

An Exotic Breed

Why are there so few German executives in the U.S.?

by Katja Ridderbusch

They consider themselves the happy few while others find them somewhat exotic. They are objects of curiosity in Germany as well as in America and have to overcome some big cultural gulfs. They are the German executives in the United States.

The newest of the breed is Klaus Kleinfeld. After his abrupt exit from the executive suite of Siemens in Munich, he found a new job 5,000 miles away. As chief operating officer (COO) at Alcoa, the giant aluminum maker in New York, he is responsible for the company's global operations.

Kleinfeld is also regarded as heir to the throne of Alain Belda, Alcoa's current chief executive who will soon retire. Then Kleinfeld, 49, would be the second German to head a Fortune 500 company. Martin Richenhagen, 55, was the first, when in 2004, he became CEO of Georgia-based AGCO, the world's third largest agricultural equipment maker.

Top managers from abroad, called on to lead major U.S. companies, are part of a trend. PepsiCo chief executive Indra Nooyi was born in India. Her big competitor, Coca-Cola CEO Neville Isdell, is Irish. Isdell's recently named successor, Muhtar Kent, currently COO of Coca Cola and the company's CEO as of July 2008, is a native of Turkey. Alcoa boss Alain Belda is Brazilian. And insurance giant AIG is led by Martin Sullivan from the UK.

Kleinfeld's appointment prompted Newsweek columnist Dan Gross to remark that nowadays, an immigrant's American Dream apparently is "to be heading a U.S. company."

Indeed, American firms are becoming more receptive and looking increasingly for top managers beyond the country's borders. However, the list of German executives is still limited in scope. There is Bernd Chorenge, head of the Hyatt International hotel group. Chorenge, 62, started as an apprentice in a train station restaurant near Hamburg and left Germany at the age of 20. Following various assignments in Asia, he was appointed to head the Chicago-based company in 1984.

Bernd Beetz is the CEO of Coty, Inc., the world's largest fragrance company and global leader in beauty products with headquarters in New York City.

Philipp Justus, 38, manages the core business of the American online auction company eBay. Hans-Paul Buerkner, 55, is the first non-American to lead the Boston Consulting Group, which has 64 offices in 38 countries.

It is not a matter of language that explains why Germans are still a rarity in corporate America's rank and file. The Kleinfeld generation knows English well enough for its managerial voice to be heard in top U.S. executive circles. It is the cultural differences, which are more decisive. "These differences are far broader than the Atlantic – let's not kid ourselves about that," said Klaus Hansen, a partner at Frankfurt-based Ray & Berndtson, international human resources consultants with strong links to the American market.

For example, the allocation of power between executive and supervisory boards differs sharply. While in Germany, both institutions are strictly separated, they are intertwined in the United States. An American CEO has almost unrestricted authority and often also serves as head of the supervisory board. In Germany, the chief executive is considered more a first among equals.

Achim Schwetlick, partner and managing director of the Boston Consulting Group's New York office, calls attention to the difference between the expatriate and immigrant mentality among German managers in the United States. Unlike the immigrants, the expatriate makes frequent trips to Germany, draws a comparison in everything to Germany and always thinks in euros. "Of course, these people have a more difficult time integrating into the American culture, above all its business culture," he said.

Differences also exist in the methods of conducting business, in attitudes to authority as well as communications. Many Germans are surprised to find that Americans can be more hierarchical than Germans. A boss in a U.S. corporation is expected to give clear-cut directions. Those allowing their team to participate too much in the decision-making process may be considered too soft.

Germans often have trouble with the American "let's do it" mentality and their affinity for quick, pragmatic decisions which, if necessary, are adjusted later. On the other hand, Americans often reproach Germans for their predisposition to conduct lengthy, careful analysis that can lead to missed opportunities.

Lack of flexibility and experience in the American market is another major reason why German managers often fall short. "Klaus Kleinfeld only appeared on U.S. radar screens because he had already worked successfully in the United States before," said Hansen. Kleinfeld headed Siemens' U.S. business for two years before being appointed to the executive board in Munich.

American business leaders in Germany are also a rare species, even though the number of non-German top managers in DAX-listed companies has doubled since the year 2000. Currently, one-fourth of the members of German executive boards do not carry a German passport. There is also a greater international representation among the CEOs of German enterprises: Josef Ackermann of Deutsche Bank is Swiss; Wolfgang Mayerhuber of Lufthansa is Austrian; Håkan Samuelsson of MAN is Swedish. Still, Europeans dominate. The only American boss in DAX ranks is Ben Lipps, CEO of Fresenius Medical Care, a manufacturer of hospital equipment based in Bad Homburg.

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