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**UNDERSTANDING MANAGEMENT  
GERMAN-STYLE**

by

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**Overview**

The German management system is often a mystery for those who want to do business with our neighbours across the Rhine. It is not easy for the French to understand a country where managers can be forced to share decision-making power with trade unionists, and where they can question managers to make sure that enough redundancies have been made to save the company, and where trade unionists can vote in favour of bonuses for the management. Jean-Jacques Piette, who has had extensive experience in helping both French and German companies, describes the structure and practices of German companies. He shows where and how decisions are taken, and how the board of directors, the supervisory board and the works council operate. One has to grasp the many intricacies of the system before launching oneself into a partnership with the Germans in order to avoid the risk of being seriously disappointed.

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## TALK : Jean-Jacques PIETTE

While I was a teaching assistant at the University of Paris (Paris I) and writing a thesis on urbanism, I worked in an urbanism office which designed the first pedestrian precincts in France and Germany. By working on such projects in various German towns, I discovered the 'tribal' nature of the Germans where everything is decided by consensus. Germans quarrel until a definitive decision is made which is then implemented by all concerned.

### A lengthy experience of Franco-German relations

When German trade unions decided to take over the management of a company, they created a trust which owned a bank and about 300,000 dwellings, a structure with a housing stock equivalent to that of the *Caisse des Dépôts* (the French public and investment organisation). They had a great deal of money from union dues which were paid by company bosses based on a percentage fixed by the banks for those who belonged to a trade union. Even though it is not compulsory to be a trade union member, 60 % of employees vote at professional elections and 80 % of them vote for a single trade union. This represents a powerful influence by trade unions and is the highest percentage in Europe. This is virtually a trade union monopoly which contrasts markedly with the situation in France.

Recently, at a meeting in Brussels where six French and six German trade unionists discussed Franco-German shipbuilding *rapprochement*, it was noticeable that the Germans all belonged to the same organisation and showed a united front with a single voice, whereas there was internal fighting among the French. As well as this, the Germans could go on negotiating for hours on end, exhausting everybody else. A French trade unionist who was worn out by such negotiations was disowned the following day by his confederation.

When the German trade unions bought a property developer in France, they contacted me because of my experience in urbanism in order to manage the French side of the business. This company which had built 12,000 local authority flats every year was the second largest constructor after the subsidiaries of the *Caisse des Dépôts*. I am still working for them.

### *Divided employers, united trade unions*

In my capacity as a member of the Socialist government, I took part in the nationalisation of companies. Some of the five nationalised companies already had subsidiaries in Germany or intended to buy companies there. At that time, the president of Thomson met Herr Grundig and they came to an agreement. However, Herr Grundig pointed out that in Germany, joint management necessitated the additional agreement of the supervisory board to ratify any agreement. Herr Grundig did not have a majority on the supervisory board : he shared power with a sister who always voted differently from him, and because the employers and the employees had the same number of elected representatives, he needed the votes of the trade unionists. Since France did not want to get involved in domestic German affairs, the French minister at the time forbade any direct approach by the French to influence the trade union, and the purchasing project never materialised. In turn, the second-in-command at the CGE (Compagnie Générale d'Electricité, which later became Alcatel) attempted to do the same, but he did not grasp the importance of the trade unions either, and, once again the supervisory board refused.

Today, a European directive ratifies this method of functioning by stipulating that in the case of a hostile takeover bid, it is the supervisory board and not the share-holders which takes the decision to accept or refuse the bid. Consequently, the trade union has an arbitration role to play through its representatives. Quite recently, despite Gerhard Schröder's refusal to allow the German military industry to be handled by foreigners, the Americans managed to acquire a military aeroplane engine builder from Daimler because the trade union members of the supervisory board approved the purchase whereas the employers were divided. German trade

unions are more powerful, but also tougher in negotiations than the French trade unions, sometimes following a hardline attitude. The agreement on the purchase was the solution adopted to force Chancellor Schröder to take a ruling that the State could intervene in operations concerning the military industry. In fact, two years earlier, an American pension fund bought the German conventional submarine manufacturer HDW (*Howaldtswerke-Deutsche Werft*), and the government could do nothing about it.

I also managed a French bank which was the first to merge with a German bank, and to achieve this, I relied on the trade unions which in turn convinced the employers who had been divided. Important German companies have a complicated share-holding system : the greatest number of shares can be held by either a private shareholder or a bank and also a *Land* (county), and sometimes a town, etc. Employers are divided and by contrast, trade union unity exists. Given this situation, company management requires a consensus.

### **Consensus and the sense of responsibility**

Gaining a consensus is facilitated by trade union representatives not allowing the problems that company management may have with employees or company labour agreements to confuse the issue.

#### *Trade unionist managers of companies*

The scandal surrounding the Mannesmann-Vodafone affair says a lot about this method of working. The current lawsuit implicates several trade unionists, including the former president of IG Metal who represents 2.7 million members, more than all the other French trade unions. IG Metal is a trade union which obtains collective labour agreements every three or four years including major social advantages resulting from very ambitious demands. For example, it demands that workers' and employees' salaries be aligned in order to make the metal working industry more attractive, even though this is very costly for the employers.

When Mannesmann decided to buy Vodafone, the three principal managers and the finance director of Vodafone received sums which were judged – at least by German standards - to be exorbitant. In their defence, they claimed to have succeeded in increasing the sales value from 30 billion to 75 billion, and therefore they therefore deserved a substantial bonus. The president of IG Metal is also involved : he did not receive a centime, but he voted in favour of the bonuses ! The employees' representative on the supervisory board did not question either the differences in salary between the employees and the employers or the future of the wage-earners. He considered that it was in the company's interest to pay the employees who had successfully achieved this merger generously. When he wears his hat as a member of the supervisory board, he thinks as a manager. He assumes all the rights and duties of a member of the supervisory board and it is as such that he is appearing before the judge.

#### *Trade unionists who make claims*

Additionally, he does not have the right to get involved in employee demands or in the organisation of work of company members. This is the prerogative of trade unionists who are not members of the supervisory board. Within the trade union, people specialise either in management or in making demands. Those who manage cannot initiate strikes. They confer with each other but it is best to know with which specialist one is dealing if one enters into negotiations.

### **Social peace**

Depending on the professional sector, social peace lasts between two and three years, which corresponds to the period of time necessary to apply the labour agreement, reached at branch level, to the company. During the implementation of the agreement, strikes are not allowed, even if there are redundancies necessitating the agreement of various groups. General strikes have been forbidden since the Weimar Republic and a strike in a particular sector is only

allowed if one revises the collective labour agreements of the professional sector in question. When an agreement is reached, everyone works together to help the company move forward.

### **Powerful trade unions**

In certain sectors, a works director, who has a trade union background, can be a member of the board of directors, the body in charge of daily management. He is elected and can only be dismissed by the unions. Here again, consensus is omnipresent, which sometimes makes French trade unionists think that German trade unionists are a bit feeble. However, this is not the case if one reviews the demands formulated when the collective labour agreements are renewed. For example, they call for a salary increase of 5.5 % in a country currently in recession and explain this by saying that the increase will compensate the losses in the pension sector and social protection on a state level. They can strike for several months since, on the one hand, trade unionists who paid their subscriptions receive two-thirds of their net salary when they strike, and on the other hand, because money is available since there have been few recent social conflicts.

### **French-German clashes**

When EADS (the European Aeronautic Defence and Space company) began, there was an initial attempt to form a merger between J. Schremp and J-L. Lagardère. They tried to develop a joint agreement designed to exclude the French state gradually. The government at the time resisted this move, but in Germany the trade unionists were in favour of a *rapprochement* with France. The trade unions devised an organisational plan because the German military subsidiary DASA was an efficient company but not domestically. This plan forecast an equal share of 30 % for both the French and the Germans. A system was introduced whereby there was a dual presidency and two CEOs at the same time (one French and one German). As far as the French were concerned, a double signature seemed absurd, but in Germany this is commonplace since the supervisory board and the board of directors are the two management bodies between whom there has to be unanimity. Therefore, in Germany it is normal to have two signatures.

In the EADS project, an agreement was finally reached whereby it was agreed that the French state would not be excluded and that the equal proportions of 30 % would continue, with 40 % being available on the stock market. The French government approved the operation since it was strongly in favour of its own financial participation. The French state is in the position of an umpire, favoured by the German trade unions because they know that they are poorly protected by Daimler.

Nevertheless, the *rapprochement* was difficult to manage because of its dual nature. In France, EADS works in a French way and in Germany, in a German way. Philippe Camus, the CEO of EADS, is constantly grappling with this dual cultural aspect. Each time an important decision has to be taken, whether it be financial or industrial, he has to discuss it on the French side with the CEO of the subsidiary and then with his German counterpart, and also with the German CEO of the subsidiary, implying an agreement from the supervisory board, from the local works council, and so on. In France, the decision is taken by two people or even only one : in Germany, a whole chain is involved but the difference is that once the decision has been taken there, it will be rigorously implemented.

EADS is governed by an agreement which is valid until 2007, at which time each partner is free to reconsider their stake. In view of the financial worth, it will not be easy to find a new buyer but things may change.

*The driver is always right*

In Germany, there is an anecdote about an important German manager who welcomes his French counterpart and transports him in his car. His chauffeur takes an unusual route which the manager queries but the chauffeur snubs him, explaining that he is in charge of the

itinerary since it is his job. The relationship between master and servant is different. In Germany, it is a technical culture ; each person is the master of his own specific activity.

### The power of the *Länder*

The *Länder* play an important role in the share-holding structure of German companies. Recently, the Beiersdorf group (whose brand names include *Nivéa*), which belongs to Allianz, was about to be bought by a British group. A lobby was formed to try to persuade a German buyer who agreed to buy provided the town of Hamburg took a 10 % share, in other words 400 million Euros ! Such a solution can be compared with the difficulties encountered when the European Commission rules had to be invoked to come to the aid of Alstom in France. Paradoxically, in order to respect the rules of competition, perhaps there will soon be only one competitor, Siemens ! Forbidding companies to intervene (as is stipulated by the European Commission) applies only to the federal state and not to a region or *Land* !

Chancellor Schröder spends his time negotiating with the sixteen presidents of the *Länder*. The *Bundesrat* (the representation of the *Länder*) intervenes whenever a question involves the finances of a *Land*, in other words, two-thirds of the laws ! A change will take place in 2005 because the two main political parties have come to an agreement to decrease the number of laws voted on by the *Bundesrat* but in return, the *Länder* will have more power. Germany is advancing towards a federal state but in a decreasingly federalist fashion !

### The governing style of a German company

The way a company functions varies according to different professional sectors. Four laws have helped define the structure of German companies.

#### *The 1951 Law*

In 1951, the mining and metalworking industries were granted a law creating supervisory boards and works councils. The law envisages virtual parity on the supervisory board between the owners (share-holders) and the elected trade unionists. Generally, the board consists of five share-holders, five trade unionists and an eleventh member jointly chosen by the two groups who is from the world of capitalism but is not linked to the capital of the company in question. This member may be a manager, or sometimes a judge known for his liberal positions. In general, a third of trade unionists are elected by the employees and the others are from professional sectors, or even the DGB (German Trade Union Federation).

#### *The 1952 Law*

This constitution of the board was extended to other sectors with the 1952 Law which made works councils and the representation of workers in companies of more than 2,000 employees compulsory. One should note that this law was promulgated by a right-wing government to encourage social peace and a capitalist social economy. This system has perpetuated itself. The supervisory board directs and controls all the activities of the company. The trade unions and the employer know what is happening.

The principle of ‘codetermination’ (loosely translated in French by ‘joint management’ but not in the literal sense) implies that one appoints people who are competent and capable of having discussions with the employers in a skilled supervisory board. Yet, the trade unions have their own academics and economists and even their own traders who invest trade unionists’ money.

#### *The board of directors*

The board of directors, appointed by the supervisory board either by simple majority or by a two-thirds majority depending on the professional sector, is composed of three people who are members of – often, but not necessarily – the supervisory board. The board of directors

carries out daily management and takes unanimous decisions. If unanimity is not possible, it is the supervisory board which takes the decision as long as there is a simple majority, except in special cases. In France, when a merger is envisaged, one tends to consider only the board of directors while the role of the supervisory board is often ignored. The best solution is to meet with the trade union representative on the sector level. In Germany, business secrets are not very well kept. As far as EADS was concerned, we managed to prevent the French press from writing about the signing of the agreement until a few days before it took place ; whereas in Germany several thousand people, including the employees, knew about it since there had to be a consensus among the groups actively involved !

In Germany, there is a sense of discipline which does not exist in France, but by contrast the Germans lack dynamism : imagination is not really the order of the day when one has to share a decision with fifty people ! There are endless discussions and this is why French managers who cannot bear to have more than two people in their office at once are not able to set up companies in Germany.

### *The 1972 and 1976 Laws*

The 1972 Law extended the principle of a works council which has the power of joint decision-making in three areas to all companies with at least five employees. The three areas are social affairs, personnel matters and economic affairs. With respect to economic affairs, the smallest companies have a duty to inform rather than share power. Real power increases with the size of the company. In the other two areas, decisions are taken jointly. It is a question of working together in total confidence according to the terms of the law.

The 1976 Law extends the parity model (trade unions and employers) to all companies with more than 2,000 employees and not simply those involved with mines and metalworking. However, there is a nuance in the parity system : within the supervisory boards, the senior executives have a place among the employee representatives whereas they tend to think like share-holders. The size of the board is proportionate to the size of the company.

### *The works council*

The works council (formed according to the size of the company and not the local unit as in France) is made up of elected representatives (those eligible belong to a trade union or a structure similar to a trade union). 80 % of works councils are controlled by the DGB.

There is a small Christian trade union and a trade union of civil servants each representing 10 % of the boards controlled. This board, elected for four years, is linked to the size of the company, but it always has an odd number of members and is different from its French counterpart because it does not have a representative from the employers. If its members wish, it can summon the representative of the company, but the representative does not chair the council. The council convenes all the employees once each term and reports on its activity. The employer takes part in the meetings in the same capacity as the employees.

The works council has the power of signing all agreements in the company. The Commerzbank decided to stop paying their proportion of the salaries (13 % of the total) into company pensions<sup>1</sup> from 2005 onwards (today about 56 % of German employees receive this company pension which is in addition to the state pension scheme). However, the press insisted that this is not legal and that one has to have the agreement of the works council. If no agreement can be reached, one resorts to a judge. If he cannot resolve it, then one appeals to an internal commission regarding arbitration between employers and employees. In short, the bank is not ready to abandon the principle even if the concern shared by the trade unions to save the company will undoubtedly reduce the rate from 13 % to 7 %.

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<sup>1</sup> Pension received purely when one leaves the company. It is a net amount with no further social security contributions payable.

## *The intermittent class struggle*

Additionally, what is lost by one side is gained by the other. This year, IG Metal is demanding a 4.5 % salary increase in return for the decrease in company pensions ! Social democracy has Marxist origins : the class struggle exists, but arises only every two or three years when the collective labour agreements are renegotiated. The rest of the time, the trade unions respect the ownership of the company.

### **Public services**

Public services are not very well developed and are controlled by the *Länder*. There is no such thing as a minimum service but there are no strikes either ! In fact, there are two types of civil servants : 40 % are statutory civil servants who benefit from a job for life, but do not have the right to strike. The others come under laws governing the private sector and have the right to strike only when negotiations fail. Civil service strikes take place firstly on a local scale and if this is not effective, in exceptional circumstances they can then involve all other civil servants. The need for social peace concerns everyone. Everyone behaves as if he were owner of his own State, his own *Land*, his own company, his own profession, and so on.

## **DISCUSSION**

### **Strikes are forbidden**

**Question :** *What exactly does it mean not to have the right to strike ? In France, it is not because we do not have the right to do something that we do not do it !*

**Jean-Jacques Piette :** A federal law forbids general strikes. People do not strike. A strike is used as a last resort, but only in social matters and never political ones.

### **Each person has his own job**

**Q. :** *In the world of management, the American presence is overwhelming with its training schools and consultants. In Europe, the Americans are a hard act to follow and Germany does not even get a look-in. There are no business schools in Germany and one would not have known that German consultants exist apart from SAP which came into being to sell a particular product. What do you think about this assessment ?*

**J.-J. P. :** Universities train all the ruling classes in Germany. Management schools are tagged on to universities to train people who are already working. The principle is that everyone specialises in a profession and if people have more than one speciality, this becomes a problem. When I was the manager of a bank and arrived in the German office, I thought that the German staff were on strike, because at nine o'clock there is no-one in the corridors, at 12.30pm office doors open and everyone goes to the canteen for lunch, and at 2pm everyone is back in his office. People work alone in their offices and one never comes across the staff.

**Q. :** *Even when one is somebody's immediate superior, one hesitates before going into the person's office and disturbing him in his work. One makes an appointment with his secretary. When a dossier is being prepared, those responsible for it are present at the management committee where they meet people who are two or three levels higher in the hierarchy but they get as much attention and respect as the other people on the committee.*

## **EADS : a Dutch company !**

**Q. :** *Is EADS subject to German, French or any other law ?*

**J.-J. P. :** EADS is a company subject to Dutch law whose headquarters are in Amsterdam. We would not have resolved the Franco-German balance if the headquarters had been in Paris or Hamburg. The Netherlands was chosen for tax reasons and for joint management and also to avoid giving the company French or German nationality, which in the end was not quite the case. In reality, there are two physical headquarters, one in Munich and the other in Paris.

## **A young democracy**

**Q. :** *The Netherlands is another country which has this culture of consensus and which uses its successfully, even if negotiations are more complex because the State often gets involved.*

**Q. :** *The Netherlands is a very old democracy unlike Germany which in my opinion lacks the methodology to accompany the establishment of democracy.*

**J.-J. P. :** The absence of democratic tradition and a simple constitution have enabled a progressive change to take place in the balance of power. Initially, the *Bundesrat* passed between 10 % and 15 % of the laws, whereas today it passes two-thirds. The commission, made up of different political parties and put in place to change the constitution between now and 2005, seems to me to represent an opportunity to acquire a methodology, in particular to determine the areas of competence of different institutions. As far as the military is concerned, the *Bundesrat* votes whereas military financing does not come from the *Länder*.

Another problem of methodology is the absence of a process in the style 'law – authorisation bill – credit payments'. In Germany, if the money is not in the till, it cannot be spent, whereas in other countries one creates financial set-ups to obtain credit.

This can also be found in banking. The 'bank-industry' was the traditional German system which did not need help from the Stock Exchange. Overnight Germany created universal banks, but their purpose is not very clear. The result is that *Länder* banks and savings banks have very important roles as deposit banks.

## **A culture of negotiation**

**Q. :** *In France, considering the bitter failures as a result of the absence of a tradition of negotiation, as the aborted reform of the Finance Ministry as well as other company examples have shown, do you think we will ever understand the need to have better consultation in both public and private institutions ?*

**J.-P. P. :** European trade unions are members of a common organisation which meets regularly. French trade unions could move towards joint management provided they unify. In Germany, joint management is possible since trade unionists share the same point of view.

**Q. :** *I have a subsidiary in Germany and I do not really recognise the picture you are painting. Do you speak German ?*

**J.-P. P. :** No, deliberately. The French and the Germans are proud of their language and one has to resort to a third common language, English. Each language has its subtleties which can generate misunderstanding. When I am at a meeting of the supervisory board of a German bank, I am accompanied by a translator.

**Q. :** *In an advisory position, it may be legitimate not to speak German, but as head of a German subsidiary, I do not think that is plausible.*

**Q. (intended for another speaker) :** *How is a balance achieved between what happens in the German parent company and what happens in the French subsidiary ?*



**Q. :** *The management method described by Jean-Jacques Piette has existed in the French subsidiary of the Bosch Group as there has been a German presence for more than 50 years. Notably, the principle of dual management, with a German and a French manager, exists : there is joint decision-making and double signatures on all documents, ranging from the purchase of a pen to that of a new industrial plant. This double decision-making filters down the hierarchy : there are always two managers in the group factories in France. One is in charge of the personnel and finance (this is the only person in charge from a legal point of view in France) and the other is in charge of technical aspects. The technical manager holds the power, but cannot decide alone. As far as the trade unions are concerned, the Germans were in charge of questions concerning negotiations for 40 years and under this influence, trade unions have changed. These people have different politics from traditional French trade unionists.*

**Q. :** *An engineer from the Ecole des Mines was appointed to a commission which brought together a large number of Frenchmen, with the aim to put in place new institutions in Germany after the War. The problem lay in trying to control the economic development of Germany. A very popular idea among French managers was to put the trade unions and employers in charge of companies while adopting joint management, because they thought that under these circumstances, the development of companies would be obstructed !*

**J.-J. P. :** After the War, my father managed a company and had an idea about joint management based on his disagreement with the CGT (French trade union) at the time. Surprisingly this company was bought by Bosch. German trade unionists will never put their company in danger. A speaker has just confirmed this for Bosch in France.

The omnipresent character of joint management has been the cause of many failures in *rapprochement* projects such as that of the Paris and Frankfurt Stock Exchanges, the marriage between France Télécom and Mobicom and then Deutsche Telekom. French managers still find it difficult to admit that it is possible to work efficiently with a trade unionist.

**Q. :** *Once we have the dual signature, the decision is applied and is irreversible. When the French boss wants to change his opinion, it is out of the question.*

**Q. :** *How can one take radical and painful decisions in a system such as that which you describe ? How can one devise a planned redundancy scheme ?*

**J.-J. P. :** In order to make someone redundant, one must have the agreement of the works council. If the works council agrees, which may well be the case, then redundancy is immediate. If the works council does not give such a ruling, it is left to the judge to resolve the matter, but until he has reached his decision, the employee continues working and is paid. Planned redundancy schemes are decided by the works council and when this is not the case, it is the arbitration commission which decides. This is difficult since the commission gathers together people both from inside and outside the company. However, if the arguments are presented so that the planned redundancy schemes appear to benefit the company, it is possible to reach an agreement. Additionally, there are organisations which bring together the *Länder*, the *Länder* bank, and the municipal bank, for example, and which intervene in order to save companies whenever they are in difficulty, provided that there is a planned redundancy scheme which is accepted by all the parties concerned.

### **German heterogeneity**

**Q. :** *Since German unification, people keep stressing the fact that Prussians and Germans cannot be put in the same category. You have also stressed that the *Länder* have clear-cut personalities and a great deal of power. What is the significance of this German heterogeneity ?*

**J.-J. P. :** Through federalism, Germany has partly resolved this constraint. Today, I think that all Germans feel German or even European. The person with the power is the president of the *Land*. Apart from the *Länder*, there is a national German characteristic which can be observed

when there are large operations such as the current financial raid on Aventis. Germans will fight back. Undoubtedly Sanofi has underestimated the resistance its raid will meet unless it decides to recognise German inimitability.

**Q. :** *It is striking to observe that those who are not local are labelled as coming from Frankfurt, Bavaria or other places. They are almost considered to be foreigners in the same way as German-speaking Swiss or Austrians ! However, this is not inconsistent with a discrete German chauvinism (compared to that in France !), but is efficient in terms of protecting the nation using norms or regulations.*

### **Consensus or merely obedience ?**

**Q. :** *The determination which the Germans have for meticulously following an agenda is surprising. When the time allotted to the meeting comes to an end, sometimes the main part of the agenda has not been discussed because we have had to keep to the sacrosanct agenda !*

**J.-J. P. :** The agenda for a meeting is discussed at length. When there is a consensus, it is not possible to change it. Generally speaking, one cannot go back on a decision after everyone has been consulted.

**Q. :** *In Germany, there is an educational tradition of obedience which incidentally was one of the factors which promoted the emergence of Nazism. After the War, a series of control mechanisms were put in place to prevent this happening again. Since then, the system of joint decision on the one hand and a tendency for authoritarianism and passive obedience on the other have existed side by side. The model is still being built and fluctuates constantly between obedience to one's hierarchy and joint decision-making dictated by a law which insists on joint decision-making.*

**Q. :** *In German, the word 'compromise' exists and constitutes the aim of a discussion. In France, at the best, it is the least bad solution...*

**Q. :** *On two occasions I worked in Germany as the head of German subsidiaries. I have found elements in common between my experience and your talk, notably the paradox between consensus and total respect for authority. At my first management meeting, I organised a roundtable discussion, during which I was unfortunate enough to have expressed my personal opinion : at that point, everything came to a halt ! My personal opinion could not be contradicted ! In fact, the person in charge is expected to give each person the occasion to express himself and then he summarises the discussion. Following this, one carries out this decision even if it leads to self-destruction !*

*Another experience concerns the sense of responsibility of the works council. Once I had been appointed to the head of the board of directors, I was summoned by the works council. Before I arrived, a small-scale planned redundancy scheme had been decided upon concerning less than twenty people. I prepared my interview with great care as I was worried about potential questions and future events. The only question that I was asked was : « Monsieur, are you really certain that the planned redundancy scheme encompasses enough people, because what we fear most is having to start all over again in twelve or eighteen months' time ! »*

**J.-J. P. :** Nevertheless, trade unions do not forget. When a company buys another company and makes redundancies, even if the redundancies are resolved without conflict, it leaves a mark. When the same company seeks to take over a new company, it comes up against the trade union.

**Q. :** *The Franco-German differences you mention are well known but can one prevent such problems in real situations ?*

**P. B. :** My experience prompts me to think that managers know that it is different, but judge that they can manage in spite of these differences and find common ground. This knowledge

may prove to be insufficient. In naval matters, I remember negotiations going on for more than a year to find a Franco-German agreement which would allow the American purchase of a German submarine company. The policies of each country encouraged the operation but the stumbling blocks were cultural. Even if each one thinks he knows how the other works, it is only when everyone is seated around a table that the lack of understanding becomes obvious. French managers do not understand that their spokesperson is the head of IG Metal ! And yet, Franco-German *rapprochement* is inevitable ! In small and medium-sized companies where one talks about the issues on both sides, the *rapprochements* are easier.

**Q. :** *If one is at the head of a German subsidiary of a French company, is it better to be a Frenchman who speaks German and tries to understand the German system, or a German who may or may not understand the French parent company ?*

**J.-J. P. :** I think it is better to have a native speaker who has proven his loyalty to the company.

**Q. :** *If the company is in a serious situation and has to make a quick recovery, it is better to have a local manager. If one has more time at one's disposal, one could allow oneself to have a foreigner who will immerse himself in the cultural model.*

### **The future of the system**

**Q. :** *In Germany one hears criticisms which maintain that the system works badly. Will this change ?*

**J.-J. P. :** These criticisms have been around for a long time but the system does not work as badly as all that. What is likely to disrupt this country is its demographic curve : between now and 2015, half the population will be retired ! Additionally, labour costs, which are very high, is a factor which contributes to a lack of competition in German industry. However, it is not out of the question that a revised wage policy will come from the trade unions themselves...

Presentation of the speaker :

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