

Rebuilding and rise to a worldwide corporation

1945–1966

World War II represented a profound disruption in Siemens' history. The war lost Siemens four-fifths of its assets, in Germany and internationally. Yet by the mid-1950s, the company was able to rebuild and return to the international market.

World War II in Europe ended with the German army's capitulation on May 8, 1945. The German Reich had suffered a military, political and economic collapse. The victorious Allies took complete control of the country and divided it into four occupation zones. Occupied Germany was to be demilitarized, its economic potential shattered, and its large corporations dismantled.

World War Two – A profound disruption for the company

At war's end, Siemens faced massive devastation. Many employees had been killed or severely injured. The majority of the company's production facilities in Berlin were destroyed; four fifths of its assets in Germany and internationally were lost. Yet thanks in part to the vigor and determination of its workforce, Siemens was able to get back into business and become competitive again.

One reason why the company was able to rebuild so successfully was that it decentralized its structure at an early point. At the start of 1945, the Managing Board already began forming what were known as "group managements." These comprised about 20 managers with full powers of representation, who moved to various company sites in western and southern Germany and per-



A new home in Munich – The historic Ludwig Ferdinand mansion became Siemens & Halske's new headquarters in a divided Germany.



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formed important corporate functions from there. The decentralized management of Siemens-Schuckertwerke was located in Hof, Bavaria, but moved in the summer of 1945 to relatively undamaged Erlangen, where Siemens-Reiniger-Werke had been producing medical technology equipment since the 1930s. Siemens & Halske group management was located in Munich. That proved to be a good strategic decision in the postwar years. The delicate political situation in the company's historic location, as well as the division of Germany into eastern and western zones, would have made it almost impossible to manage the rebuilding process successfully from Berlin. After a phase of transition and consolidation, on April 1, 1949, Munich became the headquarters city of Siemens & Halske, and Erlangen was the headquarters for Siemens Schuckertwerke. But Berlin was still a second headquarters city for each.

Getting back to strong basics – Siemens rebuilds

The company had already returned to prewar production capacity by 1950. Yet at first there was no question of resuming production in electrical equipment. The years after 1945 were a time of shortages – in machines, raw materials, and repairs. The immediate postwar years were dominated by “emergency production” of products needed for everyday use, like pots and pans, stoves, bicycle inner tubes, and coal shovels. In parallel, the company's employees worked on repairing communities' devastated transportation, lighting and power infrastructure. Only after the currency and economic reform of June 1948 could Siemens return to its traditional product range.

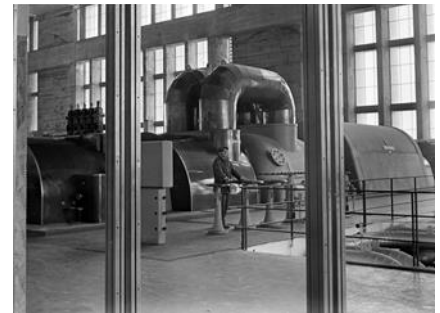
Siemens' rapid rebuilding benefited from two developments. First of all, corporate management was able to avert the breakup of the company that the Allies had originally planned. The managers successfully argued that a breakup into individual pieces would be impossible because of all the interdependencies within the company. The western Allies, concerned about the emerging Cold War, had a strong interest in a politically stable and economically strong Germany. So the company's argument



succeeded. Siemens also benefited from the rapid rise in demand for electrical and communications products during reconstruction. In addition to these classic core fields, during the 1950s the company also invested in new, fast-growing fields like semiconductors and computer technology.

Tough competition – Recovering international business costs time and money

But reviving the international business proved incomparably harder. It was only beginning in the early 1950s that the company was able step by step to buy back confiscated sales and production companies, as well as patents, brands and trademarks in other countries. And American competitors operating all around the world made it harder to regain former market positions. Nevertheless, Siemens soon landed prestigious large contracts that helped significantly to revive its business overseas. Among them were the 300-megawatt San Nicolàs power plant in Argentina, completed in 1956, the national telecommunications network completed for Saudi Arabia that same year, and the 1957 order to provide energy technology for a steel works in Rourkela, India, including drive motors and transformer substations. In fiscal 1956, Siemens’ export business was already contributing about 25 percent of total revenues.



A breakthrough – With the order to build the San Nicolàs steam power plant, Siemens landed German industry’s biggest export contract since World War II.

Setting the course for the future – Reconstruction ends with the founding of Siemens AG

Within another ten years, the phase of corporate consolidation and rebuilding was complete. Siemens had established itself as the market leader in the German electrical products market, and had also regained its former world market position abroad. Between 1950 and 1966, revenues sextupled to about three million deutschmarks, and by the mid-1960s exports had grown to more than 40 percent of the company’s business. This growth was also reflected in employment figures. While the company had about 80,000 people working for it in 1950, by 1966 the workforce had grown to 254,000, about 34,000 of whom were working outside Germany.



Siemens AG is founded – Setting the course for the future.



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In 1966 the company set a new course for the future. Its vigorous expansion both at home and abroad, and its involvement with new lines of business and technology, made it essential to reorganize the Siemens structure. Corporate management decided to combine Siemens & Halske AG, Siemens Schuckertwerke AG and Siemens-Reiniger-Werke AG legally and organizationally, and Siemens AG was founded as of October 1 of the year.

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