Family Multinationals

Entrepreneurship, Governance, and Pathways to Internationalization

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Becoming Global, Staying Local: The Internationalization of Bertelsmann, 1962–2010

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The Internationalization of Bertelsmann, 1962–2010

Hartmut Berghoff

Founded in Gütersloh, a small town in Eastern Westphalia, in 1835, Bertelsmann had grown to a medium-sized Protestant, all-German publishing and printing business by 1950, when it employed a workforce of 400 people, all based in Gütersloh. In 2010, by contrast, Bertelsmann's staff numbered 101,058, with two-thirds of them employed outside Germany. Bertelsmann is now the largest European media company, generating approximately two-thirds of its annual revenue abroad.[1]

Despite its tremendous growth, however, Bertelsmann AG remains in many ways a family business. It was family-led for five generations by members of the Bertelsmann family from its founding until 1887, and then by members of the Mohn family until 1981,[2] when Reinhard Mohn (1921–2009), who had led the company since 1947, withdrew from his formal position as CEO. Nonetheless, the family remains heavily involved. For one thing, Reinhard Mohn continued to take part in all strategic decisions almost until his death, and several fifth- and sixth-generation family members have served on the supervisory board, although managers without kinship ties to the Mohns have led Bertelsmann and no family member has been on the executive board since that time. Moreover, the powerful BVG (Bertelsmann Verwaltungsgesellschaft) is half-comprised of family members. This six-person administrative body possesses all the voting rights in the Bertelsmann AG Annual General Meeting and, since 1999, it has selected the members of the supervisory board, made recommendations to the supervisory board for the CEO, and decided on general guidelines of financing and on the company's statutes. In other words, it has a central position with far-reaching authority. To be sure, the three external managers—in 2010 the former Thyssen CEO, the Vice President of Nestlé, and the chairman of the BASF supervisory board—provide a formidable counterpoise to the family, but the family still has the final say on account of a complex pyramidal structure that distributes voting rights. All in all, Bertelsmann is still de facto family-owned and supervised, although the family's power is moderated by outside experts.[3]

By the 1990s, the medium-sized family printing and publishing house of 1950 had been transformed into a major international player. In 2010 it had five divisions: 1) RTL Group: television, radio, and TV production;

2) Random House: book publishing; 3) Gruner + Jahr: magazine publishing; 4) Arvato: media, communication and other services; and 5) Direct Group: book and media clubs and bookstores. In 2009, Random House and Direct Group had by far the highest international orientation with more than four-fifths of their revenue coming from outside Germany. RTL, with almost two-thirds, was slightly above the company's average, while Arvato and Gruner + Jahr were below average but still generated more the half of their income abroad. This transformation occurred in six phases.

1. 1950–1961. In 1950, Bertelsmann began its club strategy, founding the book club "Lesering" in Germany. The record club "Schallplattenring" followed in 1956. Bertelsmann bought licenses for top-selling titles and sold them in high volume at low prices. The German law designed to maintain retail sales prices for books did not apply to book clubs so that Bertelsmann was able to exploit this loophole and turn millions of customers into regular readers.
2. 1962–1969. In the 1960s, Bertelsmann transferred this business model to other countries, first of all to Western Europe and Latin America. Bertelsmann also learned to reap economies of scope by using its existing facilities for printing and distribution for third parties. The music business became highly successful in Germany.
3. 1969–1981. In this phase, Bertelsmann kept expanding its clubs and printing activities geographically and also entered totally new fields like magazine publishing, acquiring Gruner + Jahr, the leading German magazine publisher. In the late 1970s, Bertelsmann became a major player in the U.S. market when it bought 51 percent of Bantam Books and invested heavily in the music business.
4. 1981–1991. Overexpansion and problems of succession led to a brief crisis, and then growth picked up again. Bertelsmann acquired RCA Records as the music business boomed, and the Bertelsmann Music Group (BMG) became one of the world's majors. The acquisition of Doubleday, the second-largest U.S. publisher, turned Bertelsmann into one of the largest publishers of English books. When European broadcasting was deregulated in the 1980s, Bertelsmann began to build up the largest commercial TV and radio network in Europe.
5. 1991–2002. In the 1990s, Bertelsmann's TV business took off, and the internationalization of all other fields progressed at high speed. In 1998, the company bought Random House and restructured it into one division with all Bertelsmann imprints. What was to become Arvato, the service division, benefitted from the general trend toward outsourcing. It offered integrated services from supply-chain management to customer relations (call centers), from distribution to accounting and IT services. The digital revolution began to affect more and more media, but Bertelsmann failed to keep up with upstart pioneers like Amazon and Google and to become a leading media-IT company.

6. 2002–2010. In this period, Bertelsmann refocused on its core competencies and sold or wound down many of its loss-generating Internet activities. It also divested itself of the music business due to the massive challenge of free music downloads. The club business entered the final stage of its product cycle, and an increasing number of clubs were sold. The most dynamic divisions up to the present have been RTL and Arvato, which have pulled the company back into growth and profitability.

10.1 KEY QUESTIONS AND THEORETICAL MODELS OF INTERNATIONALIZATION

The Uppsala model of internationalization states that future multinationals develop competitive advantages in domestic markets before they move abroad. Then they start exploring new opportunities in places where the geographical and "psychological" distance is relatively small to minimize the insecurities that result from cultural as well as legal and political differences.

In her classic study that lay the foundation of the resource-based view of firms, Edith Penrose distinguished between objective and experiential market knowledge. Objective knowledge concerns information that can be taught, acquired by reading, or bought from consultants. Experiential knowledge, on the other hand, relies on personal experience; it is market-specific and cannot be transferred from one foreign country to another. Consequently, people who have this specific knowledge and relationships are key players in the internationalization process.[4]

The Uppsala model presents the sequence of events in internationalization as follows: First, the firm begins to penetrate foreign markets by occasionally exporting its products via independent intermediaries like import merchants. As the volume grows, the firm eventually internalizes this exchange by employing representatives, opening sales offices, starting joint ventures with local firms, and finally by setting up production sites.[5] Mira Wilkins has suggested a six-stage model of corporate internationalization in which occasional exports are the beginning from which more regular exports, an exclusive representation outside the firm's structure, and finally foreign direct investment (FDI) in the form of service and then finally production facilities develop. In the end, the foreign subsidiary assumes increasing independence.[6]

Although these models are not specific to family firms, can they be applied to them? Do family firms have characteristics that either encourage or discourage internationalization and explain their specific approaches to foreign markets? In the general academic debate, the family firm used to be classified as an obsolete model, especially for a large company, because families seem to lack the financial and human resources to manage companies beyond a certain size. Meanwhile, the debate has highlighted the comparative advantages of family firms, increasingly describing them as a flexible and efficient institution. New Institutional Economics, for example, stresses family firms' lower transaction costs, as well as their ability to rely on motives beyond short-term economic gain and to mobilize qualities like loyalty, intrinsic motivation, emotional rewards, and long-term commitment.[7]

Research on family firms has long been conducted largely apart from research on corporate internationalization, but in recent years, these neighboring disciplines have begun to talk to each other. Initial studies suggest that the flexibility of family firms plays an important role in the internationalization process. Moreover, family members, who are regarded as possessing more integrity and, above all, as being more permanent players than managers, can be pivotal in opening doors through their personal contacts. One Australian entrepreneur, for example, claimed, "Being a family-run business helped secure contracts in Asia."[8] The stability and longevity usually associated with family firms also supports the incremental and cumulative process of internationalization, in which networking, learning, knowledge transfers, personal relations, and long-term perspectives seem to be key components.[9]

Research on family firms has shown how the family itself, in many cases, has become a vehicle of internationalization, such as when relatives have founded or managed foreign subsidiaries. The brothers Werner, Carl, and William Siemens personally connected their young firm's operations in nineteenth-century Germany, Russia, and England.[10] Such kinship ties reduce transactional uncertainties. Family members have also been instrumental in processes of knowledge and skill transfers and acted as cultural mediators. They have displayed remarkable integrative capabilities linking distant regions and spanning continents and used network resources like trustful cooperation and credit.[11] Some family networks have grown huge and comprised hundreds—in extreme cases thousands—of members dispersed over large geographical areas.[12]

Another facilitating factor for internationalization in family firms is family harmony as it "encourages family members to reinvest their dividends in the business and take a long-term perspective."[13] Vipin Gupta calls one of four family-business internationalization modes the "network extension pathway," wherein already existing "footholds and relationships" enable a firm, through the family members and trusted employees, "to extend the family business into new geographies."[14] As families regularly have more offspring than top positions in their company, founding foreign subsidiaries can help prevent family conflicts. There are many elaborate models, but these should suffice to discuss the extent to which Bertelsmann conformed to or deviated from these theoretical pathways to family-firm internationalization.

10.2 THE ANATOMY OF BERTELSMANN'S INTERNATIONALIZATION

To dissect the anatomy of Bertelsmann's internationalization process, some statistics are helpful. Table 10.1 row 1 shows that international markets were not significant before the 1960s, whereas they were of paramount

Table 10.1 Internalization Parameters. Bertelsmann 1950–2009

	1950	1960	1971/72	1980/81	1990/91	2000/01	2009
1. Revenue outside Germany as percentage of total revenue	≤ 3%[4]	≤ 5%[4]	27.4%	48.6%	62.9%	69.4%	64.5%
2. Number of employees outside Germany	0	0	?	12,151	24,387	50,019	66,053
3. Quota of employees outside Germany	0	≤ 2%[4]	24.8%[3]	40.4%	54.1%	60.9%	64.1%
4. Number of foreign countries with essential, consolidated Bertelsmann firms[1]	0	0	14	15	33	49	41
5. Number of foreign nationals among top executives/from 1971 on executive board	0	0	0	1 (Austria)	1(Austria)	1 (USA)	1 (Austria)
6. Number of foreign nationals on supervisory board (board existed only since 1971)	–	–	1 (Italy)	0	0	3 (CH, Can, Belg)	2 (UK, Norway)
7. Capital quota of foreign shareholders	0	0	0	0	0	25.1%[2]	0

[1]Without associated firms, portfolio investments.
[2]With effect from July 6, 2001, that is, just after the end of the 2000/01 reporting period.
[3]1973/74. No prior information available.
[4]Estimates. Mainly sales in German-speaking countries.

Sources: Bertelsmann Annual Reports.

importance by the 1980s. In rows 2 and 3, the number and percentage of employees outside Germany over these periods tell the same story and make clear that the growth was not export-induced. The share of value creation and employment outside Germany also grew. The export stage simply did not take place. Books are too culturally sensitive to be simply exported across language boundaries, even if they are translated. Exports to Austria and Switzerland did occur prior to the foundations of subsidiaries in these countries, but they never played any significant role. Row 4, which only includes the numbers of countries with "essential" firms mentioned in the annual reports, shows that Bertelsmann engaged in FDI in ever more countries from 1962.

Table 10.2 shows where Bertelsmann has concentrated its internationalization efforts—on the advanced consumer markets in the Western world. In the last few years, the focus has even narrowed down to Europe as the U.S. market has declined in importance following the sale of all U.S. magazines in 2005 and BMG-Sony in 2006. This underrepresentation of the world's most advanced consumer society also has to do with legal restrictions inside the United States. The Communications Act of 1934 still limits foreign ownership of broadcast facilities, preventing RTL, for example, from running channels in the United States.

Bertelsmann remained a very German company at the top as it has had few foreign executives.[15] Returning to Table 10.1, Row 5, we can see, if we remove Austrian Egmont Lüftner from the foreigner bracket as well as American Peter Olson, the son of a German mother, that there has been no single "truly international" member of the executive board. The board's language is still German today. Peter Olson, board member from 2001 to 2008, however, is a rather international figure. With a law degree and an MBA from Harvard, he had worked in Japan for Dresdner Bank and in Germany for an American bank before he joined Bertelsmann in 1987. The supervisory board is also dominated by Germans, particularly former top managers from Bertelsmann and other leading German companies, and the family presence increased after 2006. Under German codetermination laws, several seats have to go to representatives of the works council and one to a representative of the middle management. In 2009, family, employee representatives, and the former Bertelsmann CEO had the majority of the 14 seats while there were only two non-German members.

Table 10.2 Bertelsmann Sales by Countries, 1990–2009

	1990/91	2000/01	2009
Germany	37.0%	30.6%	35.0%
Other European Countries	35.9%	31.5%	47.7%
USA	20.9%	32.2%	12.5%
Others	6.2%	5.7%	4.8%

Sources: Bertelsmann Annual Reports.

The composition of Bertelsmann's boards does not reflect the multinational scope of the corporation. Up to 2011, none of the CEOs in office had any prolonged managerial experience abroad. While family firms typically appoint either family members or long-serving employees to its top positions, at Bertelsmann, the family was not present on the executive board after 1981, nor did it ever play a strong role as a vehicle for internationalization. Only one of Mohn's six children entered a management position in one of the foreign subsidiaries. Nonetheless, for the top management at Gütersloh headquarters, trustful and cordial relations with the family have remained of paramount importance. More than in managerial firms, Bertelsmann expects a certain cultural fit and a deep-seated loyalty, as well as an intimate understanding of the family's priorities. The career of Hartmut Ostrowski, CEO from 2008–2011, demonstrates just how long it can take to develop the requisite degree of mutual trust to bridge the family and the corporate sphere at Bertelsmann. Born in nearby Bielefeld, Ostrowski studied business administration at Bielefeld University and, at age 25, joined Bertelsmann immediately after graduation in 1982. Apart from a short stint at the German branch of the U.S. bank Security Pacific, he not only spent his entire career with Bertelsmann but also in Germany. In fact, he worked most of his life within a 10-mile radius of his birthplace.

Throughout its history, Bertelsmann has been almost 100 percent self-financed, mainly through ploughed-back profits, a growth-restricting preference typical of family firms that seek to avoid the influence of external stakeholders. For a long time, the family hardly withdrew any earnings from the company, certainly reflecting a predisposition for growth, and foreign shareholders simply did not exist (see Table 10.1, Row 7). At two important junctures, however, the family did allow minority stakes by outsiders: First, when Bertelsmann, which was transformed into a joint-stock company in 1971, bought Gruner + Jahr in several steps from 1969 onwards, it had to resort to a share swap, conceding 11.5 percent of its shares to German publisher Gerd Bucerius. Then, in 2001, Bertelsmann swapped shares with Belgian tycoon Albert Frère to raise its share in RTL to 67 percent in exchange for a 25.1 percent stake in Bertelsmann. This second share swap, in particular, highlighted the problems of outside influence, so that the company eventually bought back all externally held shares in 2006. Although the family had retained firm control, there were suddenly outside shareholders with their own agenda on the supervisory board. The representatives of Frère were very different from Bucerius, who had had personal ties to the Mohn family. Now, revolutionary changes were discussed like going public. The partial opening up to external—in this case also foreign—capital and the attempt of then CEO Thomas Middelhoff to leave behind the conservative principles of the Mohn family contributed to Middelhoff's resignation in 2002. In 2006, the company bought back all externally held shares.[16] In 2009, Bertelsmann was de facto 100 percent family owned, although legally the Bertelsmann foundation held 77.4 percent and the family only 22.6 percent.

In sum, Bertelsmann AG bore many qualities that some academics consider to be structural elements that disfavor internationalization: its funding was principally internal, its top decision makers were nationally recruited, and it was supervised by a family with strong local roots and little international experience. Such near identity of private wealth and business stakes is said to breed a distinct conservatism that favors allegedly safe niches and deters risky investments in unknown territories, supposedly making family firms "reluctant internationalizers."[17] Bertelsmann, however, is a powerful example to the contrary as it had a strong internationalization of management and capital below the level of the corporate center, that is, the Bertelsmann AG, which is organized as a management holding. In 2008, it had 1,086 subsidiary companies (915 fully consolidated), 51 joint ventures, and 120 associated firms.

One foundation of Bertelsmann's management philosophy has been the principle of decentralization, as the annual report clearly stated in 2009 in reflecting on the firm's core values in its 175th year:

> decentralization is an essential part of our culture, and together with the structure of our company, it forms the secret of our success. (. . .) We used the decentralized power of our company to act quickly . . . each division . . . in its own way. Once again, the entrepreneurs who make up Bertelsmann's "company of entrepreneurs" acted decisively, aided by their close proximity to their markets and to their customers. (. . .) Our operating businesses are run by managers who act as entrepreneurs: They enjoy considerable independence and bear full responsibility . . .[18]

Although printed on glossy paper, this report is not merely a slick PR statement but a clear-cut policy best suited to the diversity of the corporation's operations and regional outreach. A strong centralization have would have been extremely counterproductive. Reinhard Mohn, to his great merit, understood this from the beginning, combining central control with freedom of action in decentralized profit centers. This approach opened up many opportunities for foreign managers and foreign capital to become part of Bertelsmann. However, what these company statements do not admit is that the emergence of Bertelsmann as a decentralized multinational firm was neither the result of a grand masterplan nor a smooth process.[19]

10.3 "WHAT'S THE POINT OF GOING TO SPAIN?" BERTELSMANN'S FIRST FOREIGN MARKETS

Had Bertelsmann followed the Uppsala model of internationalization, it would have begun to expand its business outside of Germany first by turning to neighboring markets. Yet Spain was the first site of substantial FDI and

the company's first foreign book club in 1962, while neighboring countries like Austria, Holland, Belgium, France, and Denmark got such clubs only later, with Denmark as late as 1973. The choice of Spain came as such a surprise, especially as the country was outside the European Economic Community (EEC), that the company published an article in its journal to clarify "What's the point of going to Spain?" In short, the article presented this step as one of moderate investment and minimal risk because of the Spanish partner company's (Vergara) capital, sales experience, and existing demand. In addition, Vergara's main shareholder, the plastic producer Aiscondel, was well equipped with capital. At the same time, the article maintained that Spain in 1961, though under Franco's dictatorship, displayed "stunning similarities to Germany around 1950": it was liberalizing and the standard of living was rising, while there were still significant reserves in the labor markets making it "easy . . . to recruit reliable salesmen and workers." Moreover, Spain would be "forced to come to an arrangement with the EEC," and it held the promise of "exceptional opportunities," especially given the rising Spanish-speaking population in the world, which at that time comprised 100 million people.[20]

Mohn did not have a clear globalization strategy, as this article implied, and he had not even initiated the joint venture. Vergara's owners, impressed by Bertelsmann's club, had established a first contact at the Frankfurt book fair and then paid a visit to Gütersloh,[21] just as the spectacular growth of the German book clubs—from zero (1950) to 2.5 million members (1960)—and the postwar catch-up demand for books had leveled off. The Spanish book market was underdeveloped in many ways: Many small towns had no libraries or bookshops in the 1960s, yet as illiteracy and poverty declined, the reading public expanded. Vergara believed that Bertelsmann's direct-marketing system was perfectly geared to serving this emerging mass market. The same rationale applied to the potentially giant Latin American market, the natural export area for books produced in Spain.

Despite the strong potential of the Spanish market, the choice of this country as a first foreign market also brought complications. Although the Franco dictatorship had been trying to modernize Spain after decades of stagnation since establishing the Plan de Estabilización in 1959,[22] liberalization was far from complete in 1962. In fact, profit transfers were not allowed until a decree was passed in 1963, and majority ownership by foreign entities was still forbidden, despite the friendlier framework for foreign investors in many sectors including publishing. Therefore, Bertelsmann and Vergara had to utilize legal sophistication and local partners to give the Spanish venture the appearance of being all Spanish. Bertelsmann bought a 50 percent stake in Vergara in 1962, and the subsequent founding of "Vergara, Círculo de Lectores" in Barcelona looked like an all-Spanish venture, at least on paper. The official founders and managers were Spanish nationals. No shares were directly held by Bertelsmann.[23] To supply the Círculo a large bookbindery and a printing factory, Industria de la Encuadernación, were set up in 1962 with a similar legal construction. Thus, Bertelsmann did not appear in the Constitution Writing of both companies created in 1962 but controlled them through Vergara.

In 1963 a nationwide system of agencies was build up. Books were delivered by messengers on motorbikes who were also sales representatives and money collectors. One "messenger" attended to 150 customers. The club targeted, just as in Germany, the mass market and clients who would traditionally not buy books. Membership fees were modest, and members were overwhelmingly women of the lower middle class.

Despite these fast advances, conflicts emerged in the first months. Given the high capital needs of the club, it seems that Aiscondel lost confidence in the project and Vergara ceased to be a useful instrument. In 1964, the name and the purpose of the printing company were changed. Printer Industria Gráfica emerged as a holding company. Arcadia Verlag, a Swiss publishing subsidiary of Bertelsmann, now gradually bought up shares in it. At the same time, Printer itself acquired shares of "Círculo de Lectores" until it owned 100% in 1966.[24]Also in 1963–1964, Bertelsmann installed a new management team of mixed nationality at Circulo, and Arnold Schmitt became general manager. In 1964 Bertelsmann had assumed sole responsibility. In May 1965, Schmitt assembled a Board of Directors. Members were José Esteve and Eduardo Nolla. The latter was an important figure in the Spanish publishing sector with excellent relationships to the Franco government. Nolla was in fact General Secretary of the Instituto Nacional del Libro Español (INLE). Founded in 1941, it was responsible for publishing policies, commercial protection, and censorship. This close tie to a high-ranking cultural official proved to be a great advantage. It helped circumvent many of the problems foreign companies faced and, above all, participate in subvention programs. Franco's development plans for the publishing sector aimed at increasing exports to Latin America, which dovetailed with ambitions to restore the Hispanidad, that is, the unity of the Spanish-speaking world and the Spanish influence in Latin America.

Bertelsmann enormously benefitted from this policy. Between 1969 and 1979, the Circulo founded clubs in Mexico, Colombia, Venezuela, Argentina, and Ecuador, Uruguay, Costa Rica, Peru, and Panama. The top management was of German, Spanish, and indigenous origin. Some managers were of mixed nationality, expats or children of immigrants. Mohn set some ground rules in 1967. Together with three top managers from Circulo (Schmitt, Larrio, Esteve), he traveled to Mexico to hire "local managers." Then these were "sent to Barcelona for training." Besides, Spanish managers had to support them and "be in Mexico for a prolonged time. Once local management will be capable of doing their job by themselves, we can prepare work on the next country."[25] A pattern was set. First the new clubs were part of Circulo but then operated more or less independently. Colombia had the most successful club with 924,000 members and 3,000 messengers in 1984.

In most Latin American countries with the exception of Colombia, Bertelsmann initially owned 100 or close to 100% of the clubs. For some years, joint ventures were agreed on in Ecuador, Brazil, Argentina, and Mexico, mostly with Latin American investors and publishers. Just as in Spain the "support of the cultural public authorities"[26] was vital. Although a factory was built in Colombia in 1977 to supply also neighboring countries, in the early 1980s most output was still printed in Spain. In 1983, Círculo de Lectores was the second-largest publishing exporter in Spain. Economically, the performance of most Latin American clubs was disappointing. Only Colombia constantly earned net profits. Many countries were hit by high unemployment and inflation. Thus the import of books from Europe did not create sufficient if any yields. There were also problems with local managers and authorities. Bertelsmann began its retreat from the Latin American market in 1980.[27] The Circulo had 1.1 million members in 1975. In the early 1980s, when the concentration of the Spanish publishing sector started, Bertelsmann was one of the leading publishing and printing groups. In 1971 it had bought 50% of Vergara and in 1977 49% of Plaza y Janés, one of the most important Spanish publishers. As intermediaries, Bertelsmann used Printer Industria Gráfica and the Spanish instrument company Nadinver.[28] In 1982 Bertelsmann acquired 100% of Plaza y Janés again through Printer. This transaction required a permit by the Spanish government. Later, Bertelsmann expanded its position in the Spanish-speaking market through the acquisition of Debate (1994), Lumen (1997), and Sudamericana (1998), the largest Argentinean publisher.

The Circulo was headed by Arnold Schmitt from 1963 to 1976 together with a predominately Spanish team. In 1969, he thanked Mohn for the chance to receive from Gütersloh organizational knowledge, investment funds, and "constant improvements of my salary." At the same time there was no unwanted interference from headquarters and no "smart alecky corporate bureaucracy stifling" local initiatives.[29] Schmitt was succeeded by Gerhard Greiner (1976–1980), and Hans Meinke from 1980–1997. Meinke was born in Palma de Mallorca (Spain), went to school in Spain and attended university in Germany. In 2001 Fernando Carro took over. He was born in Barcelona, where he attended the German School. He then went to college in Germany, and worked within Bertelsmann for publishers in Germany and in Spain. In 2006 he became global head for all club activities. In 2010 50% of Círculo was sold to the Spanish publisher Planeta Group and Carro moved into Circulo's supervisory board.

Bertelsmann maintained the pattern set in the early Spanish and Latin American clubs, treating them primarily as local ventures rather than as "objects of cultural imperialism." As the annual report of 1979/80 put it, Bertelsmann set up "specific programs for each country," buying licenses from publishers of those countries and leaving "sole responsibility for the program . . . with the editorial office in the respective country."[30] This made sense from a marketing point of view, but in Latin America, the number of licenses from national publishers was relatively small. In Europe, most licenses were indeed bought from publishers of the respective country.

Being local was essential for many reasons, including cultural acceptability. An extreme example of such a case was the founding of the club "Meilat-Moadan, Israel Letarbut" in Israel, where a German media company was viewed with understandable suspicion. It was founded as a joint venture with Keter Publishing (Jerusalem) in 1980, had exclusively Israeli management, and included Hebrew literature in its program. Yet the book club failed despite Bertelsmann's efforts to make the club culturally acceptable, though primarily for business rather than cultural reasons. It closed in 1988 because of two peculiarities of Israeli economic policy. First, the club was not allowed to sell its books cheaper than any bookstore and second and much worse, high inflation coincided with a price freeze on books.[31]

Given the geographical and cultural proximity, it is perhaps not surprising that the largest and most successful of Bertelsmann's book clubs was France Loisirs, founded in France in 1970 together with the large publisher Presses de la Cité, each partner having a 50 percent stake. Yet this venture also had its problems and got off to a shaky start: There was strong opposition from French book dealers and publishers, as well as internal problems, high debts, and a management crisis. As Bertelsmann reported 10 years later, "Although it looked as though the club did not stand a chance, it achieved a breakthrough under new, predominantly French management"[32] garnering 2.9 million members, 186 stores, and 300 million DM in sales by 1980. To be sure, Bertelsmann filled a number of key positions in the French club with French people, yet the claim of French predominance is exaggerated in this case, which, in fact, highlights another feature of Bertelsmann's corporate culture: entrusting relatively young managers with lots of responsibility. The club's general manager was Walter Gerstgrasser, an Italian from the German-speaking region of South Tyrol, who had joined Bertelsmann in 1970. After only nine months and in his mid-30s, he was put in charge of France Loisirs in 1971. The head of the program's department was another German, Karsten Diettrich. Gerstgrasser turned France Loisirs into the biggest (5.4 million members in 1992) and most profitable of Bertelsmann's clubs.[33] The fact that since 1981 French law allowed the club to offer its members a significant price advantage proved crucial. Gerstgrasser also used France as a springboard to other francophone countries. Clubs were opened in Quebec, Switzerland, Belgium but a campaign to reach out for Algeria in 1980 and then all of the Maghreb came to nothing. In 2001 Bertelsmann acquired 100 percent of the capital and sold the club in 2011.

In their heyday, the clubs had almost 29 million members in 36 countries. Like most Bertelsmann subsidiaries, they always had a strong local character, first of all in terms of the selection of book titles, but also—to varying degrees—in terms of management, political connections, and capital. The rules of the clubs were never uniform. Different legal requirements, book price regulations, as well as market and political conditions, required diverse solutions. As the examples above illustrate, many of the clubs started as joint ventures not only because of the family firm's notorious shortage of investment funds but also because it was seeking local knowledge and acceptance.

As for management, even the Germans in top positions abroad became locals in a sense. They stayed in their positions for a very long time and adapted to the culture of their new home countries. There was no systematic rotation of top personnel from one foreign subsidiary to another. Moreover, the down-to-earth culture of headquarters was continued in the subsidiaries, and experiential knowledge in local contexts was key. It required long tenures and the acculturation of deployed German managers as well as the integration of indigenous nationals. The Spanish example also demonstrates how becoming international coincided with staying local in a double sense, namely, remaining embedded in the home nation and even region and, at the same time, making extensive use of local resources in the host economy. Internationalization in this case amounted to a fusion of ownership advantages (especially the club model) and locational advantages (especially cultural and social capital, as well as political connections).

10.4 A "EUROPEAN-AMERICAN MEDIA COMPANY WITH GERMAN ROOTS"[34]: THE MAKING AND RUNNING OF RANDOM HOUSE

Bertelsmann began to pursue the internationalization of other parts of its business in the 1970s, focusing on its publishing. There were several reasons for the company to internationalize. One was a new barrier to further growth in Germany in two revisions of the antitrust law introduced by the Social Democratic–Liberal coalition that had come to power in 1969. Having made media concentration a highly sensitive political issue, the government implemented scrutiny of large mergers in 1973 and the strict supervision of press mergers from 1976. After Bertelsmann had bought Gruner + Jahr in 1972–1973, it had become one of the Federal Republic's largest magazine publishers. With the new government oversight, it became all but impossible for Bertelsmann to make any more major acquisitions inside Germany after the incorporation of Gruner + Jahr so that it stepped up foreign book and record clubs and began internationalizing its music business. Under the Ariola label, it set up subsidiaries in the Netherlands, Belgium, and Luxembourg (Ariola Benelux) in 1969, as well as in Spain in 1970, France in 1973, the United States in 1975, and Mexico and the United Kingdom in 1977. Other reasons to internationalize included the collapse of the Bretton Woods system of fixed exchange rates in 1971 and the oil shocks of 1973–1974 and 1978–1979, which caused inflation and unemployment to soar. Stagflation along with sharp swings in the exchange rates put a heavy burden on the international economy. In this context, it made sense for Bertelsmann to diversify geographically.

In 1975 Bertelsmann's publishing division comprised 25 firms and groups in Germany and one in Switzerland. The move of headquarters from

Gütersloh to the important literary marketplace Munich in 1972 and the restructuring of the division by the new head Ulrich Wechsler in 1975 were signs of growth to come. In 1977 Bertelsmann bought Goldmann, a major paperback publisher, and a couple of other German firms in the following years. The first major step abroad was again into Spain, by now familiar territory.[35] In the same year, 1977, the aforementioned 49 percent of Plaza y Janés was acquired. Later the same year Bertelsmann landed a major coup that propelled the company all of a sudden into the sphere of major international publishers. It bought a 51-percent stake in Bantam books, the world's largest paperback publisher, which was, while based in the United States, also active in Canada, the United Kingdom, Australia, and New Zealand, for an estimated \$36 to \$50 million. Bertelsmann had bought the shares from the Agnelli group (Fiat) along with a 30% stake in the Milan-based Fratelli Fabbri Editori.[36] There was no long-term strategic planning preceding this deal. While the contracts for Fratelli Fabbri Editori were being prepared, the Agnelli group mentioned that it wanted to sell Bantam too. As Wechsler reflected on the transaction: "Acquisitions can only be planned to a limited degree (. . .) Luck and chance play an important part."[37]

This unplanned acquisition of Bantam, in the end, turned out very well for Bertelsmann, but it could have been otherwise. Just as the theoretical literature on family firms suggests, personality and trust played key roles. CEO Reinhard Mohn's sensitivity and modesty, as well as the trust-enhancing family tradition of the company reaching back into the nineteenth century, helped the new business partners overcome initial suspicion to develop a good relationship.

Immediately after signing the contract, Mohn flew to New York to meet Bantam CEO Oscar Dystel and his managers, but the atmosphere was "icy," and they gave him "a harsh welcome." Reflecting on the encounter, Mohn attributed their coldness to the fact that Dystel was Jewish and saw in him "a representative of a murderous regime, one with the audacity to act like the owner of an American publisher." Mohn quickly realized that he would have to devote considerable effort to making the relationship with Dystel work: "We looked at each other. It was clear to me at that very instant that I'd have to ignore my calendar. . . . Over the next five days and nights, Oscar Dystel, his managers and I discussed matters. We became friends."[38] The two men discovered a lot of common ground. They had started making their names about the same time: Mohn had founded his first book club in 1950 while Dystel had taken over as Bantam's general manager in 1954. Mohn talked about his youth in Nazi Germany and his war experiences, including two years in a POW camp in Kansas from 1944 to 1946. He emphasized the fair and liberal treatment he had received there and the culture of individual responsibility he encountered among Americans, which struck him as a positive countermodel to the authoritarian traditions of his homeland and contributed to his enthusiasm about U.S. management methods.

The relationship between Dystel and Mohn was crucial to making the deal work. Many leading figures in New York's publishing industry were of Jewish descent, and objections to a German takeover and to Germans in general loomed large. The contact between Mohn and Dystel eased Bertelsmann's start in New York, although many objections remained in place. It also helped that Mohn trusted the existing management and initially refrained from sending over managers from Germany. Wechsler explained his company's hands-off approach in 1977: "I don't think it is necessary for one of us to go to New York. It is sufficient to pay regular visits and have talks . . . every six to eight weeks."[39] With the trust Mohn put in him and the two men's friendship, Dystel stayed on until his retirement in 1980.

As in the Bantam case, Mohn's personality and the family tradition of the company proved to be assets in initiating many of Bertelsmann's early deals during an era when the image of the "ugly Germans" was still vivid. In the late 1960s, Bertelsmann's first attempts to found a book club in France had failed, but a second initiative succeeded because, according to Mohn, he and Pressé de la Cité's CEO, Sven Nielsen, got along with each other. Having lived in France since 1924, the Danish bibliophile had experienced the German occupation and was married to a member of the French resistance. To be sure, Nielsen was certainly not the natural partner for a German who had fought in the Wehrmacht, yet the two developed a trusting relationship leading to "years of cooperation" that came to be some of Mohn's "most cherished professional memories." In Mohn's estimation, Nielsen had been "a reliable friend all those years" who had shown him "that contracts . . . have their place in professional life, but they cannot replace personal integrity, mutual trust and respect." Although the two drafted a detailed contract, Mohn noted, "never once" did they have to refer to the agreement.[40]

By 1980, when Bertelsmann bought the remaining 49 percent of Bantam, the company's publishing division had made great strides in internationalization, with autonomy and local knowledge and connections proving to be vital components in the process. More than half of turnover, which had skyrocketed from 81 million DM in 1971–1972 to 634 million DM in 1980–1981, was generated abroad. Now in possession of 24 separate publishing houses, 5 of which were located outside of Germany, the company reorganized the publishing division into several subdivisions that reported to the division headquarters in Munich, although the operation units remained in the respective countries. As long as the imprints met their financial targets, they enjoyed a high degree of autonomy. Bertelsmann recruited managers locally or simply retained the previous management, foregoing the systematic exchange of foreign for German managers in order to capitalize best on local knowledge and connections—most of all, personal relations to literary agents and authors—that were and still are so crucial to the business.

Bertelsmann's internationalization of publishing from the late 1970s onwards differed strongly from the expansion of its clubs in the 1960s. In the earlier period, Bertelsmann had aimed for organic growth with modest investments, building up businesses from scratch in many countries. In the later period, by contrast, it made capital-intensive acquisitions that brought about huge leaps in growth. After such purchases, it took the company several years to regain liquidity and credit before it could take its next major step as it paid for them partly out of its free cash flow, bank credits, and bonds, only issuing its first bond ($200 million) in 1986.[41] After acquiring the remaining 49 percent of Bantam in 1980, Bertelsmann had to wait until 1986 to buy Doubleday and Dell/Delacorte for an estimated $475 million and then until 1998 to take over Random House for an estimated $1.4 billion.

Each of the acquisitions increased Bertelsmann's overall size, which improved its economies of scale and scope but also gave rise to high restructuring costs. With the acquisition of Doubleday and Dell/Delacorte in 1986, Bertelsmann became the second-largest publisher in the United States and was able to merge the logistics, distribution, and administration of its U.S. publishing and printing operations. The acquisition made Bertelsmann strong in both the hardcover and paperback markets, which meant it could contract for both with authors and coordinate its advertising accordingly. In negotiations with agents, authors, booksellers, and other publishers, increased size meant increased leverage. On the other hand, the restructuring included replacing most of the management of the newly acquired firms by Bantam, selling off Doubleday's chain of bookstores and its printing plant, and sharply curtailing its publishing program. These steps were necessary because the rising advances paid to star authors and the high discount for chain retailers had cut into profits.

The purchase of Random House (founded 1925–1927) in 1998 then made Bertelsmann the largest publisher in the world. With 23 percent of the world's trade books—nontechnical books for general readers—and $1.8 million in revenue, it was double the size of the next largest house, Simon & Schuster. This merger took many Americans by surprise, "rais[ing] the usual outrage about media concentration, with a dose of cultural xenophobia thrown in."[42] One factor contributing to the furor was the Jewish origin of many authors and publishers; some of the acquired imprints like Pantheon (founded in 1942 in the United States) and Schocken (founded in 1945 in the United States), in fact, had been set up by exiled Jewish publishers. Also originally a Jewish family company, Alfred Knopf (founded 1915) has been part of Random House since 1960.

Despite the company's tremendous new size—and its commanding presence in the U.S. book market since its acquisition of Bantam in 1977—Bertelsmann was virtually unknown outside the industry, primarily because it kept using the brand names it had acquired. In a decentralized structure, it simply made no sense to push a strong umbrella brand. Thus, although Bertelsmann acquired a staggering number of imprints, it did not institute a sweeping policy of consolidation and centralization. While general functions like distribution, finance, marketing, production, and rights management were centralized, the individual imprints enjoyed a high degree of editorial

autonomy, even though some restructuring and mergers of subdivisions and imprints occurred.

This strategy was not surprising, given Reinhard Mohn's vision—already outlined in a speech in New York in 1978—of how to structure a huge media concern, which stressed the need to preserve the comparative advantages of small, localized structures:

> The assessment of literature and contact with authors are tasks which only a handful of finely-attuned persons can master. The . . . advantages of a large company are of little use for such work. On the contrary, we find out again and again that the routine of a large company inclines to suffocate the creativity needed for the editorial work. In part, this inability . . . can be attributed to the easily comprehended fact that extremely sensitive and creative staff do not find the necessary working requirement in large companies. . . . [T]here is also the flaw that the feedback of market experience which is so necessary for the development of the powers of judgement . . . is not felt with . . . sufficient intensity in a large company. . . . [L]iterature . . . must take national characteristics into account . . . , so that the possibility for international cooperation turns out to be very limited. . . . For the same reason we can observe . . . that . . . professional know-how . . . stops when it comes to the frontiers of a country.[43]

The builder of a giant corporation was singing the gospel of the small firm. In fact, he aimed to combine the advantages of size, economies of scale and scope, with the flexibility and creativity of small and medium-sized enterprises. In plain words, Mohn highlighted the importance of proximity to markets, the strength of small units, the crucial role of human resources with local knowledge, and the cultural sensitivities of media products.

After 1998, Bertelsmann then folded Random House and Bantam Doubleday Dell into one firm. The integration of procurement, sales, and distribution alone brought tremendous economies of scale and scope. A warehouse was built that had space for 100 million volumes and could handle deliveries of 1 million books a day. Although Bertelsmann generally maintained and respected the individual imprints, it did subject the new publishing operation to massive streamlining. Prior to the deal, Random House's performance had been disappointing, despite its outstanding reputation for literary quality.

Around this time, Bertelsmann developed a new corporate image, presenting itself as a "European-American media company with German roots,"[44] and took a number of steps that accorded with this. In 2001, it renamed its *Book AG* book division *Random House* and transferred its headquarters to New York, not least because North America now accounted for 71.6 percent of its sales. Even the company's German-language publishers (8.9 percent) had to report to New York from that point on. The decision to use the name of an acquired company for the book division again reflected Bertelsmann's principle of decentralization, yet it also hinged on marketing considerations: Random House is a global brand name recognized in different cultures and does not reveal German ownership at first glance. It also appointed former banker Peter Olson as the CEO of Random House in 1998 and adopted International Accounting Standards (IAS) in 2001 in accordance with the company's new self-description.

Yet Bertelsmann's "European-American" claim was greatly exaggerated. No other division transferred its headquarters abroad, and the corporate center remained in Gütersloh. The relocation of the book division was exceptional and due to media producer's indispensable need to be close to authors and customers.

At first glance, the relocation of the book division appears to conform to Mira Wilkins's sixth stage of internationalization, when foreign subsidiaries grow more independent and a polycentric structure emerges. But, in fact, the theory that subsidiaries start as puppets on the string of the mother company and only gradually take matters into their own hands does not play out in the case of Bertelsmann, where the subsidiaries had a high degree of independence from the start. Yet, the philosophy of decentralized leadership did not grant divisions and subdivisions total autonomy. They had to coordinate their policies with Gütersloh and—above all—to deliver satisfactory financial results. Without them, these subsidiaries or their top personnel sooner or later disappeared, and literary traditions per se did not count much.

Whenever imprints missed financial targets, Bertelsmann suspended the principle of nonintervention with individual divisions. Prior to the acquisition of Random House, when Bantam Doubleday Dell had been in the red, Gütersloh had taken stringent measures, appointing Peter Olson CFO, who later became CEO of Random House. Perceived as an "outsider" and a "numbers person," Olson had implemented a severe cost-cutting operation and sold or closed down all units but the core book business. He did not, however, "interfere with the creative side" of this business but employed a hands-off strategy that, as he explained in an interview, was linked to financial performance: "If they meet their financial obligation to the company, they will have autonomy."[45] In fact, Bertelsmann made a point of finding top managers from outside the publishing industry. Another example was Jack Hoeft, the CEO of Bantam Doubleday Dell from 1989 onwards, who was brought on board from Coca-Cola. According to Olson, Random House took a "financial approach" to the book world. People in the trade with a more traditional, literary outlook saw in him "some kind of demonizing pariah."[46]

At the same time, in line with Mohn's vision, literary traditions were important as long as they helped the bottom line, so insiders with a literary background were also needed. Ann Godoff, a kind of star in New York's literary scene, attracted authors to Random House by paying mammoth advances, such as $5 million to Salman Rushdie. When she failed to match those advances with sufficiently big sales, Olson fired her in January 2003 and merged her division (Trade Group) with another (Ballantine), which dismayed many observers. Immediately after Godoff's downfall, Penguin offered to

build up her own imprint, Penguin Press, and about 30 authors followed her, which again underlines the importance of personal resources in this business.[47]

Five years later, Olson himself left when Random House was not performing as well as it should have. Between 2006 and 2008, sales had declined by 11.6 percent and profits by 24.7 percent.[48] The book clubs Columbia House und Bookspan that had been acquired in 2005 performed disastrously and were sold in 2008. On top of this, the financial crisis of 2007–2009 set in.[49] The new CEO, Markus Dohle, restructured Random House by merging five subdivisions into three. About 350 jobs were cut. After stagnation in 2009, the availability of 20,000 e-book titles in 2010 helped usher in a considerable rebound in sales and profits. Considering the structural problems publishing in general is now experiencing, Random House has a very strong market position. Since 1998, Random House has garnered 18 Pulitzer Prizes and a long list of National Book Awards. In 2009, it put out 15,000 new titles and sold 500 million books worldwide. In 2011, Random House comprised more than 120 editorially independent imprints and publishing companies in 19 countries whose books are sold in almost every country in the world.

10.5 CONCLUSION

These two case studies of the internationalization of Bertelsmann divisions have demonstrated clear limitations to the Uppsala and the Wilkins models. Neither in the club nor in the publishing business were exports the starting point. In accordance with the models, however, Bertelsmann, used the domestic market as a training ground, only crossing national borders after finding successful business models in Germany and then hitting upon obstacles to further domestic growth. It skipped the models' export phase, mainly because books are culturally sensitive products and the German-language market is too small. The size of language markets also help explain why Bertelsmann's internationalization pathway did not start in neighboring countries but in Spain, with access to the giant Spanish-language market. Another reason was that entry barriers to the English-speaking world market were much higher. In the developing Spanish market, a newcomer like Bertelsmann with little capital could hope for success.

A factor completely missing from any of the models that also played a role in Bertelsmann's choice of Spain was opportunity, and sometimes mere chance. The "network extension pathway" did not contribute to it at all. Neither family members nor long-serving employees set up foreign subsidiaries. Relatives were either not interested or not capable, and long-serving employees were not available in sufficient numbers as the company was growing so fast. Instead, Bertelsmann entrusted young ambitious managers from Germany, the host country, or third countries with this task. The only family member who played an active role was Reinhard Mohn, who opened doors by building up strategic friendships and personally supervising the first subsidiaries and selecting their managers.

Contrary to what Wilkins's model predicts, the subsidiaries enjoyed considerable independence from the start as Mohn favored a decentralized structure. The result was ample leeway for foreign subsidiaries but definitely not a polycentric corporation. Overarching strategic decisions remained the prerogative of Gütersloh. When financial returns were disappointing, decentralized units regularly hit upon the limits of their freedom, experiencing intervention, reorganization, an exchange of managers, or even disinvestments, as was the case in Latin America.

The family-owned and -controlled structure of the company neither inhibited nor fueled internationalization. It set financial constraints but did not lead to risk aversion. The family always had the power to withdraw capital from the company but they minimized dividend payouts for decades, thus helping growth and internationalization. However, both might have been even faster had Bertelsmann opened itself up to capital markets. In this respect, the usual growth restrictions of family firms remained in place.

Despite the enormous international scope of its operations, Bertelsmann remained a German company in terms of its top management and capital structure. On the second and third level of the corporate hierarchy and structure, there was much more multinationalism. Joint ventures made the injection of foreign capital—often necessary for legal and/or monetary reasons—possible. In most cases, Bertelsmann conceded only minority shares to outside investors, limiting outside power over the subsidiaries and shutting out external influence on the Bertelsmann holding apart from 2001 to 2006. Bertelsmann, thus, has always remained a true family firm.

Top management remained locally grounded in Germany and Gütersloh, but the managers of the several hundred foreign subsidiaries were, likewise, locally grounded in their respective countries. Local knowledge and connections, legal and political restrictions were of paramount importance, so the top foreign managers were often recruited within the host countries, immigrated into the host countries for good, or came from families with mixed nationalities.

Although local managers did not always produce the desired results and manifest conflicts between the center and the periphery occasionally erupted, the local-grounding approach worked overall. Mohn's entrepreneurial vision encouraged people to try out their ideas. His belief in decentralization and his promotion of initiatives from below precipitated an impressive growth dynamic. For him, becoming global and staying local was no contradiction at all.

NOTES

1. This contribution is based largely on Berghoff, 2010.
2. Johannes Mohn (third generation) was the son-in-law of Heinrich Bertelsmann (second generation) and took over in 1887 because Heinrich had no surviving sons. Friedländer and Bühler, 2002, 26–34.

3. Berghoff, 2013.
4. Penrose, 1959.
5. Johanson and Vahlne, 1990.
6. Wilkins, 1974, 416–422.
7. Casson, 1999. Puig and Fernández Pérez, 2009. Berghoff, 2006a. Lubinski, 2010.
8. Australian family entrepreneur, quoted in Graves and Thomas, 2008, 163.
9. Casson, 2000. Kogut and Zander, 1993. For a summary of this literature, see Casillas, Acedo and Moreno, 2007, especially 73–93. Fernández Moya, 2010.
10. See Lubinski (this volume.)
11. Berghoff, 2001. Berghoff and Spiekermann, 2010.
12. Markovits, 2000.
13. Graves and Thomas, 2008, 162.
14. See Gupta (this volume.)
15. This was not exceptional even among large German firms. Daimler-Benz had no foreigners on its executive board until 1997 and no foreign shareholders until 1972. Grunow-Osswald, 2006, 454–455.
16. Bucerius's shares had been inherited by the Zeit Foundation in 1995 and were bought back between 1999 and 2003. Lindner, 2010.
17. Gallo and Sveen, 1991.
18. Bertelsmann AG Annual Report 2009 (English version), 25 and 33.
19. For similarities with Unilever, see Jones, 2002.
20. *Bertelsmann Illustrierte* 1962.4, 4–5.
21. Ribera, 2008. Lokatis, 2010.
22. This section draws heavily on extensive information provided by Maria Fernández Moya. I am very grateful for her kind and open cooperation.
23. Nicolás Surís Palomé (Vergara's CEO) bought 160 shares on behalf of Vergara; Juan Pujol Borotán and Pedro Pararols Riere bought 19 each. *Archivo General de la Administración* (Alcalá de Henares, Madrid), Culture Section, Instituto Nacional del Libro Español, *Registro de empresas editoriales*, Box 60; and information provided by Unternehmensarchiv Bertelsmann AG (hereafter UA BAG).
24. Ibid., and Constitution Writing, July 20, 1962; Notary: José Vall Serrano, Protocol: No. 2952 (Barcelona).
25. UA BAG 0006/63, Letter Mohn to Schmitt, July 6, 1967.
26. Bertelsmann AG Annual Report 1979/80, 26.
27. Bertelsmann AG Annual Report 1980/81, 27–28, and UA BAG, Memo by Andreas Knura, "Die Clubaktivitäten von Bertelsmann in Lateinamerika 1967–1993."
28. Letter from Plaza y Janés to the General Manager of Book and Libraries, Nov. 30, 1977. *Archivo General de la Administración* (Alcalá de Henares, Madrid), Culture Section, Instituto Nacional del Libro Español, *Registro de empresas editoriales*, Box 6.
29. UA BAG 0046/69, Letter Schmitt to Mohn, Dec. 30, 1969.
30. Bertelsmann AG Annual Report 1979/80, 26.
31. Bertelsmann AG Annual Report 1978/79, 13 and Lokatis, 2010, 161.
32. Bertelsmann Report 1980/14, 10.
33. He remained at its helm until his death in 1992. See Lokatis, 2010, 162.
34. *Bertelsmann Management News* 64 (1998): 4.
35. There had been small subsidiaries in Austria and Switzerland prior to 1977.
36. Füssel, 2010. Greco, 1997, 64–72.
37. "Interview Ulrich Wechsler," *Bertelsmann Report* 101 (Oct. 1977): 5–12, 6.
38. Mohn, 2009, 71–72. See also UA BAG 0046/513, Letter Mohn to Dystel, Oct. 31, 1982. This friendship is not mentioned in *Reminiscences of Oscar*

Dystel, 1986. Transcript of an interview, Columbia University, Oral History Research Office, American Entrepreneurs Project, RLIN number NXCP88-A113. It confirms the initial conflict and Mohn's visit.

39. "Interview Ulrich Wechsler," *Bertelsmann Report 101* 1977 (Oct. 1977): 5–12, 11.
40. Mohn, 2009, 69–70.
41. Berghoff, 2010, 40–43, 49–53, and 58–49. *New York Times*, Sept. 27, 1986, and Mar. 24, 1998.
42. *Time Magazine*, Apr. 6, 1981. http://www.time.com/time/magazine/article/0,9171,988089,00.html (retrieved March 25, 2013)
43. UA BAG 0007/692, Lecture Reinhard Mohn at the German-American Chamber of Commerce in New York, Jan. 14, 1978. See also Füssel, 2010, 114–119.
44. Bertelsmann Management News 64 (1998), 4.
45. All quotes from *New York Times*, July 20, 2003. http://www.nytimes.com/2003/07/20/magazine/20RANDOM.html?pagewanted=1 (retrieved March 25, 2013).
46. Peter Olson, quoted in *New York Times*, July 20, 2003. http://www.nytimes.com/2003/07/20/magazine/20RANDOM.html?pagewanted=1 (retrieved March 25, 2013).
47. *New York Magazine*, Mar. 26, 2001, and July 20, 2003. http://nymag.com/nymetro/arts/features/4506/ and http://www.nytimes.com/2003/07/20/magazine/20RANDOM.html?pagewanted=1 (retrieved March 25, 2013)
48. Bertelsmann AG Annual Report 2007, 26, 66, and 2008, 52. Exchange rate effects and the general downturn of U.S. consumer spending were among the causes.
49. Olson also had serious health problems in 2007. *Buchmarkt*, May 8, 2008.