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Business Culture

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'It takes time to do a thing well.' (German proverb)

Recently, Bill, a new recruit to the Manchester subsidiary of a German corporation, was sent on a five-day seminar to Hamburg. It was his first visit to Germany. On arrival at the seminar hotel, he met his German colleagues and was taken aback at their seriousness and the formality of the atmosphere. Although he found the work interesting, and despite the fact that they seemed to loosen up in the bar in the evening, he began to wonder whether he had made the right decision in joining the company.

It is Tuesday 15 March and Tony receives an angry call from his Munich headquarters asking for a set of quality reports that they claim they requested the previous November. On checking his files, Tony discovers the fax. It seems he had simply forgotten the deadline. 'No problem,' he says, 'I'll get them to you in the next couple of weeks.' He senses that this makes his German colleague even angrier.

Here are two examples of misunderstanding due to differences in the way in which people work in Anglo-Saxon countries and in Germany. Differences are not a problem – not understanding why they exist and how they affect business relationships is.

Culture is simply the way in which things are done in any one particular place. The place may be the United Kingdom, the United States, western Germany, eastern Germany, or anywhere else. It may also be a subgroup within a society such as a corporation. It is important because it is the driving force behind the way people deal with others with challenges, problems, work – life. Understanding the influence of

culture on international business is vital because, whatever the technology and whatever the benefits of a particular product, all business deals are made by people.

People behave differently for a variety of historical, political, sociological and psychological reasons. If we ignore these differences we cannot hope to understand what motivates and drives our business counterparts from abroad, and we risk making very expensive mistakes and not achieving optimal results from those deals that we do pull off.

This chapter looks at the way in which Germans do business and considers how Germans tend to manage their dealings with business partners both domestically and abroad. The most significant factors affecting German behaviour patterns and the driving forces behind these behaviours – values, society norms, historical factors – are covered. You will gain an understanding of the reasons for German behaviour to enable you to interpret specific situations appropriately, as well as to modify your behaviour when dealing with your German counterparts.

The business culture of Germany in the early part of the 21st century is influenced by historical factors (eg the effects of the hyperinflation of the 1920s), political factors (eg the reunification of the country in 1990), sociological factors (eg the emphasis laid on specialization in the education system) and psychological factors which include not only these aspects but also the pressure from society to conform to accepted norms. Since late 1996, it has been more fundamentally influenced by a significant rise in unemployment, the rapid increase in the number of shareholders in the population (albeit from a very low base), changes in corporate law making it far easier for smaller companies to incorporate, the spread in the use of the Internet and e-mail as a medium for business communication and the increase in inherited wealth of the younger generation. Furthermore, it is guided by the people active throughout all levels of business life whose actions are motivated, whether positively or negatively, by the values that underlie society.

Stereotypes

Stereotypes exist about almost every ethnic or national group. Both Bill and Tony may have attributed some of these stereotypical behaviours to Germans: they are humourless, aggressive, distant, stubborn, unfriendly sticklers for detail.

People who have been fortunate enough to get to know their German business partners well, and who have been able to consider why they behave as they do, will have realized that these stereotypes are anything but true.

Stereotypes and generalizations develop when one's own view of reality is imposed on a 'foreign' (in this case German) situation. To a Briton or American used to a working atmosphere where fun is combined

with hard work, the German, for whom work is 'serious business', may appear to be humourless, if judged by 'foreign' standards (in this case British or American).

Did the aggressiveness, personal distance or unfriendliness that Bill and Tony perceived really exist or did they misinterpret the signals? In his book *How Real is Real?*, Paul Watzlawick states: 'The most dangerous delusion of all is that there is only one reality.' He also says: 'Our everyday, traditional ideas of reality are delusions which we spend substantial parts of our daily lives shoring up, even at the considerable risk of trying to force facts to fit our definition of reality instead of vice versa.' How many readers can honestly claim never to have been guilty of this kind of attitude?

Germans do tend to take longer to reach decisions. However, just because they favour analysing situations thoroughly rather than, for example, the pragmatic short-term, solution-oriented approach preferred in Britain, can we really claim that they take too long to reach their decisions?

The best thing to do with stereotypes when doing business abroad is to forget them! Meet the challenge with an open mind and with eyes wide open.

German values and behaviour patterns in business

Germany has enjoyed one of the most successful and envied economies since the founding of the Federal Republic in 1949. Companies have achieved success by *hard work* and *efficiency* – both highly valued character traits. The *quality* of products is recognized throughout the world. Organization is tight and *precise* (well-ordered); everybody knows his function. Decisions are made after careful, *thorough* and *precise* analysis. Risks are minimized; *security* is a lifeline. Time schedules are strictly adhered to: *punctual* delivery means on the precise day! *Formality* is a necessary sign of respect. Business is *serious* business. These are the values that pervade society and are the foundation upon which German managers build.

Forming successful business relationships with German companies does not entail taking all of these values on board, but recognizing their importance to your business partner. It may also mean modifying your behaviour in the interests of achieving your business goals.

German business is male dominated. Although women account for approximately 40 per cent of the workforce, they are underrepresented in management ranks. Specific sectors such as fashion and advertising are an exception. A woman in a position of responsibility, although slowly becoming more common, may invoke surprise in her German (male) counterpart, which could lead to embarrassing situations whereby he

assumes that she is a secretary or aide. The author even knows of one business deal that broke down when a Canadian businesswoman felt so insulted that she got on the next plane home. You may ask yourself whose fault this was. The only realistic answer is that both parties were guilty of ethnocentricity and attribution (assigning their own norms to the behaviour of someone from another culture).

As most German managers you will meet will probably be male, they are referred to as male in this chapter. Please rest assured that this does not indicate any bias on the part of the author!

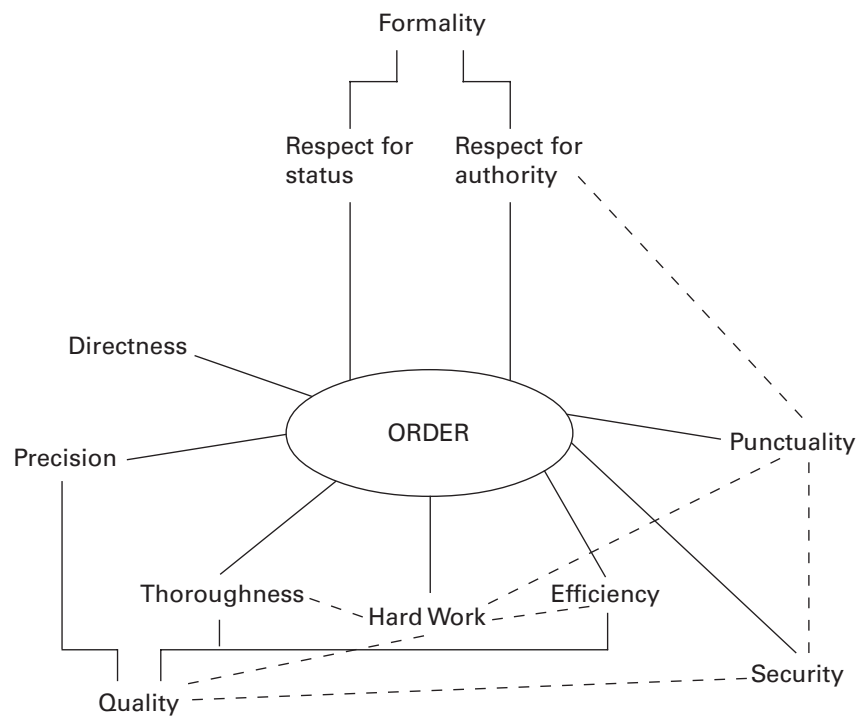


Figure 2.1.1 The web of German values

Managing people

Important qualities expected of a manager in Germany include the ability to assert oneself, a willingness to work hard, the ability to lead, an analytical ability and a knowledge of the business area. A manager will usually have attained his position by rising through the ranks, having displayed these qualities. He will probably have at least one degree (65 per cent of German managers do) in which he specialized in engineering or business studies. He will initially have entered working

life as a specialist and have proved his ability by producing quality solutions to specific problems, very often displaying the persuasive powers necessary to get himself noticed.

British (but not American) managers may be surprised to read that the ability to assert oneself is considered a quality. Both Britons and Americans may be surprised that analytical ability and knowledge of the business area are considered so important, having probably had a broader education that has prepared them for the world at large and endowed them with more general skills. They have learned to take the eagle's perspective, get the big picture, motivate others, take decisions and come up with and try out innovative ideas. They are supported by specialists who possess necessary technical knowledge.

The roots of these differences are sociological and lie in the German education system. From an early age, children learn facts according to a structured plan. They learn to think analytically and they learn the importance of detailed knowledge. They are not trained to be innovative or to question the status quo. They also learn that they have to speak up for themselves if they want to get noticed in class and get good grades: self-assertiveness. The system trains young people to realize the importance of personal success but does not train them to work together.

Recent years have brought some changes in people's attitude to the traditional values of hard work and security, at least superficially. One of the cornerstones to the oft-quoted *Wirtschaftswunder* (economic wonder), which saw Germany rise from the ashes following World War II to become the strongest economic power in Europe, was a willingness to work hard. Working hard was not only a question of belief, being seen to work hard was also partially an issue of social status and acceptance. It was not, and still is not, uncommon for a leader to place a higher priority on his profession than on his family, although this cannot be generalized. The increase in personal wealth, partially due to a rise in income levels and partially due to an increasing number of people inheriting wealth from relatives who are now ageing, is resulting in a reassessment of the value of work per se. For many people in the younger generations (aged 20–45), life no longer revolves around work as it did during the 1950s, 1960s, 1970s and even the 1980s. Finding time to participate in leisure activities is becoming an increasing priority for them. This is, however, paradoxical. While there is without doubt a greater emphasis on leisure time, an immense pressure to work hard and produce results, which will be passed down through the ranks, still exists and, due to today's faster-changing business world, may even be stronger than in the past. The *Ellenbogengesellschaft* (elbow society), frequently spoken of in the German management press, in which advancement and success come with assertiveness, is very evident.

The security which came with the economic growth during the second half of the 20th century provided not only financial security, but also a

general feeling of security which is an intrinsic need in German society. The general aversion to risk taking has appeared to diminish since 1996 with the broader spread of private shareholding and the more recent turbulence of the stock markets. However, it still displays itself in management practice where managers need to feel secure in the knowledge that tasks they have delegated are carried out appropriately; they are responsible for the success of any project under their leadership. They tend to exercise a great deal of control over subordinates, demanding regular interim progress reports, but generally hand over responsibility for the approach taken to the task.

Until relatively recently, motivational skills were not considered significant. Money and the satisfaction of carrying out a task successfully were considered sufficient motivation. Success is expected and praise is rare. Failure and mistakes, on the other hand, are not tolerated – they reflect not only on the person who made the mistake, but also on the manager responsible. Two responses are common: one is to criticize the culprit (possibly in front of colleagues); the other is to sweep the problem under the carpet, protect the culprit from outside influences by keeping him busy with tasks that will not be too challenging, thus protecting the reputation of the manager responsible. The realization that undermotivated employees cost a company a great deal of money is resulting in an increasing emphasis on motivational skills in management training programmes.

In general, expectations of working people have been changing in recent years as they have become better off and more able to take advantage of a wide variety of leisure activities. They are demanding more from life than job security (which they are slowly beginning to realize no longer exists) and at work are demanding increased responsibility and fulfilment. At the same time, the recent rapid rise in unemployment is resulting in a somewhat vain attempt by many employees to seek the kind of job security that existed until the late 1980s, and this reflects the fundamental importance of security for German employees.

Authority

A German manager derives his authority from his position, which he will probably have attained having proved his professional competence, either technically or commercially. Whether or not he possesses the necessary people skills to motivate subordinates, he expects personal and professional respect to be shown because he is a manager. He has earned this respect with the promotion that has given him his position. Respect for authority is a German value. Authority is automatic. This manifests itself in the way decisions are reached in meetings. Open discussion is accepted. Anyone can contribute as long as they have

something to add to the theme under discussion – otherwise they are not expected to participate actively. The manager will weigh up the arguments, make his decision and delegate tasks. For him, there is no question but that his decisions will be implemented regardless of whether the person chosen to carry them out agrees. An employee will accept the decision and does not expect to participate in the decision-making process. Only senior people are in a position to question a manager's competence and decisions.

British and American managers in charge of German employees frequently express frustration at their subordinates' seeming inability to make decisions for themselves – but they are simply not accustomed to doing so.

German managers responsible for joint groups containing British or American employees are sometimes overcome with disbelief and frustration when they find that their decisions are not being carried out, failing to understand that, to Britons and Americans, respect for authority is not automatic. Furthermore, they may not realize that qualified British and American employees expect to share in the decision-making process before being asked to implement the results.

Decision making, problem solving and security

Risk avoidance and thorough analysis are the main concepts here. German managers tend to feel uncomfortable with situations over which they have no control (hence their control over decisions in meetings). As taking risks implies less than complete control, they attempt to control the risk by analysing all potential new projects thoroughly before making decisions. Why?

The reasons are historical, psychological and economic. Germans associate risk with the possibility of failure – something they have learned to avoid since their school days. Young people grow up in a system where mistakes are punished by negative grades and failure is punished by having to resit a school year. They learn to fear making mistakes. It is not uncommon, when presenting a new idea to Germans, to hear the response: 'What if it does not succeed?' They enter working life taking a low-risk strategy of avoiding undertakings that are not 'guaranteed' to achieve success. Before achieving their current status they will have learned how to balance risks and potential benefits conservatively, and this is done by objective analysis.

Written documentation assists Germans in feeling more secure about unknown entities. A document is generally considered objective proof that thought has been given to the idea, which does not of course indicate that people will believe everything that is put on paper. Having read an analysis, they normally like to sit on the idea for a while and consider it in peace. Decisions take time, longer than in Britain and much longer

than is standard in the United States. However, once Germans commit themselves, they do not generally turn back.

There are also significant historical and economic factors explaining the German aversion to risk taking. The rampant inflation of the 1920s, with its immediate economic and later disastrous political consequences, has taught Germans to be extremely careful when investing, as well as to place faith in the status quo as long as it is serving them well. Having embarked on cooperation, they tend to remain loyal as long as they feel secure about the quality and conditions of the business relationship, which does not prevent them from attempting to renegotiate terms.

German managers like to seek long-term agreements that give them the security of being able to plan for the next few years. This has its roots in the structure of German industry, with family-owned, medium-sized companies that have grown over a period of decades by continuously reinvesting profits as the powerhouse. The still relatively small number of incorporated companies were in the past owned predominantly by the banks and other financial institutions. Their interest lay in perpetuating a system in which the company could continue to operate. Here again, surpluses were pumped back rather than distributed to shareholders. Although the banks have now divested many of their industrial investments, the core idea of the corporation providing a stable unit of working life still persists, although the reality may in fact be quite different. Contrast this with Britain and the United States, where the proportion of private shareholders, who expect results and dividends every year, is far higher. Planning periods therefore tend to be shorter.

The rapid increase in the number of private shareholders in recent years is slowly resulting in attitudinal changes among German managers. The concept of shareholder value has now entered the businessperson's vocabulary and returns on investment comparable with some leading Anglo-Saxon corporations are now being demanded by industrial leaders. While this rise in the number of people investing in shares indicates an increasing willingness to take risks and look for higher returns, risk aversion is still relatively strong among the same people in their corporate role as employees.

The German approach to problem solving is similar. If a unit ceases to work or a device under development is not functioning as expected, all components that might possibly be connected with the malfunctioning piece are analysed in detail until the cause is found. People can then feel secure in the knowledge that their solution is right. This is in stark contrast to the pragmatic 'get the unit working again as soon as possible' approach that tends to be favoured in Britain and the United States. It is hardly surprising that these differences result in countless, enormously expensive conflicts in US-German and British-German projects each year. A recent cooperation between German and US

engineers developing a telecommunications chip was abandoned, not for technical reasons or because of challenges in meeting the tight delivery deadline, but because neither side could come to terms with the other's approach to solving the technical problems. The Americans would try to get over hiccups by finding a solution that worked, did not necessarily rule out future problems and did not get to the root of the original problem. The Germans would immediately stop further development until they had found and solved the cause of the problem. Both sides traded insults and allegations and both were convinced that theirs was the only approach – until they became aware that they were simply using different approaches that could be combined to good effect to produce a better solution.

This craving for security and 'objective' information displays itself in other ways. Employers and potential partners demand documents confirming one's qualifications, and therefore ability, to do the task. Just as it is almost inconceivable for a company to employ someone without having seen degree and diploma certificates, as well as testimonials from previous employers, a potential business partner will want to see documentation about a company and its products to help him feel more secure with a new, unknown and therefore risky undertaking.

The tightly woven social security net is highly valued throughout society, providing the necessary security for survival in old age or in case of misfortune. High quality is a must, as it guarantees reliability. This is not merely a matter of pride in producing a quality product, it is the security of knowing that it will function as and when needed. Safety standards and emission controls are extremely tough. Germans like to be secure in the knowledge that the risk of accidents is minimized and that the quality of their descendants' lives will not be compromised by environmental damage.

Presenting and negotiating

The key concepts are clear organization, thorough analysis and serious, reputable argumentation. Thorough analysis includes a historical overview to add credence to your experience as well as detailed analysis of the path you have taken to reach your conclusions. The bottom line is important, but is only persuasive if the audience can see that it has been reached scientifically by carefully weighing up all possible alternatives. Presenters persuade by demonstrating their credibility through their *Fachkompetenz* (professional abilities) and proving their mastery of the complete situation. Presentations tend to be formal, which does not mean that there is no place for humour. However, the humour should be relevant to the theme and not laid on too thickly.

Although the relationship plays a significant role in negotiations, Germans tend to be more impressed with quality, reputation and

reliability. Relatively little time is spent on small talk, the motto being 'let's get on with business'. Formality towards and a respectable distance from your counterpart are expected. This distance takes the form of recognition of his status (Herr Dr Peter Schmidt generally expects to be addressed as Herr Dr Schmidt, not Herr Schmidt and certainly not Peter) and not appearing to push too hard for a close relationship (he has the authority to make a decision and will expect this to be explicitly recognized).

Teamwork

Unlike people in Anglo-Saxon countries, Germans do not learn to work together from an early age. The German concept of a team is more often than not a group of experts who work together on a specific task to reach a specific goal. Working together may imply adding their input following individual work on the topic of their expertise.

Only recently have German workers begun to take the Anglo-Saxon concept on board: working together, jointly coming up with creative solutions to new challenges. Although belonging to and having the security of a group is very important to Germans, at higher levels of management they tend to work alone.

Communication style

German verbal communication patterns are one of the greatest sources of confusion to others. In brief, they are very direct, short and to the point, and can thus appear to be abrupt and demanding. The content of the message is more important than the means by which it is transmitted. The word '*muß*' (have to) is used much more frequently than in English. Germans whose command of English may be very good, but who lack an understanding of the undertones of communication styles with English-speaking people, tend to translate directly, producing English expressions using German communication patterns (see section below on language).

While Britons and Americans tend to value their independence and consider being asked rather than ordered to carry out a task as a sign of respect, Germans accept authority more readily and, although they may prefer to be asked, they will do something despite being ordered to. When faced with the German pattern of getting straight to the point, many non-Germans, and especially Britons who are accustomed to receiving instructions put in the form of a request, feel put upon and talked down to. Understatement will generally not be understood.

In German, the 'please' may be replaced by an acceptably friendly tone. They are also prone to forget it when speaking English.

The US anthropologist Edward T Hall uses the concept of high- and low-context cultures to explain these differences in style. In low-context

cultures, people have a need for information to be transferred in great detail and very explicitly. High-context cultures, on the other hand, favour inference more than explicitness. Germany is a very low-context culture requiring explicit, to-the-point information. The United States is medium to low context, whereas Britain is medium to high context.

The widespread use of e-mail, particularly for international intra-corporate communication and for day-to-day communication in international projects, is resulting in numerous conflicts, with many Britons and Americans complaining about the Germans' 'rudeness' and 'lack of respect' for their counterparts. While these complaints may appear justified if viewed only from the perspective of the receiver, the style of messages sent, in fact, needs to be viewed from the perspective of the sender (German), in addition to the context of international e-mail communication as a whole.

E-mail is a fast and easy-to-use communication medium. Consequently, it is frequently used quickly, without too much thought concerning the process. E-mail in itself is able to display almost no personal context between the parties communicating. It is therefore in itself direct. Added to the very direct German communication style, the result to the British, who value indirectness, and even Americans, who, although they too tend to value directness, also value a personal touch, may appear too hard hitting. The consequence tends to be unnecessary conflict. The solution is not to jump to conclusions about your German counterpart's intentions, but to recognize the directness as standard and to clarify his intentions by asking.

Make allowances for non-native speakers of the language. If faced with this seemingly abrupt communication style, it is useful to check back on what your counterpart really meant to say before making a value judgement.

Small talk plays a less significant role in building a business relationship in Germany than it does in the United States and is far less important than in Britain. It is normal to get down to business very soon after meeting a new prospect for the first time.

Hidden differences

Time

Punctuality is absolutely essential in business dealings with Germans. A 9 o'clock appointment means precisely 9 o'clock. To arrive late (without genuine extenuating circumstances, which are of course understood) is unacceptable. To arrive earlier than 8.58 might be interpreted as an infringement on your counterpart's time. This also applies to social appointments.

Business in Germany tends to be highly organized and regulated. Business people generally work under a great deal of pressure and organizing their diaries helps them relieve this. It may be difficult to get an appointment at short notice, so it is advisable to plan ahead. It is also not unusual to arrange specific appointments for telephone calls. Germans like the security of knowing what will happen when, and prefer to plan their day in sequence, dealing with one thing at a time.

Punctuality is also considered an indication of reliability and reputation. Deadlines exist to be adhered to. Once fixed, they are only changed if circumstances make it impossible to meet them. Elaborate excuses for failing to meet a deadline only serve to exacerbate the problem.

Language

This precision is also a feature of the language. It is structured and contains an abundance of rules stipulating sentence structure. This naturally mirrors German communication patterns.

Germans who speak English are also prone to succumb to a number of language pitfalls (known as false friends), which may lead to misunderstandings if both parties are unaware of them. Some of the most common are:

- *'muß'* ('have to'), which can give the impression that the speaker is giving orders;
- *'problem'*, which literally means 'problem' but is also used in place of theme, topic, issue, matter, due to the German habit of concentrating on possible difficulties;
- *'aktuell'* ('current', 'up-to-date'), which if translated as 'actually' can give the impression that the speaker is stating his view of the real position very forcefully;
- *'eventuell'* ('possibly'), which if translated as 'eventually' can give the impression that the speaker is trying to delay making a decision;
- *'seriös'* ('reputable'), which is often mistakenly translated as 'serious' and may leave the impression that the speaker doubts your intentions.

Barriers

Germans are often perceived as distant and hard to get to know. They are not. It simply takes longer to get behind the barrier of the real person. They value their private sphere and draw a clear line between business and pleasure. They require time to come to terms with new people who enter their lives and will slowly search for ways of getting to know you. If they feel that a stranger is trying to get too close too quickly they feel threatened and may block. In their own time they open

up and will begin to talk about their family and interests. First names and the familiar 'Du' form will follow. Once you have been permitted to enter someone's life, a deep, meaningful friendship, which is valued greatly, will follow. We can liken the German approach to building relationships to a pineapple – a relatively hard outer surface that takes a while to penetrate, but with a welcoming rich interior! The Anglo-Saxon approach is more akin to a peach – a soft, welcoming outer surface that goes relatively deep, but with an extremely hard core that is very rare for outsiders to penetrate!

Humour is often said to be out of place in German business, but nothing could be further from the truth. It is true that business is taken very seriously and that meetings tend to be formal, but this does not mean that people are humourless. They do not appreciate humour for its own sake and slapstick in business is out of place. However, a humorous remark that is relevant to the situation at hand is more likely to break down barriers than to create them. Outside the office, Germans like to laugh as much as anyone else.

Recognition of personal space is a matter of etiquette and status. In offices, doors are more often kept closed than open. This does not mean that nobody may enter, but generally expresses a preference for working undisturbed. It is expected that colleagues and visitors will knock before entering. Executives generally prefer visitors to enter via the secretary's office. The importance of a person in the hierarchy can often be recognized by the size and position of the office. The larger the office, the higher the rank. Corner offices and those on the top floor are generally reserved for those having the greatest amount of responsibility.

Status symbols

Germans take great pride in their achievements and are not ashamed to demonstrate their success. The most obvious status symbol is the car, which is frequently used to judge the degree of success that a business partner is having. Mercedes, BMW and Audi are the three so-called 'noble brands' driven most frequently by successful business people. If you wish to create a positive impression and you hold an appropriate position within your organization, it might be advisable to hire one of these makes from the airport. If you are not a senior manager, get a car further down the range.

The size of your house and its location are also indications of status. Not so obvious are vacation destinations. Many top managers, however, are content to spend their time off at a quiet location in Germany or one of its neighbours.

Conclusion

With the increase in the volume of business globally and the improvement in communications technology, outside influences on German business practice are growing. The gradual merging of the eastern and western German cultures, the increase in the number of German companies involved in international mergers and acquisitions, greater participation in international projects (with the resulting exposure to other successful ways of doing business), increasing competition from low-wage, high-technology countries abroad, the exposure of the New Economy in everyday life, the rising cost of maintaining the social security system and increasing demand for quality leisure time by employees are some of the significant changes that are slowly beginning to cause a shift in the mindset of German managers and employees. Cultures can be seen as paradigms – which shift.

Doing business in Germany is a challenge. Like all successful countries, Germans possess a firm conviction that their way of doing things is the best way. This by no means indicates that they are unwilling to accept alternatives or to try out new ideas. It does mean, however, that you need to present very convincing and solid arguments in order to persuade them to change. To be successful (ie to obtain the optimum results from a business relationship with a German company), thorough preparation is essential. This includes research, preparation of documentation in a manner that will appeal and learning to communicate at their level. It means accepting idiosyncratic behaviour and avoiding the trap of judging their procedures and standards on the basis of your own. Above all, it requires the will to succeed, and patience.