

*Bridging the Intercultural Gap*

# **Non-conventional Truths about American-German Business**

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## **Non-conventional Truths about American-German Business**

By Patrick Schmidt

Globalization has led to remarkable changes in the way we conduct the world's business. As more and more companies are offering similar products of similar quality worldwide, businesses are being forced to rethink their strategies. To gain the competitive edge, language training needs to expand beyond verbal communication, so that intercultural competence is included in its curriculum. Heightened awareness of the power of culture—and of the skills that promote understanding between colleagues from different countries — has thus become the new business mantra.

Unfortunately, most people think this pertains only to “exotic” cultures. Articles and anecdotes remind us not to wrap a gift in white paper in China (the color symbolizes death) or to sit with your ankle across your knee in an Arabic country (showing the sole of your foot is considered an insult). American-German teams, on the other hand, are thought to be culturally close. That Germans often speak English fluently only strengthens the misconception. But the communication styles and work habits of the two groups are almost diametrically opposed, something many companies learn the hard way. It has cost Walmart in Germany over a billion dollars!\*

### **Denial of differences**

Many executives and managers involved in American-German joint ventures have come to appreciate the need for intercultural training. Ironically, however, even those who understand how cultural “soft factors” can make or break a deal usually don't believe American and German business styles are all that different. At least, not at first.

One CEO told me, “I've spent a lot of time in the U.S. and I speak English almost as well as I do German. In terms of philosophy, I know all about ‘burning the midnight oil’ and being ‘lean and mean’. I'm not sure you have much to teach me.” What he was describing is called the trap of similarity. It's the most popular mistake in U.S.-German business relations.

Germans share many characteristics with Americans. Anglo-Saxon roots lead the two to view problems monochronically (i.e., one thing at a time). Both cultures place a high value on being punctual, direct and honest. Both are future-oriented, competitive and practical. Still, many subtle—and not-so-subtle—differences are to be found beneath this veneer. And their effect is all the more damaging because they're unexpected. When a person, or group, underestimates the degree to which values and assumptions differ in the other culture, misunderstandings are guaranteed.

Walmart's dilettantish approach to the German market is only one example. Volkswagen's spectacularly unsuccessful attempt to set up a Rabbit assembly plant in the U.S cost almost as much. G.M.'s “over-americanization” of Opel is also a textbook case of how not to do things. I'm tempted to smile when a corporation decides a two-day workshop would be “too time-consuming, too expensive”. The losses from fiascos like those above are measured in millions, if not billions.

\* Wolfgang Hirn “Wal-Mart: Der US-Handelsriese hat in Deutschland fast alles falsch gemacht”, *Manager-Magazin*, Januar, 2002, 58-66

Another oft-repeated, albeit specious claim is, “We bankers” — CFOs, CEOs, managers, etc.— “are the same all over the world!” Or even “I’ve watched enough ‘Dallas’ and ‘Miami Vice’ and ‘Law and Order’ to know Americans.”

Sometimes there’s an outright refusal to acknowledge that cultural differences matter at all. An American entrepreneur who’d just bought a mid-sized German company said to me, “We don’t need any of this intercultural training stuff. The best way to create a merger is to fight out the issues!” But his facial expression indicated frustration and he later admitted being “perplexed by the way the Germans react to things.”

Foreign cultures present a huge challenge; comprehending and confronting patterns that seem strange is genuinely difficult. Many try to avoid the issue, hoping that any cross-cultural conflicts will somehow resolve themselves. In fairness, what sounds like ignorance may also be “informed fatalism”. It’s not that managers don’t want to spend time on sociological issues, it’s just that they’re already overloaded with more immediate tasks. All too often, intercultural awareness is placed at the bottom of the list.

### **Time for training**

These same managers, being pro-active by nature, don’t let fatalism influence the need to solve problems as they occur, including cross-cultural misunderstandings. If, as happened in a company near Münster, the R&D department resigns en masse four months after an American takes over operations, company bosses act quickly. “There’s obviously a clash of cultures at work here. What do we do about it?”

Siemens and Bosch both provide a three-day intercultural workshop for employees going abroad. This is considered the minimal amount of training necessary to achieve “intercultural competence”. While it’s obviously better to prepare before leaving, our American friend in Münster could probably make a new start by taking the same course (instead of being sent home in disgrace and replaced, which is both expensive and disruptive for all concerned).

Nonetheless, an American personnel director in South Carolina, who prides himself on being “time efficient” and pragmatic asked me if, instead of three days, we couldn’t offer “a mini-session, say two or three hours. You could give a list of the do’s and don’t’s.” Except that reducing complex concepts to checklists doesn’t result in real awareness, let alone skills. Rather, it’s like fast-feeding the participants junk information, creating a false sense of intercultural security. Successful overseas adaptation is not so much about “learning the new culture” as acquiring a better understanding of your own background. Knowing your mental software is a prerequisite to understanding other peoples’ ways and habits.

I feel a seminar has been successful when a German or an American comes up to me at the end and says, “Mensch, ich wusste nicht, dass ich so deutsch war!” / “Gee, I had no idea I was so American!” This sort of transformation can’t be condensed into three hours.

### **Sprechen Sie Deutsch?**

Another important element in attaining intercultural competence is widening one’s linguistic horizons. So much of how we think goes into how we say it, style and content being hopelessly intertwined. Learning foreign phrases, proverbs, even jokes, provides a fascinating window on the society in question.

Ideally, a U.S. manager going to work in Germany would learn German. But the vast majority of executives work 55 to 60 hours a week; most don’t have the time or mental energy left over to devote to effective language study. I’ve seen the results first-hand, having coached German

managers in English for over 15 years.

Almost all of them had studied the language from the age of ten and spoke well enough, if rather simply. Taking it to the next level, however, proved extremely hard. Basic pedagogical tools, such as reading assignments or the writing of short essays or stories, went out the window. These executives—most of whom ran entire divisions—would sheepishly tell me, “I’m very sorry but I didn’t have time to do my homework.” Our English training was normally limited to a weekly hour and half of one-on-one conversation and exercises.

In the U.S., where it’s likely a manager has absolutely no German to begin with, the company’s decision is usually to skip language classes altogether. “Don’t worry,” the departing employee is told, “they all speak English over there!” Even if this were true, which it most certainly isn’t, it’s an attitude that virtually guarantees cross-cultural conflicts.

If an American really wants to learn German, experts recommend a minimum of three months’ intensive study, the first two in a group setting and the last on a one-to-one basis. It’s a full-time endeavor and means being relieved of all other work. The cost, while high, is certainly not prohibitive in the context of a multinational corporation’s budget. For an executive making \$120,000 p.a., \$10,000 a month, three months off doesn’t necessarily equal \$30,000; he or she can be replaced by someone earning less. And the training itself can be had for under \$10,000. An approximate \$25,000 investment can bring all the rewards of successful foreign adaptation and smoothly-running operations abroad. More to the point, it’s a policy designed to avoid foreseeable problems, which can be very expensive in the long run.

#### **Skills for overseas success**

When asked about the skills necessary for international work, both American and German personnel managers list common-sense attitudes such as empathy, openness, communicativeness, flexibility, perceptiveness and so on. It sounds logical and they base their selections on it.

On the other hand, Robert Kohls, former director of the Washington International Center and author of *“Survival Kit for Overseas Living”* (considered a classic among intercultural consultants), says that there are three important traits which are rarely mentioned.

The first is a *sense of humor*. No matter how well you’re prepared for your assignment, there will be moments of anger, annoyance, discouragement and embarrassment. The best defense is the ability to laugh things off.

*Being less task-driven* is another suggestion. Managers are chosen for foreign assignments because they’re the company’s stars. They set extremely high goals for themselves and those they supervise. The same behavioral traits may not work in the new culture and certainly not in the same way. “Unspoken rules” must first be learned, then mastered. Expatriates less concerned with winning at all costs tend to be more effective and better able to enjoy their experience.

Closely related is the *ability to tolerate failure*. The executive selected to go abroad has normally gone from success to success in the corporate world. But anyone who’s been overseas for a few years will tell you that nobody comes back with a perfect record. Setbacks are part of the adaptation process, as is a certain amount of frustration.

These “unorthodox” ideas almost always encounter some resistance in my seminars, especially from those in personnel. Once we bat them around, however, initial critics usually become the biggest supporters. Many of the savvier companies and institutions are now adding “a sense of humor” and “the ability to fail” to their selection criteria.

### **Different ways of saying**

Both German and American executives tend to assume that a German who's fluent in English will be a competent communicator in the U.S. Nothing could be further from the truth. Understanding a foreign society is less about language than deciphering cultural values. Without going into a long discourse on the nature of communication, a few principles need to be pointed out.

Communication is the process of conveying, i.e. encoding ideas, information, feelings and symbols, so that it is recognizable to the receiver. Communication, therefore, means the encoding and sending of a message by using the right representation as well as a correct decoding of these representations upon reception. These representations may be verbal, written, nonverbal or musical. All of them contain a set of *unspoken rules* which can create both subtle and significant misunderstandings, if not understood. Thus, the danger of any decoding lies when the receiver comes from another culture with different rules and values.

Another important principle is that a message depends on the perception of the receiver, not what the presenter thinks has been expressed.

#### *Unspoken rules to remember—*

German business conversation emphasizes content and downplays personal relationships. The unconscious desire is to appear *credible* and *objective*, making discussions fact-oriented and often academic. The inherent goal is to get at the truth (*Wahrheitssuche*). Germans aren't afraid to explore all sides of an issue, even if it means being unpleasant, confrontational and spending an excessive amount of time analyzing a problem.

Along with the Dutch, the Swiss and the Austrians, they're generally very direct when it comes to stating facts, offering criticism and giving orders. Because the personal element is marginalized, a German subordinate can confront his boss, flatly stating "No, you are wrong!" A heated discussion will then ensue, points being made aggressively, sometimes almost belligerently. An American observer would be very uncomfortable. But both Germans walk away unscathed, their relationship unchanged.

Americans, on the other hand, do nothing if not accentuate the personal: they want to *be liked* and *socially accepted*. In most situations, they're guided less by intrinsic values than by the opinion others may have of them. Being outgoing is the way to make friends, even in a business relationship.

Americans aren't shy when it comes to expressing pleasure or revealing personal details to people they don't know well. This is strongly related to the national mantra of upward mobility. Social acceptance is primordial; acquaintances are often referred to as "friends"; compliments are given freely and expected in return. Alexis de Tocqueville, in his 1835 work "*Democracy in America*", wrote "In dealing with strangers, Americans seem to be impatient with the slightest criticism and insatiable for praise." Germans see compliments as being somewhat redundant (a "job well done" is what it's supposed to be). Americans grin at a bad situation and say, "Let's make a positive out of a negative!" Germans are apt to answer, "That is a mathematical impossibility."

If these communication styles aren't appreciated and decoded correctly for what they are, Americans are bound to dismiss Germans as opinionated and argumentative know-it-alls while the latter will perceive Americans as naive and superficial!

#### *A case history—*

The clash of styles was apparent when Daimler and Chrysler held their first joint board meeting. The Germans began with a long introductory statement, including the history of the

company, its various models and future prospects. They provided detailed background information and used lots of transparencies. Everything was communicated in an almost straight, humorless manner. What Americans called “a train-wreck of a presentation” lasted almost two hours.

The Americans presented Chrysler in a simplistic fashion and basically went straight to presenting their range of models, using showy effects and easy-to-remember statements. The approach was like that of an overly enthusiastic salesman—lots of smiles and jokes—and only 35 minutes long. All in all, for the Germans, it was an exercise in superficiality coupled with “optimism gone overboard”.

And yet, somehow, both sides sincerely believed they’d done a good job. As mentioned earlier, the audience determines the message, not the speaker. Chrysler’s former CEO Robert Eaton told a *Stuttgarter Zeitung* reporter, “The Germans have a penchant for coming to meetings armed with tons of overhead transparencies and colored charts. It’s absolute information overkill.”

### **Individuality versus collective risk-avoidance**

In 1980, Dutch social scientist Geert Hofstede published a fascinating study of work-related cultural differences based on data collected from some 116,000 IBM employees in 50 countries. He identified 4 parameters by which to chart cultural perceptions. Two of them—“individuality vs. collectivism” and “uncertainty avoidance”—demonstrate how differently Americans and Germans see their working worlds.

People in individualistic cultures are mostly concerned for themselves and their families. Progress is seen as the result of individual effort; historical and socio-economic factors tend to be ignored. “Mobility” is the rule, both in terms of where one works and where one lives. Of the 50 countries, the U.S. showed the most pronounced sense of individualism.

Germans are more inclined to see themselves as part of a collectivity, subordinating individual needs to the common good. Opinions are often determined by the group and concepts like solidarity and harmony are extremely important. Relationships and “belonging” are emphasized. (Whenever I make a presentation to a German company, I’m asked “Which consulting group are you with?” It had never occurred to me that, working as a free-lance consultant, my “lone cowboy” attitude would come into conflict with German collective patterns.)

Adapting to change and coping with uncertainty is the second major area where Americans and Germans differ. The latter show a high degree of uncertainty-avoidance and behavioral rules, both written and unwritten, are rigid. Knowledge is respected and “experts” seldom questioned. Projects are thoroughly researched and risks are kept to a minimum. The more structure there is, the better. Americans, on the other hand, are more ambiguous, minimizing the rules and rituals that govern social conduct. Taking risks is seen as courageous and trying out new things is encouraged. “Common sense” is valued, as is general knowledge.

How these different approaches play out in the business world was evident when the Sarbanes-Oxley Act—which requires CEOs and the CFOs to swear their company’s financial statements are truthful—was passed by the U.S. Congress. The entrepreneurial Americans were ready to sign on the dotted line from the start. In Germany, however, the law ignited debate in the press and in the boardrooms of companies doing business in the U.S. A popular reaction among risk-adverse Germans was to say, “We can’t sign the statement because we didn’t do the figures. They were done by the accounting department.”

### **Problem-solving and German-American teams**

In 1995, psychologist Sylvia Schroll-Machl examined the reasons American-German projects often fail. A German multinational brought her in to evaluate how American and German engineers and researchers interacted. It became clear early on that problems were due, in large part, to misunderstanding each other's way of problem-solving.

Schroll-Machl noticed that, at the outset of a project, Germans showed a greater need for detailed information and discussion. They tended to see the process from an engineering point of view, considering all of the difficulties that might arise, planning hypothetical solutions. The goal was to make sure everything would be done correctly, every element possible kept "under control". Avoiding uncertainty means avoiding anxiety.

The Germans expected all team members to share knowledge by sketching out their previous experiences. Reaching a consensus (which, they argued, permits the rapid implementation of any strategy) was essential. Schroll-Machl concluded that German decision-making concentrated on identifying problems, their history and components. Less emphasis was placed on results.

The action-oriented Americans found these discussions trying, often outright boring. The exchange of too much information felt like a waste of time, "paralysis through analysis". No matter how good a plan is, the thinking goes, it will be modified along the way. The Americans didn't speak up at this stage; by not saying anything, they hoped to speed up the process and get down to work. In their minds, problem-solving started out with a short brainstorming session to define goals and establish a series of approximate milestones.

Efficiency and creativity were the watchwords. The Americans wanted to "keep all options open", perceiving any project as a trial-and-error process. Schroll-Machl found their decision-making to be more open-ended, concentrating on a mission, a vision.

The Germans felt the Americans were acting without fully understanding the problem: "Shoot first and ask questions later." The Americans felt obsession with plans, and sticking to them, meant being locked into a rigid pattern, with no flexibility during the implementation-phase. Once a plan was established, German team members were able to work relatively independently. Americans expected further group meetings and informal communication throughout. The Germans complained that the Americans asked about issues which had already been discussed at length.

Basic philosophies—"going on a mission" vs "minding the shop"—were only part of the equation, though. Americans are often given tasks for which they have not been thoroughly trained. Frequent job-rotation leads to a learn-by-doing attitude. It goes without saying that one communicates more with superiors, as well as other team members. Germans are, on the whole, better trained. Mechanics, machinists and the like go through the famous *Dualsystem* but even engineers and executives receive a "holistic" mix of the practical and the theoretical. And, of course, the rules for doing business in Europe are stricter: whether it's cars or cosmetics or cold cuts, there are norms, guidelines, documentation which one actually has to read.

Germans also assume decisions made at group meetings are binding. Americans see them as guidelines which change when the need arises or a better solution presents itself. And Americans expect these changes to take place; it's part of the adventure!

Leadership, not unexpectedly, was also a major factor. The German leader is both an expert and a mediator (expected to convince, not order) who tends to vote with the group. During the implementation phase, there's little interaction with individual group members. "Distant" and "difficult to reach out to" was the way the Americans put it. The American leader defines

goals, makes decisions, distributes tasks and makes sure they're done. Motivation and coaching are part of the chain-of-command style. Communication is intense by European standards and continues in a "baseball team" atmosphere all the way through completion and out for celebratory drinks afterward.

Which brings us back to social psychology. Americans instinctively share more of their "personality" on the job. It's just another part of the same day. In fact, Americans don't act all that differently at work than they do when they're out bowling with the guys. And they're also a lot more open to the idea of coming into the office on Sunday morning. Germans try to maintain a "work only" relationship with colleagues. They also don't invite relative strangers home for supper on the spur of the moment "to meet the wife and kids."

Schroll-Machl's study makes clear that if these differences are dealt with at the beginning, chances for success increase enormously. If not, German-American projects often fail, causing both financial loss and hurt feelings.

### **Motivation**

The U.S. is considered a "masculine" society with a pro-active and optimistic approach to life. Americans see themselves as ambitious, hardworking, innovative and energetic. "Pulling yourself up by the bootstraps" is the enduring metaphor in a land of immigrants. Success depends only on how much you want it. Americans are fairly obsessed with individual freedoms, which makes them self-starters. Competition is a core value, leading to improvement and growth. Team spirit exists but everyone involved secretly hopes to outshine the others.

On the downside, people are judged according to financial or professional achievement and categorized as "winners" and "losers". And employees' career aspirations are obviously more important than the goals of the company they work for.

Germans form a masculine society with feminine undertones. Like Americans, they are competitive and ambitious. At the same time, they prefer to work collectively (*Kollegialität*) and follow a well-established plan. Government, industry and unions collaborate to establish policies of mutual benefit, a system referred to as *soziale Marktwirtschaft* (social-market economy). The end result is consensus, a sense of group welfare and an aversion to non-conformist behavior.

Salary is important but quality of life and office atmosphere count for more. Being entirely loyal to the company means workers expect more benefits (such as six weeks vacation and *Kururlaub*, or healthspa holiday). These different values affect employee motivation as well as compensation. DaimlerChrysler's biggest problem after the merger was harmonizing pay structures. In 1998, the average German worker earned \$11.40 more per hour than his American counterpart, \$20,000 annually. With 200,000 employees, the cost to Daimler was a tidy \$4 billion a year. The cost can also be considered long-term strategy, related to cultural differences. There are rarely any strikes and the shared sense of duty results in quality workmanship.

In the spirit of free-wheeling American capitalism, managers' salaries exhibit the winner-take-all approach. Despite the fact that both companies had approximately the same sales figures, Robert Eaton made eight times more than Jürgen Schrempp. Likewise, managers in Detroit earned approximately twice as much as their German counterparts. The obsession to make as much money as possible was already operative in the early 19th century, as noted by de Tocqueville: "I know no other country where love of money has such a grip on men's hearts or where stronger scorn is expressed for the idea of equality of property."



Sharing profits with workers is still seen as “socialist” (some say “communist”). In the U.S., relations are usually adversarial and aimed at short-term gain. The American-German culture clash is that of manic individualism versus rampant egalitarianism.

### **Concluding Remarks**

In an increasingly globalized world market, companies need to re-engineer organizational processes and equip personnel with “soft factor” skills. Global players must acquire effective intercultural competencies in order to forestall miscommunication, prevent misunderstandings and avert mistakes.

Understanding the complex behaviors of any culture is much like learning a foreign language: it takes practice and continual intellectual effort. By comprehending the sometimes obscure codes of another culture and their impact on behavior, you learn much more about yourself, become more conscious of your own national uniqueness. This, in the last analysis, is what makes intercultural learning so attractive. If this article encourages the reader to view and analyze cultural differences between Americans and Germans in terms of “why do I act the way I do?”, then it will have bridged closer the gap between these two dynamic countries.

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