

Hartmut Berghoff

(Göttingen University)

The troublesome 1990s:

**Electrical engineering in the age of deregulation and
globalization**

The 1990s brought severe challenges to electrical engineering. It was a decade of enhanced globalization and liberalization, mounting competitive pressure and technological paradigm changes. Many corporations were overstrained and went bankrupt or lost their independence. The surviving firms underwent profound changes to their strategy and structure.

This paper first looks back on the bankruptcy of the second largest German electrical engineering AEG in 1982. It then compares AEG to the largest German firm in this sector, Siemens AG. Siemens was in a much stronger position as it entered the tumultuous 1990s but also experienced long-drawn out structural crises which were aggravated by cyclical downturns in 1992 and 1997. Siemens responded by two waves of reforms, a conservative one (1992-98) and a more radical one from 1998 onwards. As a result, the corporation was completely restructured. Traditional key sectors like telecommunications and new areas like computers and semiconductors were given up.

To rebuild Siemens in the 1990s was a long and difficult learning process riddled with confrontation and resistance, disappointment and mistakes as well as corruption of epic dimensions. To transform a huge integrated corporation into a bundle of flexible assets, represented nothing less than a historical break.

The new company was much more focused, productive, and flexible. It was for the time in its long history primarily managed by financial parameters. By radical measures it regained its long-term sustainability but also reduced the cohesion of the corporation and the security which it had traditionally been able to provide to its employees.