

1946–1991: A segment in the history of the Bertelsmann publishing company¹

Honored guests, ladies and gentlemen:

This morning I was the object of much appreciation. Many thanks to the orators for their praise. However, I hasten to point out that our company's success after the war was the result of a collaborative and cooperative effort. The entire management and staff made their contribution to this success. Having said this, I am glad to receive your appreciation.

Today I would like to recount some reflections on the period of the Bertelsmann publishing company's history during which I worked there, namely between the years of 1946 and 1991.

1 Speech given by Reinhard Mohn on the occasion of the celebration of his 70th birthday at Gütersloh Municipal Auditorium on July 1, 1991. Published by the Bertelsmann Stiftung in 1991.

Several years ago, in connection with the preparations for the 150th anniversary of the founding of the Carl Bertelsmann publishing company, I had occasion to reflect on the goals and the attitude of my ancestors. I was astonished by their achievements. For five generations there was a fairly broad consensus regarding the professional profile that a publisher should maintain. Leaving aside those traits that can be explained purely as consequences of the historical period in question, it becomes manifest that the self-image of publishers and the goals they pursued, as well as their commitment to humane principles and an inclusive community spirit, have scarcely changed since those days. The content of the publishing programs, comprising books with educational aims, for religious guidance, and for entertainment, support this claim. The personal commitment shown by my ancestors in the course of fulfilling their social obligations was consonant with the internal company regulations they promulgated governing human interaction in the company.—I have the impression that the steadiness of company policy—indeed, I conjecture it was the fruit of both tradition and personal inclination—that had a substantial and favorable impact on Bertelsmann’s longevity and success.—As I mentioned before: The company has been around for five generations!

The beginning of my career

The years at the beginning of my publishing career transpired under the sign of the collapse of a totalitarian régime, a devastated homeland, and the razing of the

building housing our publishing company. I relinquished the decision I had made years before to become an engineer when, standing before the rubble of our headquarters, I heard a veteran employee say: “Reinhard, you are needed here!”—I have never regretted that decision. I had yearned for an opportunity to prove myself, most ardently of all, in my own profession. And I got that opportunity in spades.

The obliteration of our cities was merely the outward sign of the failure of an ideology that had made a point of despising humanity. The régime’s glorification of the nation and of community bonds was offset on the opposite side of the ledger by its ruthless stamping out of human rights and of any individual aspiration to live a life of one’s own. At that time, we all confronted the challenge of setting off on a new course in life. Personally, I had greatly benefited from the opportunity to ruminate during my time in detention in a prisoner-of-war camp in the U.S. Disappointed and disabused of illusions by recent events, I became reluctant to sign on to ready-made ideologies and doctrines. My ambition was to structure my life independently by combining two goals: to prove my professional worth on the one hand, and to pursue socially-oriented goals, on the other. I desired to measure my performance in life by standards other than the yardsticks of greatness and the praise of others, for these goals had become tainted. Instead, my standard of success in life was to be the knowledge that I had helped my fellow man to the extent permitted by my chosen work in my profession and my socio-political activities.—These goals subsequently became the intellectual basis on which the so-

called Bertelsmann model was developed. At the same time, it was consistent with the Bertelsmann company's traditional approach, though I learned that only later on.

The restructuring of the publishing house took place under extraordinary conditions. The major item in our "capital" stock was the professional experience of a handful of staff members and their loyalty to the company. The rebuilding effort demanded of us the courage to tread unconventional paths and perform extremely arduous tasks while living in utterly deplorable conditions. Our recovery took place under the exceptional circumstances of a rebirth of the publishing industry. Old market structures had become obsolete; our former bastions in the market had vanished.—It was imperative that we devise new programs, working methods, and marketing channels. For the creative and the entrepreneurially gifted, it was a time of great opportunity.—Bertelsmann seized with both hands the opportunities then available to it. The decisive breakthrough came when we decided publicly to advocate the habit of reading, and specifically resolved to address our campaign directly to our customers. In the course of the ensuing expansion, we swiftly learned to respect the power of modern management. We profited by the intellectual jolts then emanating from the United States, and linked them successively with our conceptions of justice, social responsibility, and humanity.

The development of the company did not follow any long-term blueprint or theoretical model. On the contrary, it was largely determined by the material constraints that conditioned our working day. For example, we learned from contemporary management doctrines

how to delegate authority and how to coordinate distinct activities. We learned the important role well-trained human resources specialists could play in management to ease the process of internal structural change. Our most important and most successful “investments,” so to speak, were our investments in people. In the process, we discovered how vital it was to be able to rely on a planning and reporting system that was itemized in the greatest detail.—However, before we succeeded in erecting these operating structures, we were forced to make decisions—sometimes even decisions of great moment—by relying solely on our own creative sensitivity, our judgment, and a large helping of raw courage. In those times, we incurred what from our present standpoint appeared to have been incredible risks. Often we were afflicted by cares of the most pressing and elementary sort, such as are today virtually unknown. No doubt we occasionally made mistakes. Nonetheless, on balance the decisions we made were clearly the right ones. The company grew at a dizzying speed. Its growth constantly confronted both management and staff with new challenges. It was during that stage of our development that we were constrained to formulate the company agenda, its leadership principles, and its organizational structure in terms of specific tasks. Although we had scant theoretical background in that field, we nonetheless chanced upon business ideas and human approaches that eventually proved useful, and which we continue to use today. I would now like to explain our business model, inspired by a spirit of cooperation, by remarking on five traits that are at once both crucial and characteristic.

Conclusions we drew from our new conception of the company

1. The importance of management for a business' success

Of all the factors that affect the outcome of a company's operations, we believe the most crucial one is proper management. When I say this, I refer to both the aspect of hiring the right person for the job and the aspect of taking the right measures to resolve any given issue.—We designed entrepreneurial working conditions for our managers. Thanks to the pains we took and the investments we made in hiring the right people for each job, a very diverse management pyramid arose. The company's future ability to evolve and the continuity of its leadership both depend on the entrepreneurial approach with which these managers do their work.—In this company, we select leaders from among the top performers. This rule is fully applicable to my own children, insofar as they aspire to a career at Bertelsmann.

2. The internal structure of the company reflects the goals we are aiming for

We have proclaimed that the company's supreme objective is to render useful service to society. Capital, management, and staff must subordinate their rightful claims to this primary objective. The company's desire for efficiency must remain consistent with the constraint of assuring a human community's ability to evolve.

In accordance with the way people think of themselves nowadays, and consistent with today's more demanding expectations, the internal organization of the company must be so designed as to enable all participants to identify with the company's objectives and the spirit that inspires the organization. Accordingly, rules must be fair and humane, and should enable the individual to attain fulfillment through his work. The elements required to build a corporate culture inspired by a spirit of mutual cooperation were themselves shaped by cooperation among us. This was greatly assisted by the circumstance that the interests of capital were also subordinated to corporate objectives.—The binding character of these principles was firmly established by incorporating them expressly into the structure of the company.

3. Assuring sufficient financing

There were two ways of assuring the financial soundness of the swiftly growing company: Firstly, by limiting dividends, and secondly, by investing the capital accrued from the participating certificates of the employees back into the company. Thanks to this concept, in the future we will remain capable of financing the company's extraordinary growth rate, while at the same time reserving the top management position in the company for one of my sons—provided he possesses the required talent.—We managed to steer clear of the organizational form of a publicly owned company, which in my opinion is not at all suitable for a publishing company. Apart from Dr. Bu-

cerius, a partner whose record at the company is outstanding, no additional partners will receive any equity holding in Bertelsmann AG. Accordingly, at our company there is no prospect that some future transfer of equity may cause a discontinuance of the traditional corporate policy of maintaining a diverse and independent publishing program.

4. The importance of consulting the staff and of forging a consensus

If we wish to foster creativity and the desired spontaneous readiness to work on the part of all stakeholders in the company, they must be motivated by an understanding and approval of the company's policies. To this end, an active exchange of information must take place at all levels of the company. Such a constant information flow will stimulate stakeholders to reflect on corporate issues. Furthermore, if staff has a say in the formulation of policy, this will drive corporate development and enable the attainment of our goal of self-realization on the part of the individual staff member at his workplace. That is why we believe that consent constitutes an indispensable condition for success in the contemporary world. The traditionally contentious nature of the interaction between labor and management is inconsistent with the contemporary man's self-image, and fails to do justice to today's complex patterns of work, themselves driven by global competition as defined by the two parameters of performance and systemic effects.

5. Our contribution to society's development

A society founded on democratic principles cannot rely solely on governmental institutions to perform the required tasks. Instead, we observe a steady growth in the need for spontaneous action by private citizens driven by their commitment to social goals. Bertelsmann has made specific contributions toward fostering a more democratic polity in several different ways: through its economic activity; through the cultural impact of its products, thanks to the development of its internal structure; and finally by virtue of the activities of the non-profit Bertelsmann Stiftung. Inspired by the German Constitution's statement that "Possession of wealth entails obligations toward society," Bertelsmann AG allocates two-thirds of its total dividends to the Bertelsmann Stiftung. This financial contribution is reinforced by the financial consulting services provided free of charge by Bertelsmann AG.

I think these examples suffice to give you an idea of what we mean when we say "the company." We worked out all the details, namely all the rules and exactly how they were to be put into effect. Principles like these are not the rule in the Federal Republic of Germany, but rather the exception. Applying them has entailed a constant process of learning and observation. We ourselves developed the procedures required for the task.—We have learned much from our experience of the last few decades. And one of the things we learned is that as time passes, sooner or later we are always forced to review and update the legal structure of the company. In har-

mony with our objectives, I hope that this process of constant adaptation will continue to be supported by the representatives of capital, management, and staff alike.

Some conclusions and assessments

Today I would like to make a personal assessment of my professional career.—I don't intend to tax your patience with strings of numbers from our financial statements. The outcomes reported there are the results both of shrewd business management on the one hand—I don't mean to say that I was responsible for every single success, by any means—and on the other hand were the fruit of extraordinary circumstances. On looking back, I perceive a need to place the yardstick of “success” in the proper perspective by remarking that grandeur is only valuable and lasting to the extent that it is approved by the people. And I am happy to report that in terms of this definition of “success” that I just gave you, Bertelsmann AG has a record of many decades of being esteemed and respected by its customers, suppliers, employees, and management staff. When viewed against that background, the cold figures from the financial statements become meaningful, and elicit satisfaction, pride, and gratitude.

However, at this time I feel there is a more pressing need, and that is to point out that every financial success was the fruit of a conception of the company as a cooperative venture encompassing many participants.—They were the main force driving our growth. The notion I

have of human nature, and which is reflected in our business model, is inspired by the family life I lived as a boy and by a certain community spirit that I experienced in a historical period that ended long ago. My hopes and aspirations were also decisively influenced by the realization forced upon me that any model of conduct, however worthy of imitation, will eventually become irrelevant. We will be forced once again to get our bearings anew. While rebuilding the company in our devastated homeland, I resolved that my life's work would address the needs of my fellow man, and that I would seek self realization through the accomplishment of this goal. On looking back, I must paradoxically conclude that the desolation that marked our beginnings proved to be a magnificent stroke of luck. I am grateful for having been granted such a wonderful opportunity. I now consider it a great stroke of luck that toward the end of my career the appreciation by others confirms my decision of that time to base my objectives in life on an accurate and contemporary conception of man, which became a sound basis for the policies I have pursued in my company.

Aside from this overall assessment of my career I would like to note some specific results that seem very important to me.

- The most important point is that I believe I have proven that, in our times, efficiency and humane values are not in conflict with each other. On the contrary, each is a precondition for the existence of the other.
- Comparable in its broad implications is the proposition, derived from experience, that our staff possesses great reserves of productive energy waiting to be re-

leased. If we establish targets and institute proper working conditions enabling the individual staff member to identify himself with the company, we will be able to draw on these reserves, which in many cases lie as yet unexploited.

- The best management system is to establish working conditions that motivate all decision-makers to act like entrepreneurs, operating within a decentralized corporation. Its major features are an absence of constraints on decision-making, forbearance for occasional failures, and the mandate that every employee should receive a share in the profits from his own cost center, as well as a bonus share in it.
- Assuring the uninterrupted future operation of the company is the duty that must override all others. The mix of people I appointed to management positions and the financing model we ourselves designed both meet this requirement.
- We managed to reproduce artificially the conditions for an entrepreneurial managerial motivation by restructuring the effects of capital, and the means by which it might control the company.—Capital long ago ceased to be the big enchilada in the economy. It is thus high time that capital applied in practice the lesson it has learned, namely that capital is dependent on management and labor. Capital should learn from experience just like all other factors. Success based on cooperative industrial relations—our decision to transfer equity to employees, and their ensuing expectation of profit—proved to be a first-rate safeguard assuring shareholders' dividends.

- We very soon started business abroad. That was a strategic decision of the first magnitude. We garnered much professional experience in the process, quite apart from the fact that, in these times of global markets, a media company obtains vital information through its encounters with other cultures. Our foreign forays provided us with a respectable head start over many of our European competitors.

So much for the list of the most important factors that make for success. I realize that such arrangements are consistent neither with tradition nor with convention. But they come with the highest recommendation—that of being successful. To date they have constituted the basis on which our company's steady growth and remarkable success has relied. Our company has remained untouched by the management problems that have been observed worldwide. Bertelsmann's managers are kept on their toes by the promise of further investment opportunities—provided they perform well and the company is prospering. It seems to me that our results confirm the validity of the model we have pioneered, namely that of cooperative industrial relations, which is oriented simultaneously toward satisfaction of people's wants and needs on the one hand and toward business success on the other. This leads me to the core question.

Can a company characterized by cooperative industrial relations serve as a model to be followed by others?

Our personal experience tells us that organizational models must do justice both to the practical tasks at hand and to human nature. Our attempts to export the successful Bertelsmann model to our foreign subsidiaries brought that home to us. However, we also learned that adapting the model, or at least important portions of it, is practicable.

The question as to whether and to what extent our business model is also applicable to other industries elicits from me a rather skeptical response. Major obstacles lie in the path of any such attempt, most of them clustered around the human aspect. Contemporary attitudes oriented toward protecting one's vested interests and defending one's turf constitute hindrances both for our society's development and for the development of the German economy. In this context it behooves us to realize that our successes to date and our complacency with our social market economy are largely oriented toward the past. Old-fashioned methods were well suited to the needs of yesteryear. But for the needs of the contemporary world, and for the purpose of designing our future, they are woefully inadequate.

Consequently, I wonder whether a desire for humane conditions and for self-realization are not perhaps more worthwhile goals than is the ideal of solidarity. I also think that capital has a long-overdue transformation pending, namely that of finding a new position within the social market economy.

An especially intractable stumbling-block on the path toward appropriate future development turns out to be our contemporary concept of self-realization. Many conceive self-realization from an egotistical standpoint, which often poses difficulties in attempts to persuade people to think in a manner more conducive to cooperative industrial relations. Cooperative industrial relations mean trustful cooperation in the economic sphere. This is inconceivable without an attitude of acceptance toward one's fellow men, and a willingness to assume one's personal duties toward the community.

Viewing matters from this perspective, the question that concerns me most is this: Will Bertelsmann itself be able to adapt the company model it has gradually developed over the years to the demands of the future? There is an old German proverb that I find very pertinent: "Whatever you inherit from your ancestors, you should take possession of it with the intention of being its owner."—I am fairly optimistic on this issue. However, I perceive the risks involved, all of which stem from human nature. In order to elude this risk, we at Bertelsmann did what we could, what appeared to us both feasible and sensible, in order to secure the survival and growth of our cooperative industrial relations model. We addressed the problem by making definitions and establishing rules. However, every regulation clearly states that it is not written in stone, but is destined for renewal and amendment to suit future needs.

The history of the Bertelsmann publishing house has taught me the power of our convictions and of a humane attitude to provide long-term stability to a company. I

therefore hope, for the sake of the company and of all who work there, that these insights will never be forgotten, and that the company—especially whenever it goes through difficult times—will remember that the commitment and initiative of the individual are the decisive factors in ensuring success. If these principles preserve their vigor and prestige, and most especially if the future leaders of our company possess the courage and nobility to remain loyal to the principles of compassion and fairness in their management work, I am confident that our company will thrive for many years to come.

A personal final reckoning

After having recounted some typical experiences from my professional career, please allow me to set forth a balance sheet of my doings—one tinged with a more personal quality.

At this time, among all the impressions that flit through my mind, what I feel most strongly is an emotion of intense gratitude. I was granted the ability to arrange my life in accordance with the principles I adopted at the very start of my career as guiding precepts. I feel extraordinary satisfaction on perceiving that these goals have proved themselves both attainable and effective. I sought an entrepreneurial opportunity—and encountered a most unusual challenge. I aspired to measure my utmost strength against a worthwhile task. I also intensely desired to undergo the experience of coping with such a challenge. On looking back, I perceive that I underwent

that experience for the entire span of my 45-year-long professional career. It was a fruitful time, a time of creating, of showing the stuff I was made of. What entrepreneurially minded and socially committed person could wish for more? I am thankful for having been furnished these opportunities, and that I was able to overcome the challenges they posed.

On looking back, I also think of my companions on that journey through time, the employees and managers I knew and worked with at Bertelsmann. They understood my ambitions and sympathized with my cause. Together we built up a company that not only met with success, but that offers an organizational model that will inspire future generations.—We learned the rules for living together in our working community through trial and error. Practically all important aspects of the company's inner workings evolved through discussion and compromise. I rejoice in the spirit of mutual trust and understanding that prevails at Bertelsmann. This human basis gave us the strength to address and resolve many difficult issues. The unavoidable defeats that we were also forced to endure were made less bitter thanks to the optimism and hope inspired by our corporate ethos. This experience of trustful collaboration is what inspires me to demand that the old in-your-face class struggle approach has to be replaced by a new culture of cooperation relying on trust, fairness, and sympathy for one's fellow-man.—I bequeath to Bertelsmann's managers and shareholders a priceless inheritance, which, however, demands their utmost loyalty: a productive working community structured in an exemplary manner, where cooperative industrial relations prevail.

A look ahead and words of thanks

I am exceedingly optimistic about our company's future. The world's open markets and the opportunities offered by constant change will continue to afford Bertelsmann extraordinary prospects for further growth and development. The company's structure serves its needs. Bertelsmann has at its disposal a vast reserve of entrepreneurially minded managers and employees committed to the company who are keen on cooperation and success. It is typical of our approach to management that currently we are thinking about what changes we should make so as to afford all stakeholders even more opportunities for fulfillment on the job.

This is all very encouraging, and I hope I am able to convey to you in some measure my feeling of confidence in the future. Bertelsmann marches on.

And now, as my ruminations draw to a close, most importantly I would like to give many heartfelt thanks! Thanks for your hard work, your trust, and your willingness to journey with me along this unconventional road.— Most especially I would like to thank those who worked closely with me for their forbearance and good will. Their endeavors greatly exceeded what could reasonably be demanded of them. This circle includes first and foremost Mark Wossner, my wife, my secretary Christiane Kummer, and my son Johannes.

I am departing from the company in accordance with rules that I myself drafted many years ago. But I'm not retiring yet, mind you. As you know, many an ending is the start of a new beginning. I look forward to making a

contribution at the Bertelsmann Stiftung. As you know, this non-profit foundation is the fruit of my ideals regarding the duties every entrepreneur owes society. In the last few years, we have seen with our own eyes how much can be done for society when one occupies such a vantage point. Thus, through my work at the foundation I will continue to serve you and the company's objectives.—I wish the best of luck to our company and to all those who work in it. Few moments in history have offered as broad a palette of missions to so many people as does our contemporary epoch. Make the most of your opportunities—and do not stray off course.