

Differences between the us and german corporate governance systems

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The Daimler Chrysler Corporation was adversely affected in its global business operations mainly by the pertaining variance in corporate legal aspects between the US and German governments. From an overall outlook, the conflicts mainly arose from three aspects; on the ground of legal systems, different preferences of share holders, and management issues. The corporate entrepreneurship significantly gets diverged based on the unique rules and regulations of both countries. Firstly, in US, the major issues associated with business organizations are being regulated by US Securities and Exchange Commission [SEC] which handles issues of audit, chief regulators, board members and shareholders. In contrast, German corporate governance code is the medium that determines the corporate issues in Germany.

Unlike US law the German corporate system emphasis on protecting the creditors, and gives freedom for accumulating indirect reserves. Another notable feature is that in German system, accounts are calculated in monetary terms instead of book values. On the contrary, US government permits organizations to create shareholders and to exert their own management control. Moreover in US, Sarbanes Oxley Act emphasize on individual responsibilities of CEOs and CFOs; whereas, German corporate governance gives importance to collective responsibility.

The major differences between these two corporate systems are illustrated below:

US Corporate System

German Corporate System

Collective responsibility of board

Responsibility of CEO and CFO

Disclosure of deviation from German code

Disclosure of significant difference from corporate practices.

Annual general meeting of share holders

Audit committee

Secrecy between Company and auditor

Right to request records from editor

suitable insurance policy

Insurance policy not common

2. What is your evaluation of how Daimler and Chrysler have managed these differences?

Regardless of dissimilar business environment, Law Daimler and Chrysler have rather collectively dealt with the common issues by designing policies to operate their business efficiently. They strategically evaluate the business concerns and formulate further plans to meet challenges that are associated with the variance in business cultures. Their formula emphasizes on the submission of DC balance sheet that the whole company has to be committed to. Individuals like the CEO, CFO, and Chairman also come under the ambit of certain obligations. Also, company has applied cascade signing system in its business operations. Daimler and Chrysler have given more weight to collective and individual responsibility in management concerns.

3. What other option might they have considered and what are the advantages and disadvantages?

Law Daimler and Chrysler could have initiated some researches on the major

corporate issues to identify the essential areas of strategic change. It should focus on other competitors for learning how they handle the issues related to organizational convergence. In addition, the company might have explored new potential regions for business expansion to overcome the legal barriers in their domestic market. Company can also depend more on outsourcing to resolve problems with language barriers and HRM convergence.

However, the major disadvantages with these strategies are the increasing operational cost and market uncertainty. Company has to invest considerable amount on business expansion to new regions. As legal compliance has already been a financial burden to US business organizations since the enforcement of Sarbanes Oxley Act, new ventures can be of high risk.