

Cultural Differences

Market Attractiveness

The USA is known around the world as the "Land of Opportunity". There are many aspects that attract international companies to U.S. markets such as:

- More than 300 million consumers with enormous disposable income
- Significant size of regional or niche markets
- Dynamic market for do-it-yourself products
- Focus on convenience and value
- Strong focus on outsourcing services

The Cultural Gap

Despite the tremendous market potential, the U.S. market poses unique challenges that need to be considered and addressed. Studies have shown that more than two thirds of German companies withdraw from the U.S. within five years of their start up. This points to the failure of many German companies to truly understand the U.S. culture and the American mentality. A brief comparison illustrates the substantial differences between U.S. and German business cultures.

The American way of business:

- U.S. consumers tend to be more short-term oriented, with an eye toward product appearance and convenience
- High level of competition and individualism
- Group leaders are expected to be decision makers in a top-down manner
- Americans typically display a "can do" attitude
- Executive compensation includes large performance-based incentive bonuses. Profit sharing and stock options are common
- Relocation is not a big deterrent for many American employees
- Many state laws allow terminating people "at will" and with short notice - often two weeks
- Detailed employment contracts usually are prepared for senior managers only
- Strict regulations provide for equal opportunity in the hiring process for women and ethnic minorities
- Paid vacation typically starts at ten days per year

How business is done in Germany:

- Emphasis on product quality and long-term performance - both by customers and producers
- German unions are traditionally strong. People tend to rely on consensual regulations governed by collective authority
- Group leaders act as mediators integrating differing views toward consensus
- New direction and proposals are often met with skepticism, challenged by "reasons why not"
- Decision making processes are often slowed by a need for substantial bottom-up information flow
- Entitlements are important elements in compensation and motivation
- Local roots, tradition and "Bodenständigkeit" restrict mobility
- Dismissals are regulated by laws and collective agreements between unions and trade associations
- Quality of life means trading down salary for higher vacation and sick leave
- Failure to adapt to local market differences is the main reason for failure of German firms in the U.S.