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**Internationalisation and Country Image –
“Being German” in Western Australia**

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Abstract

Internationalisation strategies are influenced by the value and strategic importance of a global image and presence. A strong country image, like 'being German', contributes significantly to a product image. This paper considers the characteristics of the German national identity and the position of German business in the international environment. In addition, the paper considers the value of 'being German' and the link between German business and Australia, more specifically Western Australia. The paper reflects on data collected from German associated businesses in Western Australia by describing demographics and considering the active pursuit of, and reasons for, the German association.

Introduction

Internationalisation of business activities is often dependent on successful adaptation of management styles, structures and transformation of business identities to suit the domestic environment of the host country. Maintaining a 'foreign' identity, name or brand, could increase its desirability or perceived value and is often actively pursued by organizations. The German identity is usually associated with expensive, innovative and quality products (Schiffman, 2002). Traditionally German multinationals have been successful in their internationalisation strategies and German companies and brands command worldwide respect. This success is sometimes attributed to the national, cultural and country image associated with German business, i.e. "being German". This section briefly considers the national and business characteristics of being German and reflects on research of the value and nature of these in Western Australia.

German national identity

In defining a national identity for Germany, there are two major respects in which Germany constitutes a peculiar case (Jarausch 1997). One has to do with its Nazi past, the other with its post-war division into two opposing states, the former Federal Republic of Germany (West Germany) and German Democratic Republic (East Germany).

The Nazi past is closely linked to the issue of national pride and nationalism. In the shadow of the Holocaust, any notion of German national pride was problematic. In a survey among European nations in 1999 (The Economist, 2000), Germany was found to have the lowest level of national pride of any European nation except the Slovaks. The article raises the point that barely half of all West Germans and less than a quarter of those in the former Communist East can recite the first line of Germany's national anthem. The parameters of success have not been nationalistic attitudes as in other European countries, but rather economic growth and prosperity, individual wealth, social peace, and international recognition. These also became the symbols of a rational nation. Even today, Germans tend to feel uneasy about describing themselves as 'German', preferring to be 'European' (The Economist, 2000).

The two post-war German states were created by the forcible division of a defeated state, which had not only propagated a very strong version of national identity, but had even divided its own people between those who were accepted in the community and those who were outcasts on racial or political grounds (Jarausch, 1997). Each of the new states engaged in defining its own new identity, opposing the common past and also each other. Over four decades of separation, this definition process had progressed far enough to allow divergent patterns of collective identity to develop (Fulbrook, 1999). Upon unification of the two German states in 1990, the agenda for revisiting the question of national self-interpretation had been set (Finzsch and Schirmer, 1999). Easterners forced themselves to adopt the Western model without much chance of preserving their own ways. Eventually the enormity of the transformation, coupled with the devaluation of life experiences, sparked a nostalgic memory

of the old German Democratic Republic that magnified its achievements while forgetting its repressions (Preston, 1997).

West Germans lost their small, comfortable and prosperous country, leading to a reluctance to accept East Germans as, especially economically, equal citizens of the unified Germany (Linke, 1999). This reaction is understandable, since the West holds advantages in population size, economic clout, political power, and ideological success. The post-unity debates therefore often look like West German affairs that continue pre-1990 conflicts under different auspices (Jaraus, 1997). Another consequence of the German unification, besides a loss of identity and the resulting necessity to define a new collective identity, was the fact that Germany immediately moved to the political centre of Europe, being the largest country with the largest economy, geographically located in the heart of the continent. This aspect, in combination with recent economic successes such as acquisitions of foreign companies by German corporations, might lead to at least some degree of pride for Germans for their country (The Economist, 1998).

German business and the international arena

German-style business indicates culturally embedded practices and principles employed within Germany. Behavioural and institutional aspects of the German business system have been combined in an integrative fashion in order to provide a realistic picture of the German business environment and systems. Glunk, Wilderom and Ogilvie (1996) summarizes the German business environment as a consistent pattern of business-related practices built around a 'competence first' principle. German companies continuously invest in human resources, with an emphasis on technical and professional competence. This, together with a strong quality and innovation orientation, seems to be the pillar of German-style management. The remaining features such as effective and harmonious labour relations and formalised production management tend to fill a supporting role or are logical outcomes of central features such as loyalty of managers and the unique economic system that prevails in Germany.

German companies have moved from initial traditional industries of coal mining and ore processing, via heavy industrial activities into a restructuring for growth in the service sector, information technologies and telecommunications (European Australian Business Council 2001). Germany has transformed into a high-tech country, with technology industries being of great importance for the nation's further economic well-being.

The global orientation of Germany's economy represents the foundation for economic growth and stability (Möbius 2000). German companies have relatively early recognised the need to expand outside Germany, described as "a mighty export tradition that has meshed with the need to reduce the inflexibility and expense of producing in Germany" (The Economist 1998, p. 60). Dorrenbacher (2000) adds that a recent compilation of data on the internationalisation of the 100 largest German companies has found that it is difficult to find a strictly national company, as even most of the utility companies are to some extent active in foreign markets.

As a result of the global orientation, German companies hold significant market positions in international trade, particularly in industries such as machinery, motor vehicles, electrical engineering and chemical products. These positions in world markets are based on the efficiency to conduct business, competitive strengths in key industries and a favourable reputation abroad by the positive image of 'Made in Germany', as discussed hereafter.

German companies have been present in the international arena for a long time. German-based companies in sectors of mechanical and electrical engineering, automobile and chemical industries are well-known and recognized around the globe (Federal Ministry of Economics 1992). It is, however, important to note that a large contingent of small- and medium-sized companies is decisively salient to Germany's appearance on the international stage. These companies form the *Mittelstand* and account for half of the country's Gross National Product. The names of these companies are less known, but they play a salient role in Germany's presence worldwide as the majority has expanded their focus outside of

Germany. These companies both contribute to, and benefit from, the 'Made in Germany' image.

The value of "Made in Germany"

The nineteenth-century historian Ernest Williams argued in 1896 that the 'Made in Germany' label was a marketing advantage (O'Shaughnessy, 2000). For decades to come, 'Made in Germany' has been synonymous with solidity and quality. Today, it stands for more than that: a new generation of products and services which combine traditional German reliability with innovation and creativity. The basis for 'Made in Germany' is a flexible, dynamic, and future-oriented industrial sector that is committed to producing superior products. The combination of efficiency and inspiration has made Germany one of the world's leading exporters and has helped the brand 'Made in Germany' gain an undisputed reputation for quality worldwide (Federal Ministry of Economics 1992).

Germany is often described as an enigma; scholars wonder how a country with extremely high labour costs and a strong trade union system can lead the world in exports, consistently earn high praise for product quality, and be competitive in many key industries (Bowles 1993). In addition consumers typically regard goods made in Germany to be better than those from the US or Japan. German companies traditionally rely more on superior quality and reliability as foundation for business success in Germany than US and Japanese companies (Shah et al, 2000).

Valuing the 'Made in Germany' brand, Parameswaran and Pisharodi (1994, p. 48) rhetorically ask "It is often said that brand names like 'McDonald's' are worth millions. If so, how many billions is Germany's image worth?". This implies that Germany as country-of-origin for any specific product or service can be a powerful device for German companies in their internationalisation and globalisation strategies. Ways to exploit the 'Made in Germany' label include emphasizing German-ness in a company's communication strategy and associating brand names that sound as German as possible (Thakor and Katsanis 1997). The country-of-origin cue is a rather potent marketing tool variable for an international company. Buyer decisions are influenced by the country-of-origin image, with some countries being preferred over others.

In the foreign market, 'Made in Germany' is potentially a competitive advantage over non-German products. The advertising campaign by Volkswagen in Australia is for example characterised by a direct reference to its German heritage as an argument to be considered by buyers (The West Australian 2002).

The link between Germany and Australia

Most big German companies have some involvement in Australia, be it a fully-owned subsidiaries, equity investments or otherwise. Germany's Federal Minister of Economics, associates this presence to the advantages that Australia holds. Australia's positive business climate, its image of an internationally competitive high-tech location, its reputation as a commodities supplier, and the cultural environment creating a feeling of being 'at home' transform Australia into an attractive marketplace (European Australian Business Council 2001). In addition, German firms increasingly view Australia in terms of a regional business perspective, i.e. a base from which to operate throughout the Asia-Pacific region. Australia itself is one of the largest Asia-Pacific markets, but additionally offers a link to Asia for German companies.

From a country perspective, the balance of trade has traditionally been in favour of Germany, with German exports to Australia increasing significantly in recent decades, while Australian exports to Germany remained rather stable (German-Australian Chamber of Industry and Commerce, 2002). In 1999, Germany was Australia's ninth largest trading partner, with Australia ranking 34th for Germany.

Regarding the specific role of Western Australia, the Ambassador of Germany to Australia describes the state as dynamic and competitive, playing an important role in Australia's

economy as a whole. Western Australia's share in the relationship between Australia and Germany is significant, as German chemical and engineering companies are aware that Western Australia offers good conditions for investment projects based on its rich resources (WAGBA 2001). In addition, the Western Australian economy is diversifying rapidly, moving from traditional industries to innovative technologies and evolving new industries and thus creating new business opportunities.

The specific connection between Germany and Western Australia can be described as "an apparent 'German dichotomy' within Western Australia" (Mennicken-Coley 1993, p. 143). In addition, there is an increasing number of persons who are very interested in all things German, be it for reasons of ancestry, cultural interest or commercial purposes. Western Australia also has a fragmented group of German-born people, a small percentage of whom takes part in formal or informal 'German' activities.

It has to be mentioned that a significant number of small- and micro-sized German-owned companies is prevalent in Australia. Not only well-known global players operate in Australia, but also a number of companies founded by German entrepreneurs or established by less-known German companies can be found across Australia. Although not necessarily members of the German-Australian Chamber of Industry and Commerce, these companies play a vital role in the German business presence in Australia. The aforementioned discussion of the German business presence in Australia served as foundation for a project assessing the nature of German business in Western Australia. The project also assessed the value of being German and the pursuit of being associated with the German image.

The Project

The focus of the project was to collect and interpret primary data from organisations with a German connection or identity. The methodology used for data collection constituted the composition of a questionnaire, based on a 5 point Likert scale. Responses were translated in a frequency analysis to establish the attitude of respondents. The project focussed geographically in Western Australia and set out to establish a picture of the value of German heritage and how respondents pursue the German image.

This paper reflects on sections of the questionnaire focussing on demographics, characteristics of German products and the pursuit of association with Germany. Respondents were selected from members of the Western Australian-German Business Association (WAGBA) and the German-Australian Chamber of Industry and Commerce. In addition, personal research, mainly using electronic media such as the internet, identified suitable respondents. In total, 138 questionnaires were administered by mail and e-mail of which 62 suitable responses were received, establishing in a response rate of 45 per cent.

The following sections provide an interpretation of the responses to the questions covering demographic aspects.

Demographics

As indicated in table 1 the respondents are active in two dominant sectors, namely Manufacturing and Engineering. These two sectors represent 44 per cent of respondents while the only other sector of significance is retail where 10 per cent of respondents position themselves.

Table 1: Type of Product/Service

n=73				
Mining	Agriculture	Manufacturing	Engineering	Consumables
3 4%	1 1%	17 23%	15 21%	4 6%
Retail	Transport	Maintenance	Education	other
7 10%	4 6%	2 3%	0 0%	20 27%

Table 2 indicates the size of the business in Western Australia (WA) to be different from the national presence. German associated firms in WA are predominantly smaller in size than their national counterparts. In WA, 19 per cent of German companies have a turnover smaller than \$ 250,000 while 34 per cent have a turnover smaller than \$ 1 million. Although 42 per cent of WA's German companies have a turnover of more than \$ 5 million, the equivalent size across Australia is 81 per cent of German companies.

Table 2: Annual Turnover (million AU\$)

		n=62			
a) in Australia	< 0.25	0.25 - 1	1-5	>5	
	3 5%	2 3%	7 11%	50 81%	
b) in W. Australia	< 0.25	0.25 - 1	1-5	>5	
	12 19%	9 15%	15 24%	26 42%	

From a staff perspective Table 3 indicates that 11 per cent of respondents have no more than 5 employees. In addition, 37 per cent of respondents have no more than 20 employees. At the other side of the spectrum there is 26 per cent of the respondents with more than 100 employees of which a mere 5 per cent employs more than 500 people.

Table 3: Number of Employees

					n=62
0-5	6-20	21-100	101-500	>501	
7 11%	16 26%	23 37%	13 21%	3 5%	

German heritage and 'Made in Germany'

The association with the German identity is often achieved through the extension of product ranges, mergers or acquisitions. Table 4 indicates the time of respondents' association with the German identity.

Table 4: Association with German heritage

				n=62
Since inception	1980-1989	1990-1999	2000+	
28 45%	18 29%	12 19%	4 7%	

About half of the respondents (45 per cent) indicate that the association with Germany started with the inception of the company. In addition, 29 per cent have a relative long term association dating back to the eighties. A further 19 per cent started their association in the nineties while only 7 per cent associate with the German heritage since the year 2000.

Table 5 reflects whether responding companies actively display their German heritage and agree to the 'Made in Germany' image being a competitive advantage in the relative industries.

Table 5: German Heritage and 'Made in Germany'

	n=62							
	Disagree		Neutral	Agree				
	Totally	Disagree		Agree		Totally		
Display heritage	3 5%	9 14%	24 39%	21 34%		5 8%		
'Made in Germany'	0 0%	7 11%	18 29%	29 47%		8 13%		

About 5 per cent of respondents do not display their German heritage at all and a further 14 per cent indicate that they do not actively display their German origin. On the other hand, 8 per cent use their heritage as a marketing tool while 34 per cent actively display it.

Respondents' perceptions of the 'Made in Germany' image indicate the value of the perceived origin of the product and the association with Germany. While 13 per cent of respondents indicate total agreement, 47 per cent agree with the value of association. Only 11 per cent of

respondents disagree that 'Made in Germany' has a positive value while no respondents completely disagreed.

Nature of 'German' products

German products or products made by German companies and the perception associated with them are assessed in six categories, tabled in Table 6.

Table 6: Perceptions of German Products

	n=62									
	Disagree				Neutral	Agree				
	Totally		Disagree			Agree		Totally		
Expensive	0	0%	2	3%	9	15%	38	61%	13	21%
Reliable	0	0%	0	0%	1	2%	35	56%	26	42%
Exclusive	2	3%	8	13%	27	44%	18	29%	7	11%
Inventive	0	0%	3	5%	16	26%	31	50%	12	19%
Superior	0	0%	0	0%	8	13%	31	50%	23	37%
High quality	0	0%	0	0%	1	2%	35	56%	26	42%

Table 6 indicates that respondents feel very strong about the reliability and high quality as outstanding attributes of German products with more than 41 per cent in total agreement and 56 per cent in agreement. Respondents also indicate a superior quality of German products with 37 per cent totally agreeing and 50 per cent agreeing. German products are also valued for their inventive nature. Although respondents indicate German products to be expensive with 21 per cent in total agreement and 61 per cent in agreement, the products are not perceived to be too exclusive by 59 per cent of the respondents (of which 43 per cent were neutral).

Conclusion

The German national identity is characterised by a necessity to define a collective identity after reunification while playing a central role in the economic development of Western Europe and the European Union. German business, in turn, is characterised by competence in its people and quality and innovation in its products. These factors contribute to strong positions of German products in the international arena, strongly supported by the German small and medium sized sector – the *Mittelstand*. Shah et al. (2000) argues that this translates in a superior quality of German products and establishes a strong positive identity for goods associated with 'being German'. There is however not the same clarity on this association in the services industries.

The presence of German companies and positive association with the German image in WA confirms the characteristics of German business, its strengths and national identity. While the WA environment accommodates the strong German presence in innovative machinery, electrical engineering and chemical products, recent diversification also offers opportunities. Data collected indicate the manufacturing and engineering nature of German companies in WA and confirms their *'Mittelstand'* nature. Most German companies also have a long standing association with their heritage and, although only about a quarter actively displays the link, about two thirds value the 'made in Germany' association. The association is expected to imply a superior, highly reliable and high quality product, and while considered expensive, products are not perceived to be extremely exclusive. The value of 'being German' is seemingly significant for German business in Western Australia, thus confirming the marketing value associated with a strong and positive country image.

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