

The New Germany, 2003

excerpt from the third edition of «Understanding American and German Business Cultures»

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Much has transpired in the business worlds of the United States and Germany in the last five years. Globalization, the continuing evolution of information technology, international terrorism and, more recently, the 21st-century version of “insider trading”, all have shaped a variety of changes which are on-going and increasingly profound.

Surprisingly, the American corporate community has been most affected not by the September 11 terrorist attacks but the spectacular series of scandals exemplified by the bankruptcies of Enron and WorldCom. Flagrantly dishonest bookkeeping and stock-market disinformation have forced Washington to adopt a law requiring CEOs and CFOs to swear that their financial reports are accurate. Those caught cheating will now face up to \$5 million in fines and 20 years in prison.

However this doesn't imply any real questioning of the U.S. business philosophy “maximum profit whatever the cost”. Rather, it's a simple tightening of the rules designed, more than anything, to boost public confidence and keep the system chugging along as before.

Less remarked—but more startling—is the slow reshaping of German business culture along American lines. This involves no less an issue than that of national identity as a whole. Or, as some ask, “What does it mean to be a German?”

Soul-searching is obviously something Germany has done a lot of since the end of World War II. Traditional values, cherished in the heart, have been examined and debated for nearly three generations. Despite this, order, duty and discipline still form the watchwords of German business. The American boom-and-bust mentality has, for the most part, remained foreign. As a Deutsche Bank VP said a decade ago, “We expect a return of perhaps 10% but know it is to be year after year...In the U.S., they double profits one year and go bankrupt the next!”

This seems to be changing. The *world's* business is more and more geared toward speed and flexibility, short-term results under shareholder swords-of-Damocles. Like it or not, Germans have no choice but to follow the hard-line business lead. It's a heart-rending exercise indeed. The country underwent a sea of change in 1945 and another in 1989. This third “culture shock”, that of transnational capitalism, will be the most difficult. Especially since the leitmotiv involved— *maximum profit*—goes against both traditional values *and* their cherished social market economy (*soziale Marktwirtschaft*).

To understand how these values are being put to question, a short historical review is necessary. The modern German mindset is made up of a centuries-old authoritarian

system mixed with the democratic values and promise of “freedom” introduced by the Americans after the war. Some call it *Verinnerlichung*, the internalization of American influences, a process which began immediately after Germany surrendered to the Allied forces in 1945.

As opposed to the British, the French and the Russians, Americans were more forgiving. As inhabitants of a separate continent they were better able to overlook the destruction caused by the Nazi regime. And they were the only country able to provide Germany with the money necessary to rebuild. The Marshall Plan was not without strings, of course, the most important being the creation of truly democratic institutions.

Although the German elite found American cultural values to be vulgar and “disorderly”, the former had absolutely no moral authority to offer an alternative. WW II, and especially the Holocaust, had stripped them of respect. No wonder, therefore, that the post-war generation agreed with Joschka Fischer, the extremely popular Foreign Minister, when he called the U.S. an ersatz father offering a system where all citizens were equal and individual freedom was possible.

American “casualness” (in dress, in speech) and anti-authoritarian attitudes became the nightmare of Germany’s elite. As Joschka Fischer put it, “Germans today are the children of the Nazis as well as the Americans. Hitler’s terrible crimes will have an impact on Germans for generations. But the Americans taught the Germans democratic culture, upon which a heritage can be built.”

It is precisely this mixture of German and American values that has made the culture more open and, therefore, more vulnerable in the modern world. Germany was forced to abandon many of its traditional beliefs virtually overnight. But the philosophical substitution — *soziale Marktwirtschaft*, only just achieved with the fall of the Berlin Wall, is suddenly no longer enough. It is time to change again, to learn a new set of values.

Instilled deeply is the idea that one must always respect and obey rules. It is a desire for order—*Ordnung muss sein*—and, in fact, a formula for social harmony. Now Germans are torn between their need for “*Ordnung*” and pragmatic solutions to the disorderly, accelerating spiral of the planet’s affairs in the year 2003. A trivial but telling example is the city of Düsseldorf, where urbanization and economic success have engendered a deluge of cars competing daily for very few parking spaces. Frustrated Germans, who have seen the situation get worse and worse over the years, have finally begun parking on the sidewalks. This is to say that Germans are now parking like Parisians, surely not a good sign! (And the Germans—who have kept things bottled up for so long—actually *outdo* the French; they often double-park, even when it means blocking the street tram.)

The *consensus principle* also has a long tradition in Germany but it, too, has been considerably weakened over the last five years. First introduced in 1871 by Otto von Bismarck, it’s based on a “social partnership pact”, an association of labor, business and government. Underlying this was the tenet that management would share profits with its workers and not grant itself excessive rewards.

But globalization, as well as the high visibility of American management practices, led many German CEOs to go on a grab-it-all spree. In July 2002, *Manager Magazin* showed how the salaries of corporate bosses have exploded without any sort of parallel increase in company value. The most flagrant example is that of *Deutsche Telekom's* former CEO Ron Sommer and his Board of Directors, who voted themselves a 90% raise even as the company's stock value was in the process of losing 350 billion Euros. It's fairly obvious that the "consensus principle" has been rendered all but obsolete.

According to the latest polls, young Germans, like their American counterparts, are more conformist than their parents. Paradoxically, the same *20-something* generation celebrates individualism and is more optimistic. Also, most speak English fairly well. Like their American counterparts, they want to have fun, go to Burger King, watch MTV...

Germany's young people demonstrate that the line between American and German culture not only overlaps but is disappearing. This is no more apparent than on television (where else?), which increasingly mirrors U.S. fare. The most popular talk-show hosts, Harald Schmidt and Stefan Raab, conduct "loony" interviews, guests perform "nutty" acts, and everyone agrees to do something very un-German indeed: they make fun of themselves. As *Der Spiegel* noted, "The Copernican turning-point for German humor has already begun."

Still, the biggest social earthquake may well be that Germans are now forced to admit their school system is no longer the best. Forty years ago, international experts all agreed, Germany was at the top in both primary and secondary education. Since then, however, countries such as Finland, Canada and Korea have surged ahead, something clearly demonstrated in the 2001 PISA results. Germany's students, as a whole, performed slightly *below* the international average.

Once the shock subsided, German educators learned that their country was spending less per capita than the average OECD nation, especially at the elementary level. At the same time, the massive influx of immigrant children (who, in many cases, hadn't mastered the language) brought down the national score. Teachers are unanimous in saying that Germany has to change its priorities and invest more in kindergartens and primary schools to make sure *all* children can read and write properly.

The fundamental purpose of this book is to examine our inner values and their impact on cross-cultural communications. That these attitudes are fluid, that *the world* is contracting, that both the U.S. and Germany are constantly re-inventing themselves makes any affirmation subject to revision. Yet it is only by examining context that the reader will be able to grasp the deeper and often contradictory manner in which American and German business cultures *really* operate.

