

University Bookstores

USED BOOK

www.shopaggieland.com

**CULTURE
SHOCK!**

SUCCEED IN BUSINESS

The essential guide for business and investment

Germany

Richard Lo

**CULTURE
SHOCK!**

SUCCEED IN BUSINESS

The essential guide for business and investment

Germany



Graphic Arts Center Publishing Company
Portland, Oregon

Photo credits:

David Simson, 17, 41, 103, 119, 140, 170, 177

Life File, 58, 64, 111, 186

Travel Ink, 45, 48, 54, 192

© 1998 Times Editions Pte Ltd

This book is published by special

arrangement with Times Editions Pte Ltd

Times Centre, 1 New Industrial Road, Singapore 536196

International Standard Book Number 1-55868-354-2

Graphic Arts Center Publishing Company

P.O. Box 10306 • Portland, Oregon 97296-0306 • (503) 226-2402

All rights reserved. No part of this publication
may be reproduced, stored in a retrieval system,
or transmitted, in any form or by any means,
electronic, mechanical, photocopying, recording
or otherwise, without the prior permission of
the copyright owner.

Printed in Singapore

Contents

Acknowledgements	7
Introduction	8
Map of Germany	10
Chapter 1 – The Temptations and Pitfalls of Germany	11
Cracking the Market	11
Succeeding in Business	13
Seeing Both Sides of the Story	15
Success Factors	18
Regulations	19
Understanding the Culture	21
Chapter 2 – The German Economy	22
German Economic Realities	22
A Brief Historical Background	24
The Social Market Economy	25
High-cost Germany	27
Strengths and Weaknesses of the German Economy	29
Openness of the German Economy	34
The Political Structure	35
The Private and Public Sectors	38
Infrastructure	39
East versus West—The Still-Divided Germany	43
Trade	46
Germany's Top Industries and Top Companies	47
Yanking the German Economy into the 21st Century	49

Chapter 3 – The Investment Picture	50
Manufacturing or Services? 53	
Investing in the East 55	
Where to Locate 57	
Chapter 4 – Banking and Finance	60
The Nature of German Banking 60	
Types of Banks 63	
Dealing with German Banks 66	
Cheque Out—Transfer In 69	
Standing Orders 71	
Choosing a Bank 72	
Raising Capital 73	
The German Securities Market 75	
Chapter 5 – Legal Issues	79
Law in a “Social Free Market Economy” 79	
Setting Up a Company 80	
Corporate Structures 82	
Courts and Notaries 85	
Contracts 86	
Deciding Legal Disputes 87	
Accounting Procedures 87	
Privacy and Protection of Information 88	
Taxation 89	
Profit Repatriation 96	
Transfer Pricing 97	
Environmentalism 98	
Chapter 6 – Marketing in Germany	102
German Customers and Their Expectations 103	
Advertising 105	
Trade Fairs 111	

Chapter 7 – Labour	115
The Dual System of Representation	115
Sick Leave	116
Hiring and Firing	118
German Labour Laws	120
Trade and Employers Associations	124
A Cautionary Tale	125
Chapter 8 – The European Union	127
European Integration	128
The Single Market	131
EU Regulations	132
Non-EU Members	133
Germany's Role in the European Union	134
A Common Currency?	135
German Enthusiasm and Lack Thereof	139
Chapter 9 – The German Character	142
Insecurity and Status	142
Risk Not, Want Not	143
Conservatism	144
Inflexibility	145
Compartmentalisation	147
Trust—Where It Is Weak, Where It Is Strong	148
Chapter 10 – German Business Culture	151
The German Corporate Structure	151
Time, Time, Time	156
Negotiating	158
Meetings	160
Getting Down to Business	161
Service	162
Payment Ethics, Payment Problems	163
Giving Gifts	164
Status	166

Making the Right First Impression	169
Names and Titles	173
Business Cards	174
Women in German Business	175
Foreign Managers in Germany	178
Chapter 11 – Outside the Office	183
Business Entertaining	183
At Someone's Home	185
Out On One's Own	185
Food	188
The Other Side of Business	192
Chapter 12 – Facilitating Your Success	194
Language	194
Some Useful Words and Phrases	196
Frequent German Mistakes	198
How Do You "Du"?	199
All Joking Aside	200
A Closing Note	202
Appendices	
A Basic Facts and Travel Tips	203
B Directory of Important Contacts	214
C Recommended Reading	217
About the Author	220
Index	221

**CULTURE
SHOCK!**

SUCCEED IN BUSINESS

The essential guide for business and investment

Germany



Graphic Arts Center Publishing Company
Portland, Oregon

Photo credits:

David Simson, 17, 41, 103, 119, 140, 170, 177

Life File, 58, 64, 111, 186

Travel Ink, 45, 48, 54, 192

© 1998 Times Editions Pte Ltd

This book is published by special

arrangement with Times Editions Pte Ltd

Times Centre, 1 New Industrial Road, Singapore 536196

International Standard Book Number 1-55868-354-2

Graphic Arts Center Publishing Company

P.O. Box 10306 • Portland, Oregon 97296-0306 • (503) 226-2402

All rights reserved. No part of this publication
may be reproduced, stored in a retrieval system,
or transmitted, in any form or by any means,
electronic, mechanical, photocopying, recording
or otherwise, without the prior permission of
the copyright owner.

Printed in Singapore

Contents

Acknowledgements	7
Introduction	8
Map of Germany	10
Chapter 1 – The Temptations and Pitfalls of Germany	11
Cracking the Market	11
Succeeding in Business	13
Seeing Both Sides of the Story	15
Success Factors	18
Regulations	19
Understanding the Culture	21
Chapter 2 – The German Economy	22
German Economic Realities	22
A Brief Historical Background	24
The Social Market Economy	25
High-cost Germany	27
Strengths and Weaknesses of the German Economy	29
Openness of the German Economy	34
The Political Structure	35
The Private and Public Sectors	38
Infrastructure	39
East versus West—The Still-Divided Germany	43
Trade	46
Germany's Top Industries and Top Companies	47
Yanking the German Economy into the 21st Century	49

Chapter 3 – The Investment Picture	50
Manufacturing or Services? 53	
Investing in the East 55	
Where to Locate 57	
Chapter 4 – Banking and Finance	60
The Nature of German Banking 60	
Types of Banks 63	
Dealing with German Banks 66	
Cheque Out—Transfer In 69	
Standing Orders 71	
Choosing a Bank 72	
Raising Capital 73	
The German Securities Market 75	
Chapter 5 – Legal Issues	79
Law in a “Social Free Market Economy” 79	
Setting Up a Company 80	
Corporate Structures 82	
Courts and Notaries 85	
Contracts 86	
Deciding Legal Disputes 87	
Accounting Procedures 87	
Privacy and Protection of Information 88	
Taxation 89	
Profit Repatriation 96	
Transfer Pricing 97	
Environmentalism 98	
Chapter 6 – Marketing in Germany	102
German Customers and Their Expectations 103	
Advertising 105	
Trade Fairs 111	

Chapter 7 – Labour	115
The Dual System of Representation	115
Sick Leave	116
Hiring and Firing	118
German Labour Laws	120
Trade and Employers Associations	124
A Cautionary Tale	125
 Chapter 8 – The European Union	 127
European Integration	128
The Single Market	131
EU Regulations	132
Non-EU Members	133
Germany's Role in the European Union	134
A Common Currency?	135
German Enthusiasm and Lack Thereof	139
 Chapter 9 – The German Character	 142
Insecurity and Status	142
Risk Not, Want Not	143
Conservatism	144
Inflexibility	145
Compartmentalisation	147
Trust—Where It Is Weak, Where It Is Strong	148
 Chapter 10 – German Business Culture	 151
The German Corporate Structure	151
Time, Time, Time	156
Negotiating	158
Meetings	160
Getting Down to Business	161
Service	162
Payment Ethics, Payment Problems	163
Giving Gifts	164
Status	166

Making the Right First Impression	169
Names and Titles	173
Business Cards	174
Women in German Business	175
Foreign Managers in Germany	178
Chapter 11 – Outside the Office	183
Business Entertaining	183
At Someone's Home	185
Out On One's Own	185
Food	188
The Other Side of Business	192
Chapter 12 – Facilitating Your Success	194
Language	194
Some Useful Words and Phrases	196
Frequent German Mistakes	198
How Do You "Du"?	199
All Joking Aside	200
A Closing Note	202
Appendices	
A Basic Facts and Travel Tips	203
B Directory of Important Contacts	214
C Recommended Reading	217
About the Author	220
Index	221

Acknowledgements

Due to the multifaceted and multilayered nature of doing business in Germany, as well as the many paths to success one can take, this book would have been impossible without the input, assistance and support of many people and organisations. I would like to especially thank the following for their special help:

Arthur Andersen Management Beratung
Armin Bechtel
Christoph Berger, Industrie-und Handelskammer, Frankfurt
Liz and Christian Brodersen
Greg Chippett
Dr Ury Fehr
Aileen Flynn and the Irish-German Business Association
Frankfurter Allgemeine Zeitung Informations Dienste
Chad Gex
Dr Philip Haleen
Harmann, Hemmelrath and Partner Law Firm
Dr Martin Harrison
Antje Hildebrandt/Hildebrandt Management Consulting
Young Y. Hwang and the Hyundai Corporation
Dr Christine Kern, Bundesministerium für Wirtschaft
Molly Kidwell
Heidi and Bodo Krüger of the Asien-Stammtisch, Frankfurt
Dr Rainald Krumpa
Hans-Peter Laux, Industrie-und Handelskammer, Frankfurt
Hubertus von Lobenstein, Saatchi & Saatchi Advertising
James Neuger
Dennis Phillips
Johannes Schäfer, Industrie-und Handelskammer, Frankfurt
Michael Sturm and The Wirtschaftsförderung, Frankfurt
Hilly van Swol-Ulbrich
Hans-Jürgen Weiss
Hayley Wood

Introduction

There are many people today who cling to the belief that in the modern world of global markets and instant communication, doing business is pretty much the same all over the world. This belief would seem to be strongly underscored in a country like Germany, where business is sold as something "value-free" and "culture-free". Superficial contacts with German business partners would seem to confirm this. After all, many of Germany's leading business-people like to read and even cite the leading American books and gurus of modern management and business techniques. So doing business in Germany must be pretty much like doing business anywhere else, right?

Wrong. You can be fairly sure that anyone who buys this limp reductionism is not going to be as successful in their business operations as they could be. They are probably missing opportunities, doubling their own workload, and duplicating efforts because they have not examined the unique features of the German business scene.

Behind their facade of unflappability, of globalised business culture, Germans have their own unique way of doing business, just as they have their own unique way of making beer, cooking food, driving on highways, telling jokes ... of doing so many things. These distinctions are dictated by social factors, history, geographical confines and resource limitations. This book will focus on the unique nature of German society, the German economy, the German character, German laws—all those things that may put obstacles in your way when you come here to do business. By knowing about the potential problems in advance, you will be better prepared to deal with them. More importantly, you will get tips on how to overcome those problems from people who have done it successfully.

You are coming to do business in Germany at a time when this country, and especially this country's way of doing business, is undergoing some significant changes. Germany is still an economic power that cannot be ignored. But the growth of global competition has forced some wrenching changes on the German economy and German businesses, and even more wrenching changes will almost certainly be coming along in the near future. You and your company may be a part of these changes. But how big a part, and how successful or unsuccessful you will be, depends on how well you understand the Germans, German society, and the German economy.

You will not want to use this book as a substitute for your own expertise and experience, but rather as a supplement. It will not make you a better or more successful businessperson as such. But it can help you become a better and more successful businessperson *in Germany*.



Map of Germany