contact with its customers via the Chinese engineers. The Siemens parent companies (Siemens & Halske and Siemens-Schuckertwerke) financially contributed on a large scale to German school and university projects in China before the First World War. In the interwar period, an increasing number of Chinese students were brought to Germany to study (following the American example), thus tying them to German products and technology. In the 1930s, Siemens employed in its factories in Berlin Chinese interns who were placed mostly by the Chinese legation. Some of them were also sons of Chinese business partners.[37]

Since the foundation of the subsidiary company in 1910, Siemens followed a politics of networking. The fact that the Siemens China Co. had a singular position as the "China House" for other German companies indicates that Siemens' employees managed to handle problems like the language barrier and cultural differences comparatively well. For instance, Siemens managed to get the Vereinigte Stahlwerke a supply contract from the Chinese National Railroad Company with a volume of thirty million Reichsmark in 1936.[38] Siemens continually adapted product range, organization and corporate communications to the Chinese market. Nonetheless, with a turnover of ten million Reichsmark in 1937, China may have been the largest overseas market for Siemens, but the country still accounted for only 1.5 percent of the company's total volume.[39] It seems obvious that these figures hardly grasp Siemens' engagement in China. This is especially true since here — as in the overseas business in general — it was impossible to generate profits.

Activities in the fields of trust building, communications and advertising were not just central aspects of this development; they also made considerable gains in importance during the first decades of the overseas engagement. For Siemens, accommodating changes in the market meant developing the plant construction market for itself, working with intermediaries such as merchant houses or compradors, establishing its own ties with customers and securing channels of influence. Although the policies of products, pricing, distribution and communications were not based on a theoretically sound concept, they are to be understood as coordinated measures and thus as modern marketing. The strategy of the China branch — with emphasis on the sales organization on the one hand and intensive customer care and networking on the other hand — can be interpreted as transitioning to a marketing orientation. For Siemens in China, a new appreciation of consumer goods accompanied the cautious process of reorientation.

Findings like this show that international markets should be systematically incorporated into business historians' research on marketing development. Inquiring into the special relationship between marketing and internationalization, business history needs to interpret marketing activities as a driving force of business development in an international context. Alfred D. Chandler argued that the "Second Industrial Revolution" with its possibilities in mass production created a considerably increased effort in distribution and administration towards the end of the nineteenth century.[40] However, mass production and distribution did not just change a company's internal organization, but also the business' interactions with its customers. Businesses needed to develop new abilities and accelerate market development. A connection between competition, organizational efforts and marketing understood in this way is especially illustrative of the company's development in China: despite countless setbacks Siemens always understood "that a promising sales area like China can not — not even temporarily — be given up on by us," as Berlin headquarters contended.[41] Here, big expectations for the future combined with international competitive pressures. Throughout the time frame under consideration, international competition created a dynamic that required ever stronger efforts in internationalizing the Chinese market and increasing the importance of marketing activities. Siemens reacted by generating knowledge of the market and by establishing personal and institutional networks.

When it entered the Chinese market, the company foresaw some of the challenges of internationalization and thus cooperated with merchant houses. However, the problems that arose when moving towards an independent agency in 1910 show that Siemens still underestimated the difficulties of internationalization. It was a process of "learning by doing." Siemens developed procedures to be globally active on the one hand and locally present on the other. Since the corporation kept central structures in production, this can mainly be seen in the area of distribution. Here, Siemens shows a double internationalization — on the one hand, integrating China into the company, but on the other hand, also integrating the company into emerging global market structures. Not only did internationalized markets like China offer sales potential, but at the same time they also forced Siemens to integrate into the existing multinational system. For example, while in 1905 the company thought of a German-named "Chinesische Siemens-Schuckertwerke Gesellschaft," five years later the company called the subsidiary "Siemens China Electrical Engineering Co." Business reports state that the accounting department adapted to Anglo-American customs. Internal reports also state that teamwork in the China branch was shaped by employees being on casual terms "as it was common in England."[42]

Achievements in adaptation were not limited to the Chinese market. At the same time, the China branch was an important instrument for observing the technical and organizational development of the international competitors. In the interwar years, although Siemens remained focused on producer goods, a slight shift towards consumer products is highly visible.

Additionally, the company considered certain procedures — especially in the area of marketing — increasingly worth emulating and applied them to the home market such as unitary price lists for customers ("Kundenpreislisten") used by US companies and increased standardization of products. Price competition and price fixing on the overseas markets also constituted an important point of contact of the international electro giants.[43]

While the growth of transnational corporations in the first phase of globalization is often described as a one-dimensional move from local to global, this way of looking at it seems inappropriate to understanding Siemens' activities. A simultaneity of both universalizing and particularizing tendencies shaped the company's overall development. The connection of global orientation and local adaptation can therefore be described as a process of "glocalization." In the marketing context, glocalization today means the creation of products or services for the global market by adapting them to local cultures.[44] Regarding the distribution activities, this strategy can be observed for Siemens as early as the first third of the 20th century. The local arrangements in the Chinese market strikingly resemble what Bartlett and Ghoshal over half a century later called the "transnational solution."[45] This not only puts today's studies on the organization of transnational business activities in long term perspective, it is also critical to understanding corporate growth and organizational change back then.

The backlash of the interplay between local and global at corporate headquarters is especially interesting. To assure the reconnection of the sales organization to the company, communication between the branch offices, the Shanghai office and the Berlin headquarters was decisive. Frequent traveling occurred between Berlin and China as well as within China. It took an extensive amount of time and effort to create the necessary communication structures. The large distances to the Berlin headquarters required more autonomy and initiative from the employees abroad. To facilitate communication, Berlin boosted the creation of regional networks within the company by deliberately arranging the overseas department by so called country groups. A Siemens memorandum gives reasons for this form of organization: "When our engineers or customers from overseas visit headquarters, the exchange of experience and the contact is far more deep and expedient [...]. The engineers from headquarters and from overseas get to know and understand each other more and more over time in the country groups."[46] The relationship between center and periphery thus had a crucial impact on the company's organizational development.

For other transnational companies Geoffrey Jones speaks of a "trend towards growing local autonomy."[47] The same case can be made for Siemens where employees on location received more weight than their colleagues back home when it came to making decisions. Moreover, after the First World War, they could act with increasing autonomy. Several experimental activities of the China branch were not without opposition at Siemens, but officials at the Berlin headquarters were seemingly unable to make their point. In 1924, they made the critical, but obviously powerless

remark: "We do, however, not agree with all your decisions."[48] In the end, the impression of a "decentralized federation" is nonetheless misleading in the case of Siemens, as production remained centralized in Europe. Local autonomy was limited and it is necessary to see the differences from modern organizational structures of transnational corporations often described as "network-based."[49]

The heterogeneity of organizational solutions can be highlighted by comparing Siemens to other companies. Siemens developed similar patterns in most of its foreign markets, despite the fact that Unternehmergeschaefte played a more significant role in Argentina and Brazil.[50] The company's German rival AEG, however, continued to work with merchant houses and did not establish local branches before the 1930s. General Electric did not establish a subsidiary company in China until 1934 (when it acquired its former trade partner Andersen, Meyer & Co.), and it also developed a different scheme to organize its overseas activities by founding the International General Electric Co. Ltd. in 1919. Yet as early as 1879 the German cable and wire manufacturer Felten & Guilleaume introduced the concept of country groups.[51] On the one hand, this indicates that transnational corporations had different strategic options; on the other hand, it also highlights the fact that these companies faced similar challenges of globalizing and localizing.

Despite centrifugal forces, local activities on a global scale seem to have strengthened the organizational core of the Siemens Company in the interwar period. Overseas markets could be used as testing grounds for the domestic market and the organization of the company's core departments. Considering the exchange of personnel between the different international subsidiaries and also with headquarters, experiences made by "corporate diplomats" in China and elsewhere had a stronger impact than the proportions might suggest. In the early 20th century, the corporate interface of glocalization at Siemens was the CVU founded in 1908, whose director had a seat on the company's board and therefore could influence the organization's strategic orientation. Carl Friedrich von Siemens (1872-1941), the CVU's first director and the youngest son of the company's founder, exemplifies this impact. As head of the company between 1919 and 1941, he started a reorganization process of the Siemens firms. He established a consistent image of the company in the 1920s and 1930s and initiated groundbreaking innovations in marketing and organization such as new centralized divisions for distribution and advertising and a unitary corporate design. His main emphasis was on the "unity of the house." Siemens' own experience in foreign business — including a journey to China in 1908 — most likely was significant for the development of new techniques in management and marketing.[52]

Obviously, more research on transnational business and marketing is needed to understand more completely the impact of these activities. Meanwhile, it can be said that in the case of Siemens the regional differentiation in the periphery was a crucial motivation for structuring, standardizing and even bureaucratizing the center to keep the balance in the process of internationalization. Simultaneous with the expansion into more

and more countries, Siemens created new corporate departments at home. Here, a close look at the past helps to understand current difficulties and to highlight the importance of continuous adaptation. It also draws attention to the importance of seemingly marginal factors in changing company structures. On closer inspection, the international dimensions of marketing history lead to the core dynamics of business development.

NOTES

1. Siemens China Ltd., *Siemens in China* (Shanghai: Siemens China Ltd., 2009), http://w1.siemens.com.cn/_pdf/Siemens-in-China_en.pdf (accessed July 6, 2010). All citations originally in German were translated by the author.
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3. Wilfried Feldenkirchen, *Siemens. From Workshop to Global Player* (Munich, Zurich: Piper, 2000); Wilfried Feldenkirchen, *Siemens. 1918 – 1945* (Munich, Zurich: Piper, 1995). For international activities see also Harm G. Schröter, "Continuity and Change: German Multinationals Since 1850," in *The Rise of Multinationals in Continental Europe*, ed. Harm G. Schröter and Geoffrey Jones (Aldershot: Elgar, 1993), 28-48.
4. Geoffrey Jones, *Multinationals and Global Capitalism from the Nineteenth to the Twenty-first Century* (Oxford: Oxford University Press, 2005), 193. For more literature on transnational corporations see Alfred D. Chandler and Bruce Mazlish, eds., *Leviathans. Multinational Corporations and the New Global History* (Cambridge: Cambridge University Press, 2005); on international marketing Roy Church and Andrew Godley, "The Emergence of Modern Marketing: The International Dimension," *Business History* 45 (2003): 1-5.
5. For Germany, Peter Merker, "Deutsch-chinesische Wirtschaftsbeziehungen und Grossunternehmen 1933 bis 1939. Im Blickpunkt: I.G. Farbenindustrie AG und Eisengrosshandlung Otto Wolf" (PhD diss., Free University Berlin, 1995); for the US, Mira Wilkins, "The Impact of American Multinational Enterprises on American-Chinese Economic Relations," in *America's China Trade in Historical Perspective. The Chinese and American Performance*, ed. Ernest R. May and John K. Fairbank (Cambridge: Harvard University Press, 1986), 259-288; Howard Cox, "Learning to Do Business in China: The Evolution of BAT's Cigarette Distributing Network, 1902-1941," *Business History* 39 (1997): 30-64; Noel H. Pugach, "Standard Oil and Petroleum Development in Early Republican China," *Business History Review* 45 (1971): 452-473.
6. Klaus Peter Kaas, "Marketing als Bewältigung von Informations-und Unsicherheitsproblemen im Markt," *Die Betriebswirtschaft* 50 (1990): 539-548.
7. Richard S. Tedlow and Geoffrey Jones, eds., *The Rise and Fall of Mass Marketing* (London: Routledge, 1993), 2. Marketing as a closed strategy did not become important at Siemens until the 1970s.

8. The term "glocalization" or "glocalisation" was coined by the British sociologist Roland Robertson. Roland Robertson, "Glocalization: Time-Space and Homogeneity-Heterogeneity," in *Global Modernities*, ed. Mike Featherstone et al. (London: Sage, 1995), 25-44.
9. Richard S. Tedlow, "The Fourth Phase of Marketing: Marketing History and the Business World Today," in *Rise and Fall*, ed. Tedlow and Jones, 8-33; Fritz Blaich, "Absatzstrategien deutscher Unternehmer im 19. und in der ersten Hälfte des 20. Jahrhunderts," in *Absatzstrategien deutscher Unternehmen*, ed. Hans Pohl (Wiesbaden: Steiner, 1982), 5-46.
10. For Siemens' attitude toward advertising see Wilfried Feldenkirchen, *Werner von Siemens. Inventor and International Entrepreneur* (Columbus: Ohio State University Press, 1994), 205-213.
11. "Agreement between Mandl & Co. and Siemens & Halske concerning the Transfer of the General Agency for its Charlottenburg Factory in China, Charlottenburg, December 21, 1895," SArch 25/Lc 71. For the political environment, Juergen Osterhammel, "Semi-Colonialism and Informal Empire in Twentieth-Century China: Towards a Framework of Analysis," in *Imperialism and After. Continuities and Discontinuities*, ed. Juergen Osterhammel and Wolfgang J. Mommsen (London: Allen & Unwin, 1986), 290-314; Jonathan D. Spence, *The Search for Modern China* (New York: Norton, 1999).
12. "100 Years of Siemens: China, Japan, Mandshuria, Siam, July 1943," SArch 47/Lp 178. For the concept of "Unternehmergeschaefte", William J. Hausman et al., *Global Electrification. Multinational Enterprise and International Finance in the History of Light and Power, 1878-2007*, (Cambridge: Cambridge University Press, 2008), 102-113.
13. "Siemens China Co., 1913-22," SArch 25/Lg 136; "Overview on the turnover of Siemens China Co., 1922-1941," SArch 25/Lg 136.
14. Hermann Reyss, "International Electrical Association, Berlin, January 29, 1946," SArch 8188.
15. Hermann Reyss, "Organization of the Overseas Department of Siemens-Schuckertwerke and its Overseas Offices, and the Development of the Overseas Business since the First World War, Berlin, January 17, 1946," SArch 8188.
16. "Wireless Operation Business of Siemens China Co., Shanghai, August 1, 1930," SArch 17/Lc 73.
17. "Letter Siemens China Co. Hankow to Central-Verwaltung Uebersee (CVU), Hankow, February 28, 1920," SArch 27/Lp 232.
18. Hermann Reyss, "Organization of the Overseas Department."
19. A contract with the Chinese government for a joint telephone factory in Changsha did not come to fruition. See "Agreement between the National Reconstruction Commission of the Chinese Government and Siemens & Halske AG, Nanjing, August 1, 1937," SArch 12013.
20. Yen-p'ing Hao, "A 'New Class' in China's Treaty Ports: The Rise of the Comprador-Merchants," *Business History Review* 44 (1970): 446-459.

21. Hermann Reyss, "Historical Development of the Overseas Business, Berlin 1944," SArch 8188.
22. "Letter CVU to TBS, Berlin, March 16, 1910," SArch 13/Lc 332.
23. Only IG Farben had a comparable distribution network. See Peter Merker, "Die Absatzorganisation der deutschen Wirtschaft in China an der Wende von den 20er zu den 30er Jahren," in *Politik, Wirtschaft, Kultur. Studien zu den deutsch-chinesischen Beziehungen*, ed. Mechthild Leutner (Muenster: Lit, 1996), 271-296.
24. "Organization Chart of Siemens China Co., June 1, 1937," SArch 68/Li 190.
25. It was merely the post war years where there was an exception to this. Due to financial difficulties a joint venture was entered with Chinese investors in 1919 and the "Siemens China Liability Company" was founded according to Chinese law, thus adding two former Compradors as directors. In 1925 this step was revoked. CVU, "Note on the Meeting Before the Departure of Mr Schmolke, Berlin, February 20, 1930," SArch 25/Ls 675.
26. "Letter Siemens China Co. to CVU, Yunnanfu, December 3, 1937," SArch 68/Li 190.
27. Reyss, "Historical Development."
28. A similar policy can be found at Hongkong and Shanghai Banking Corporation. See Frank H.H. King, "Does the Corporation's History Matter? Hongkong Bank/HSBC Holdings: A Case Study," in *Business History and Business Culture*, ed. Andrew Godley and Oliver M. Westall (Manchester: Manchester University Press, 1996), 116-137.
29. "Note on the Content of the Meeting on Proposals concerning the Future Representation of the Wernerwerk's Interests in China, Shanghai, February 24, 1909," SArch 25/Lc 71.
30. John Rabe, "Notes for the 100 years anniversary concerning China, Berlin, December 22, 1943," SArch 68/Li 190.
31. "Meeting of the Supervisory Board of Siemens-Schuckertwerke GmbH, Berlin, February 24, 1922," SArch 68/Li 190.
32. "Siemens China Company opens new office. A record of brilliant achievements in China," *The Shanghai Evening Post & Mercury*, May 22, 1937.
33. "Letter TBS to CVU, Shanghai, February 2, 1909," SArch 25/Lc 71.
34. "Letter CVU to Siemens China Co., Berlin, December 8, 1928," SArch 25/Ls 675.
35. John Rabe, "Ein Vierteljahrhundert beim Siemens-Konzern, Nanjing 1934," SArch 12/Lh 638.
36. 50 hertz was established as frequency for alternating current, while 60 hertz was used in the USA. Gustav Probst, "Siemens Power Plants in China 1879-1945, Starnberg 1986," SArch 25/Lg 136; Bettina Gransow, "Deutscher Maschinenexport und Ingenieur-Ausbildung in China vor und nach dem Ersten Weltkrieg," in *Von der Kolonialpolitik zur Kooperation. Studien zur Geschichte der deutsch-chinesischen Beziehungen*, ed. Kuo Heng-yue (Munich: Minerva, 1986), 163-191.
37. Françoise Kreissler, *L' action culturelle allemande en Chine de la fin du XIXe siècle à la Seconde Guerre mondiale* (Paris: Maison des Sciences de l'Homme, 1989), 139-167.

38. Gustav Probst, "Siemens Unrelated Businesses in China," Starnberg 1984, SArch 68/Li 190. The "Vereinigte Stahlwerke" were a temporarily merger of several German mining and steel enterprises after 1926 (including Thyssen).
39. "Business results of overseas offices for 1936/37," SArch 25/Lg 136.
40. Alfred D. Chandler, *Scale and Scope. The Dynamics of Industrial Capitalism* (Cambridge: Belknap Press, 1990), 36-46.
41. "Comments and Proposals concerning the Shanghai Letter of April 25 on Future Business Politics, Berlin, May 25, 1927," SArch 15/Lp 149.
42. "Letter CVU to TBS, Berlin, July 19, 1909," SArch 13/Lc 332; "Articles of Association for the Chinesische Siemens-Schuckertwerke GmbH, 1905" (draft), SArch 21/Li 732.
43. Leonard S. Reich, "General Electric and the World Cartelization of Electric Lamps," in *International Cartels in Business History*, ed. Akira Kudo and Terushi Hara (Tokyo: University of Tokyo Press, 1992), 213-228.
44. Robertson, *Glocalization*. The term "glocalization" has also been used to describe a business strategy where "global competitiveness is gained through local collaboration." Cf. Bengt Johannisson, "Glocalization as a Generic Entrepreneurial Strategy," in *The Role of SMEs and Entrepreneurship in a Globalised Economy*, ed. Zoltan A. Acs et al. (Stockholm: Globalisation Council, 2009), 41-58, here: 49.
45. Christopher A. Bartlett and Sumantra Ghoshal, *Managing Across Borders. The Transnational Solution* (Boston: Harvard Business School Press, 1990).
46. Eitel, "Siemens Overseas. Review and Prospects, Berlin 1944," SArch 8188.
47. Jones, *Multinationals*, 174. Cf. Mira Wilkins, *The Maturing of Multinational Enterprise* (Cambridge: Cambridge University Press, 1974), 138-163.
48. "Letter CVU to Siemens China Co., Berlin, February 18, 1924," SArch 10850.
49. Thomas W. Malnight, "The Transition from Decentralized to Network-Based MNC Structures. An Evolutionary Perspective," *Journal of International Business Studies* 27 (1996): 43-65. The only Siemens production site outside of Europe was the Japanese joint venture Fusi Denki Seizo KK established in 1923. Toru Takenaka, *Siemens in Japan. Von der Landesöffnung bis zum Ersten Weltkrieg* (Stuttgart: Steiner, 1996).
50. Stefan Rennicke, *Siemens in Argentinien* (Berlin: wvb, 2004); Gerhart Jacob-Wendler, *Deutsche Elektroindustrie in Lateinamerika. Siemens und AEG (1890 – 1914)* (Stuttgart: Klett-Cotta, 1982).
51. Peter Mielmann, *Deutsch-chinesische Handelsbeziehungen am Beispiel der Elektroindustrie, 1870 – 1949* (Frankfurt: Peter Lang, 1984); Christopher Bo Bramsen, *Open Doors. Vilhelm Meyer and the Establishment of General Electric in China* (Richmond: Curzon, 2001); Helmut Vogt, *Die Ueberseebeziehungen von Felten & Guilleaume (1874 – 1914). Eine Fallstudie zur Absatzstrategie der deutschen elektrotechnischen Industrie im Kaiserreich* (Stuttgart: Klett-Cotta, 1979), 52.
52. Wilfried Feldenkirchen and Eberhard Posner, *The Siemens Entrepreneurs Continuity and Change, 1847 – 2005. Ten Portraits*, (Munich: Piper, 2005), 84-109.