



MANDANTENBRIEF 01 / 2015

DOING BUSINESS IN GERMANY A GUIDE FOR THE CLUELESS FOREIGNER (PART 1)

Foreign investment in Germany has never been higher, according to a report released by the UN Conference on Trade and Development (UNCTAD). In 2013, foreign investment in Germany totaled €23.4 billion in 2013, and Germany is now ranked 7th among developed economies in terms of total foreign investment received. Never has international investors been so keen to debunk the German stereotypes!

The stereotypes are numerous- German companies have achieved success by *hard work* and *efficiency*- both highly valued character traits. The *quality* of products and services is recognized throughout the world. Organization is *tight* and *precise*. Decisions are made after *careful* and *thorough* analysis. Risks are *minimized*; *security* is a lifeline. *Time schedules* are strictly adhered to; *Formality* is a necessary sign of respect. Business is *serious business*.

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 behavior in the interests of achieving your business goals.

DECISION MAKING, PROBLEM SOLVING AND SECURITY

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 predominately 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.

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. However, 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.

PRESENTING AND NEGOTIATING

The key concepts are clear organization, thorough analysis and serious, reputable argumentation. 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.

Relatively little time is spend 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!).

* * *

For further discussion about the above topic, feel free to reach out to any one of our TMC management consultants.

Yours sincerely
TMC
TRUST MANAGEMENT CONSULTANTS – Group