

## Doing business in Germany

### Negative image of North America.

In contrast with France, Canadian business does not enjoy a particularly positive reputation in Germany and is not distinguished clearly from a general view of North America. This is due to a combination of the poor reputation of North American manufacturing in general, and an unshakeable belief in the superiority of German technology.

The implications are that:

- | Canadian companies must be sure that any advantages their products have over existing German products are stressed. All things being equal a German product will always have preference.
- | Foreign companies have to blend in much more than in other European countries. There is no question of not speaking German and it is important to employ German staff, even at senior management level.

### The business environment is heavily contractual.

No verbal promise is valid unless embodied in a written contract. Contracts are rarely amended. Unlike in France, your German business partner will not seek a settlement out of court and will not hesitate to sue you. To work in Germany it is paramount to have a good lawyer who, you must be sure, works on your side.

The strict contractual environment has two major consequences:

- | Because of the strictly binding effect of contracts, decisions are made much more slowly than in a North American context.
- | Another effect is that your German counterpart will not enter the negotiation with an idea of 'fairness', but will try to get the maximum out of the negotiation and embody it in a contract. To counterbalance that, to stand firmly on one's position is more respected in Germany than to be flexible to the demands of a client!

### When Germans talk about 'reliability' they mean continuity.

German respect continuity from their suppliers. This works at two levels.

- | Firstly, most German companies are very loyal to their suppliers and value a long-term relationship. In order to protect an established relationship with a supplier, German companies will even pay a premium. Thus a company wishing to displace an established supplier needs not only to do much better on price, but also offer product and service advantages. A new supplier will also have to show constant initiative in order to have the opportunity to quote on products or services. And lastly the new entrant might just have to spend time in the market before business takes off in order to show commitment. As a result establishing a position in the German market is very costly, but in the end because of the loyalty one has gained from German clients, it is more valuable than in other countries.
- | Secondly, German companies would find it suspicious and bad practice to encounter a high staff turnover in their supplier companies. One cannot have the same staff turnover as is customary in North America. This makes the decision to employ very tricky, as one may be landed with the same employees for a long period.