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# **Introduction to the German and French business systems: Cultural aspects**

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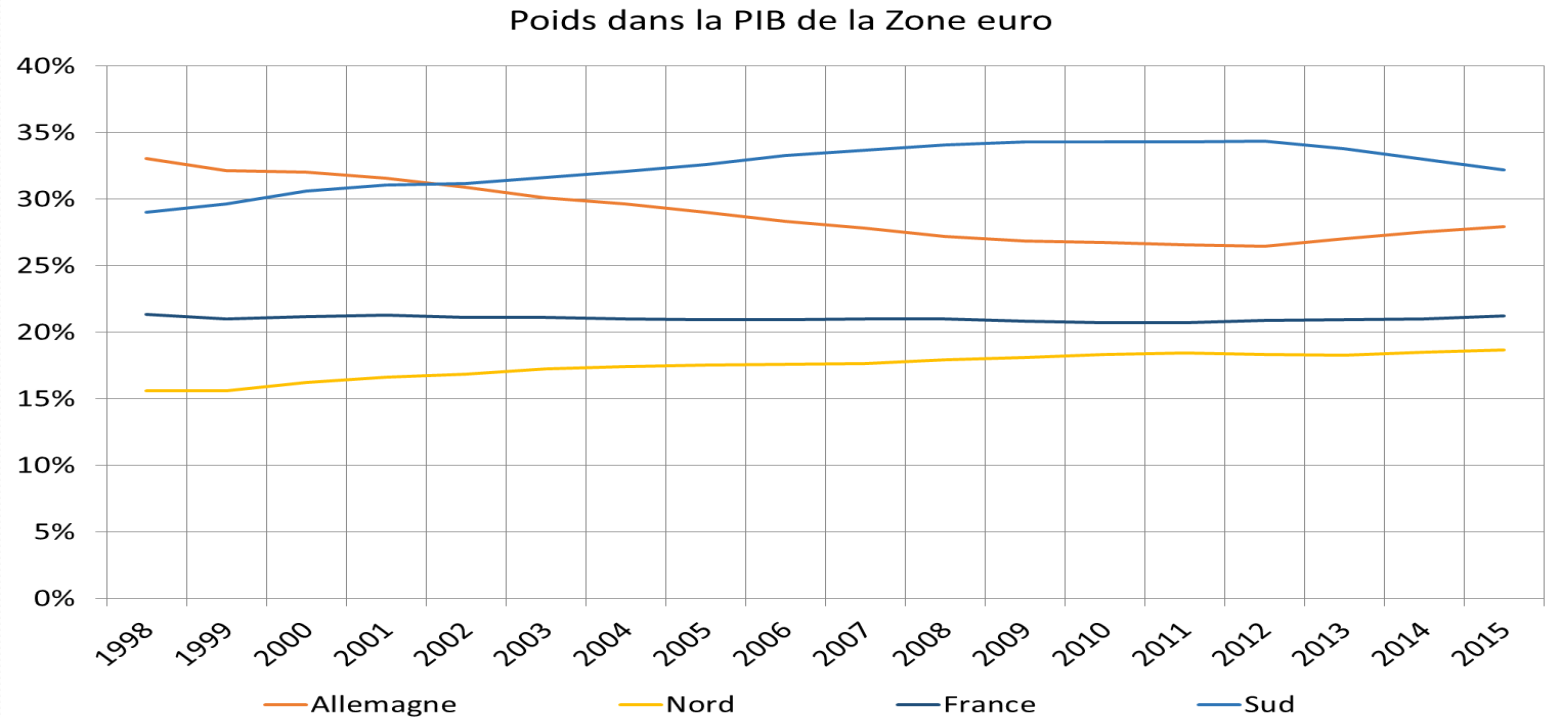
# 1. Introduction: explaining macroeconomic outcomes by cultural foundations

- × Differences among European countries in the responses to economic challenges
- × Can they be explained by cultural traditions:
  - × Social priorities
  - × The conception of labour and perception of enrichment
  - × Entrepreneurial spirit and innovative capabilities

# 1.1 Statistical evidence

A typology of European countries

# Eurozone in 4 parts: % of global GDP



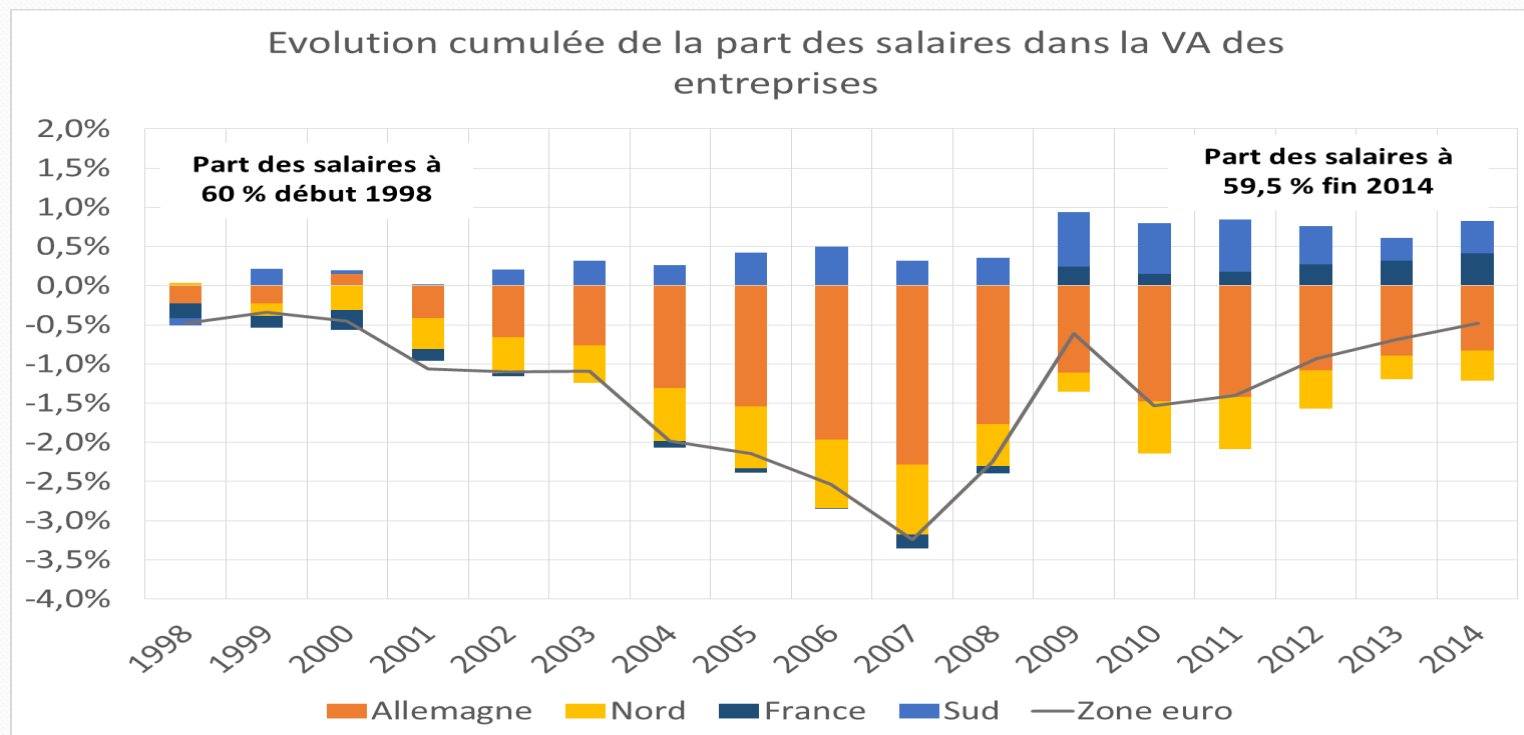
Sources: AMECO

Nord: Pays-Bas, Autriche, Finlande, Irlande, Luxembourg, Estonie, Lituanie, Lettonie

Sud: Italie, Espagne, Portugal, Grèce, Chypre, Slovaquie, Slovaquie, Malte

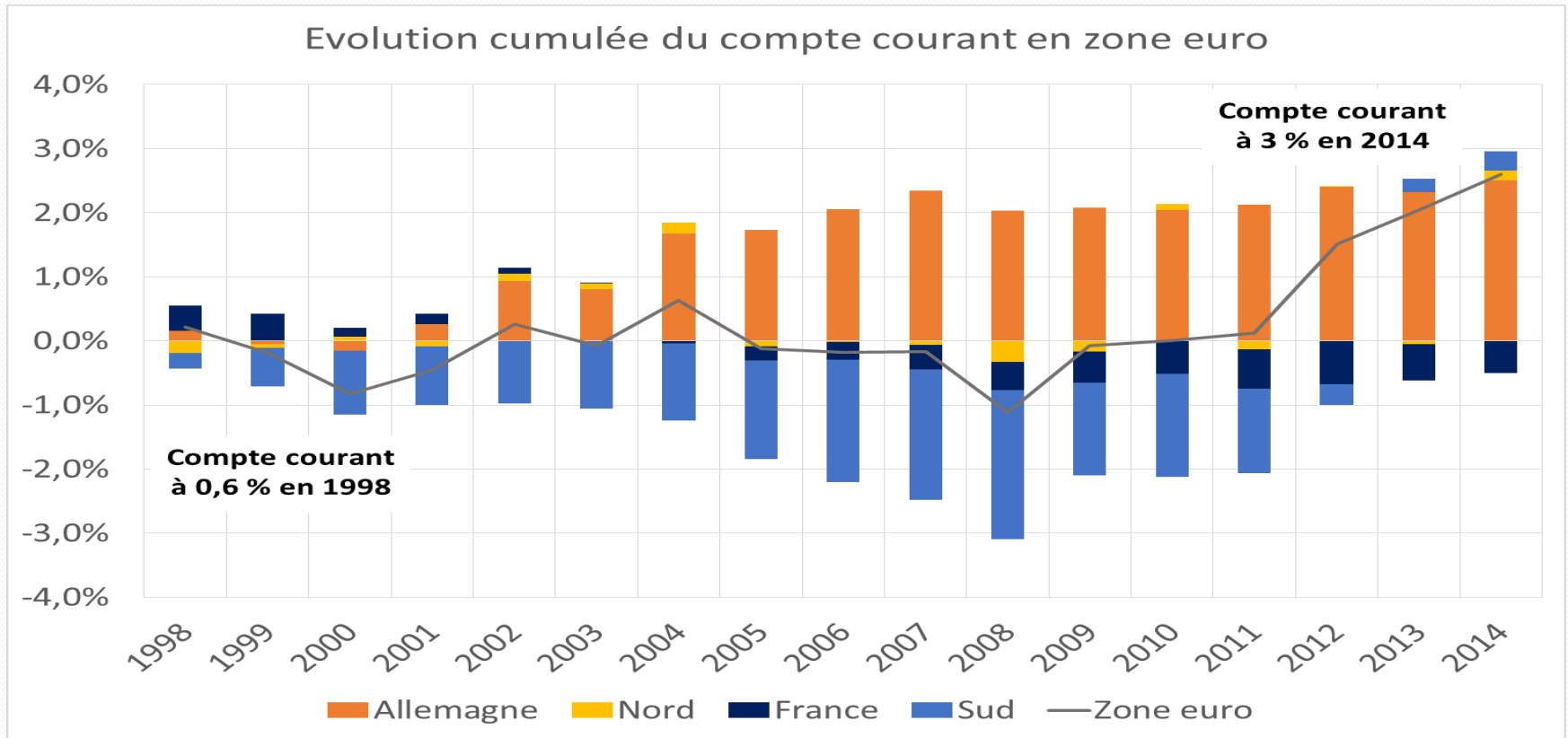
Source: J. Pisani-Ferry, France Stratégie

# Share of salaries in firms' added value



Source: J. Pisani-Ferry, France Stratégie

# Balance of current exchanges

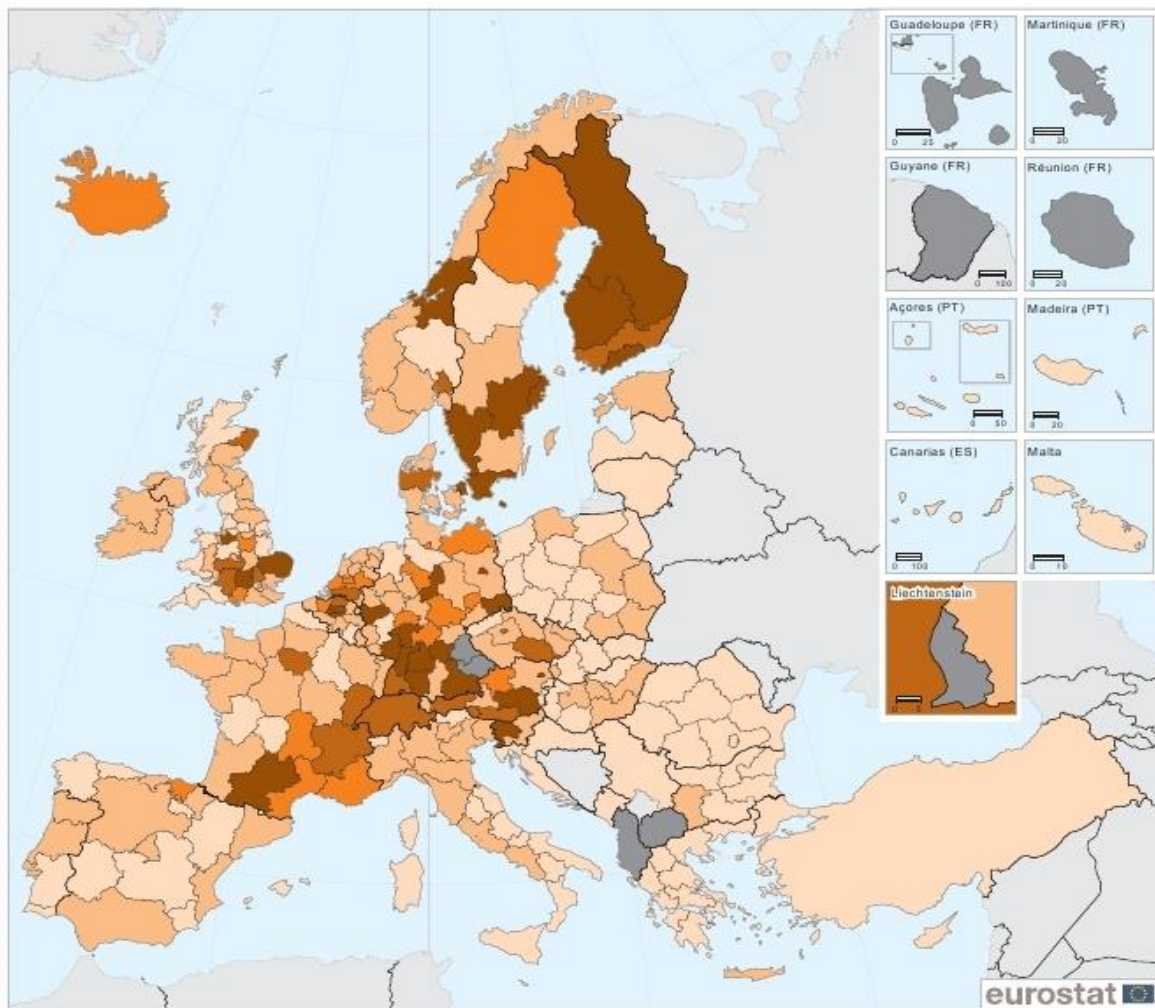


Source: J. Pisani-Ferry, France Stratégie

# R&D intensity

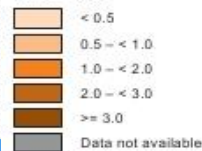
2012

Eurostat



(% of GDP)

EU-28 = 2.01



Administrative boundaries: © EuroGeographics © UN-FAO © Turkstat  
Cartography: Eurostat — GISCO, 06/2015



(\*) Switzerland and Turkey: national level. Belgium, Denmark, Germany, Ireland, Greece, France, Groningen (NL11), Drenthe (NL13), Austria, Sweden and Iceland: 2011. Ireland, Groningen (NL11) and Drenthe (NL13): estimates.

Source: Eurostat (online data codes: rd\_e\_gerdreg and rd\_e\_gerdtot)

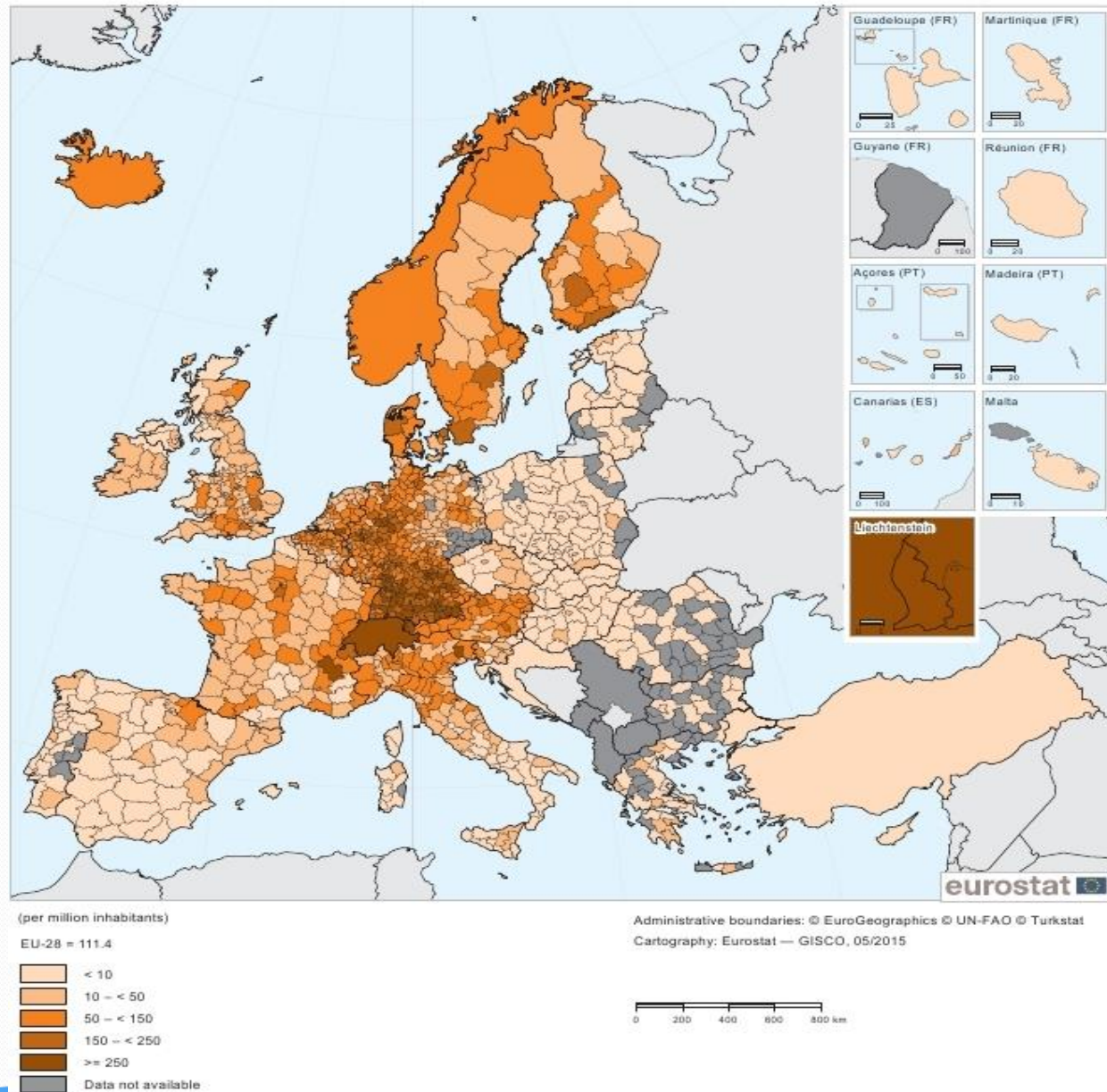


# Patent applications to EPO

2011

Eurostat

Patent applications to the EPO, by NUTS 3 regions, 2010 (\*)  
(per million inhabitants)



(\*) For several regions the latest data is for 2008 or 2009 (too numerous to document). Croatia, Iceland, Norway, Switzerland and Turkey: national level. Data for 2010: provisional.

Source: Eurostat (online data codes: pat\_ep\_rtot and pat\_ep\_ntot)



## 1.2 Cultural interpretation

A typology of religious heritage

# Classical interpretation by religion

Max Weber explanation: the role of **protestantism** in the development of capitalism.

*Individual enrichment is proof that one is God's chosen*

*Versus...*

**Catholic tradition:** *the poor more easily enters the kingdom of God*

Religious cultural roots could explain behavioral biases like **entrepreneurial** spirit, acceptance or inhibition concerning **commercial** activities and **accumulation of wealth**, perception of **money** as the major symbol of value (in all meanings of the word), perception of the idea of **debt** (*Schuld*=fault/*Schulden*=debts), etc.

# A contemporary version of the Weberian approach

Pr Dr Peter Nieschmidt

German business consultant, pedagogue, philosopher, historian...

The three European traditions:

**\*Catholic**

**\*Lutheran**

**\*Calvinist**

The Catholic tradition partly carries Greek/Roman philosophy: The wise man does not work for subsistence, but for the beauty of art, sciences, philosophical thought, for the sake, organization and protection of the City (*polis*), the praise of God(s), etc.

Aristotle's conception of growth and development: any sort of economic accumulation is bad because it will destroy the sustainable order of the City. Interest rate is against nature.

Labour is the typical activity of slaves. Commerce is for *metics* (foreigners).

# The difference between Luther and Calvin

For Peter Nieschmidt, the difference is very important  
It is related to the concept of **labor**

## Luther:

The good man is a worker. By working in the best possible way he/she gets closer to God.

German etymology: *Beruf* (profession) and *Berufung* (vocation)

The wording *profession* in Germany (and in France) is not restricted to activities like lawyers, doctors, architects.... The artisans and the industrial workers are classified in *professions* as well.

## Calvin:

The human nature is corrupted (*natura corrupta*). The best way to help ordinary people not to fall in vice (laziness, crime, fornication...) is to keep them busy. When they work hard they keep quiet.

In such a context, the quality of work is not more important than the quantity.

# National types (following Nieschmidt)

Central European countries like Germany are strongly influenced by Lutheran tradition.

England and the Netherlands are influenced by the thought of Calvin.

France and southern European countries have kept the Catholic attitude.

## **Germany:**

The cult of quality in the production. Workers are respected. They must find the profession they are “elected” for. Importance of training systems.

## **Anglo-Saxon world:**

The important thing is efficiency in the production. For that, organization of production is more important than individual skills. Workers find “jobs” on the labor market.

## **Latin countries:**

Labor has nothing to do with the religion. It is not sacred but just an issue for the society. The governance of labor is a question of social negotiation.

## 2. Evidence from intercultural management studies

We consider here classical contributions to inter-cultural management.

A series of studies started with the issue of managing *multinational companies*: how to adapt the style of management and the organizational structures and routines in departments and sister companies located in various countries? How to deal with possible cultural shocks and behavioral misunderstandings when employees and executives move from one country to another?

# Hierarchy and decision process

D. Schaupp (1978) proposed the following typology concerning the decision process in various firms and countries

**“tells”**: The boss takes decisions without giving explanations to the subordinates

**“sells”**: The boss decides and then explains and justify decision

**“consults”**: The boss discusses before with concerned people but takes decision alone

**“joins”**: Common decision process

The scores of **France** and **Germany** :

Tells	20	16
Sells	37	27
Consults	21	27
Joins	6	19



# Interpretation

## Germany:

This country has a culture of *consensus*. Germans are known for respecting discipline, but they believe in the superiority of collective decision. Consulting people on the field is not contradictory with the principle of authority. Concept of *Mitbestimmung*: “codetermination” with the employees.

Before striking the trade unions try all possible compromises.

## France

In France there is a tradition of governance by the elites. Catholic France as well as Republican France designs and implements hierarchical organizations. In such top-down structures, people on the field obey, cheat, or make revolutions.

Trade unions have a tradition of confrontation, not cooperation with the company’s management.

**NB:** Japan looks like Germany. Concept of *nemawashi* (根回し) – consensus building  
But the process can be a little tricky and not always transparent.

# G. Hofstede

Dutch psycho-sociologist observing attitudes and values of employees  
Large enquiry between 1967 and 1978, starting with multinational firms.

Three important indexes:

- **Power distance** : Autocracy, centralization of authority...
- **Individualism**
- **Control of uncertainty** : Fear concerning the future, stress when facing uncertainty

	France	Germany
Power distance	68	35
Individualism	71	67
Control of uncertainty	86	65

# Interpretation

There is an apparent contradiction for France: people expect and accept (up to a certain point) *hierarchy* although they are *individualists*

It becomes understandable when considering they are risk-adverse.

Life is easier when somebody organizes the global coherence of the system. It explains the national bias to centralization, State intervention, large firms versus SMEs, etc.

Individualistic citizens are always afraid of the other citizens' liberty! But if the leaders do not correspond to the dreamed model, heads could be cut!

# Edward T. Hall

Anthropologist (Palo Alto) specialist of cross-cultural issues

**First important concept: *High-context culture* vs *Low-context culture***

*(Beyond Culture, 1976)*

Tendency to use high-context messages over low-context messages in routine communication. In a higher-context culture, many things are left unsaid, letting the culture explain. In low-context cultures one need to be always very explicit. Interindividual, *informal* networks play an important role in the coordination of activities and in decision processes

*On a scale from low to high:*

***German Swiss < Germans < Scandinavians < Americans (NY lower, Texas higher) < French < English < Italians < Greeks.***

# Edward T. Hall

## Second important concept: *monochronic culture* vs *polychronic culture*

In a *monochronic* culture, events and activities are organized in separate units; people can only do one thing at a time: “*Eine Sache nach den anderen*”. Therefore organization is crucial. People are upset and angry if some individual actions do not respect the agreed schemes. Identification to the task is often more important than inter-individual relationship. Better be rude with a given person than not accomplishing the collective duty.

Example: At every meeting the agenda has to be respected, in the prescribed order of items; and the meeting must start and finish exactly as planned.

In a *polychronic* culture, people tend to think they can do several things at the same time. Very often they fail, and as a consequence they are late for the next activity or they skip some of the duties (suddenly deciding for another ranking of priorities). Relationship to persons is more important than identification to the task.

Example: in a meeting, some people arrive after the beginning and do not feel guilty: they had an activity before which they considered as more important than the meeting. The same persons could offer to stay longer, after the end of the meeting if they feel the meeting was really interesting! It is also acceptable to decide (collectively) to change the order of the items in the agenda.

# The reality is of course more complex

Within every country, there are considerable variations

- individual variations
- gender differentiation: women are more able to manage several tasks at the same time
- regional variations: Piemonte in Italy could be considered as very “German” by other Italians; Baden-Württemberg is extremely entrepreneurial as compared to other Länder; in Alsace people sometimes think they combine the qualities of French and German (hopefully not respective defects or drawbacks...)
- Japanese can be polychronic in their private life and very monochronic at work
- French are intellectually monochronic and polychronic in their behavior in organisations (E.T. Hall)

# 3. Impact on entrepreneurial spirit and innovation

Measurement of entrepreneurship  
Analysis of creative processes



# Entrepreneurship

Difficult to measure, but it is possible to consider some indicators like the rate of corporate establishment

In 2013 the rate was 9,5 in France as compared to 7,3 in Germany

(Source MEDEF 2016)

It is then difficult to accept the theoretical hypothesis of a lower French entrepreneurial spirit. In fact a more detailed analysis should be done:

- France is not short of people who want to create their own business
- We have many SMEs. The problem is the size: as compared to Germany or USA, they do not grow rapidly and steadily. The flow of firms creation can also be compensated by firms mortality
- One important issue in the long run is the takeover by new owners when the founder of the company retires. Cultural attitudes explain the differences between France and Germany on that point that cast light on the power of German *Mittelstand*.

# The creativity factor

Innovation is a case of *creativity* (in economic life). There are also many forms of creativity at the basis of innovation: scientific discovery, technological invention, artistic design, etc.

Whatever the field, creativity is a way to “think out of the box”.

R.J. Sternberg proposed to define creativity as a combination of *novelty* and *relevance*. We can add another ingredient: the *will*.

In order to innovate we need:

- Breakthrough ideas (novel, original...)
- A filter of relevance: is the new idea adapted to a given context?
- Somebody who has the willingness and the passion to carry out the project

Which cultural attitudes are best fit for innovation and entrepreneurship?

- French individuals are sometimes very good at conceiving new ways of doing things. But have they the support of their hierarchy? And of the institutional system of the country?
- The Germans have strong entrepreneurial capabilities, but aren't they sometimes locked in by their procedural schemes?

# The example of « knowledge angels »

We studied the creative role of certain individuals in business services

Muller, Héraud, Zenker (2015): “Knowledge Angels: Creative individuals fostering innovation in KIBS – Observations from Canada, France, Germany and Spain”, *Management International*, N°9 (201-218)

Those creative people contribute to innovation within their firm (B to B services) and at the level of the client firms. Their creativity depends a lot to their experience of working in different organisations. Thinking “out of the box” is, in this case, linked to the opportunity of exporting ideas from one cognitive world to another.

It is probable that polychronic culture favors such capabilities, but also some other related cultural aspects like the propensity (or reluctance) to be part of several communities at the same time (multiple identities).

We have interviewed “Knowledge Angels” in 5 different countries and they expressed the following average perceptions of their role:

- France: “idea giver”
- Germany: “knowledge broker”
- Spain: “facilitator”
- Canada: “business pusher”
- China: “solution provider”

# Thank you for your attention

## Obrigado

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