

# Negotiating International Business - Germany

*This section is an excerpt from the 2017 edition of the book "Negotiating International Business - The Negotiator's Reference Guide to 50 Countries Around the World" by Lothar Katz.*

German businesspeople, especially those among younger generations, are usually quite experienced in interacting and doing business with visitors from other cultures. However, this does not always mean that they are open-minded. When negotiating business here, realize that some people may expect things to be done 'their way.'

While German culture is still relatively homogeneous, the reunification of the eastern part of the country in 1990 introduced new aspects as the East Germans had adopted some differing values during two generations of communist rule. However, West German influences tend to prevail in the country's business life, even in the East of the country.

## *Relationships and Respect*

Business relationships are often only moderately important in this country and are usually not a necessary precondition for initial business interactions. Your counterparts' expectation could be to get to know you better as you do business together. Until business interactions that have met their approval have been conducted, most Germans will be very cautious, appear quite reserved, and proceed slowly. Once the necessary trust has been established, though, there will be a sense of loyalty to you as a respected business partner, which can go a long way should a difficult situation arise. Most German businesspeople expect their partners to make a long-term commitment to the engagement.

Business relationships in this country exist between companies as well as between individuals. If your company replaces you with someone else over the course of a negotiation, it may be easy for your replacement to take things over from where you left them. Likewise, if you introduce someone else from your company into an existing business relationship, that person may quickly be accepted as a valid business partner. This does not mean that Germans do not care about who they are dealing with. Personal integrity and dependability are important if you want to win their trust.

Although they prefer to keep business and private life separate, it is possible to build strong personal relationships with your German business partners. This will take time, usually months or even years. Attempts to accelerate this process may only raise suspicion. Honesty is a key factor and trust is much more easily lost than gained in this country. Paradoxically, if your German counterparts tell you unpleasant truths, this could actually indicate that they feel good about the relationship. They may expect you to be equally candid once close ties have been established. Nevertheless, Germans can be very sensitive to criticism. Be careful not to embarrass them publicly. If in doubt, it is usually better to phrase your inputs more subtly than your German counterparts themselves might do. For example, people may be quick to blame others when problems occur, but they may take it very negatively if a foreigner does the same with them.

In Germany's business culture, the respect a person enjoys depends primarily on his or her achievements, status and rank, and education. Admired personal traits include dependability, analytical thinking, knowledge, and experience.

Most Germans believe that their country's workers are more effective than others. This is a matter of great pride, so even if you have evidence to the contrary, it is best not to challenge this belief.

## *Communication*

The country's official language is German. However, pronunciation and vocabulary vary greatly across different regions, which may complicate the communication for someone who learned German as a foreign language. Many businesspeople speak English, often well, and interpreters are rarely needed. However, many Germans prefer and are more familiar with British English. Since it is different from American English to the point where misunderstandings can happen easily, familiarize yourself with the differences upfront if necessary. Speaking in short, simple sentences and avoiding jargon and slang are helpful.

Businesspeople may speak a bit louder than those in most other cultures, though usually not as loud as Americans. However, speaking slowly and clearly is a sign of authority. At restaurants, especially those used for business lunches and dinners, keep conversations at a quiet level. Being loud could be regarded as bad manners. People generally converse standing about three to four feet apart.

German communication is usually very direct. Germans dislike vague statements and may openly share opinions, concerns, and feelings with others. In fact, too much diplomacy can confuse and irritate Germans, and could give them the impression of insincerity. They may ask for clarifications and do not find it difficult to say 'no' if they dislike a request or proposal. If something is against company policy or cannot be done for other reasons, your counterpart will likely say so or reject the proposition without explanation. They may view this as a simple statement of fact and might not understand that someone else could consider this directness insensitive. When communicating via letters or e-mail, do not waste time looking for messages 'between the lines.' Since the communication is mostly straightforward, there may not be any.

At times, people may appear overly blunt and confrontational. Discussions among Germans can appear heated or even combative to the outsider. Do not read too much into this – they could actually be close friends. However, while they are generally quite formal and controlled, people can become highly emotional and show little restraint if their sense of order is challenged.

The American habit of first highlighting the positives before addressing issues may confuse Germans. In this culture, each has to stand on its own, so when raising a concern, do so without 'softening' the message.

Germans use body language sparingly, although facial expressions and other clues can be quite telling, especially if they dislike an idea or proposal. They may make some physical contact, such as a backslap as a sign of friendship, but such contacts are rare. The American OK sign, with thumb and index finger forming a circle, is an obscene gesture in Germany, as is putting the thumb between index and middle finger in a fist. The thumbs-up gesture is positive as it signals approval. Eye contact should be frequent, almost to the point of staring, as this conveys sincerity and helps build trust.

## *Initial Contacts and Meetings*

Having a local contact can be an advantage but is usually not a necessary precondition to doing business in Germany. Negotiations may be conducted by individuals or teams of negotiators. You may find a German team compartmentalizing their arguments, with each member focusing on a specific area.

If possible, schedule meetings at least one to two weeks in advance, and do not cancel one on short notice since that can be viewed as rude. Germans may want to know who they will be meeting, so provide details on titles, positions, and responsibilities of attendees ahead of time. It is common practice to agree on an agenda upfront. As that agenda is usually strictly followed, it is advisable to put the most important subject at the top. Germans may remind others of the agreed-upon agenda and interrupt if they feel someone is getting off topic or addressing secondary points they do not consider important. This behavior can be very uncomfortable for visitors from strongly relationship-oriented cultures where the concept of *face* is important.

If you are unsure about company style and procedures when preparing for a meeting, do not hesitate to ask your German counterparts in private what to expect. Doing so will not leave them in any uncomfortable position. If anything, this person may take your question as a sign that you are making a serious effort to respect German habits and will not hesitate to give you advice.

At any meeting, whether business or social, it is strongly advisable to be very punctual. The German term for being late, 'zu spät,' translates into 'too late' in English. Being more than 10 to 15 minutes late without having a valid and plausible excuse can be a serious offense.

Names are usually given in the order of first name, family name. Note that Southern Germans may state their names in the opposite order, which can be confusing. Some Germans have two first names, often with a hyphen between them. In any case, use *Mr./Ms.* or *Herr/Frau* plus the family name to address someone. If a person has an academic title, such as *Doktor* or *Professor*, it is important to use it in addition, followed by the family name, as in 'Herr Doktor Meier.' Including professional titles as well, such as in 'Herr Direktor Doktor,' is now considered old-fashioned. Only close friends call each other by their first names. You may never get to that point in a business relationship, although it is becoming more common among young people. Introduce and greet high-ranking and senior people first. If possible, wait to be introduced rather than doing it yourself. Introductions are accompanied by firm handshakes. Men should wait for women to initiate handshakes.

The exchange of business cards is an essential step when meeting someone for the first time, so bring more than you need. Most businesspeople in Germany read English, so there is no need to have your card translated. However, it will be appreciated if you do. Show advanced degrees on your card and make sure that it clearly states your professional title, especially if you have the seniority to make decisions. When presenting your card, smile and keep eye contact, then take a few moments to look at the card you received. Next, place it on the table in front of you.

Meetings may start with little or no small talk. Most of the interactions will focus on business topics. People appreciate a sense of humor, but be very careful not to overdo it. One's private life is not a subject for discussion around meetings. Business is a serious matter in Germany.

Most meetings are quite formal. While the primary purpose of the first meeting is to become acquainted, the discussion will quickly focus on technical aspects of the business. It is vital to come well prepared as Germans hate wasting time. They may launch into what could feel like an academic oral examination, with many hard-and-fast questions. While this can be very uncomfortable for the foreign visitor, a high intensity of such questioning signals that the German side is seriously interested. Before they feel they can make any commitments, they seek to understand risks and eliminate uncertainties, so it is in your best interest to play along.

Presentation materials should be attractive, with good and clear visuals, but not too flashy. Keep your presentation succinct and methodically thought out, but make sure it includes all details your counterparts may consider important. Since Germans value directness, be straightforward about both positive and negative aspects of your proposal. Germans are generally suspicious of hype and exaggerations and may respond negatively to an aggressive sales approach that might be effective in the United States. Throughout the meeting, remain positive even if your audience seems overly critical. Germans often look for deficiencies in your products or services and may openly draw your attention to them. This does not mean that they do not like what you are presenting. Know your topic well, and use logical arguments and concrete examples to back up your proposals. At the end of a presentation, Germans sometimes signal their approval by rapping their knuckles on the tabletop instead of applauding. Other indicators of sincere interest include in-depth technical discussions and requests for further technical information.

Having your English-language handout materials translated is not required but will be appreciated. Germans are not easily impressed by high-gloss brochures and catchy slogans. Informational brochures should be serious in tone, providing a substantial amount of technical data and other hard facts. Your products are expected to conform exactly to the descriptions given.

## *Negotiation*

**Attitudes and Styles** – To Germans, negotiating is usually a joint problem-solving process. While the buyer is in a superior position, both sides in a business deal own the responsibility to reach agreement. They may focus equally on near-term and long-term benefits. The primary negotiation style is cooperative, but people may be unwilling to agree with compromises unless it is their only option to keep the negotiation from getting stuck. Since Germans believe in the concept of win-win, they expect you to reciprocate their respect and trust. It is strongly advisable to avoid open confrontation and to remain calm, friendly, patient, and persistent.

Should a dispute arise at any stage of a negotiation, you may be able to reach resolution by focusing on logical arguments and additional data. Try to find some common ground with your counterparts. At times, apologies may help make Germans more conciliatory.

**Sharing of Information** – German negotiators could spend considerable time gathering information and discussing details before the bargaining stage of a negotiation begins. They may ask numerous questions to obtain additional information. They will not take it negatively if you ask about sensitive details, even if they may not want to answer, though they usually share at least some of their information. While it can be counterproductive to appear as if you are hiding facts from your German counterparts, they will be accepting if you state openly that you do not want to share certain information.

**Pace of Negotiation** – Expect negotiations to be slow. The methodical and carefully planned approach Germans use in preparing for the negotiation and gathering information takes considerable time, as does the effort needed to work out details of an agreement. Remain patient, control your emotions, and accept the inevitable delays.

Germans generally prefer a monochronic work style. They are used to pursuing actions and goals systematically, and they dislike interruptions or digressions. When negotiating, they often work their way down a list of objectives in sequential order, bargaining for each item separately, and may be unwilling to revisit aspects that have already been agreed upon. They can get highly agitated or even emotional if a more polychronic counterpart challenges this approach, which they view as systematic and effective. This rigid style can be difficult to tolerate for negotiators from highly polychronic cultures, such as most Asians, Arabs, some Southern Europeans, or most Latin Americans, who could view it as closed-minded and overly restrictive. In any case, do not show irritation or anger when encountering this behavior. Instead, be willing to bargain over some items individually. Otherwise, clearly indicate that your agreement is conditional and contingent on other items.

**Bargaining** – Most Germans are not fond of bargaining and strongly dislike haggling. Many of them do not appreciate aggressive sales techniques and view negotiations as a ‘necessary evil’ rather than a process to enjoy. Although the bargaining stage of a negotiation can be extensive, prices rarely move by more than 15 to 25 percent between initial offers and final agreement. Businesspeople in this country do not make concessions easily.

Although Germans generally prefer a straightforward negotiation style, they also use deceptive techniques, such as telling lies, sending fake non-verbal messages, pretending to be disinterested in the whole deal or in single concessions, misrepresenting an item’s value, or making false demands and concessions. Do not take such tactics personally and refrain from lying at or grossly misleading your counterparts, as doing so could damage business relationships. Carefully orchestrated, ‘good cop, bad cop’ can be an effective tactic to use in your own negotiation approach. Germans may claim limited authority, stating that they have to ask for their manager’s approval. More often than not, this will be the truth.

Negotiators in the country may use pressure techniques that include opening with their best offer or showing intransigence. When using similar tactics yourself, clearly explain your offer and avoid being overly aggressive. Germans could make final offers quite early in the bargaining process; while this is not common practice, they could actually be serious. Periods of silence in conversations are normal and

may not represent an attempt to use it as a negotiation technique. Be careful when using pressure tactics such as applying time pressure, making expiring offers, or nibbling. Your counterparts could consider these inappropriate unless they are strongly interested in your offer and clearly understand the rationale behind the approach. Otherwise, while the negotiation is not necessarily over, it may become less constructive.

While German negotiators may occasionally appear aggressive, they rarely view it this way themselves and usually do not employ such behavior for tactical reasons. They will not shy away from open confrontation if challenged, though. Attempts to gain advantages by being aggressive with a large German company will likely work against you. Threats and warnings, openly displayed anger, or walkouts may be used to some degree, but they are normally based upon calculated negotiation strategies rather than aggressive attitudes. Extreme openings are viewed as inappropriate and may upset your German counterparts. It is best to open with an offer that is already in the ballpark of what you really expect.

Emotional negotiation techniques, such as attitudinal bargaining, attempting to make you feel guilty, or grimacing, may occasionally be employed. It is best to remain calm. Appeals to personal relationships are rare. Germans often employ defensive tactics such as blocking, asking probing or very direct questions, or keeping an inflexible position.

Opening with written offers and Introducing written terms and conditions can be effective as doing so allows for proper preparation and could help shorten the bargaining process. Your German counterparts will likely find both benefits desirable.

Corruption and bribery are very rare in Germany. It is strongly advisable to stay away from giving gifts of significant value or making offers that could be read as bribery.

**Decision Making** – Companies here are often quite hierarchical, even though they initially may not seem that way, and people expect to work within clearly established lines of authority. Nevertheless, Germans do not accept authority as readily as others might assume; in the German view, hierarchies are effective since they help establish order, not because bosses are ‘better’ than those they manage.

Decision makers are usually senior executives who consider the best interest of the group or organization. They may delegate their authority to lower levels, which is often done in a formal process that includes written approvals. Decisions are often made by consensus of a group of senior managers. It is important to find or create opportunities to directly influence the decision makers rather than only meeting with subordinates. Because decision making is a methodical process that is conducted with great diligence and precision, it takes much time and requires patience. Once a decision has been made, it is extremely difficult to change.

When making decisions, businesspeople may apply universal principles rather than considering the specific situation. They often dislike ‘making exceptions,’ even when arguments speak in favor of doing so. Personal feelings and experiences are considered irrelevant in business negotiations, so people focus on empirical evidence, logical arguments, and objective facts. Germans are often uneasy with change and reluctant to take risks. If you expect them to support a risky decision, you may need to find ways for them to become comfortable with it first, for instance by explaining contingency plans, outlining areas of additional support, or by offering guarantees and warranties.

### ***Agreements and Contracts***

Capturing and exchanging meeting summaries can be an effective way to verify understanding and commitments. Oral agreements and statements of intent may already be legally binding and are usually dependable, though they do not substitute for written contracts. Actions that have been agreed upon are usually implemented immediately, even if a final contract is still pending.

Know that German law makes offers binding unless otherwise noted. It is best to mark your offers with ‘good until ...’ or to add a ‘subject to change’ clause.

Written contracts are serious matters in Germany and tend to be lengthy. They often spell out very detailed terms and conditions for the core agreements as well as for many eventualities. Legal aspects could be reviewed repeatedly. Signing the contract is important not only from a legal perspective, but also as a strong confirmation of your partners' commitment. In most German companies, only high-ranking managers have signature authority. They will sign *i.V.* ('in Vertretung,' meaning that they have full authority to represent their company) or *p.p.* ('per procura,' which means that their authority is limited).

It is recommended to consult a local legal expert before signing a contract. However, do not bring your attorney to the negotiation table as it may be viewed as a sign of mistrust.

Contracts are usually dependable and the agreed terms are viewed as binding. Requests to change contract details after signature could be considered as bad faith and will meet with strong resistance. Failure to meet the terms and conditions of a signed contract may trigger legal action against you. However, German punctuality does not always extend to deadlines and delivery commitments. Significant delays may happen without explanation or apology.

### ***Women in Business***

While the German society is making progress towards gender equality, few women have managed to attain positions of similar income and authority as men. As a visiting businesswoman, emphasize your company's importance and your role in it. A personal introduction or a letter of support from a senior executive within your company may also help.

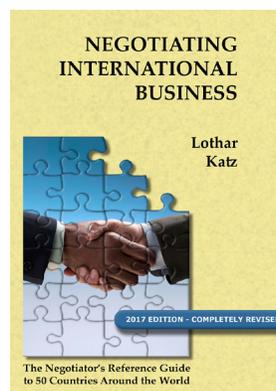
As a female business traveler, displaying confidence and assertiveness can be effective, but it is important not to appear overly bold and aggressive.

### ***Other Important Things to Know***

While wearing conservative attire is always a safe choice when doing business here, do not show surprise or make any comments if your German counterparts show up in outfits that combine unusual colors or include unorthodox fashion accessories. In any case, posture is important in this country. An overly laid-back attitude could be viewed as impolite or disrespectful.

Business lunches and dinners are common. However, business is rarely discussed over dinner. Wait to see whether your counterparts bring it up.

Gift giving in business settings is rare. It is best not to bring a gift to an initial meeting in order to avoid raising suspicions about your motives.



***Negotiating International Business*** (CreateSpace, 2017 edition) is available from Amazon.com and other bookstores for \$29.99. A reference guide covering 50 countries around the world, the 479-page book includes an extensive discussion of the negotiation principles and tactics frequently referred to in this excerpt.

Please recommend this Country Section and others to colleagues who might find them useful. Country Sections are available individually at

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