GERMAN-IRISH CORPORATE RELATIONSHIPS:

THE CULTURAL DIMENSION

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Summary

The thesis raises the question of whether or not in an age of internationalisation and globalisation the cultural differences which exist between Germany and Ireland are still relevant to German-Irish corporate relationships or have internationally accepted best practices removed culture from the equation?

The first three chapters establish the theoretical framework of the thesis by outlining the broadly culturalist/institutionalist approach, based on the work of Hofstede and Maurice et al, to be pursued, profiling the business cultures of both countries by analysing the components of their respective national institutional frameworks, and examining existing approaches to the study of mother company-foreign subsidiary relationships.

Chapters four to seven constitute the empirical section of the thesis. Using the interviews carried out with two sample groups (Sample Group A: 15 German mother companies and 14 of their Irish operations and Sample Group B: 7 Irish mother companies and 9 of their German operations), the mother companies in both groups are examined to see whether or not they demonstrate characteristics which are in keeping with their national business cultures. Their foreign operations are then analysed as is the mother company-foreign subsidiary relationship to determine whether or not any mother company influences are visible. The general approaches adopted by the two groups of mother companies to their foreign operations are compared and contrasted. Finally differences in national attitudes and values are identified and their impact assessed.

The analysis reveals that despite existing pressures towards convergence, the cultural differences between both countries are still relevant to the relationship particularly at the level of attitudes and values and although similarities in the mother company approaches to their subsidiaries are present, national specificities may nevertheless be detected.

KEY WORDS

German and Irish business culture
Culture-bound approaches to cross-cultural management
Mother company-foreign subsidiary relationships
Uncertainty avoidance
Power distance

For my parents with all my love.

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"Wenn ihr sagt: „wir machen's so", da hat kein Mensch was dagegen, sagt ihr aber: „Ihr sollt's auch so machen, euch nach unserer Beschränkung beschränken", da kommt ihr um vieles zu spät."

(Goethe: "Maximen und Reflexionen")

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LIST OF ABBREVIATIONS

AIB   Allied Irish Banks

BDI   Bundesverband der Deutschen Industrie

CEO   Chief Executive Officer

Dáil   Irish government

DIHT   Deutscher Industrie- und Handelstag

ESRI   Economic and Social Research Institute

EWC   European Works Council

FÁS   Irish training and employment authority

FDI   Foreign Direct Investment

HR   Human Resources

HRM   Human Resource Management

IBEC   Irish Business and Employers Confederation

IDA   Industrial Development Authority

IFSC   International Financial Services Centre

IGBA   Irish German Business Association

MD   Managing Director

MNC   Multinational Corporation

PPF   Programme for Properity and Fairness

QA   Quality Assurance

R&D   Research and Development

RTE   Radio Telefís Éireann (Irish State TV/radio)

SME   small and medium-sized enterprises

SIPTU   Services Industrial Professional Technical Union

INTRODUCTION

The presence of German companies in Ireland is not a new phenomenon, indeed some have been established there since the 1920s although the vast majority arrived post 1960. With approximately 236 German operations[1] in Ireland (German-Irish Chamber of Industry and Commerce database, June 2000), German investment accounts for 14% of all FDI (Foreign Direct Investment) flowing into the country, a figure which ranks it as Ireland's third most important source after the US (42%) and the UK (17%) (IDA, 1998). Although less significant in terms of their overall number, there are currently 65 Irish companies with German operations, most of whom have sales or distribution operations in Germany (Enterprise Ireland, Jan. 1999). Monitoring the picture over a period of four years since 1996, it is clear that the number of companies involved on both sides is increasing.

Despite these positive trends, however, the research into German-Irish corporate relationships has been extremely limited. Apart from the short largely statistical surveys of the perception of Ireland's infrastructure by German investors published by the German-Irish Chamber of Industry and Commerce at three yearly intervals since 1990 and Armbruster's survey of 24 German companies in Ireland in the early 1980s, to the knowledge of the author, no other research has been carried out on the experiences of these companies. It would also appear that to date no research at all has been done on the German operations of Irish companies. One of the aims of this thesis is to attempt to address this lacuna.

The Irish State through its development agencies offers German companies important financial reasons for locating and remaining in Ireland:

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[1] This figure includes Irish subsidiaries of German owned companies or of companies with substantial German interests (including joint ventures and independently owned Irish companies which maintain strong links with Germany (that is owned by private German individuals in Ireland) and multinational companies which have traditionally been in German ownership) (German-Irish Chamber of Industry and Commerce, telephone conversation, September 2000).

- a low (10%) level of Corporation Tax on eligible manufacturing and qualifying services guaranteed to 31 December 2002 (and until 2010 and 2005 respectively for those who commenced their Irish operations prior to 31 July 1998). Thereafter corporation tax will be levied at 12.5% for trading profits in all sectors (IDA, 2000 (a));

- a wage bill which is significantly lower than domestic rates (manufacturing wages in Ireland are 51% of those in West Germany and 80% of those in East Germany (Institut der deutschen Wirtschaft, 2000 (a) No. 152);

- the Double Tax Agreement between Germany and Ireland enabling the repatriation of profits earned in Ireland and on which Irish tax has been paid without being subject to further taxation in Germany;

- the numerous generous non-repayable subsidies and grants offered by Irish developmental agencies such as the IDA (Irish Development Authority) for such diverse areas as product development, factory rental and training.

While Irish companies deciding to set up a German operation do not benefit from any schemes backed by the German state, they are attracted by the prospect of a large market with strong domestic purchasing power.

In both cases, whether such undertakings be in the form of a greenfield site, joint venture, take-over or a sales office, it appears all too frequently that the prospect of high returns on investment is the primary factor when considering approval. Few companies stop to think that they are not only setting up an operation in a different country where a different language is spoken but are taking on an encounter with a culture which functions in many respects upon different principles to the one with which they are familiar. Although legally, German and Irish people now share a common EU citizenship, this in no way obliterates the many thousands of years of history, tradition and development - in short culture - which still

separate them. Their 'mental software', to quote Hofstede (1991), though often quite similar, is **never** identical.

The questions which this raises are: in an age of growing internationalisation and globalisation are the cultural differences which exist between nations relevant to cross-national corporate relationships? Indeed do cross-national corporate relationships have a cultural dimension at all or have internationally recognised 'best practices' removed culture from the equation? It is precisely these questions that the thesis addresses for the context of German-Irish corporate relationships. Beginning by outlining approaches to the study of culture which have been adopted by cross-national researchers, it then explores the business cultural context within which companies in Germany and Ireland operate. Next using two sample groups: Sample Group A, consisting of 15 German mother companies and 14 of their Irish operations, and Sample Group B, comprising 7 Irish mother companies and 9 of their German operations, it investigates first, the mother companies to see whether or not they reflect the business culture in which they are embedded, it then looks at their respective subsidiaries and the mechanics of the mother company-subsidiary relationship in order to ascertain whether or not mother company influences may be detected in the subsidiaries, in what form and at what levels. The overall approach adopted by the mother companies is analysed and compared for both groups to determine any national differences evident. Finally attention is turned to identifying national differences in attitudes and values between the Germans and the Irish and considering how these impact upon the day-to-day business context.

CHAPTER ONE:

CULTURE AND THE CROSS-NATIONAL CONTEXT

1.1. Introduction

The survey which forms the cornerstone of this thesis, involving as it does samples of German and Irish companies and their respective foreign operations in Ireland/Germany, is cross-national and as a corollary also cross-cultural in nature. In order to be able to appreciate the significance of the results obtained in the empirical section, it is first of all necessary to situate the thesis within a theoretical context. This chapter will consider one of the key theoretical underpinnings of the thesis, namely, the role of culture. Beginning by exploring the concept of culture, it will then examine some of the principal approaches hitherto adopted by researchers in their study of organisations in cross-cultural surveys and will conclude by delineating the approach which will be pursued here.

1.2. Definition of culture

It is not culture in the narrow sense of high culture, that is, the state of the arts, erudition or craftsmanship in a society which is being considered here but rather a broader interpretation of the term. A perusal of the literature reveals such a plethora of definitions, that the only definite conclusion which can be arrived at is that drawn by Kroeber and Kluckhohn nearly 50 years ago, having presented 164 different definitions of culture in their landmark volume: *Culture: A Critical Review of Concepts and Definitions*, namely:

"[...] as yet we have no full theory of culture. We have a fairly well-delineated concept, and it is possible to enumerate conceptual elements embraced within that master concept. But a concept, even an important one, does not constitute a theory" (Kroeber & Kluckhohn, 1952 p.181).

This "fairly well-delineated concept" to which they refer is an anthropological definition of culture which is frequently cited in the literature, has found wide acceptance among researchers, and hence will be used here as a working definition:

"Culture consists of patterns, explicit and implicit, of and for behavior, acquired and transmitted by symbols, constituting the distinctive achievement of human groups, including their embodiments in artefacts; the essential core of culture consists of traditional (i.e. historically derived and selected) ideas and especially their attached values; cultural systems

may, on the one hand, be considered as products of action, on the other as conditioning elements of further action." (ibid.).

It follows from this definition that there are basically two dimensions to culture. On the one hand, that which could be termed as 'observable culture' in the sense of the outward signs or symbols - food, language, clothing, architecture, art etc. - of a specific society and on the other, a deeper level, the core or essence of a culture, consisting of the

"*basic assumptions* and *beliefs* that are shared by [members of a society] that operate unconsciously, and that define in a basic "taken-for-granted" fashion [a society's] view of itself and its environment. These assumptions and beliefs are *learned* responses to a group's problems of *survival* in its external environment and its problems of *internal integration* . They come to be taken for granted because they solve those problems repeatedly and reliably." (Schein, 1985 p. 6). [1]

In the 1980s Hofstede put forward a definition of culture which summarises that of Kroeber and Kluckhohn mentioned above. Hofstede sees culture as a 'software of the mind':

"the collective programming of the mind which distinguishes the members of one group or category of people from another" (Hofstede, 1991 p. 5).

1.3. The characteristics of culture

Having briefly defined culture, it is appropriate at this juncture to review some of its characteristics.

(i) Culture as a problem-solving device

Culture as a problem-solving device, is a notion which is pervasive in the literature (e.g. Young 1934, Schein 1985, Van Maanen and Barley 1985, Trompenaars 1993). It is the response to the universal problems shared by all human beings. These Trompenaars resumes as people's relationship to time, nature and other human beings. He also points out that though shared by mankind, the solutions to these problems are not. Individual groups will adopt different approaches to the same problems that arise in similar circumstances and one

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[1] Schein applies this definition to organizational culture but it is equally applicable to the culture of a society.

culture may be distinguished from another by the specific solutions it chooses for the resolution of these 'universal' problems (Trompenaars, 1993, p. 28).

(ii) Culture as the personality of a society

Many have posited that culture may be understood in terms of the personality of a society (e.g. Katz and Schanck 1938, Coutu 1949, Hofstede, 1980). It is that which differentiates one society from another, that which constitutes its uniqueness.

(iii) Culture as a group construct

The notion of the group is central to and indeed a prerequisite of culture:

"The process of culture formation is, in a sense, identical with the process of group formation in that the very essence of "groupness" or group identity - the shared patterns of thought, belief, feelings and values that result from shared experience and common learning - is what we ultimately end up calling the "culture" of that group. Without a group there can be no culture, and without some degree of culture we are really talking only about an aggregate of people, not a "group" (Schein 1985 p. 50)[2].

(iv) Culture is for the most part acquired

The fact that culture is for the most part acquired or learned and not biologically inherited is an important one. At one level all human beings are identical - this is the level of human nature. They are all subject to the same universal human condition of being born, living and dying and all possess to varying extents the same basic needs classified by Maslow in his Hierarchy of Prepotency as physiological, safety, belonging and love, esteem and self-actualisation needs (Handy, 1985 p.30). It is the learned responses to one's environment and the people in it which are inculcated from early childhood and reinforced through subsequent socialisation at school, work etc. that differentiate one group of people from another.

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[2] Schein was referring here to the function of culture in organisations but again it equally applies to all group situations.

Human beings by nature are creatures of habit and routine. They require points of reference to which they can cling to create sense of their predicament, gauge the reactions of others around them and predict the likely outcomes of any given social situation. It is behavioural patterns consistent across the group or groups to which one belongs which render this possible and avoid the scenario where one is anxiously faced with randomness and uncertainty. Indeed in this sense culture may be regarded as a 'system of expectancies' with group members initiated into common outcome prediction for any given scenario (Kroeber and Kluckhohn, 1952 p. 157).

(v) Culture is not a straitjacket

Hofstede points out, however, that culture should not be viewed as a straitjacket:

"This does not mean, of course, that people are programmed the way computers are. A person's behavior is only partially predetermined by her or his mental programs: (s)he has a basic ability to deviate from them, and react in ways which are new, creative, destructive or unexpected. The *'software of the mind'* [...] only indicates what reactions are likely and understandable, given one's past" (Hofstede, 1991 p.4).

Culture in this sense forms the basic blueprint for the behaviour and reactions of the society it encases but this does not prevent either that society or its members from learning in the light of new experiences, very often resulting out of direct or indirect exposure to other societies.

(vi) The influence of the past

Central to the notion of culture is the idea of the influence of the past on the present and future. Myres describes the cultural process as "what remains of men's past, working on their present to shape their future" (Myres, 1927 p.16). This is not, however, to suggest that culture is a static or immutable construct. Rather, it is a dynamic process, one which is continuously being modified and updated to keep pace with the developmental needs of the population that moulds it and that is in turn moulded by it. As one solution reveals itself to be clearly obsolete or no longer adequate, it is gradually discarded for what is regarded as a more effective alternative. Every domain of human life bears ample witness to this. One has only to

look at the high technology solutions which have emerged during the course of recent decades and which have ousted many traditional methods of doing things. The social mores of the present, for example, are in many ways quite different to those of the 1950s. One of the difficulties with culture is ascertaining the pace at which this modification process takes place.

Yet though these 'patterns' of behaviour are added to and modified, the distinctive core of the culture is perpetuated from one generation to the next.

(vii) Culture is an elusive concept

By virtue of the fact that its core consists of norms and values, culture is a construct which is very difficult to pin down exactly. It is almost impossible to speak of it in terms of absolutes in the cross-national context given that the 'human nature' level is common:

"The differences that exist between various cultures are of degree rather than of kind, and cultural values and attitudes can be considered in terms of dimensions placed on continua ranging from low to high" (Tayeb, 1988 p.42).

(viii) The various layers of culture

Apart from being a complex construct, culture, for the purposes of this thesis, may be viewed as being composed of several different layers (Figure 1.1.): human nature, individual culture, national culture, business culture, and organisational culture. The following paragraphs will examine each of these layers briefly.

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Organisational Culture

Business Culture

National Culture

Individual Culture
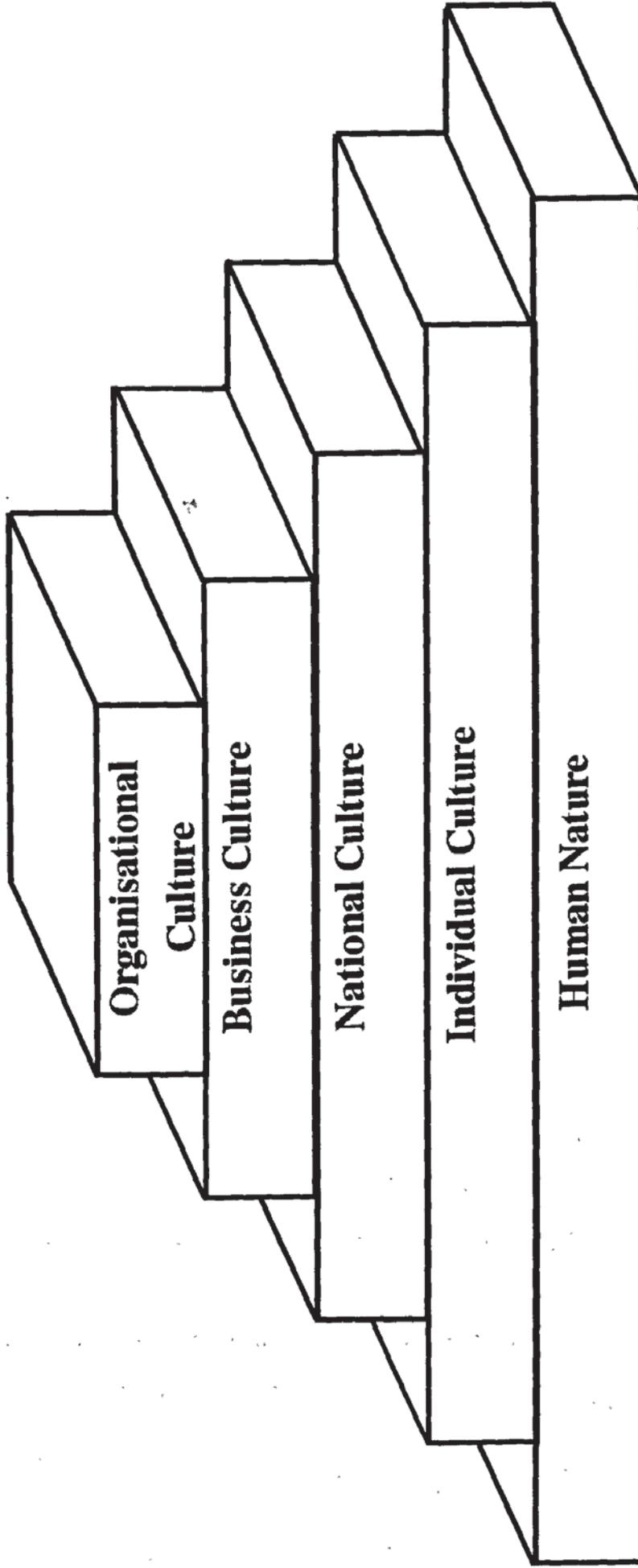
Human Nature

Figure 1.1.: The Various Layers of Culture

The universal dimension: human nature

The universal dimension may be thought of as that which is common to all human beings regardless of their age, sex, colour, nationality, language etc. It is that which is biologically inherited by each member of the human race: it is human nature.

Individual culture

This layer of culture consists of that which is unique to each individual. It is that which constitutes the 'personality' of any given individual and while it is moulded and shaped by the environmental influences and experiences to which that person is exposed over the course of their lives, it nevertheless contains qualities and characteristics exclusive to that person alone.

National culture

Applying the notion of "group" to that of a national grouping of people, one speaks of national cultures. Lynd describes this as:

"all things that a group of people inhabiting a common geographical area do, the ways they do things and the ways they think and feel about things, their material tools and their values and symbols" (Lynd, 1940 p.19).

It would be naive to suggest that all members of a particular nation exhibit identical behavioural patterns, hold identical values and assumptions - this would be to negate the uniqueness of every human being and also the historical evolution of nations. Within any culture individual variations and subcultures will indeed be distinguishable from the dominant general pattern but a dominant general pattern there will be (Tayeb, 1988, Hofstede 1984).

The topic of national culture will be further dealt with under the culture-bound approaches described below (1.4.2.).

Business culture

The business culture of a particular nation may be thought of as the general way in which that nation conducts its business affairs, that is, the behaviour patterns, practices and beliefs broadly shared and manifested by its business community as a whole. This will be explored in greater depth in Chapter Two.

Organisational culture

This layer of culture also known under numerous aliases such as organisational approach, ideology, identity, company ethos, spirit, vision, philosophy, way, corporate culture etc. describes the individual and distinctive culture of a specific organisation. Marvin Bower's catchphrase definition of organisational culture as "the way we do business around here" (Bower, 1966) encapsulates the essence of the concept.

Organisational culture became a popular topic in the 1980s (the Excellence literature of Peters & Waterman, Deal & Kennedy 1982, Schein 1985) in the light of the success of Japanese companies in competing effectively with American companies. The key to Japan's success was asserted to be its cohesive culture (Deal & Kennedy, 1982 p. 4). Minds became focused on the themes of national and organisational culture. The essential message became that an organisation's culture and value system affect all aspects of its internal functioning from the criteria used to recruit and promote people, decision-making, right through to organisational dress code (ibid.).

Organisational culture is today a vast research field in its own right. The intention of the author here is to confine comments solely to those which are of direct relevance to the thesis.

At its most basic an organisation may be considered a purposive collective brought together to achieve an output which could not be achieved by the individual component parts on their own. Because it is basically a group with a history, it also has a culture. In working towards the realisation of its purpose or raison d'être, the group will work out its own modus operandi, its own means and methods of problem-solving which over time, if effective, become the underlying assumptions that guide its behaviour (Schein, 1985). An organisation's culture may be deliberate, that is instilled by the founder or top management, or it may be unintentional, an organic outgrowth resulting from years of resolving and coping with recurrent situations and problems. Some organisations will spell out in explicit terms what constitutes their organisational culture, others will not. In either scenario it is difficult to get a true picture or 'feel' for a company's organisational culture without lengthy exposure to it as it is essentially something that is perceived and felt (Schein, 1985, Handy, 1985) yet nonetheless it can be a very real and powerful influencer of organisational outcomes.

A point which is of particular interest to this thesis is Schein's observation that companies with multinational operations sometimes do things in remarkably similar ways throughout their operations even if these foreign operations are located within very different national cultural settings. He concluded that

"Companies thus seemed to have cultures of their own that were sometimes strong enough to override or at least modify local cultures" (Schein, 1985 p. ix).

The organisational effect is thus seen in such cases to override or modify the national effect. This also suggests the transferability of organisational cultures either in whole or in part outside of the national socio-cultural and business environments which spawned them originally. What is transferred essentially, however, are organisational practices which does not mean that the original values giving rise to the emergence of these practices in the first place are also transferred. This was borne out by Hofstede's IBM study described below (1.4.2.1.) Comparing otherwise similar people in the various international IBM subsidiaries,

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he found considerable differences amongst them at the values level despite the fact that with IBM's strong corporate culture great similarities in practices existed between the subsidiaries studied (Hofstede, 1991, p. 181).

1.4. The role of culture in cross-national management research

Comparative or cross-national management research, of which this thesis forms a part, is a relatively young research discipline emerging only in the late fifties/early sixties as more and more companies became involved in business ventures outside of their domestic environment and were confronted with the situation where their tried and tested methods of working were not always appropriate or yielded the anticipated results when applied to employees, customers, and suppliers in foreign settings (Weber et al, 1998 p. 30).

The role of culture, whether and how it impacts upon the functioning of organisations is at the heart of writings in this field and the debate which rages to this day may basically be broken down into two apparently conflicting schools of thought. On the one hand, the culture-free or convergency approaches posit that certain universal factors govern the structuring and functioning of organisations will apply regardless of the cultural setting and therefore, culture as an influencing factor is irrelevant. The culture-bound or divergency approaches on the other hand, take a particularist view, that is, that the national and business culture of the setting in which the organisation is located will have a key influence on the way it goes about its business affairs. The debate is an extremely complex one and the fact that there is - as was seen above - no general consensus on even the core concept of culture only serves to make matters more difficult. Progressive groups of researchers in the field have added to, subtracted from and modified the findings of preceding groups. In order to appreciate the full complexity of the phenomenon being dealt with here, it is first of all necessary to endeavour to pick a pathway through some of the principal approaches which have been put forward by researchers over the years. This is important because among the

various approaches available there would appear to be no one approach acceptable to all researchers and furthermore some researchers are of the opinion that the various approaches should be viewed as complementary (see e.g. Child & Tayeb 1982-3, Tayeb 1988, Lane 1989).

1.4.1. Culture-free/ convergency approaches

1.4.1.1. The logic of industrialism

Beginning with the most universalistic of the approaches available, in the late 1950s early 1960s a theory of industrial society was formulated by Kerr et al which postulated that the industrialisation process possesses an internal logic which over time propels societies, regardless of their cultural specificities, path pursued to industrialisation or political ideology ultimately towards the same end result - industrialism, that is, a society which has made the transition from one based on agriculture or commerce to one based on industry, sharing common basic economic and social structural features with all other industrialised societies (Kerr et al, 1973 p. 296). Industrialism was seen as being the "almost universal goal" pursued by all modern nations (Harbison & Myers, 1959 p. 117). Once unleashed the process was regarded as unstoppable. Technology was viewed as being a unifying force making societies and the industrial organisations within them ever more similar (Kerr et al, 1973. p. 266). Productive technology and the industrial economy which results from its introduction and use were considered to be the primary forces driving this process of convergence among all industrialised societies, causing other parts of their social structures to adapt to meet its requirements (ibid. p. 18).

Industrialisation, radiating outwards from the industrial enterprise, therefore, places demands on societies and the groups within them in terms of ,for example, the hours of work, increasing urban development, the types of skills required and the educational and training facilities necessary to meet that demand, the mechanisms which need to be put in place for the

organisation and regulation of all facets of the labour-management relationship, and the nature and the extent of the role played by governments in the industrial society.

According to Harbison and Myers (1959) industrialisation leads to large-scale more complex organisations, requiring specialisation of functions and the establishment of a co-ordinated system of hierarchical authority to ensure control and integration of activities. Managers and employers thus find themselves impelled to "covet the role of rule maker" in order to control all factors in the "planning-production-selling process". Recruits to management positions are no longer drawn from the ranks of 'the family' or based on demonstrated political loyalty and affiliation but rather the management function becomes professionalized and positions are filled on the basis of competence. Furthermore, the growth of bodies and institutions representing worker rights and interests, the need to harness the motivation and co-operation of workers to the task in hand as well as the necessity to increase the number of people involved in managerial roles, among other things, force top management over time to loosen its iron grip on rule making, to delegate responsibility and decision-making down the hierarchy, and move from an autocratic or paternalistic type of approach towards workers to one which is 'constitutional' or 'participative' in orientation. Kerr et al assert that under industrialism management will develop in a common direction albeit from different starting points (Kerr et al, 1973 p. 167).

The proponents of this school of thought postulate that this *logic of industrialism* applies to all societies regardless of cultural or historical differences. While not denying that pre-existing societies and conditions will influence the process as will the leaders of economic development, existing resources, and events taking place in other countries, they posit that there are still "fundamental directions in which industrialisation will haul and pull" (ibid. p. 42). It is further proposed that industrialisation will transform the cultures of the traditional societies, introducing its own culture characterised by

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"(a) a nuclear family system which tends to accentuate individual incentives to work, save and invest; (b) a relatively open social structure encouraging equality of treatment and advancement based on ability; (c) religious and ethical values which are favourable to economic gain and growth, innovations and scientific change; (d) a legal system which encourages economic growth through general protection of individual and property rights from arbitrary or capricious rule; (e) a strong central government organization and the sense of being a nation which can play a decisive role in economic development." (ibid. p. 106).

Cultural and national differences are believed to become of ever decreasing importance the further a nation advances along the route to full industrialism. Indeed, the faster the pace of this transition, the more likely it is that the pre-existing culture will be modified or destroyed (ibid. p. 107). The end stage towards which industrialising societies are being propelled is not, however, conceived of as one single fixed point, but rather variations around the general central theme of "pluralistic industrialism" where

"the state, the enterprise or association, and the individual all share a substantial degree of power and influence over productive activities" (ibid. p. 296).

From the perspective of the early twenty-first century, this theory would appear somewhat old-fashioned. At the time of writing, however, most nations had only been exposed to the industrialisation process for two generations or less (ibid. p. 266). Looking at the world's advanced societies all of them have experienced industrialisation and indeed progressed to a post-industrial order. True there are many outward semblances of *similarity* between them yet persistent national differences are patently obvious to any observer. The proponents of this school underestimated the role played by culture and also the lasting imprint left on societies by the manner in which they came to industrialisation as well as the various roles played by the diverse interest groups in advancing this process.

1.4.1.2. The contingency school

The universalistic claims of the contingency theorists while being inspired by the work of those supporting the theory of the logic of industrialism, confine their claims to that of the organisation as opposed to society as a whole. Abandoning the technological determinacy

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argument, they concentrate on the contextual factors (or contingencies) in an organisation's task environment, of which technology is but one among several, which exert an influence on shaping its structure. The contingency school of thought was developed from the beginning of the 1960s by the "Aston School" of researchers and is associated above all with the researchers Pugh and Hickson. Based on an analysis of the literature on bureaucracy Pugh et al identified six dimensions of organisational structure (specialisation, standardisation, formalisation, centralisation, configuration, and flexibility) and seven dimensions of organisational context considered by previous authors to be relevant to organisational structure (origin and history, ownership and control, size, charter, technology, location, and dependence on other organisations) (Pugh et al, 1969 p. 91). They postulated that:

"The structure of an organization is closely related to the context within which it functions and much of the variation in organization structures might be explained by contextual factors" (ibid. p. 91).

Their empirical work on English companies consisted in establishing underlying relationships between these structural and contextual variables. They concluded, for example, that increased scale of operation leads to increased standardisation and formalisation of frequently occurring events and decisions; that the concentration of decisions in the hands of the owning group is likely to result in greater dependence among subsidiaries (ibid. p. 112).

Using the same methodology in a trinational study of organisations of seventy manufacturing organisations in the UK, Canada and the USA, Hickson et al found "consistent relationships" between "variables of organization context (size, dependence, technology)" and "measures of structure (formalisation, specialisation, autonomy)" (Hickson et al 1974 p. 59) which led them to put forward the "boldest hypothesis":

"Relationships between the structural characteristics of work organizations and variables of organization context will be stable across societies" (ibid. p. 63).

They do not deny that "culturally shaped variations may occur in some features of organizations" but that "contextual constraints or pressures will persist". This is not, of

course, to suggest that organisations in various countries must be identical as no two countries will be faced with an identical set of contingencies at any given time (ibid. p. 61). They summarise their theory as follows:

"if Indian organizations were found to be more or less formalized than American ones, bigger Indian units would still be more formalized than smaller Indian ones" (Hickson et al, 1974 p. 59)

as degree of formalisation, as was seen above, is said to be directly linked to organisational size. By virtue of its rational statistical approach with clearly identified dependent (structural variables) and independent variables (contextual variables) the contingency approach became the dominant approach in organisational studies by the mid 1970s overshadowing the less sophisticated culturalist perspective.

Many arguments for and against the contingency school are found in the management literature. The following section will examine some of these.

The strength of the approach according to Tayeb is that it adds to the understanding of the important influencing role played by the interaction of organisations with their immediate task environments on moulding internal organisational structures and processes (Tayeb, 1988 p. 22).

On a more negative note, the foundation upon which the proof of the 'bold hypothesis' rests would appear to be rather flimsy, based as it is on the empirical results of a sample of manufacturing units from three countries commonly perceived as embracing a common Anglo-Saxon organisational approach (Clark & Mueller, 1996 p. 128). Furthermore, much of the empirical research carried out by those following this approach concentrates on investigating only a small number of contingencies, often only one at a time (Child & Tayeb, 1982-3 p. 31).

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The deterministic stance of this theory negates the existence of functional equivalents, that is, that given a set of contextual contingencies there are various ways of organising, a range of strategies and sets of behaviour which will still ensure the success and survival of an organisation (Child, 1981 p. 318). Child and Tayeb also point out that "coping" or "performance adequate for survival of the organization" are not constants but are shaped and influenced by such factors as the expectations of those exerting organisational control, whether the organisation is in private or public ownership, its market position and the goals pursued by the society as a whole (capitalist versus non-capitalist goals) (Child & Tayeb, 1982-3 p. 33).

The types of measurements used by this school, by focusing as they do on the more formalistic aspects of organisational structure, are unlikely to be sensitive to the cultural effects on organisations (Child, 1981 p. 319). This school of thought believes that organisational structure moulds the behaviour of organisational members. It would appear that the researchers have overlooked the fact that organisations are essentially social constructs involving interaction between the people working within them and the meaning they attach to this interaction. Therefore, the human element should not be underestimated.

Moreover, the organisational environment is defined in narrow terms as the immediate task environment and the wider socio-cultural, political, and economic environment within which the organisation is located as well as the visible role that this plays in shaping organisational life and functioning is not considered in the equation.

A further criticism put forward by Tayeb of the contingency school within the universalistic approach is:

"The pioneers of the school started by condemning 'universalism' of the classical and human relations theorists and by advocating an "it all depends" thesis. They ended up, however, by prescribing a limited number of universal structural forms and management styles depending on, for example, technological requirements and environmental uncertainty". (Tayeb, 1988 p.22).

Overall, therefore, while the contingency school of thought certainly contributes to the body of knowledge on organisations, it would appear that it presents only part of the 'bigger picture'.

1.4.2. Culture-bound/divergency approaches

In the 1980s in Europe Hofstede and Maurice et al endeavoured to redress the balance. Their work aimed to refute the bold universal hypothesis of the contingency theorists, demonstrate that organisations are indeed culture-bound, and that as such in cross-national studies attention should, therefore, be focused on the societal/national level. The culturalist perspective may be further divided into those who view culture as 'ideational systems' and those who see culture as 'adaptive systems' (Keesing, 1974).

Child and Tayeb (1982-3 p. 41ff) provide a good description of both of these approaches. The adherents of the ideational systems approach in cross-national organisational studies focus on the ideas, values, and meanings shared by organisational members in a given society. These are transmitted via socialisation from one generation to the next and, therefore, persist over time and shape the national institutions of any given nation. The national institutions which tend to concern the researchers of this tradition are the community-based ones involved in primary socialisation such as the family and religion. They are particularly interested in identifying values and norms which constitute the essential building blocks of a particular culture. Hofstede's work exemplifies this tradition.

The adaptive systems or institutionalist approach, on the other hand, views culture as

"total ways of life by which communities have survived and adapted in their ecological settings" (ibid. p. 41).

It concentrates on the expression of culture in the form of artefacts and institutions. Cultures are viewed as systems of behaviour patterns which have been socially transmitted via a society's institutions. This school of thought is concerned with how the nature of

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organisations might reflect the institutional features of the country in which they are located. It does not deny the relevance of the ideational systems approach but it is interested in a society's institutions at large as "tangible manifestations of cultural distinctiveness", as concrete expressions of its dominant value orientation (ibid. p. 46).

"In this view, institutions reflect the choices that have been made within societies among alternative structural arrangements to cope with problems such as the maintenance of social order, the promotion of economic and technical development, the allocation of people to productive activity, and the distribution of material benefits in relation to services performed and personal need".

The institutionalist perspective is closely associated with the work of Maurice et al. The two traditions will now be looked at in more depth.

1.4.2.1. Culture as "ideational systems"

One of the earliest and still the largest empirical study to date of differences in values between nations and how this manifests itself in social action within organisations was carried out by Hofstede on two occasions, the first around 1968 and the second around 1972. Using the multinational IBM, known for its strong corporate culture, 116,000 questionnaires were completed by employees from all hierarchical levels, matched by occupation, age and sex in subsidiaries in 40 countries. Unlike the contingency theorists who focus on organisational structure in its own right, Hofstede's research looks at how those working within the organisational hierarchy perceive organisational structure. Based on his analysis of the findings of the questionnaires, Hofstede identified "four main dimensions along which dominant value systems in the 40 countries can be ordered and which affect human thinking, organizations, and institutions in predictable ways" (Hofstede, 1980 p.11). Hofstede defines values as "a broad tendency to prefer certain states of affairs over others" (ibid. p. 18) and norms as being statistical manifestations of values, that is, as indicating the values actually held by the majority within a given society (ibid. p. 19). These four dimensions he calls "dimensions of national culture".

Hofstede's dimensions did not just come out of thin air. His findings rather parallel those of social anthropologists who earlier in the century posited that all societies regardless of their stage of development are faced with basically the same set of problems but that the answers they find to these problems are different (see Inkeles & Levinson, 1969 p 447ff).

His statistical analysis of the questionnaires in his IBM survey revealed common problems among similar employees in the various countries but that the solutions adopted differed from country to country in the following areas:

"1) Social inequality, including the relationship to authority;
2) The relationship between the individual and the group;
3) Concepts of masculinity and femininity: the social implications of having been born as a boy or a girl;
4) Ways of dealing with uncertainty, relating to the control of aggression and the expression of emotions" (Hofstede, 1991 p.13f).

Dimension 1 above, Hofstede labelled "Power Distance" which he defined as follows:

"The power distance between a boss B and a subordinate S in a hierarchy is the difference between the extent to which B can determine the behavior of S and the extent to which S can determine the behavior of B."

He asserts that this understanding of power distance which is accepted by both parties and supported by their social environment is to a considerable extent determined by their national culture (Hofstede, 1980 p.72).

Dimension 2 he called "Individualism" - this denotes "the relationship between the individual and the collectivity which prevails in a given society" (ibid. p. 148). Once again he points out that this relationship is inextricably linked with societal norms (in the sense of value systems of major groups of the population) and as such affects the structure and functioning

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of many types of institution - the family, educational, religious, political, and utilitarian - within that society. At the core of this dimensions lies the self-concept (ibid. p. 148f).

Dimension 3 he referred to as "Masculinity". This dimension explores the sex role distribution prevalent in a given society. This Hofstede says is transferred via both primary and secondary socialisation and the media, with the predominant socialisation patterns being for "men to be more assertive and for women to be more nurturing." (ibid. p. 176).

Dimension 4 he described as "Uncertainty Avoidance". This dimension represents:

"the extent to which people in a culture become nervous in unstructured, ambiguous situations, and try to avoid such situations by strict rules of behavior, intolerance of deviants, and a belief in absolute truths" (Hofstede, 1993 p.3).

In *Cultures and Organisations* (1991) Hofstede mentions a fifth dimension of national culture which emerged from the work of Michael Harris Bond on people's values in various countries using a questionnaire drawn up by Chinese social scientists from Hong Kong and Taiwan. This dimension Bond called "Confucian dynamism" and it refers to a long-term versus a short-term orientation in life (Hofstede, 1991 p. 161ff).

None of the labels used by Hofstede were invented by him. All of them already existed in the social sciences. He argues that a country's score on all of these dimensions is societally grounded. Based on his research he comes to the conclusion that "the main cultural differences among nations lie in values" (ibid. p. 236) and his work provides a framework to measure these value differences between nations. Within organisations he postulates the importance of the human component by saying that most organisational problems have both a human and a structural dimension to them and the people involved will react according to their mental software (ibid. p. 140) which they have acquired through their experiences of primary and secondary socialisation ever before entering the workplace.

Both positive and negative criticisms of Hofstede's survey can be found in the literature. Child and Tayeb (1982-3), Lane (1989 p. 30f) and Weber et al (1998 p. 55f) provide good summaries of these, some of which will be mentioned here.

On the positive front, Hofstede identifies and operationalises in a very exact fashion elements of culture regarded as being relevant to business organisation (Lane, 1989 p.30). Furthermore, the results serve as a good starting point or a good guideline for research into explaining differences in behaviour between various cultures (Weber et al, 1998 p. 55).

On the negative front, writers have taken issue with the broad claims made by Hofstede in view of his sample population. Firstly, the respondents were all middle class people and hence the results reflect middle class values. In his defence Hofstede says that middle class values are those moulding and shaping a country's institutions (e.g. government, education system) in that the people who normally hold the reins of power in such institutions are usually from the middle class (Hofstede, 1991 p. 29). Weber et al further point out that Hofstede's assertions are based on the results of one organisation with a recognised strong organisational culture. One would, therefore, assume the existence of similar recruitment criteria throughout the organisation and that this could mean that the results show a distorted picture which may not be replicated in a study involving several organisations (Weber et al, 1998 p.55).

With regard to the research instrument employed, Weber et al further question whether in fact a standardised questionnaire is capable of identifying and tapping the deep-seated and often unconscious motivators of managerial decisions and actions. They also point out that Hofstede measured nations and not cultures - one cannot assume that geographical borders and homogeneous cultures are coterminous. One need look no further than

Switzerland for an obvious example of this. Hofstede was, however, aware of this. He states that strictly speaking the concept of a common culture should be applied to 'societies' as opposed to 'nations'. He recognises that today's nations very often consist of clearly different groups and less integrated minorities but also believes that within nations which have existed for some time there are strong forces at work towards further integration in the form of, for example, a common language, education system, army, political system, mass media, national representation at international sporting fixtures and a national market for certain skills, products and services (Hofstede, 1991 p. 12).

Allied to Weber et al's concerns outlined above is the whole issue of whether or not the full complexity of a culture can be accurately captured by means of a few dimensions. Child and Tayeb put this forward as a general problem with research carried out following the ideationalist tradition (1982-3 p. 43).

There is, of course, also the question of whether or not given the age of the results they still provide an accurate assessment of the countries involved in the survey (Weber et al, 1998 p. 56). Hofstede, himself, does not believe that cultures are static constructs but views their evolution as follows:

"norms change rarely by direct adoption of outside values, but rather through a shift in ecological conditions: technological, economic and hygienic. In general, the norm shift will be gradual unless the outside influences are particularly violent (such as in the case of military conquest or deportation)" (Hofstede, 1980 p. 23).

Looking at the experience of Ireland and Germany over the last ten years, both have been faced with major events which have brought wide ranging repercussions for their ecological conditions. In the case of Ireland this has been the "catching-up" process with its European neighbours and for Germany reunification. Hence a question mark is placed over the applicability of Hofstede's results to the countries forming the basis of this thesis. This point will be developed further in subsequent chapters.

Furthermore, when inferring norms and values from opinions one always finds it difficult to ascertain whether an expressed opinion reflects an "enduring normative strain" or is merely coloured by pressing economic or social pressures faced by the society at the time of questioning (Child & Tayeb, 1982-3 p.43). This latter problem prompted Child (1981) to suggest that:

"in attempting to isolate what is intrinsically cultural, it is necessary to judge which values and norms are historically embedded in a nation's social and institutional development" (p. 329).

This leads one, of course, to the institutional approach.

1.4.2.2. Culture as "adaptive systems"

Like Hofstede the institutional perspective, associated with the Aix Group (Maurice et al), does not imply a convergence of societies but rather their continued divergence along cultural and historical lines. They posit that

"a sociology of organizations is essentially the research into the social conditions of their formation and development" (Maurice, 1979 p. 47).

They called their approach the 'societal effects approach'.

The development of their approach is based upon the results of comparative studies they carried out on productive units initially in France and Germany and later also in Britain. These productive units were matched for the contingencies of size, technology, location and dependence but their results show how similar goals in organisations are worked towards by different courses of action across the three countries in terms of work organisation, organisational structure and knowledge requirement in given jobs, methods of educating and training employees, working careers, remuneration systems and industrial relations (Sorge & Maurice, 1990 p. 142). Their results are a substantiation of Child's concept of functional equivalence (Child, 1981). They examined the interrelationships between three blocks of

variables (1) the configuration of organisations, that is, the breakdown of the labour force into its various categories, the ratios between the various sizes of categories and the size of each as a proportion of the total workforce; (2) work structuring and co-ordination, that is, the joining of individual tasks into work positions and the co-ordination of work activities; (3) qualification and career systems, this covers both the acquisition of qualifications and competence as well as progression paths within typical careers. Their hypothesis was that the interrelationships between these blocks would lead to a distinctive national manufacturing culture for each of the countries in the study. They were particularly interested in showing how differences in the configuration of organisations is the direct outcome of the presence of different work structuring and co-ordination systems coupled with different qualification and career systems in each of the three countries (Maurice et al, 1980 p. 65).

The societal effects approach views societies as being composed of a number of institutions of which the business organisation is but one among many. These institutions evolve over time and are moulded and fashioned by a country's history as well as the ongoing struggles and outcomes of past struggles between key actors. These institutions are the embodiment of

"patterns of action and complexes of both formally fixed rules and of informally generated cultural understandings which have acquired stability over time" (Lane, 1996 p. 274).

Although functionally independent, by virtue of the fact that they collectively form a system, they stand in a complex web of relationships with each other. They provide a blueprint for the types of goals pursued by a society and the manner in which they are pursued as well as the roles to be played by actors in realising these goals within the overall system. While acknowledging the contributions made by researchers focusing on the organisation-environment relationship, the societal effects school posits that organisations are 'part of the societal context' (Sorge & Maurice, 1990 p. 142) as opposed to constructs which should be

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viewed in isolation from it. They, therefore, propose the abandoning of the analytical distinction between the two.

The information they collected for their comparative studies was both at the micro level of the firm and also the macro level of the society in which the firm was situated. Their interest was in ascertaining how both of these levels are related, that is, in demonstrating how an organisation and in particular its structure is *"constituted socially by its environment"* (ibid.). Their empirical results show, for example, that in the countries under study, the education and training system in each case not only functioned to provide the prerequisite skills and qualifications but contributed to the social division of labour within the firm (ibid. p. 51).

Unlike the contingency theorists where the human actor is removed from the equation, the societal effects approach investigates how human actors construct the organisations within which they work but it also seeks to reveal how this process is influenced by the actor's societal environment. Both actor and society are seen in a dynamic relationship governed by the laws of reciprocal influence in the sense that actors are influenced by society but society itself is at the same time continually modified by the human actors who live and act within it (Maurice et al, 1980 p.61). The development of organisations in the hands of human actors is thus very much a non-rational process of trial and error that is culturally constructed:

"there is no "culture-free" context of organization, because even if organizational solutions or contexts are similar, they are always culturally constructed and very imperfectly interpreted as the reaction to a given constraint. Culture enters the organization through artful, unself-conscious, piecemeal experimentation with alternatives in business policy, finance, work organization, industrial relations, education and training, and many other factors" (Sorge, 1982-3 p. 131)

The research efforts of this school focus on what they regard to be the essence of organisations, namely, work and the manner in which the people working within them actually carry this out (Maurice & Sorge, 1980 p. 64). They examine the interaction of people at

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work, work characteristics of jobs, systems of recruitment, education, training, remuneration and industrial relations as well as the interrelations between these. They postulate that such interrelations can only be fully appreciated against the backdrop of their emergence and development over time within a given society.

A final point of the theory of this approach is also worthy of consideration here. Maurice put forward the suggestion in 1977 that the successful sectors in a given economy are those which match the prevailing societal patterns (Sorge & Maurice, 1990 p. 142).

Of the assessments of the societal effects approach found in the literature some of the arguments presented by Lane (1989, p. 35ff), Mueller (1994) and Clark and Mueller (1996) will be examined here.

Lane points out that the relationship between the various factors investigated is not postulated in terms of dependent and independent variables but rather a type of fuzzy relationship of mutual interaction is presented as existing between a whole number of social and economic type variables. It is unclear whether the result of this mutual interaction then determines the dependent variable - the design of work, reflected in the organisational configuration - or whether this relationship is again one of mutual adaptation (Lane, 1989, p.35f).

Unlike the contingency school, the societal effects approach is primarily a qualitative one. The research results clearly show that national distinctions do exist and have an influencing role on the way in which work is structured and carried out in organisations and, therefore, should not be ignored in cross-national studies.

Clark and Mueller assert that the societal effects school assumes far more homogeneity within nations than is in fact the case (Clark & Mueller, 1996, p. 134). They further suggest that far from being straitjacketed by the society in which they operate, organisations are capable of deviating significantly from the dominant patterns existing in their societies (ibid., p. 136). A case in point are the multinationals which have been successful in diffusing their best practices throughout their foreign subsidiaries hence the organisational and globalization effects would appear to question the strength of the societal effect (Mueller, 1994 p. 407). Another example is that of the 'agentic actions' of key large firms who by their innovative actions break with accepted traditions within their sectors. While these firms have indeed been influenced by their national contexts they themselves have also exerted an influence on these contexts to the extent that they have become the agenda setters for other firms in their value chains (Clark & Mueller, 1996 p. 137). Clark and Mueller, therefore, call for simultaneous attention to be given to

"ways in which firms enrol their contexts and how some firms will also develop mechanisms for travelling beyond the immediate settings of their formative contexts" (ibid.).

This view would also question the societal effects' claim with regard to successful sectors in the long term being those which match the prevailing national patterns of working of the societies within which they are located.

Furthermore, the focus of the societal effects school is too narrowly concentrated on institutions and arrangements for the provision of education and training while overlooking other important elements which one would assume also have a impact on organisational functioning namely, the domestic market for an organisation's goods and services, the role of the government, competition both domestic and international, to name but a few (Clark & Mueller, 1996, Mueller, 1994).

1.4.3. Convergence revisited or persistent divergence?

In the 1980s/1990s with the spread of internationalisation and globalization, there has once more been talk of convergence. Levitt for example, writing in the mid 1980s described different cultural preferences, national tastes and standards, and business institutions as "vestiges of the past" doomed either to a gradual death or absorption into "mainstream global preferences". He suggested that under the powerful force of technology the world is being driven towards "a converging commonality", a state of affairs in which the "world's preference structure" becomes "relentlessly homogenized" (Levitt, 1983 p. 183ff). The result is that

"Ancient differences in national tastes or modes of doing business disappear. The commonality of preference leads inescapably to the standardization of products, manufacturing and the institutions of trade and commerce" (Levitt, 1983 p. 184).

Certainly, the explosion of foreign direct investment by multinationals and the concomitant trend to transfer 'best practices' across borders would appear to substantiate this, particularly as other companies located in the host environment will then attempt to emulate successful foreign practices.

The advances in transport, distribution and communications systems which facilitate the mobility of humans, goods and services of course lead also to the spread of new ideas and a questioning of traditionally accepted ways and methods. Additionally, the ever globally-oriented media as a powerful force for socio-cultural change should not be underestimated (Dülfter, 1996). Today, such brands as McDonalds, Coca Cola, Nike, Ralph Lauren, Armani etc. can be found universally.

Further illustrations of convergence include the adoption of common international quality standards e.g. ISO 9000 Quality System Standard which ensure consistent quality levels across borders; the use of similar production technology which leads to a similar

physical organisation of production lines regardless of location; flexible working practices such as part-time working, job-sharing, home and teleworking.

On the European front there are currently developments afoot in the EU towards greater economic and possibly also political union. Even the name given to the economic qualifying criteria for European Monetary Union (EMU) - "the convergence criteria" - would appear indicative of this broader trend.

Can one conclude, therefore, that in view of this body of evidence that national distinctiveness is being buried under the weight of this globalization process?

Hofstede, writing in 1980, suggested that this is not the case:

"technological modernization is an important force towards change which leads to partly similar developments in different societies. However, it does not wipe out differences among societies and may even enlarge them; as on the basis of pre-existing value systems societies cope with technological modernization in different ways" (Hofstede, 1980 p. 233f).

Similarly, while it cannot be denied that global emulation of 'best practices' does occur, this emulation process does not lead to identical practices and strategies. Comparable direct outcomes are achieved in ways which are institutionally different from one society to the next (Sorge, 1996 p. 83). A local mark is, therefore, put on these 'best practices' by the adopting society.

Such global brands as McDonalds and Coca Cola can be found in all four corners of the globe. What is important, however, is the meaning that people in different cultures attribute to such 'universal' products. The status attached to, for example, a visit to a McDonalds restaurant in New York and in Moscow will be completely different (Trompenaars, 1993 p. 3).

While the economies of the eleven European nations who qualified for entry to EMU in May 1998 may have converged around the four criteria of price stability, budgetary discipline, long term interest rates and currency stability, no-one would suggest that this is indicative of a general deeper convergence among these countries; their national distinctiveness is still patently evident.

With such a plethora of examples for and against convergence Mueller concludes that for every illustration of globalization that can be presented, a counter example of persistent national difference can also be found (Mueller, 1994 p. 416). The only possible conclusion which may be safely drawn at this stage from the foregoing is, therefore, that while there are obvious forces of convergence at work - at least outward convergence - national divergence is still very much in evidence. A good summary of how this state of affairs impacts upon organisations is presented by Weber et al:

"Als Fazit kann festgehalten werden, daß Organisationen sich weltweit in ihren Abläufen und ihrer Technologie zwar immer ähnlicher werden, daß aber die Unterschiede im Verhalten der Organisationsmitglieder trotzdem bestehen bleiben und wenn überhaupt nur langfristigen Veränderungen unterliegen" (Weber et al, 1998 p. 58).

1.5. Conclusion

As this piece of research is qualitative in nature, and in the absence of existing information on the sample populations, the thesis does not begin with a fixed hypothesis it wishes to prove or disprove. Its aim is rather to explore whether or not in an era of growing internationalisation and globalization, culture is still a relevant variable in cross-national co-operation. The approach adopted here views the culture-bound approaches outlined above as complementary. The survey companies will be examined to see whether or not they may be said to be reflections of their specific societal contexts and whether or not those managing them would appear to demonstrate attitudes and values which are traditionally associated with their relevant national and business cultures. It is also acknowledged that organisations in

most national contexts today are also influenced by external factors such as foreign competition, international standards, EU legislation, changes in demand-supply relationships in foreign markets etc. and in the case of foreign affiliates, by their mother companies. The empirical section of the thesis will, therefore, examine and compare the mother company-subsidiary relationship for the two sample groups (Sample Group A: German mother companies and their Irish operations; Sample Group B: Irish mother companies and their German operations) and investigate the extent to which mother company cultural influences - if any - are present in the foreign affiliates. The role and influence of internationally accepted 'best practice' will also be considered in order to ascertain its impact upon the relationship and conclusions will be proposed as to the relationship between culture and globalization. Figure 1.2. below represents in diagrammatic form the scenario to be investigated in the course of the thesis.
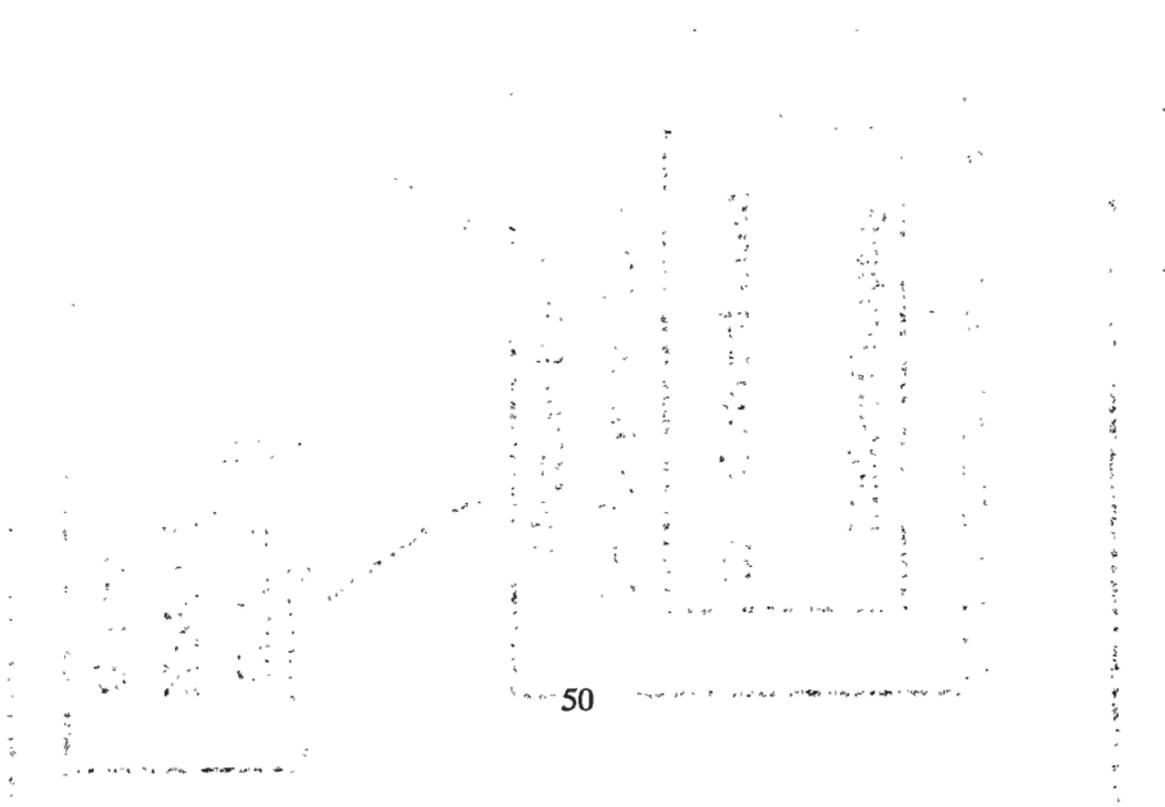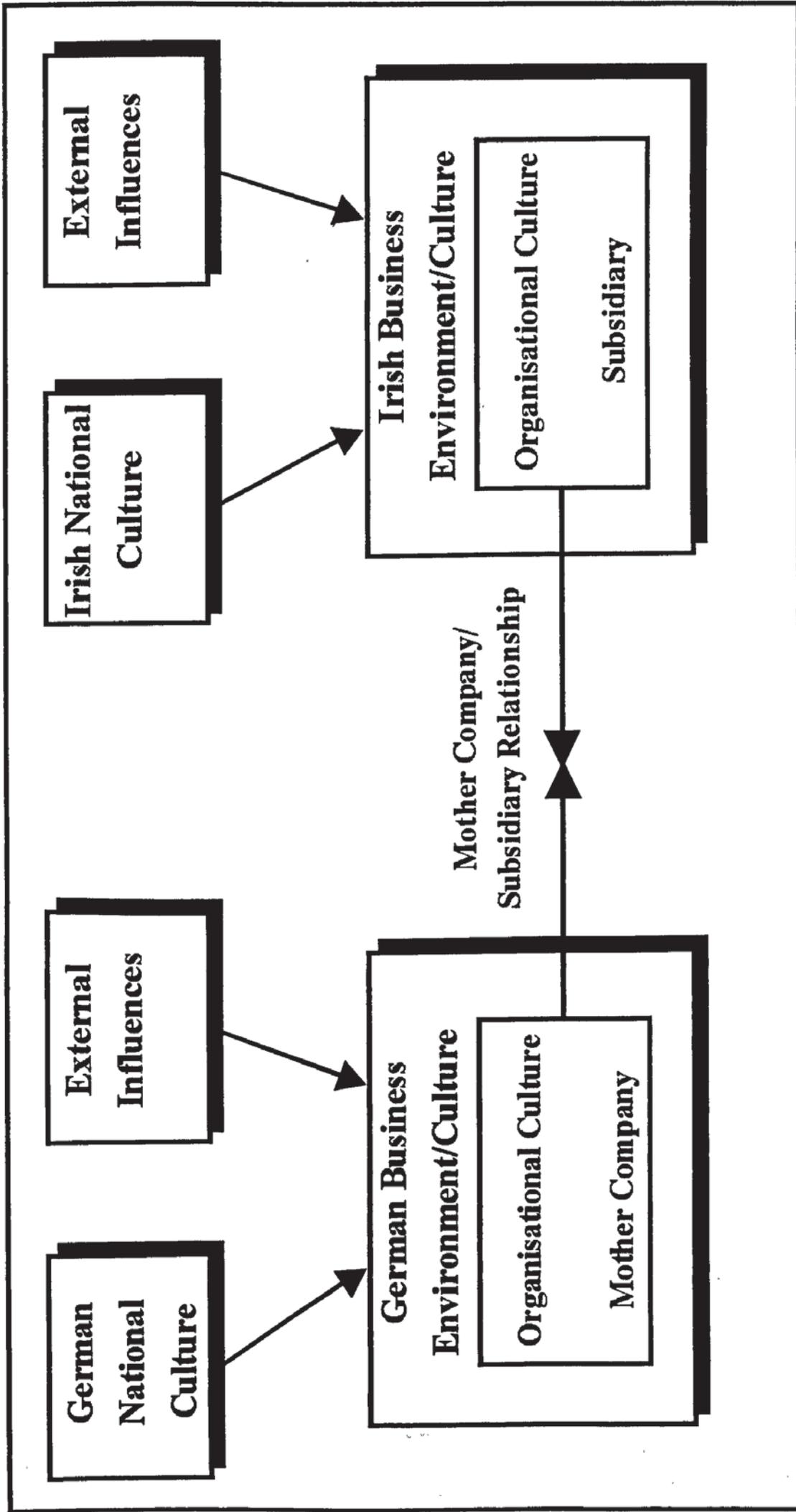
Figure 1.2.: Diagrammatic Representation of the Thesis

CHAPTER TWO:

GERMAN AND IRISH BUSINESS CULTURE COMPARED AND CONTRASTED

2.1. Introduction

As was outlined in Chapter One, the approach which is being pursued for the purpose of this thesis is a culturalist/institutionalist one. This chapter will begin by examining the scores for both Ireland and Germany along the Hofstedian dimensions. Next a model for exploring the institutional framework in each country will be presented and each of the five identified constituent elements individually investigated by drawing on both the available literature and the results of the empirical work carried out by the author in 1996 and 1999. It is not the intention here to provide an in-depth appraisal of each of the two business cultures as this would go beyond the scope of the thesis, but rather to give an overview of the essential contrasts between both systems and consider how these impact upon day-to-day business activity. This is necessary background information if one is to understand the relationship which exists between the mother companies and their foreign operations and appreciate the difficulties and differences in perspective which can arise out of the fact that both are located within two unique national business environments and business cultures. The chapter will conclude by summarising the essential distinctions between both business cultures.

2.2. National culture: the Hofstedian dimensions

Dimension	Ireland	Germany
Uncertainty Avoidance	35	65
Power Distance	28	35
Masculinity	68	66
Individualism	70	67

Table 2.1.: The four dimensions of national culture for Ireland and Germany (Source: Hofstede, 1980)

In spite of the reservations attached to the validity of the Hofstedian dimensions in general and specifically for the purposes of this survey, outlined in Chapter One, it is nevertheless perhaps useful as a starting point to briefly consider how Irish and German national cultures differed in their value systems at the time of Hofstede's surveys in the late 1960s and early 1970s as his dimensions, if nothing else, provide useful taxonomies to describe the otherwise elusive construct of culture and cross-cultural difference. To this extent, if relevance to the present context can be established, then these can serve as a type of overlay, a filter through which the remaining discussion on the countries' business cultures may be viewed. The fifth dimension 'Confucian dynamism' has not been included here as Ireland did not feature in Michael Harris Bond's survey and hence no score is available.

From the table of results presented above, it would appear that the principal difference between Ireland and Germany lay along the Uncertainty Avoidance dimension. According to Hofstede's results Irish people were nearly twice as tolerant of uncertainty as their German counterparts. In the light of the evidence which will be discussed below on the nature of German business culture - the central role of legalistic mechanisms versus the relative laxness in Ireland - it is possible to conclude that despite all of the changes and influences to which both societies have been exposed in the intervening decades, Germany as a society would today still appear to be more sensitive to uncertainty than is the case in Ireland although exact scores have not been determined by the author.

In view of the results of the empirical survey carried out for this thesis and the general perception of the Germans as an extremely formal race by comparison with Anglo-Saxon casualness, it is surprising that the German score on the Power Distance dimension should be so low. An explanation for this could possibly be that the country's system of legally anchored industrial democracy enables a redressing of the power imbalance which would otherwise exist and hence the Power Distance score within the work environment is being kept

artificially low. In the Irish context, on the other hand, the absence of such mechanisms to date is testimony to the fact that low levels of power distance are a natural occurrence.

2.3. National business culture and national institutional frameworks

In Chapter One, the business culture of a particular country was defined as the general way in which a nation conducts its business affairs, that is, the behaviour patterns, practices and beliefs broadly shared and manifested by the country's business community as a whole. A country's business culture is moulded and fashioned by the prevailing national culture and in particular by its specific national institutional framework which is in itself the embodiment of

"patterns of action and complexes of both formally fixed rules and of informally generated cultural understandings which have acquired stability over time" (Lane, 1996 p. 274).

The institutions moulding this business culture are the State and the extent to which it intervenes in commercial affairs; the legal system and the degree to which the business environment is regulated; the financial system and the way in which businesses are funded and have access to sources of finance; the industrial relations system and the quality and mechanics of employer-employee relations; and the education and training of the country's human resources to meet the needs of the economy. Although independent and discrete institutions in their own right, each of these are part of an overall system which is the result of the web of interrelationships which they collectively weave. Hence, it is only by attempting to understand their individual roles and its contribution to the overall 'web' that one is able to isolate the key elements of a country's national business culture.

In today's world of ever-increasing interdependence between countries, this institutional framework is also shaped by external influences. In the case of Germany and Ireland, this is often in the form of EU directives which must be implemented by each of the individual member states. Generally speaking, these directives have made more of an impact

External Influences
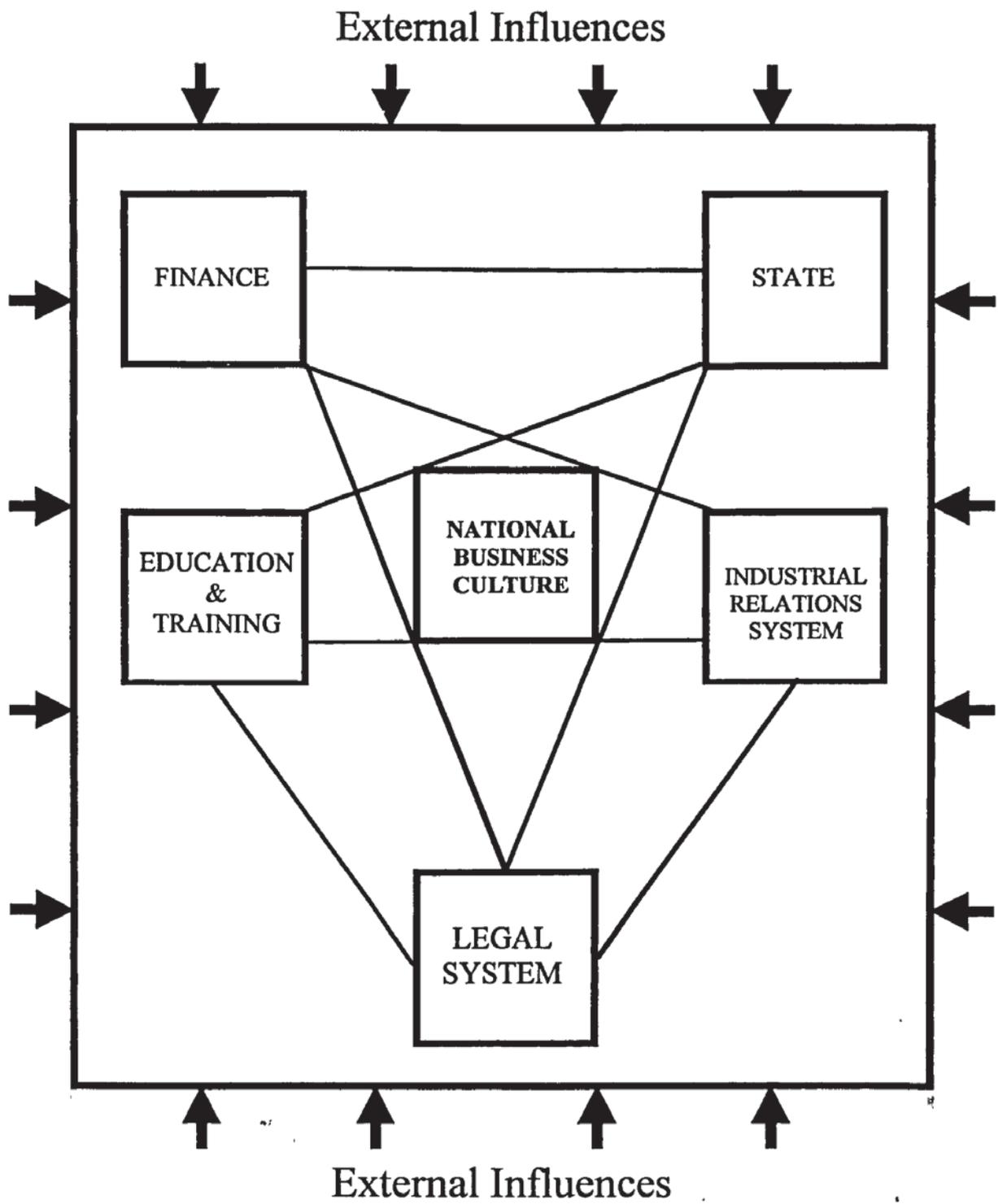
Figure 2.1: The National Institutional
Framework Model

in Ireland than in Germany as many of the provisions of these directives were already covered by existing German legislation.

The issue of business culture in Ireland is a complex and largely unresearched one, indeed Irish management studies as a research discipline is still relatively in its infancy. This is not difficult to understand if one glances briefly at Ireland's historical development. At Independence in 1921 the country was a backward rural society which was in very poor economic shape. Apart from the north-east region of the country, the last area to be planted with British settlers, no real attempt had been made to develop the economy of the country during the period of British rule. In 1907 95% of Ireland's total non-food manufacturing exports of £20.9 million were produced in the Belfast area (Cullen, 1987, p. 161). The economy of the 26 counties was primarily an agriculture based one which had developed to meet the needs of the British market. Hence, the industrial work ethic was a largely alien concept to vast portions of the Irish population. Moreover, in view of the fact that since the nineteenth century Ireland and Britain shared not only a common currency but also integrated banking and transport systems, a common Anglo-Irish market, common legal and civil service systems, the country found itself at Independence in a position of total dependence on Britain not only as supplier of its imports and as market for its exports but also as the provider of the institutional framework within which Irish daily life functioned.

The private sector industries which developed and grew in Ireland during the period between 1921 and the late 1950s were traditional ones based very often on the processing of the fruits of agriculture e.g. brewing and biscuits, and these enjoyed captive markets under a regime of protectionism which required them to be neither competitive nor efficient.

The co-operative movement played an important role as a training ground for one of the first groups of professional manager in Ireland. By Independence there were some 400

co-operative creameries in existence (Leavy, 1993 p. 134). State-owned enterprises too contributed significantly to the early industrial development of Ireland from the 1930s onwards. Up until the 1960s these two groups, the co-operative creameries and the state-owned enterprises, continually overshadowed the performance of the country's public limited companies (ibid. p. 139).

A change in government policy in the late 1950s opened the door to foreign direct investment in Ireland. The multinationals which have settled in Ireland since that time have played a key role in the shaping of the business culture in the country in that they have functioned very often as standard setters, as catalysts for change, a role which they continue to play to this day. They helped to catapult a backward, rural Ireland into the twentieth century and have enabled it to become the modernised and successful economy it is today.

Today in Ireland there is still a large presence of foreign multinational companies particularly in the field of manufacturing where they account for in the region of two thirds of output and in excess of 40% of employment (Roche, 1998 p. 121). Looking at this sector, one is struck by a duality between, on the one hand, Irish indigenous companies often located in traditional and resource-based sectors with limited growth prospects where competition is price-based, entry barriers are low and stiff competition is faced from lower wage economies and also the market focus tends to be primarily a domestic one; while, on the other hand, the subsidiaries of foreign multinationals tend to operate in modern industries producing high value-added products where knowledge and technical expertise are the basis for securing competitive advantage. These companies are, for the most part, orientated towards meeting the needs of the export market. In 1992 over 85% of foreign companies based in Ireland were engaged in export activity compared to one third of Irish indigenous companies (Lynch & Roche, 1995 p. 15). Foreign-owned subsidiaries tend also to be larger in size than their Irish counterparts, employing on average three times as many employees and having net output

rates per person which are more than twice as high (ibid. p. 18) due to a greater emphasis on efficiency and increased use of technology.

The two main sources of foreign direct investment in Ireland have always been the US and the UK; this coupled with the historical link and geographical proximity to Britain would lead one to assume that Irish business culture should be strongly coloured by Anglo-Saxon business culture. This is not to say, however, that business culture in Ireland - which is perhaps a more accurate label than "Irish business culture" - has not also been influenced by the successful practices observed abroad particularly by Irish returnees and from the foreign multinationals in Ireland of nationalities other than the US and the UK.

When examining business culture in Ireland, one, therefore, needs to bear in mind the country's position on the development curve as well as the large scale foreign presence in its business environment. A late-comer to industrialisation, the country has achieved only in recent years standards of living comparable with the EU average. Irish business and society have undergone a sea change over the last three decades, a process which has not yet reached full completion. Ireland, a young country, is still redefining itself. This makes for a far more dynamic situation than in Germany where the industrialisation process is already in its second century and where the business culture is more firmly established and underpinned by tried and tested structures and formulae. This is not, however, to suggest that German business culture is a static construct. As was seen in Chapter One, culture itself is a dynamic process, hence national business cultures too are modified and updated to keep pace with change. This sense of continuous evolution in national business culture albeit often at a very slow almost imperceptible but nevertheless consistent pace, was evident in the developments and changes which had taken place in the interview companies in both countries between 1996 and 1999.

The next sections of this chapter will examine each of the constituent elements of this institutional framework model in Ireland and Germany. In view of the fact that collectively these elements form an integrated system it will not always be possible to examine them in isolation. Only those aspects relevant for the purposes of the thesis will be explored here.

2.3.1. The legal system

All aspects of the business environment in Germany, whether this be membership of Chambers of Commerce or the laying of tiles in a butcher's shop (Grosskinsky et al, 1997 p. 54ff) are governed by a wealth of legal statutes precisely indicating what is expressly permitted or prohibited. In view of the extent and often confusing indeed contradictory nature of the German *Regelungsdichte* it is no wonder that law continually ranks among the top three courses of study for both male and female students in German universities (1995 & 1996 in Institut der deutschen Wirtschaft, 1998(a), no. 123, 1999, no. 133) and that large numbers of law graduates are hired by German companies each year. Two thirds of all Human Resources staff in German companies hold doctorates in law (Lawrence, 1991 in Begin, 1997 p. 190) to cope with the wealth of legislation protecting the rights of workers.

In Ireland by comparison, the law in the business environment is often conspicuous by its absence indeed the business environment as a whole when compared to Germany could be described as relatively unregulated and as a consequence it is also far more heterogeneous. This does not mean, however, that the Irish business environment is totally unregulated. In recent years, for example, the State has introduced a considerable amount of legislation to regulate employment largely arising out of EU directives (IDS, 1996 p. 161).

A consequence of the relative laxness is that in Ireland a culture of "getting away with things because you can" is widespread. The evidence available would indicate that the Irish as a race do not tend to willingly comply with rules and regulations. This is true not only for

those contravening or ignoring the provisions of a specific law but also the State administration would seem to be characterised by a considerable degree of laxness with regard to law enforcement. Smoking in buses provides a simple but illustrative example. In spite of the fact that smoking has for years been banned on Dublin's buses with clear warnings of a £400 fine, no one has ever been fined for a smoking offence! This is not to say that smoking does not occur. The ban is flagrantly ignored. According to the environmental health officers who are in a position to prosecute offenders under the Tobacco Health Promotion and Protection Act of 1988, the Irish public seems very reluctant to make official complaints. Ironically, the only prosecution case to date was against a driver for Dublin Bus; however, the case never made it to the courts (The Irish Independent, 28.06.99). With bus drivers blatantly flouting the law what sort of signal does that send to the general public? This state of affairs presents a stark contrast to the honour system in place throughout the public transport network in German cities for the purchase of tickets. A further example is that at Companies Office in Dublin where companies are legally required to file their annual accounts, many companies are up to three years behind and there is little done to chase them up. The same is true for the country's record on adherence to the self-assessment regulations for tax purposes. A special report carried out by the Dáil's (government) Committee of Public Accounts revealed that while in 1990/1 97% of eligible people were filing income tax self-assessment returns, this figure had fallen to 82% by 1993/4 and was expected to plummet even further in 1995/6. Indeed a 1999 survey revealed that

"almost one third of Irish businesses are in danger of being struck off as a result of not filing returns to the Companies Registry Office" (The Examiner, 28.08.99).

In other areas of self-assessment such as Corporation Tax the picture was similar with 80% compliance in 1990/1 and less than 70% in 1993/4. Here also it would appear that little deterrent action is being undertaken. Although 1,146 warning letters were issued by the Irish Revenue Commissioners in 1995 only 330 cases were taken and 119 fines levied (Cork Examiner, 14.03.1996). The State introduces tax amnesties at regular intervals to give those

who have engaged in tax evasion the opportunity to clear the slate should they so wish. In 1993 this led to the State netting £1.5 billion in unpaid taxes. This would seem difficult to comprehend in a country that is predominantly Catholic (93.1%, Harenberg, 1998 p. 440) with high levels of church attendance (80% approx. Hussey, 1995 p. 374) and a cultural identity which is still shaped by Roman Catholic teachings. Economic life, however, was traditionally not one to which high priority was attached by the church and, therefore, not one in which one needed to demonstrate one's ethical standing (Keating & Desmond, 1993). The emphasis has always been on salvation of one's soul via one's behaviour in one's personal life as opposed to in one's working life.

Companies setting up foreign operations in Germany or Ireland need to be aware of the relevant legal differences and how these can be both of an advantageous and disadvantageous nature. A study carried out in Germany in 1997 concerning the influence of bureaucracy on planned investment, revealed that 28.6% of those companies questioned stated that they had decided not to carry out the planned investment, a further 5.7% had decided to carry it out abroad (Grosskinsky et al, 1997 p. 55). One concrete example of the influence of the German *Regelungsdichte* on investment is the length of time it takes to obtain planning permission in Germany. 81% of managing directors questioned in a survey by the North Rhine Westfalian *Handwerkstag* said that this was a major obstacle to investment. Planning permission for a chemical plant in Germany currently takes two and a half times as long as it does in Britain and twice as long as in France or Belgium (ibid. p. 58f).

One of the reasons that German companies are attracted to Ireland is precisely because the process for obtaining approval for planning permission is no way as lengthy or as complicated as in Germany. One Irish manager who had previously worked for a large foreign multinational company in Germany told the author that at one stage the company wished to double the capacity of its German subsidiary. It had ample land in a rather scenic

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area. Half of the land was occupied by the existing building and the company basically wanted to build exactly the same building in the next field. When the Irish manager left to go to a new job the planning process was already three years underway and the company had had to consult with various organisations from the two main churches, the local *Kleingärtnerverein, Burgerinitiativen* etc. In the end it decided to pull out of Germany and relocate to Ireland where the IDA provided it immediately with a factory to suit its needs in a convenient location.

This same interviewee also gave an example of a German office building the same company had bought. The company sign belonging to the previous owner hung on the side of the building and it took six months to get the prerequisite permission to get rid of it and replace it with a sign bearing the name of the new company. This was in spite of the fact that there was no controversy attached to the change.

One area where the German juridified system works as an advantage, however, is the whole area of personal injury claims. In Germany these are dealt with by the relevant *Berufsgenossenschaft* for which there is compulsory membership for each company. The *Berufsgenossenschaft* decides exactly how much compensation should be awarded to the injured party for a specific injury. There is no loss of income incurred by the employee as the employer continues to pay his[1] full wage for a period of six weeks. Thereafter the *Berufsgenossenschaft* pays *Verletztegeld* to the *Krankenkasse* which in turn pays the employee - this amount is usually just below the employee's normal wage. It is, therefore, rare that the employee sues the company. Additionally, the *Berufsgenossenschaft* plays an active role in advising companies with regard to the whole issue of accident prevention. In Ireland, on the other hand, the employee incurs substantial loss of earnings as he is reliant

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[1] 'His' will be used throughout the thesis for the sake of simplicity.

upon social welfare benefit for the duration of his incapacitation, an amount which is well below his normal wage level. He, therefore, often takes a civil case against the company. Large sums of money are awarded to employees taking such claims and a certain mentality has developed among Irish employees which is commonly referred to as 'compensationitis'.

A 1999 study revealed that compensation claims are currently costing each member of the Irish population at least £5 per week (Examiner 26.06.1999). All of the companies interviewed in Ireland for the purposes of this thesis had direct experience of this 'claims culture' where very often spurious claims result in large sums of money being awarded to the employee for often trivial injuries, or injuries brought about by the employee's own carelessness by, for example, not wearing the provided safety clothing. These claims are frequently taken because employees see the opportunity of getting their hands on sums of money which they would otherwise be unable to earn or save in their life-times. The problem is the existing system. Insurance companies are eager to reach quick and out-of-court settlements. If cases actually go to court, the judge will always side with the employee regardless of the apparent flimsiness of his case. The net winners are the employees and of course the insurance companies in terms of future increases in the premiums paid by a company which has claimed. This claims mentality becomes a particular problem for companies where a series of claims are made which ultimately make it difficult for the company to obtain insurance. The 'fast buck' short termist thinking of some Irish workers is very evident here. With their eyes firmly fixed on making easy money, little thought is given to the repercussions that their actions are going to have on both the survival of the company and the jobs of their fellow workers.

Compensationitis would furthermore appear to be present throughout Irish industry regardless of the state of employee-management relations and the efforts of the company to assist its employees in the case of such accidents. One interview company, the Irish operation

of a German mother company, had had some success in combating this mentality by introducing a sickness benefit scheme whereby employees receive payments from the company for a period of six weeks so that between these payments and those received from social welfare the injured party should receive more or less his full income but no more so that there is no incentive to delay the return to work. The scheme is administered jointly by the company's shop steward committee and the management and careful attention is paid to detecting any abuses of the system. As a result of the scheme the number of claims had been reduced. The company also refused to settle claims out of court as it believed that this is one of the reasons why employees are awarded such high sums in compensation. Opinion was divided on this, however, amongst the interviewees as a whole. Other companies with similar sickness benefit schemes had not been so fortunate. The general consensus would appear to be that until such time as Ireland acquires a system akin to the German one this claims culture will persist.

Contrasts in the role of the law are particularly evident in the areas of personnel and industrial relations as well as in the education and training of human resources, areas which will be discussed below in greater detail.

2.3.2. The role of the State in the business environment
2.3.2.1. Ireland

The Irish State plays a central role both in the country's business environment and in all aspects of the nation's affairs, a role which can only be understood by looking at its evolution over the history of Ireland as an independent state.

When the first Free State government took office in 1923, the task facing it was tremendous. The country had just been through two years of civil war and its general backward economic state has already been referred to above. The energies of nationalists had

been so single-mindedly focused on ridding the country of its traditional oppressor that little attention would appear to have been devoted to how exactly the country would be moulded once this goal had been attained. In the initial years following Independence this independence was, therefore, in name only; the government of the country had passed into Irish hands but the administration continued more or less to function along the lines on which it had been run under the British.

It was not until the election of the first Fianna Fáil government in 1932, headed by Eamon DeValera, that the country began to be plotted on an alternative course. A wall of protection in the form of tariff barriers was erected around the country and self-sufficiency became the philosophy of the day. DeValera believed that this was the only way in which fledgling domestic industry would be able to develop and prosper. This policy was to be pursued until the 1960s. During the era of protectionism indigenous industry became accustomed to enjoying captive markets where competivity and efficiency were little in evidence. That Ireland should erect such a wall around itself can be understood as a natural reaction to the fact that now that the country had finally achieved its freedom after centuries of occupation it needed to rediscover itself and its identity. With its policy of economic nationalism the Fianna Fáil government of the day aimed to reduce Irish dependency on Britain, establish an independent cultural and economic identity for Ireland as well as re-establish traditional Catholic and national values.

The role which the Irish State was to assume in the affairs of the country was to be a central and pivotal one. The State was and, in many respects, is still today, the engine of industrial development in Ireland. That the State should have been permitted to carve out such a role for itself may be explained by the rejection of British *laissez-faire* and market economics by Irish nationalists following the country's first hand experience of the detrimental effects that such policies can have and also the result of subsequent British policy

towards Ireland. During the famine era thousands of Irish people were left to starve to death when the British government refused to intervene to alleviate their plight when, the mainstay of their diet, the potato crop, was wiped out by potato blight. In later years the British government began to adopt a much more interventionist approach with regard to Ireland and weaned the population onto:

"strong dependence on government assistance for everything from famine relief to land reform [....] the British pandered to such dependence by doling out lollipops in the form of roads, drainage schemes, fishery development, or light railways without evolving any clear economic role for the state beyond the vague doctrine that Ireland, or at least rural Ireland, was different from England" (Daly, 1992 p.176f).

The chief rationale that seems to have underpinned such a policy, particularly in the latter stages of British rule, was the placation of the Irish nationalist population and their desire for "Home Rule". This policy became known as "Killing Home Rule with Kindness". Moreover, given that Ireland in the post-Independence period suddenly found herself in a state of disorientation, having being catapulted into the modern industrialised world, a country which was predominantly rural and backward, which had for so long been protected from the influences of the outside world by Britain, it is little wonder, therefore, that the State should, under such circumstances, have adopted a strong role in the catching-up process. The dependence relationship between the Irish population and State which has its roots in the period of British rule, became institutionalised in the 1930s (ibid. p. 178) and continues to a large extent to the present day.

While the tariff barriers and the 1932 Control of Manufactures Act were intended to restrict foreign ownership of industry in Ireland and thereby keep the outside world out, this law was applied in a very inconsistent and opportunistic fashion and it soon became apparent that the

"requirements of capital, technology, and expertise made employment and self-sufficiency possible only at the cost of admitting foreign industrialists, and a small market led firms to seek monopoly privileges as the price of investing in Ireland" (ibid. p. 102).

The advantages of allowing in foreign firms was that they helped to accelerate the industrialisation process, produced goods which Irish indigenous companies were incapable of producing and the government had greater control regarding the parts of the country and the market segments in which they should be located (ibid. p. 87).

By the 1950s the extent of the failure of self-sufficiency was only all too obvious. Ireland's dependency on Britain as the principal market for her exports had remained virtually unchanged and she was now suffering adversely from measures imposed by the British to protect their own farming community. The protectionist regime had not succeeded in producing a thriving indigenous industrial base; Irish living standards lagged far behind those of other European countries, emigration was rampant, the population continued to drop and she faced serious balance of payments problems (Hussey, 1995 p. 241f). In short, the country was on the verge of economic disaster.

A new outward-looking approach was, therefore, adopted from the end of the 1950s based on free-trade and the encouragement of foreign direct investment (FDI) in Ireland with the help of generous government grants and subsidies. Growth was to be export-led. The emphasis on attracting FDI into the country became the central tenet of the government's industrial policy from the 1960s, spearheaded by the autonomous state body, the Industrial Development Authority (IDA), set up in 1954, and which still remains one of the cornerstones of industrial policy today. Ireland, therefore, began to dismantle the tariff barriers and entered a period of free-trade.

In the light of the experience of the impact made by foreign firms allowed in during the era of protectionism, it was believed that, by attracting these foreign firms with their know-

how and their ready-made markets, Ireland could in a sense "import" industrialisation and learn from the good practices of these companies.

Today there are approximately 1,150 foreign-owned companies operating in Ireland, employing in the region of 115,000 employees. According to IDA sources their annual spend on wages is about £2 billion and an additional £14 billion is spent on sourcing their raw material requirement locally (The Irish Times, 19.04.99). In recent years the number of new foreign-owned companies locating in Ireland has been increasing by in the order of about 140 per year, divided between exporting companies assisted by the IDA and companies setting up within the International Financial Services Centre (IFSC) in Dublin (The Irish Times, 17.07.98). The main sources of FDI have always been the US (approx. 42%) and the UK (17%) followed by Germany (14%) (IDA, 1998). The vast majority of foreign-owned companies are in the high-tech sectors of electronics, chemicals, pharmaceuticals, healthcare, IT, and precision engineering.

While this policy has doubtless been very successful and has contributed immensely to the current prosperity experienced by the Irish "Celtic Tiger" economy, it has, however, not been without its downside. Firstly, as many foreign firms imported vast quantities of their raw material requirement, the spin offs for the Irish domestic economy in terms of linkages between these companies and indigenous ones were fewer than expected. The National Linkages Programme which was established in 1985 has gone a long way to improve this state of affairs but in view of the cost advantages to multinationals of bulk buying to meet the requirements of all parts of their operations, it is understandable that many still opt to centralise this function. Secondly, the types of activities which have been traditionally located in Ireland by such foreign multinationals have been production-related. This has been due to Irish wages being lower than those in their home markets in addition to the low 10% tax on all manufacturing profits realised in Ireland - in later years this policy was also extended to

financial services operations - which has obviously acted as a disincentive for companies to locate such cash-absorbing activities as marketing or R&D in Ireland. Thirdly, until the mid 1990s, faced with a severe unemployment problem in Ireland, the IDA policy was to attract as many jobs as possible and many of the jobs created were not ones for which high levels of skills were required. The net result of such a strategy was that such jobs are threatened by increasing levels of automation, wage competition from lower wage economies and the transferable skills obtained have tended in the past to be often of a limited nature. The IDA policy for the future has, therefore, shifted its emphasis to concentrating more on the quality of the employment opportunities created (Kieran McGowan, former Chief Executive, IDA Ireland in an interview with RTE radio news, 15.12.98), their aim being to

"attract quality, innovative international manufacturing and service companies here and develop an industrial infrastructure which will keep them in the State" (IDA spokesman quoted in The Irish Times, 19.04.99)

The cost to the Irish tax payer, estimated at approximately £4.48 billion alone for the period covering 1981 to 1990 (Hussey, 1995 p. 275), has not come cheap either. On the other hand, it is thanks to these overseas companies that Ireland now has a presence in such sunrise sectors as IT and that indigenous companies supplying these foreign-owned companies have achieved quality and service levels on a par with their European competitors.

By means of the structure of its package of grants and subsidies, the State has been able to draw foreign direct investment to areas of the country which would otherwise have no other form of economic activity other than agriculture. The State also takes an active part in negotiations with large foreign multinationals, important providers of employment, facing crises and when such companies are forced to pull their investment out of Ireland, the IDA looks for other companies capable of absorbing the shortfall on the employment front.

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For many years the State industrial policy seemed to be lopsided, providing generous support and assistance to overseas companies while neglecting the ailing and declining indigenous sector. It was only with the Telesis report warning of 1982 that

"no country had successfully achieved high incomes without a strong base of indigenously owned resource or manufacturing companies in traded businesses" (Telesis, 1982 p. 185).

that a reorientation towards indigenous industry was deemed necessary. The Telesis report also took issue with the IDA practice of operating with a more or less limitless budget, granting aid to all projects meeting the basic application criteria without attaching strict conditions to the assistance packages offered.

By the early 1990s not much would have appeared to have changed concerning the State policy towards the indigenous sector. With unemployment rising at unprecedented levels, the activities of the IDA as the State's principal engine of job creation came once again under close scrutiny. Jim Culliton who headed a group commissioned by the government to review industrial policy encapsulated the extent of the problem in the following quote in The Irish Independent at the time his group submitted their report:

"We were disheartened to find that after an expenditure of many millions of pounds of State grants over the last 20 years, there are still only 20 Irish companies employing 500 people or more, and only 150 companies with sales of £5 million or more. This is tiny by international standards [...] between now and the year 2000, there will be an extra 20,000 entrants to the job market each year, but our average manufacturing job creation rate over the past three years was only 3,800 jobs per annum" (The Irish Independent, 11.01.1992 quoted in Hussey, 1995 p.278).

The principal recommendations of the Culliton Report with regard to grant-aid to overseas and indigenous industry were nothing new, just a strong echo of the Telesis recommendations of the previous decade which had largely been ignored. The following quote from an economist with AIB (Allied Irish Bank) Capital Markets in 1996 demonstrates that nothing much changed in the wake of the report:

"Domestic employers are making a proportionally higher contribution to the economy. Unfortunately Government policy still appears to focus on attracting MNC [multinational corporation] business, than promoting domestic industry" (Brennan, 1996 p. 15).

With the Celtic Tiger success of recent years, driven strongly by the foreign multinationals, the pressure is off the government to devote more of its attention to the indigenous sector. Indeed according to the ESRI (Economic & Social Research Institute), there has been a "substantial and sustained improvement" in the performance of the indigenous sector since 1987 both in terms of increases in production volumes - approximately 4% per annum, about twice the EU and OECD average - and the numbers employed - full-time permanent employment rose here by 8.8% between 1988 and 1997. The factors put forward for such favourable developments include the regime of successful national pay agreements since 1987, improvements in the areas of education and training, management quality and infrastructure, the relative macro-economic stability over the past decade, the continuing growth of the economy and concomitant strengthening of domestic demand on the back of the high performance of foreign-owned manufacturing firms and their increased local spend (The Irish Times, 24.04.1998). The success of indigenous industry is, however, put into perspective when it is compared to that of the foreign-owned sector. Between 1993 and 1995 employment in Irish-owned manufacturing companies rose by 4.2%, whereas the figure for foreign multinationals was 12%. During these three years 70% of the new manufacturing jobs created were by overseas companies. While the exports of indigenous companies grew by £811m (23%), those of their foreign counterparts increased by £3,741m (34%) (Department of Enterprise & Employment, 1996 p. 3).

Another area where the State has played a central role in boosting the fortunes of the country as a whole has been its successes over the years in securing large helpings of EU funding to finance everything from infrastructural improvements to training and R&D. Ireland has been one of the largest net beneficiaries of the largesse of its European

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neighbours. Between 1973 and 1999 Ireland had received a total of £30billion from the EU (£20billion for agriculture and £10billion from the Structural/Cohesion funds) against a total contribution of £6billion. By comparison Germany's net contribution **per annum** over the same period was £9billion (Panorama, RTE 1, 23.02.99).

To a large extent Ireland has become weaned onto a regime of generous handouts from Brussels and at a time when economically one would expect her to be endeavouring to shake off her "poor mouth" stance and stand on her own two feet, it would appear that everything possible is being done to ensure that as much money is continued to be drawn from this source for as long as possible. The Labour Party leader, Mr. Rory Quinn, described the Irish attitude very aptly as follows:

"It's a bit like if there were five or six children in a family and five of them were working and the sixth was still at college [university] studying, and the five were sort of carrying the can in relation to the rest of the operation. Then the young fellow graduates and gets himself a great job, but refuses to pay any contribution towards the operation of the house and expects to get the same level of subsidy as before" (The Irish Times, 9.01.1999).

In stark contrast to Britain and its subscription to the tenets of privatisation, the Irish State via its public sector enterprises still plays a major role in the country's economic activities. There are a total of 103 state-sponsored enterprises, 17 of which are commercial companies. The latter are found in key strategic areas such as transport, communications and utilities and enjoy for the most part monopoly status. The size of public sector companies is also noteworthy. By and large Irish companies, measured in terms of the numbers they employ, are small in size. In 1993 85% of Irish companies employed ten or less employees with 71% employing four or less. Only 1.6% of firms had labour forces in excess of 100 (Government Task Force on Small Business, 1994 cited in Lynch & Roche, 1995 p. 5). In contrast 30 of the state-sponsored enterprises had 100 or more employees with the largest ten belonging to the top 60 Irish companies (ibid. p.19). While the original thinking behind the establishment of the commercial state-sponsored enterprises was that they would eventually be

self-financing and provide a source of revenue for the State, in practice while they perform important functions, they are often inefficient and costly operations. This is not to say that privatisation has completely passed Ireland by; the process, however, in view of the historically central position of the State in all aspects of the island's affairs, has been much slower than in other European countries.

The dependence of the private sector today on the State is still evident. Examples include the area of training, discussed below, the tendency for many sectors within the economy to automatically turn to the State in times of crisis to bail them out, and the central role played by the State in the national pay agreements since 1987.

"Ireland is one of the most centralised countries in the developed world with political and economic power concentrated in Dublin"

(Progressive Democrat Leader, Mary Harney, Cork Examiner, 17.02.1996). According to Ms. Harney the government runs everything from film boards to fertiliser plants, from banks to bus companies, from restaurants to road haulage operations. Indeed in a list of 14 Council of Europe members in 1991, Ireland ranked bottom of the list with regard to the responsibilities it devolved to local authorities (Hussey, 1995 p. 100). Local government in Ireland has tended to be weak and ineffectual with a limited brief of operating basic services such as water, refuse collection and disposal, town-planning, roads and urban renewal with most of its budget coming from central government (Ardagh, 1995 p. 49). With a positive result to the June 1999 referendum to give constitutional recognition to local authorities, it remains to be seen what changes will be made on this front.

Centralism is not a new phenomenon on the Irish political landscape. Although the Irish Free State inherited the British system of county and city councils at Independence, these were effectively stripped of their powers by central government with the aim of improving

control of public finances, keeping corruption in check but also a tight lid on the lack of consensus among the population at large in the post Civil War era. Today in Ireland local and national issues are tightly intertwined. The multi-seat proportional representative system and a system of dual mandate whereby members of parliament can also hold positions as local councillors or members of the European parliament serve to reinforce this propensity.

Ireland's strong centralist orientation has not gone unobserved by the EU where the emphasis is on providing assistance directly to regions as opposed to nations. In the past the Irish government has continually countered pressure from Europe to regionalise with the argument that Ireland as a whole is smaller than some EU regions and hence should be regarded as one region. Recently, however, the country has been divided up into two regions which will be administered by two superregional authorities in order to maximise the amount of money Ireland will be able to secure in the next round of structural fund allocation. These regions will not constitute regions in the German sense of the word, nor does the move mark a transition to a system of greater decentralisation. The brief of these superregional authorities will be such areas as infrastructure, tourism, communications and education.

2.3.2.2. Germany

The role of the State in the German business environment and the philosophy underpinning this role have their roots in the country's economic system, the social market economy, the essence of which is encapsulated in the well-known formula "soviel Markt wie möglich, so wenig Staat wie nötig". This is a system of free-market economics where free competition is guaranteed by the State but where the system is also influenced by the simultaneous desire to ensure social justice and equality of opportunity for all. This economic system is, therefore, one which represents a "synthesis of market forces and social order" (Müller-Armack, 1948 p. 153 cited in Ulrich, 1997 p.2). The social market economy has been in place in Germany since 1949 and is based on the principles originally formulated by

Walter Eucken which were further developed and implemented by the economist Alfred Müller-Armack, for many years state secretary in the *Bundeswirtschaftsministerium* under Ludwig Erhard, the father of the *Wirtschaftswunder* (Adam, 1995 p. 41).

The social element in the equation should not be viewed as referring to an equal redistribution of wealth or income but rather as a compensatory mechanism which kicks in when undesirable social inequalities are the result of the free and unfettered workings of the market mechanism. The role, therefore, set down for State economic policy in this system lies primarily in the provision of the prerequisite context or framework within which the economy can freely develop. The social component of the formula obliges the State to intervene in a regulatory capacity in order to prevent or overcome the negative repercussions of the workings of the market economy. This intervention on the part of the State should not, however, lead to an upsetting or displacement of the fundamental principle that the market should be allowed to function freely (Feldenkirchen, 1998 p. 47).

The role of the State may thus be summarised as the dual one of guarantor of free competition and social equilibrium. The State protects free competition by means of the UWG (*Gesetz gegen unlauteren Wettbewerb*) which outlaws unfair competitive practices and the GWB (*Gesetz gegen Wettbewerbsbeschränkungen*) which endeavours to ensure that market power is not concentrated in the hands of a few large companies. On the social front, the policy areas circumscribed for the State include those of employment, housing, education and training, ensuring that legislation on corporate governance protects the interests of workers, and the provision of the necessary infrastructure for socio-cultural and economic development (Gabler, 1997 p. 3455).

The practice of the social market economy in Germany today is, however, in many respects quite different to the intended principles of its founding fathers. The German State

has, for example, become much more interventionist than was originally foreseen. The thinking today is that the State has a social responsibility to play an active role in shaping the workings of the economy (Altmann, 1995 p. 18). It has become clear over the years that the original idea that the State's involvement should be confined to that of *Globalsteuerung*, that is the influencing of macroeconomic aggregates such as investment, consumption, and the money supply in order to manage demand in the economy, does not provide solutions to specific problems experienced at the microeconomic, regional or sectoral level and as such the State has tended towards using direct means of intervention (Altman, 1995, p. 242; Gabler, 1997 p. 1615). In many sectors of the economy the State has partially shut out market forces. Examples include agriculture where the State provides guaranteed minimum prices and quotas for essential products and the housing market where price fixing exists to a certain extent and measures are in place which protect the rights of the tenant (Adam, 1995 p. 52). Other industries such as coal, shipbuilding and steel are artificially propped up by means of such State interventionist measures as subsidies and import restrictions (Ulrich, 1997 p. 17) without which these activities would disappear altogether with wide-scale negative repercussions for the areas in which they are located - in many cases these areas have a mono-economic structure. The German government, for example, spends in the region of DM 15 billion per annum subsidising its coal industry, a price tag which is about four times the value that this coal would fetch on the open market (Maier-Mannhart, 1996 p.73). Such measures form part of the State's *Strukturpolitik.* The economic order which exists today in Germany may, therefore, be described as a social market economy with active demand management and direct intervention on the part of the State (Altmann, 1995 p. 242).

The UWG of 1957 which Erhard had intended originally to be a law imposing a general ban on cartel formation, allowing for only very few exceptions and where all mergers would first of all need official approval, was considerably watered down in the face of opposition by the *Bundesverband der Deutschen Industrie* (BDI) and the *Deutscher*

Industrie- und Handelstag (DIHT). The final version concentrates more on curbing abuses of such mechanisms as opposed to their outright prohibition. Consequently, in some economic sectors such as tobacco, mining, fuel, energy, cars, telecommunications, market power is today concentrated in the hands of a few large powerful organisations (Adam, 1995 p. 50).

On the social front, the provisions of Germany's social policy have diverged substantially from the original principle of *Subsidiarität* whereby State aid was intended to be a supplement to and not a replacement for the efforts of the individual to provide for himself and his family in times of crisis. Erhard warned in the 1960s of the consequences of allowing the *Sozialstaat* to evolve beyond these parameters. The veracity of his predictions is patently obvious today. Both the areas covered by social policy and the numbers within German society benefiting from it have exploded over the years to such an extent that the cost of the current system represents a major drain on the nation's resources and has become a luxury which can no longer be afforded. For many of the country's growing army of unemployed, for example, State benefits are such that there is little or no financial incentive to seek employment.

Faced with burgeoning public sector debt and rising unemployment, the economic order in Germany has come in for harsh criticism since the 1980s. The full extent of the problem has, however, only really begun to hit home since the beginning of the 1990s when it was compounded by the necessity to meet the costs of reunification. According to Zänker in an article in *Die Welt*, the German *Sozialstaat* has failed in three ways: firstly it is no longer affordable, secondly, it acts as a brake on productive energy, and thirdly, it has not always channelled assistance to those with the greatest need (Die Welt, 31.07.1996).

The activities of the German State currently account for 48% of gross national product (GNP), this compares with 35% in Ireland (Institut der deutschen Wirtschaft, 1999 No. 150). When the CDU, CSU and FDP coalition government came to power in 1982 under Helmut Kohl one of their top priorities was to roll back the involvement of the State in the economy and to return to the founding principles of the social market economy where the State confined itself to the role of facilitator and provider of ideas, creating the necessary conditions in which predominantly private enterprise can flourish (Institut der deutschen Wirtschaft, 1996 p. 3). Apart from the fact that in many areas in which the State was active, private sector organisations were in a better position to provide more cost effective and efficient services, according to the *Subsidiaritätsprinzip* the State should only involve itself in the provision of goods and services where private sector organisations are not in a position to do so (Pfeiffer, 1994 p. 620).

The privatisation wave which began to unfurl in 1982 continues up to the present day. In 1982 the Federal government had involvements in 958 enterprises, by 1996 this had been reduced to 400 and continues to fall with the divestment of State assets in the areas of transport and communications (Die Welt, 18.03.1996, and 24/25.10.1998). The largest privatisation exercise faced by the German State has undoubtedly been the privatisation of some 14,000 state enterprises in East Germany by the Treuhand-Anstalt between 1990 and 1994.

The *Gesetz zur Förderung der Stabilität und des Wachstums der Wirtschaft* - the *Stabilitätsgesetz (StWG)* - of 8 June 1967 continues to form the cornerstone of German State economic policy. This obliges both the Federal Government and the *Länder*

"bei ihren wirtschafts- und finanzpolitischen Maßnahmen, die Erfordernisse des gesamtwirtschaftlichen Gleichgewichts zu beachten" (§ 1).

According to the *Stabilitätsgesetz* macro-economic equilibrium is realised if the targets for the four goals of price stability, full employment, continuous and appropriate economic growth and equilibrium in the country's international balance of payments are simultaneously achieved. These four economic goals are commonly referred to as a *"magisches Viereck"* due to the fact that it is nigh on impossible to achieve all of them at the same time in any one year. These four goals are further complemented by two others which are legally anchored, namely "Improved Distribution of Income and Wealth" (*Gesetz über die Bildung des Sachverständigenrats*, 1963) and "Environmental Protection" (which has been part of the Grundgesetz since 1.7.1994 and also forms part of the constitutions of the individual *Länder*). To assist the economy in the achievement of these goals, the State intervenes with measures that affect either the demand or supply conditions within the economy.

Unlike Ireland, which is still one of the most centralised states in Europe, Germany is a Federal Republic of 16 self-administering *Länder* each with its own government and decentralised industrial policy tailored to meet local needs. Decentralisation is, therefore, an integral part of the German experience. Cohesion is nevertheless ensured by means of the fact that political parties operate on a national basis and the system of *Länderfinanzausgleich* brings about comparable standards of living and conditions for industrial development throughout the country (Immerfall & Franz, 1998 p. 20).

The consensus model of [decision-making] which still characterises decision-making at the organisational level is also visible in the way in which decisions are reached on fundamental changes which concern the country as a whole. The foundations of the current model of social partnership of employee participation at organisational level and the involvement of various sectors of society in *Kanzlerrunden* and initiatives to solve the unemployment crisis were firmly laid in the years following the Second World War where it was seen that the pace of reconstruction very much depended upon all groups within society

pulling together. This philosophy was also common to the East German experience where the concept of 'runde Tische' was widely practised. The consensus-orientated approach, however, only functions successfully where those involved are not just there to protect the narrow interests of the groups which they represent (ibid. p. 27). The *Reformstau* which is the current lament in Germany today is the result of what happens when such efforts at social partnership degenerate into

"Schau- und Machtkämpfe, bei denen sich bestenfalls auf den kleinsten gemeinsamen Nenner geeinigt wird. [...] [the net outcome of which is very often that] Alles bleibt beim alten" (ibid.).

Such thinking leads invariably to a certain ossification of existing structures within German society and an unwillingness to embrace necessary but hard-hitting changes.

In general terms the focus of State industrial policy in Germany has been to modernise the economy and to ensure that it keeps step with developments happening on the international front, factors which are particularly essential to a country which has always relied on the strength of its export industry. To enable the realisation of these aims the State has played a role in assisting the restructuring of ailing sectors, promoting sunrise industries, and ensuring that the country's educational and training facilities are producing the types and level of skills required by the economy. Overall, the level of State intervention has by comparison with its other European neighbours been relatively low. This has been due to other elements of the institutional framework namely the checks placed traditionally by the Bundesbank on State expenditure, the principles underpinning the social market economy, the high level of self-regulation present among both employee and employer associations, and the active role played by the banks in industrial restructuring (Lane, 1989 p. 258ff) - a role which in Ireland has traditionally been spearheaded by State run enterprises.

2.3.3. The financing of business

A comparison of the financing of business in Ireland and Germany reveals that the differences in the sources of finance available to companies in each country have a direct impact on the time-frame perspective and priorities they adopt.

2.3.3.1. Ireland

NUMBER OF EMPLOYEES

	3 - 9	10 - 19	20 - 50	51 - 99	100+	Total
Share Capital & Reserves	75	77	74	78	65	75
Borrowings due after one year	14	16	17	12	24	16
Grants	7	7	6	8	10	7
Other	4	-	3	2	1	2
Gearing (Debt/ Equity)	100 (19)	100 (21)	100 (23)	100 (15)	100 (37)	100 (21)

Table 2.2.: The capital structure of Irish industry, 1992 (%) (Source: Enterprise and Employment, 1992 in Lynch & Roche, 1995 p. 307).

An analysis of the capital structure of Irish indigenous industry carried out in 1992 by the Department of Enterprise and Employment revealed that across the board, regardless of the size of companies - measured in terms of the numbers employed - share capital accounted for on average 75% of long-term funding, long-term debt 16% and government grants 7%. The survey further showed that firms with a hundred or more employees had lower levels of share capital due to the higher levels of long-term debt and grants available to them (ibid. 1995 p. 307).

Unlike the situation in Germany the principal role of Irish banks is the lending function and their top priorities are security and profitability. Irish banks expect levels of profitability which are far higher than their German counterparts. The role of lender is also the role in which the business community casts banks. An IBEC spokesman told the author that banks are kept at arms' length by companies who feel that they should stick to lending money and not tell them how to run their business. Banks do not sit on the boards of companies. This is not the role they see for themselves. Banks only get involved if things go wrong. They will then take a seat on the board but only for a short time as they aim to get their money back (IBEC interview notes, Sept. 1997).

The high prioritisation of security in the granting of loans is reflected in the high levels of collateral required to secure loans which often amounts to several times the value of the loan. This can be particularly a problem for the small to medium sized company wishing to borrow in the region of £30,000-£50,000 for in excess of five years (Lynch & Roche, 1995 p. 309). One German owner of a manufacturing company in Ireland, not part of the survey, said that in Germany the banks were prepared to take an element of risk when granting loans to companies, which Irish banks are not. Additionally banks and investors consider small companies to pose greater levels of risk than larger ones due to their perceived lower levels of strategic management skills and business planning (Lynch & Roche, 1995 p. 309).

Small to medium sized companies in Ireland which account for the majority of indigenous companies (99.7% in 1993 - Government Task Force on Small Business, 1994 quoted in ibid. p.5) are, therefore, reliant on raising the money they need from the over-prudent banks or private investors who are traditionally very dividend-orientated and as a result these companies generally tend to be very bottom line-orientated and short-termist in their approach to business.

<u>2.3.3.2 .Germany</u>

An analysis of the financing of German business reveals that unlike in Ireland bank finance plays an important role and German banks take an active involvement in the business environment which extends beyond their lending function.

For many companies loan capital is by far their most important source of finance. This is furthermore underscored by the tax situation which makes loan capital a more attractive option for companies than share capital (Immerfall & Franz, 1998 p. 18). In addition to providing funds to companies the banks often become shareholders in the larger companies to which they lend and sit on the supervisory boards of many of the country's large public companies. Although seen in overall terms the proportion of shares held by the banks is low – on average 10.2% of all shares during the years 1990-1998 and 4.1% of the DAX 30 top performing German companies (Matthes, 2000 p. 49) - their power extends far beyond this by means of the influence they exercise via proxy voting. The power of German banks is based, therefore, on the one hand, on their role as shareholders and on the other, on their proxy voting power over the shares entrusted to their care by customers which entitles them to vote all proxies as they see fit at the AGMs unless instructed otherwise by the individual shareholders. These proxy voting rights are predominantly for public limited companies. The overall scale is evident when one looks at the statistics for 1992 where the banks held on average 84% of the voting rights at the general meeting of shareholders of the countries 24 largest companies (ibid). Additionally there are the shares held by investment companies in which the German banks are also majority shareholders. In 1992, for example, investment companies, the vast majority of which were domestically owned, controlled 10-15% of the voting rights in eleven of the country's top twenty-four companies (Baums & Fraune, 1994, in Bräunig, 1997 p. 40). The net result of this state of affairs is that the banks can hold the decisive vote at the AGMs of many public companies (ibid. p. 41).

This active participation by the banks confers a level of stability and security to German business which is not found in Ireland. The interest of the banks is long-term capital growth rather than short-term gains and consequently companies are able to think longer term than their Irish counterparts. The relationship between German companies and their "Housebank" is such that the banks stick with their corporate customers through thick and thin where Irish banks would have forced their client to go into receivership or liquidation in order to recoup their investment. This difference is underscored by the comment by the German owner of an Irish manufacturing company, quoted above, that German banks are prepared to take some element of risk when lending to clients with whom they have formed a close relationship over the years.

The role of banks as sources of finance is important not just for the larger public companies but also for small and medium-sized companies - the *Mittelstand*. Germany has a well-developed network of banking institutions both at *Länder* and federal level to assist such companies. These include the savings banks at local/community level, *Landesbanken* at *Länder* level whose principal role is to promote the well-being of the regions in which they are located and hence the profit objective is not seen as their primary *raison d'être* (Bräunig, 1997 p. 37ff) and at federal level such bodies as the *Kreditanstalt für Wiederaufbau* in Frankfurt am Main and the *Deutsche Ausgleichsbank* in Bonn.

With the *Mittelstand* forming the backbone of German industry both in terms of number and the people employed, (accounting for 99.8% of all companies in 1994 (Statistisches Jahrbuch für die Bundesrepublik Deutschland, 1994 p. 137 quoted in Gabler, 1997 p. 3923)) - a figure comparable with the situation in Ireland - the promotion and support of these companies is given serious consideration in overall German economic policy.

Private investors in Germany too have in the past tended to concentrate on long-term growth instead of short term profit. This has been particularly true of owner-manager and family businesses. This trend, however, would seem to be undergoing a change in recent years with the younger generation of investor and the growing importance attached to 'shareholder value' which traditionally was always considered a much lower order priority than company growth and development.

It would appear that the differences between the financing of business in Germany and Ireland run counter to what one would intuitively expect from the Uncertainty Avoidance scores of both countries, with Irish banks and investors adopting a very short-termist approach - behaviour usually associated with risk avoidance - versus the longer term perspective of their German counterparts. The level of uncertainty associated with such activities in both countries are, however, not comparable. By virtue of the role played by German banks as active business partners and the power they wield, much of the risk associated with financing business activities has been removed in Germany. Furthermore, the prudential stance of Irish banks is possibly a throwback to the British banking practice inherited by Ireland at Independence. Traditionally British banks had an arms-length relationship with industry, extending only to short term trade credit. The collapse of two banks, "The West of England and South Wales District Bank" and "The City of Glasgow Bank" in 1878 as a result of industrial customers defaulting on loans served as a monumental example to the British banking world of the potential repercussions of getting too closely involved with industry (Hutton, 1996 p. 119ff). On the other hand, the general willingness of private Irish investors to invest their money, albeit it for high levels of premium, in business ventures and their preparedness to chop and change investment depending on end of year results, underlines their opportunism and willingness to take risks.

2.3.4. Industrial relations in Ireland and Germany

Stark contrasts are evident between the German and Irish systems of industrial relations. One of the principal reasons for this is the fact that in Germany all aspects of employer-employee relations at plant level are legally anchored, with each party aware of its rights and duties whereas in Ireland a voluntarist regime still very much holds sway. Under German law provision is made for a dual level of employee co-determination (*Mitbestimmung*) in the management of German firms. The first level is via legally anchored works councils (the *Betriebsräte*). While these are not mandatory, they may be elected by employees in companies employing at least five eligible employees (IDS, 1996 p. 106). Once in place the works council must by law be recognised by employers as the body which will represent the workforce in all plant-level negotiations and make decisions on its behalf. The works council is obliged by law to co-operate with the employer "for the good of the employees and the establishment" and both the employers and the works council must refrain from acts of "industrial warfare .... or activities that imperil the smooth running of the establishment" (ibid. p.107f). It enjoys a wide range of legal rights including information, consultation, codetermination and the right to express its opinion on issues as well as make proposals in such areas as job design, the work environment, and personnel issues. Personnel issues include: *personnel planning* where the works council has the

"right to information and to make recommendations on personnel planning, including forecast personnel needs, any staff changes or movements, and vocational training, together with a right of consultation to avoid employee hardship" (ibid. p. 110);

recruitment (e.g. the works council can request that a particular position be advertised internally before it is advertised externally); and the *hiring, transfer and regrading of employees*. In companies employing more than 20 employees the works council must by law be informed regarding the hiring of new staff or the transfer and regrading of existing employees and must be shown any application and selection documents to be used. It is within the rights of the works council to reject a management proposal because it, for example,

breaches existing guidelines, disadvantages current employees, the position has not been advertised internally or the proposed candidate is regarded as a threat to good relations within the company. In such cases the employer must obtain a labour court ruling to override the decision of the works council. In the case of dismissals, all dismissals and the reasons attached thereto must be provided to the works council which has the right to object. While it cannot hinder the employer's decision *per se* it can give its backing to the employee to pursue the matter through the courts. Until the matter has been resolved the employer is then legally bound to retain the employee on existing work terms and conditions which could in some cases take up to five years (ibid. p. 110f, Begin, 1997 p. 174).

The works council furthermore has rights with regard to information on the financial and business situation of the company including "the product and marketing situation, investment, production and rationalisation plans, including new work methods, reduction in activities, closures, or transfers of operations" (IDS, 1996 p. 111).

This contrasts directly with the situation in Ireland where according to a Cranfield/University of Limerick survey of 1995, only 38% of participating firms said that they communicated on strategy with manual grades (50% for clerical); a similar pattern emerged for communication on company financial performance (Gunnigle et al, 1997 p. 206 in Gunnigle et al, 1997).

The *Betriebsrat* is legally separate from the trade·union to which the company's workers belong although in practice the vast majority of works councillors are also union representatives. A large-scale survey carried out in 1994 indicated that the incidence of works councils in German firms is positively correlated to company size: 67.7% of companies employing 50-99 people had works councils, this figure soared to at least 84% for those

employing 100+ and 100% for companies with 1,000+ employees (Addison et al, 1997 p. 436). The Germans follow a system of 'one plant, one union and one industry, one union'.

Collective bargaining (*Tarifverhandlungen*) in Germany takes place at the industry-level. Given the wide range of companies involved at this level the relevant unions involved on both employer and employee sides are forced to average out their demands. At the workplace, works councils and the employer negotiate on any increases to be granted over and above those agreed at industry level.

Since the beginning of the 1990s in the face of such influences as growing internationalisation, unemployment, international competition, and the introduction of new forms of work organisation, the German traditional system of industry-level collective bargaining has come under increasing pressure from employers calling for more regulation of work conditions at the company-level (Schulten, 1997 p. 1f, IDS, 1996 p. 124f). The answer has been the increasing introduction of *Öffnungsklausel* (opening clauses) to industry-level agreements which enable companies to deviate to a certain extent providing more flexibility at the company-level. It also *de facto* leads to a trend towards a decentralisation of the system. The general feeling among the collective bargaining parties, however, would seem to still favour the retention of the existing collective bargaining system but with greater scope for flexibility at the company level (Schulten, 1997, p.2). Looking at this trend towards decentralisation as part of the overall picture, in 1997 the number of company agreements still only accounted for 35% of all collective agreements in force; in 1989 this figure had been 25% (Bundesministerium für Arbeit und Sozialordnung; Bundesarbeitsblatt quoted in Zagelmeyer, 1998 p. 2). Industry-level collective bargaining is still, therefore, firmly entrenched in Germany.

The second level of employee participation in the management of German companies is at board level, usually at the *Aufsichtsrat* (supervisory board) level. German *Kapitalgesellschaften* (incorporated companies) with 500 or more employees are obliged by law to have a two-tier board structure - the *Vorstand* (management board) in the case of the *AG* (public limited company) or the *Geschäftsführung* (managing directors) in the case of the *GmbH* (private limited company) and the *Aufsichtsrat*. The type and extent of this employee representation is legally anchored and dependent on the size of the company. Special provisions exist for the *Montanindustrie* (coal, iron and steel industries). As members of the supervisory board, elected employee representatives enjoy the same rights and duties as shareholder members. The supervisory board elects the management board or the managing directors, supervises its/their activities and is legally entitled to be kept fully informed on all aspects of the company's business. Should the need arise it also has the power to dismiss the management board.

In Ireland, on the other hand, the key word in characterising industrial relations is voluntarism, a throw back to the British legacy inherited at Independence in 1921. The outcome of the High Level Group set up under the provisions of the national programme, Partnership 2000 (1997-1999), to consider the whole issue of union recognition is that there is still no statutory obligation for Irish employers to recognise unions or consult with them or provide them with information on any issue whatsoever although the absolute position of the employer has become somewhat diluted (Dobbins et al, 1999). In view of the relative freedom open to employers with regard to the organisation of plant-level employer-employee relations, the Irish industrial landscape presents a highly fragmented picture. This is aptly portrayed by Roche (Roche, 1998 pp. 112-125). Particularly over the last ten years Ireland has seen the development and coexistence of a number of different industrial relations models: non-union companies (very often of US origin) pursuing sophisticated HRM (Human Resources Management) policies and strategies (which are essentially union substitution strategies),

partnership models between trade unions and management which are a new phenomenon and still very much in the minority, management unilateralism and deregulation where management seeks to reassert its prerogative to flexibly employ, deploy and if need be dispense with labour at it sees appropriate for its operating circumstances. Under this model, management strives to ensure minimal regulation of its actions and of the labour markets. Such a model may also be accompanied by resistance to union recognition or where union recognition already exists, endeavours to minimise union influence over terms and conditions of employment as well as over the exercise of managerial authority (ibid. p. 116). The evidence would indicate that management opposition to unionisation particularly among multinational organisations (especially American companies in high tech sectors) and small indigenous companies is on the increase (Gunnigle et al, 1995 p. 108). The final model is the traditional pluralist adversarial model which up to ten years ago was the dominant model of Irish industrial relations and still prevails in many areas of Irish industry today.

Plant-level negotiations in companies where unions are recognised take place between management and elected union representatives. Depending on the size of the company and its area of activity there is often more than one union represented in an Irish company which can at times give rise to demarcation disputes, a phenomenon which does not occur under the German system and indeed for which no German word actually exists. These representatives, unlike their German counterparts, do not have the power to make decisions on behalf of their members in negotiations with employers. Any agreement arrived at must, therefore, be taken back to members to vote on. One German manager of a German company in Ireland told the author that because the first offer is invariably rejected by the workers, the whole process becomes a type of game and, therefore, is long, drawn-out and complicated when one is accustomed to the German system. Additionally, in view of the presence of often more than one union, employers frequently have to sit down with each union in turn to come to a settlement on any issue arising.

Generally trade union recognition in Ireland is high at approximately 80%, with company size and union recognition being positively correlated. Smaller organisations are more likely to pursue a more unitarist and more informal approaches in employee relations (Gunnigle et al, 1997 p. 192 in Gunnigle et al 1997).

Since 1987 collective bargaining in Ireland has been at a national level and tripartite in nature, involving the State, the employers and the unions. Successive agreements have been put in place for periods of three years and cover not only wage increases but also all aspects of the country's social and economic development. They apply both to the public and private sector alike. These agreements which have been the outcome of social partnership at the national level are, however, voluntary. Unlike collective bargaining agreements in Germany they are not legally binding although adherence in general to date has been high. The four national agreements which were implemented between 1987-2000 have been heralded as great successes, contributing in large part to the economic success enjoyed by Ireland in recent times. These agreements have forced trade unions to be more realistic in their demands and hence an employer is no longer faced with a situation where the trade union is looking for an unrealistic 20% and the employer knows from the outset that the most he can afford is 5% (IBEC (Irish Business and Employers Confederation) interview notes, Sept. 1997). They have led to greater certainty and predictability, enabling employers to plan and budget more effectively as they controlled wage bills and inflation. Unlike the situation in Germany the pay provisions in these agreements are seen as absolutes expressed in percentage terms. The Partnership 2000 agreement (1997-1999) set out for example that

"employers and unions may, not earlier than the second year of the Agreement, negotiate at firm or industry level as appropriate, for adjustments in pay and/or conditions of employment the cost of which shall not exceed 2% of the basic pay cost of the particular grade, group or category of employee" (Government of Ireland, 1996 p. 76).

Furthermore, any such local negotiations were to have "full regard for the costs involved and for the ability of the firm or industry to meet these costs" (ibid.). Recent evidence indicates that employers in specific sectors have been paying increases above those agreed under the partnership agreements. This has been mainly due to labour and/or skill shortages as well as being related to productivity/profit and performance-related criteria in particular firms in the face of the economic growth currently being experienced in the country (Dobbins & Sheehan, 1998 p.2). There is also, however, a feeling by certain sectors of the Irish workforce that they are not getting their fair share of the economic success enjoyed by the country. A survey carried out by Dublin based independent publication "Industrial Relations News" (IRN) of over 778 pay settlements published in its October 1998 issue, revealed that while there was greater wage drift under the Partnership 2000 agreement, overall adherence to the basic terms of the agreement at 89% had been high, this compared with a level of 95% for previous agreements (IRN, 10/1998). In the light of rising inflation in 2000 driven primarily by the weak performance of the Euro - affecting particularly Irish trade with the US and UK - and rising fuel prices, the current three year national agreement PPF (Programme for Prosperity and Fairness (2000-2003) implemented in April 2000 is coming under severe pressure.

The issue of employee participation is not a new one in Ireland. The debate gathered momentum with Ireland's joining of the European Community, culminating in the 1977 and 1988 Worker Participation (State Enterprises) Acts. These brought board and sub-board employee participation to the public sector. There is still no statutory requirement for such participation in the private sector and Irish private sector employers remain generally opposed to the imposition of legislation for the introduction of employee participation at this level. The experience in the public sector to date has not been positive and the German model is held up as a disaster due to the length of time it takes to get a decision to react to matters that arise (IBEC interview notes, Sept. 1997). The continuation of the current voluntarist approach is favoured, fearing that legislation here could damage FDI especially from the US, a fear which

is shared by the IDA and successive governments (Kelly & Hourihan, 1994 p. 386, Schulten et al, 1998 p. 19). In general the trade union movement's stance on such employee participation mechanisms as worker directors or works councils has been characterised by a large degree of apathy. Such sentiments are doubtless linked to fear on their part of losing power and influence in the collective bargaining process and particularly at the level of workplace bargaining (Gunnigle et al, 1995 p. 316). Among average workers there is the common feeling that they are not willing to do management's job for them (IBEC interview notes, Sept. 1997).

The joint survey by Cranfield/University of Limerick in 1995 of companies in the private and public sector found that the existence of institutionalised mechanisms for employee participation in Irish companies via joint consultative committees and works councils was quite low. Overall one quarter of participating companies had such mechanisms (21% of companies in the private sector and 38% in the public sector). With regard to the remit of these mechanisms, the survey reported that quality issues were the predominant theme (56%), followed by task flexibility (30%) and new product development (14%). The overall findings on employee participation seemed to suggest that the focus was on employee involvement both on an individual and group basis on task related issues as opposed to providing employees with a platform from which to bring their influence to bear on high-level management decision-making (Gunnigle et al, 1997 p. 209 ff).

One of the stated objectives of Partnership 2000 which came into force in January 1997 was the extension of partnership arrangements at enterprise level (P2000, 1996 p. 61). The agreement did not, however, prescribe any one specific form that this partnership should take in recognition of the fact that different employment contexts have different requirements (ibid. p. 63). In July 1997 a National Centre for Partnership was set up to facilitate the implementation of this objective. It is difficult as yet to make any definitive judgements on the

successes of new partnership agreements. By November 1998 "Industrial Relations News" (IRN) had reported on over 20 such agreements at company level. By December 1999 this number had increased to 68. Generally these agreements provide for the setting up of partnership bodies at the workplace to facilitate the introduction of major change such as new forms of work organisation or the introduction of 'world class manufacturing' (Sheehan, 2000). While the number is still small, it may, however, be indicative of the direction in which workplace relations may be developing. The extension of partnership agreements at the workplace is furthermore one of the state objectives of the PPF which wishes to build on the advances made under Partnership 2000.

Pressure from Europe on this front has certainly come to bear in recent years. The European Works Council Directive came into effect in Ireland under the Transnational Information and Consultation Act of 1996. The EU directive allows for the setting up of

"a European Works Council (EWC) or similar body in all 'Community scale undertakings' with over 1,000 employees within the Community, and at least two Community establishments employing 150 employees. The EWC is triggered by a written request from employees or their representatives" (Cressey, 1998 p. 68).

Initially 271 operations located in Ireland were effected by the directive, the vast majority of which were subsidiaries of foreign multinationals. By December 1999 it was estimated that this figure had risen to in the region of 550 following the passage of the directive into UK law (European Foundation For The Improvement Of Living And Working Conditions, 1999). To date no research has been carried out on the effect if any that this has had on the day-to-day operations of these Irish-based operations. The results of the interviews carried out by the author in Ireland in June 1999 would appear to suggest that the influence of these EWCs is limited to that of information exchange.

Those used to the Irish system often find the legally-anchored powers of the *Betriebsrat* an intrusion into realms regarded as the prerogative of management. One Irish

manager in an Irish operation in Germany told the author how when he needed to recruit a regional manager, he had selected the candidate of his choice and had decided to pay this person their asking salary of DM110,000-120,000, he was informed by the *Betriebsrat* that this was an E8 position and therefore the salary could not be more than DM80,000-90,000. Understandably frustrated he wanted to walk out of talks with the *Betriebsrat* only to be told by the Personnel Manager that he had to go through with this. Another Irish manager in an Irish operation in Germany said that he found having to report to the *Betriebsrat* on the ongoing results of the company unbelievable, that decision-making was far more protracted due to the formal steps involved, having to include more people in the decision-making process and having to explain decisions rather than just implement them as he would in Ireland.

The quality of industrial relations at plant level in Germany and Ireland is also very different. In Germany due to the legal mechanisms such as the *Betriebsrat* and board level participation, there is a greater sense of industrial democracy with worker participation and workers having a stake in the organisation to which they belong. Although the balance of power is still wielded by management, the co-determination mechanisms in place do provide German workers with a means of making their voice heard. Both sides would appear to judge the system positively. Both trade unions and employers see each other as social partners as opposed to adversaries (Stewart et al, 1994 p. 154). The management decision-making process is forced to take more account of the likely impact of decisions on worker interests (Lane, 1989 p. 234), but due to the continual interaction between management and workers, worker interests appear to be more in line with the needs of the firm (Begin, 1997 p. 178). Employer-employee relationships tend, as a result, to be of a consensual and co-operative nature and based on a trust relationship between employees and employers. The high costs of running the works council system and the protracted nature of the decision-making process due to employee participation would seem to be compensated for by extremely low levels of

strike activity (1 working day was lost per 1,000 employees in 1998 compared to 31 days for Ireland for the same period, the figure for 1996 was 3 days per 1,000 employees for Germany and 110 days per 1,000 for Ireland (Institut der deutschen Wirtschaft Köln, 2000, no. 154)), low staff turnover rates and worker commitment to change and to implement jointly agreed decisions (Lane, 1989 p. 235). The legal mechanisms in place would appear to have removed a lot of the potential for conflict between workers and employers at the workplace.

Comparing the level of commitment to their companies of Irish and German workers by means of absenteeism rates, the acclaimed increase in commitment levels as a spin off of greater opportunities for employee participation is put into perspective. In 1994 absenteeism rates in German industry were on average 5.5% compared to 3.5% in Ireland. At this level the Germans were 20% above the European average of 4.6%. One explanatory reason here could be the generous provisions for sick pay in Germany in comparison to Ireland (Institut der deutschen Wirtschaft, 1998 (b) p.12).

One Irish manager working in an Irish subsidiary in Germany whose company had a *Betriebsrat* felt that these mechanisms of industrial democracy did not automatically lead to higher levels of commitment and motivation among the workforce:

"Irish workers are more motivated for reasons of self-preservation. In Ireland and the UK to survive in a job you have to be motivated and efficient. I feel in Germany that due to the fact that workers are so protected, motivation doesn't really come into it so much".

In the Irish system based on voluntarism, where private sector employers remain opposed to any legislation for employee participation and union recognition (IDS, 1996 p. 171), the divisions between management and workers, the Them-and-Us syndrome, is still prevalent across a wide spectrum of Irish industries and as a corollary, relationships are still often rooted in the adversarial model at plant level in spite of a regime of social partnership in the form of a series of national agreements since 1987 and efforts by the social partners since

1997 to facilitate social partnership at the workplace. A German employer negotiating with his Irish workforce cannot, therefore, automatically assume an attitude of constructive co-operation.

2.3.5. Management in Ireland and Germany

2.3.5.1. The structure of top management

One area of evident difference between Ireland and German top management is the tendency in Germany for top management in companies having the legal form of the *GmbH* and *AG* to be collegial in nature. This means that the management board consists of several members all of whom are equally responsible for the fortunes of the company. There is no overall Managing Director as in the Anglo-Saxon tradition. In the case of the *AG*, the *Vorstand* consists of between three and twenty members who are collectively responsible for the management of the company (Lawrence, 1980 p. 37). The *Vorstand* is headed by a chairman who is *primus inter pares* although in reality he may in fact have more power particularly if he is the owner of the company. Indeed some AGs have no chairman at all but simply a speaker nominated from within their ranks (Schneider, 2000 p. 131). In the case of the *GmbH* the top management, the *Geschäftsführung*, tends to consist of two or three managers with usually one responsible for the technical side of the business and the others for the commercial aspects (sales/marketing, finance etc.). Small *GmbHs* and most *KGs* (*Kommanditgesellschaften*) tend to be headed by a single *Geschäftsführer* (Lawrence, 1980 p. 30).

By virtue of this collegial management system, decision-making at the top is broadly consensus-based in Germany. This contrasts with the Irish top management system which is generally directorial in nature where there is usually one Chief Executive Officer or Managing Director who heads up a board of directors but with whom ultimately the final say lies. In

such a system while the board of directors may be organised on collegial lines, executive power to run the company is concentrated in the person of the CEO (Schneider, 2000 p. 131).

2.3.5.2. Managerial authority

One possible factor contributing to the longevity of employment relationships in Germany at the management level could be the fact that the German view of management tends to be based on specialist or expert knowledge of a specific area, on *Fachkenntnisse*, and hence the possibilities to change companies and in particular industrial sector are reduced. The majority of German managers still tend to build their careers within a specific function. The Irish, on the other hand, tend to pursue the Anglo-Saxon view of management as a generalist activity and believe that good management practices may be transferred and applied to a wide range of sectors and hence specialist or expert knowledge of the company's core business is not always a prerequisite in the employment of managers. In Germany graduates are employed for the specific skills and area of specialism of their studies; this contrasts with the situation in Ireland where the attainment of a degree qualification is often seen as the achievement of a specific level of intellectual development. Thus, for example, people with a Liberal Arts degree are employed in the financial sector in Ireland which would be unthinkable in Germany.

The basis of a manager's authority in Germany at all levels resides in his expert knowledge as opposed to positional authority. This expertise-based authority which is grounded in being the best at one's job at the lower levels of management is seen at the higher levels in the vast number of doctorate holders at German top management level (Stewart et al, 1994 p. 164).

While the number of employees with doctorates in Ireland is certainly on the increase particularly in the areas of science and engineering, PhD holders at top management level are

still very much the exception rather than the rule. Top managers in Ireland tend to be generalists and it is not uncommon to still find companies headed by finance people promoted to positions of general management based on past performance (IBEC interview notes, Sept. 1997).

2.3.6. Training and education

2.3.6.1. Ireland

The principle of voluntarism which forms a cornerstone in the Irish industrial relations system is also evident in the area of training. There is no legal framework governing initial and continuing training and an apprenticeship levy of 0.1%[2] of gross payroll is the only money that Irish employers are obliged to spend on training for their workforce (IDS, 1997 p.182). Furthermore, unlike the scenario in Germany, there is no legal requirement for young people leaving formal education at 16 years of age to pursue any kind of formal training. In Germany, attendance is obligatory at the *Berufsschule* for those between 16 and 18 years of age who are not in full time-education and the curriculum covers both general and vocational education.

Much of the approach and attitude towards the issue of training in Irish indigenous companies has been coloured by the country's British inheritance. Traditionally, low priority has been attached to the training of human resources in Ireland. In times of economic downturn where items of non-essential spending are cut-back, training was often one of the first casualties. Furthermore, Ireland has until recently always had a loose external labour market where labour supply continuously outstripped demand. From the 1980s until the late 1990s high levels of unemployment[3] were part and parcel of Irish life. Employers were,

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[2] This figure stands at 0.25% for those in engineering, printing and paper, and construction sectors (Industrial Training Apprenticeship Levy) Act 1994 (IBEC, 1996 p. 189).
[3] In 1992 unemployment stood at 17 or 21% depending on the method of calculation employed (Hussey, 1995 p. 252). In December 1999 unemployment stood at 5.1%, its lowest level since the late 1970s, and showed signs of falling further (Central Statistics Office).

therefore, either able to recruit externally their skilled labour requirements as opposed to training them in-house or poach candidates from other employers by offering higher wages.

"Irish employers have looked to the labour market and to FÁS [the State job placement and training agency] for skilled labour while not being prepared to make any investment in training themselves" (Des Geraghty, National Industrial Secretary of the country's largest union, SIPTU - Services Industrial Professional Technical Union) (The Examiner 17.09.97)

Such short-termist thinking on the part of Irish employers has led to the current labour shortages experienced in the wake of the unprecedented growth of the "Celtic Tiger" so much so that FÁS was forced in 1999 to launch recruitment drives abroad to make good the shortfall, a move unprecedented in the history of the State.

It was not until the arrival of foreign multinationals in the 1960s, many of whom came from national business cultures where training and development were high priority items, representing vital investment in the future of their organisations, that the existing system of vocational and skills training provision came under pressure to reform (Garavan et al, 1995 p.65). As with other aspects of the business culture in Ireland often external pressure is needed to change the status quo.

The educational and skills profile of the Irish workforce when compared to that of many of its European neighbours and particularly Germany is poor.

Level	% of 24-64 age group	
	Ireland	Germany
Lower Secondary	55	16
Upper Secondary	27	61
Higher Education (non-university)	6	10
University	12	13

Table 2.3.: Population educational attainment profile Ireland and Germany (Source: OECD 1994)

The educational attainment profile of the Irish workforce reveals a dual pattern. On the one hand there are the highly qualified young graduates who according to the interviewees questioned for this thesis, compare highly favourably with their German counterparts. These, however account for only a small percentage of the overall workforce where over fifty per cent in the 24 - 64 age group do not have the Leaving Certificate (*Abitur* equivalent) which makes it difficult to bolt on the skills and knowledge necessary to keep pace with the rate of change at the workplace. Formal education levels among older workers particularly in the 40+ age group, a category which makes up 40% of the workforce, are low (IDS, 1997 p. 183).

With regard to the overall skills profile, among the 300,000 or so employed in the manufacturing industry in 1995, apprentices and craftspersons accounted for a mere 18% (Garavan et al, 1995 p. 114). By comparison about 66% of the German workforce had skilled worker status (Stewart et al, 1994 p. 157). According to Garavan there is a relatively high number of Irish workers receiving no training or training of a very low quality leading to either no or poor qualifications. The evidence suggests that as much as 45% of the workforce receive no training at all (ibid. p. 39). In an interview with IBEC in September 1997 the author was given the example of someone doing sheet metal work for a company. He had

done a few weekend FÁS courses for which he had received certificates. The level of skill he needed for the job he had to do was so low that when he wished to change jobs, his chances on the job market with his certified level of skill would be very low indeed.

The apprenticeship system in Ireland

Until 1993 the apprenticeship system in Ireland was founded very much on the principle of serving one's time with a company as opposed to one based on the achievement of certified pre-determined levels of competence. Under the old system upon completion of his four year stint with a company, an apprentice received the Completion Certificate, attesting to the fact that he had served the required time and entitling him to work as a qualified craftsperson. This certificate was awarded without any obligation to sit or pass examinations. Those wishing to do so could sit examinations and if successful were additionally awarded the National Certificate. The outcome of such a system was inevitably a high disparity in the content and quality of apprenticeships received. In 1993 a new standards-based apprenticeship was introduced on a phased basis and by 1999 covered about 27 of the 40 designated apprenticeships offered by FÁS. There is still a question mark as to whether or not the remaining apprenticeships will be brought within the new framework as in some cases e.g. the trade of shipbuilder, the numbers just do not warrant the extension. The new system was intended to combine the very best of the existing system with the best of observed practice among Ireland's European neighbours (FÁS interview notes, May 1999). The impetus here for the switch to this new system was once again external pressure; most of Ireland's European partners were already operating a standards-based system and to ensure the international recognition of Irish vocational qualifications, the key to worker mobility within the EU, it was necessary to adapt to the European system (Garavan et al, 1995 p. 109).

According to FÁS there were approximately 19,000 apprentices in Ireland in 1998 which equates to recruitment figures of 5,000 apprentices for each year of the on average four

year apprenticeship. This figure appears surprisingly low when compared to the German figure of 588,000 recruited in 1997, 60-70% of a given age cohort (Bundesinstitut für Berufbildung, BMBF in Institut der deutschen Wirtschaft, 1998 (d); Eichenberg & Wiskemann, 1997 p. 137) and in view of the fact that approximately 40% of the Irish population is under the age of 25 (IDA, 2000 (b)). The Irish figure, however, only covers the "designated apprenticeships" offered by FÁS, apprenticeships done outside of these trades in such areas as hairdressing and waitering are not included as these have their own regulatory societies and so it is difficult to ascertain the overall level of participation in apprenticeship-type training. It is rather surprising that there are as yet no state apprenticeships offered for service sector occupations given that the service sector accounts for 65.1% of all employment in Ireland (Harenberg, 1998 p. 440). Unlike in Germany, where *Beruf ist Beruf*, there is a distinct lack of prestige attached to manual craft jobs in Ireland regardless of the actual level of skill involved. Officially 55% of those deciding to begin an apprenticeship in 1998 possessed the Leaving Certificate (Secondary School Leaving Certificate), the real figure however is nearer to 75-80% depending on whether the would-be-apprentices registered before or after receiving their Leaving Certificate results. FÁS will also advise employers that certain trades require the Leaving Certificate as entry level requirement (FÁS interview notes, May, 1999). In Germany only 15% of those deciding to do an apprenticeship possess the *Abitur* (Institut der deutschen Wirtschaft, 1997 (a) p. 1). The proportionately high level of Irish apprentices with the Leaving Certificate may possibly be explained by the traditional high competition for jobs of all kinds in an Ireland of high unemployment and few available jobs. There is also a common thinking of "doing something better" which is bolstered and propagated by parents who wish their children "to go on and do better things than they did." Irish parents traditionally made huge financial sacrifices to fund their children's third level education prior to the abolition of undergraduate tuition fees in October 1996, in an era where the few grants available were awarded on a strictly means-tested basis rendering most middle income families ineligible for state assistance.

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In Irish society a predilection for the professions has long been in evidence with the most able pupils being strongly steered towards careers in what are regarded as socially 'prestigious' careers such as law, medicine and dentistry. This is possibly a throw back to the days of the Penal Laws (1695-1793) when the professions except for medicine were legally closed to Irish Catholics. The influence of the country's British heritage where trades were deemed inferior to the professions may also be an explanatory reason here.

Furthermore, the apprenticeship system in Ireland is pretty limited in its scope. There are currently only approximately 40 trades for which State apprenticeships are offered compared with in excess of 400 in Germany. This number in Germany is continually on the increase in line with developments in the world of work.

The situation of training today in Ireland

The country's record on training would not appear to be too impressive either. The first official training statistics, the 1985 Labour Force survey, revealed that there was a serious deficit where continuing training and retraining were concerned. Most of the training was concentrated in the 15-19 age group. The Galvin Report (1988) showed that the score with regard to management training was also dismal with Ireland spending significantly less than her European competitors. In 1987, over 20% of the country's top 1,000 companies had either spent nothing on management development or were unaware of how much they had spent. More than 50% had spent less than £5,000. The situation was particularly acute in small, new or Irish-owned companies. On average foreign companies spent 50% more than their Irish indigenous counterparts. In total 1.4% of gross payroll was devoted to management development (Garavan et al, 1995 p. 29f). The findings of a large scale survey of management development in Ireland carried out by a research team at University College Cork in 1996 revealed that 69% of the participating companies did not have a written management

development strategy document and that an average of 2% of payroll was devoted to this form of training (Walsh, 1998 p. 155).

Among the research projects carried out in the 1990s examining training in Ireland there were two large scale surveys in 1992 and 1995 undertaken by Cranfield/University of Limerick. The findings of these surveys would suggest that more attention is being given to training in companies in Ireland today than in the past, witnessed by, for example, the increased amounts of resources being devoted to it and greater efforts to pursue a coherent approach concerning the identification and evaluation of training needs. The 1995 survey revealed, however, that differences were visible between Irish indigenous companies and foreign multinationals in the amount of money they invested in training (the Irish indigenous companies investing less), the percentage of companies involved in conducting systematic training needs analysis (61% of Irish indigenous organisations compared to 85% of foreign owned) with no detectable improvement between the findings of the 1992 and 1995 surveys, and the use of training audits, performance appraisals and employee requests as methods of determining training needs. Indigenous Irish companies were also less likely to adopt a wide range of human resource development strategies with the exception of planned job rotation. Compared to 1992, the 1995 survey found that the overall proportion of annual payroll spent on training had increased from 2.4% to 3.6% but that foreign-owned subsidiaries accounted for the lion's share of this increase (Heraty & Morley, 1997, p. 127ff).

In general, Ireland's performance record on continuous training in the absence of legislative regulation is low, a fact which ultimately hampers competivity. Life-long learning is still extremely rare (Forfas 1996) and over-training, a common concept in German companies, not found.

A by-product of the situation on training is the job-hopping mentality which has established itself in Ireland where workers at all levels are readily prepared to move jobs if offered better pay and conditions. Shopfloor workers will be prepared to move to, for example, high tech jobs which are regarded as cleaner and more glamorous although often not more secure than jobs in traditional manufacturing sectors. There is also the pervasive attitude among young qualified Irish white-collar workers that the only way to climb the career ladder is to change companies. This is complemented, on the other hand, by the attitude of Irish employers who often consider it a sign of a lack of personal initiative if a manager spends all of his working life with just one employer, believing that he has thus missed out on the wider experience that a variety of organisational settings can provide. In an interview with a representative of IBEC the author was told that a general rule of thumb is "a minimum of three years service, a maximum of five years and seven years, you must be mad!" (IBEC interview notes, Sept. 1997). It was also maintained that people's readiness to "job-hop" prevails until they have reached their late 30s/early 40s when they begin to look for greater security and will tend to stay in their jobs unless head-hunted out. The same interviewee asserted that there were still many employers who espoused the attitude of "why train someone if they are going to leave once they have completed their training."

This contrasts with the German experience where *Betriebstreue* or company loyalty is actively encouraged and writ large by the management of most German firms. Although today the tendency in Germany to spend all of one's working life with the same organisation is beginning to change, nevertheless the trend is still for most to stay with the one company and make their career from within that organisation. One possible explanation for the difference between Ireland and Germany was posited by one of the German interviewees. He felt that because Germans finish their university studies at about 27 for their primary degree and 30+ if they decide to do a doctorate, they are at an age where they want to settle down, many may even be married and have children which is not the case for the average 22 year old Irish

graduate. His theory, however, does not explain the high level of company loyalty among non-graduates in Germany. While there is no guaranteed system of lifetime employment in Germany nevertheless the legal mechanisms in place mean that the average German worker enjoys higher levels of job security than his Irish counterpart. The freedom, for example, that a German employer has to lay off employees is strictly curtailed under the provisions of the *Kündigungsschutzgesetz* or Dismissals Protection Act of 1969. Under this Act, which applies to all companies employing more than five employees and to those having contracts of employment of more than six months in duration, an employer is obliged, among other things, to follow the *ultima ratio* principle of exploring all other possible alternatives such as retraining or redeployment before resorting to laying someone off (Eichenberg & Wiskemann, 1997, p. 144). Additionally the length of statutory notice to be given in the case of long-serving employees is far lengthier than in Ireland - in Germany, for example, any employee who has spent 15 years working for a company must be given six months notice, in Ireland the same employee would receive just two months (IBEC, 1996 p. 65, Kugler, 1995 p. 129). The extent and provisions of the *Kündigungsschutzgesetz* can act as a deterrent to would-be investors (Die Welt, 1.05.1999). An employer when looking to reduce the size of his workforce in Germany does not have *carte blanche* as to the employees he selects for redundancy. He is legally obliged in addition to ability and performance to take certain social criteria into consideration such as an employee's age, length of service, marital status, the number of dependant children, financial needs and situation while at the same time being mindful of the need to ensure that core skills are retained (Buechtemann, 1993 p. 276 in Begin, 1997 p. 172, Kugler, 1995 p. 128) in drawing up the final list. Jobs which remain after redundancies have taken place also tend to be more secure, this is not the case in Ireland. In Ireland, although redundancies have to be justified, the rule of thumb is: first look for voluntary redundancies, second, the 'last-in-first-out' principle is applied and third, skills needed are taken into account to ensure that the necessary core skills are retained. The family conditions and responsibilities of candidates are not considered (IBEC interview, Sept. 1997).

These legal mechanisms in Germany, added to the powers of consultation and codetermination in the hiring and firing of all employees below the level of executive enjoyed by the works council and their ability to insist that positions are advertised internally before an external trawl of the labour market begins, mean that employers are forced to engage in careful long-term manpower planning (Lane, 1989 p. 274).

In both Germany and Ireland the training of apprentices is regarded by employers as a social duty. The difference in the thinking, however, between the two countries is evident when one examines the retention rates once apprentices have completed their training. In Germany, of the 50% of apprentices who take on a permanent job in their area of training, approximately 85% remain with their training companies (IDS, 1997 p. 142). The tendency, therefore, in Germany is for companies to train to meet their own skill requirements. Many companies, particularly the larger ones overtrain so that they can select the best once the apprenticeship is completed. In Ireland there would appear to be no fixed pattern regarding retention. A good percentage of trainees emigrate for a year or longer to "see the world" upon completion of their apprenticeship, some set up on their own and in other cases it is the explicit policy of the training company to let apprentices go once they have finished their apprenticeship - they may be rehired at a later date provided that they have acquired further experience elsewhere - and finally there are those companies who train to meet their own specific manpower requirements (FÁS interview, May 1999). It is not surprising, therefore, that German employers, unlike their Irish counterparts, view their training budget as a worthwhile long-term investment in the future of their organisation. One German owner/manager of a subsidiary in Ireland told the author that his company trains the Irish people it takes on but that many employees merely use this as a springboard to a better job elsewhere in 1-2 years as opposed to the first step in a long working relationship with the company. He said that in contrast many of the employees at his German plant had been with the company for 25/30 years and he felt they had a greater sense of company loyalty.

The role of the State

As mentioned above, particularly since the 1960s the State has played a motor role in developing the Irish economy. In this endeavour its training agencies have become key players to such an extent that a type of dependency relationship has developed between employers and the State where in many cases employers have become reliant on the State to provide training in which they themselves are unwilling to invest. This was particularly true in the past. According to a White Paper on Manpower Planning (1985) 40% of all training between 1982-85 was sponsored by the then state agency AnCo (forerunner of FÁS). It was further estimated that 60% of industrial training and 80% of training in the engineering and metal sector was carried out by AnCo (Garavan et al, 1995 p. 72).

The bulk of FÁS's budget today is concentrated in the area of training provision for those seeking employment. This covers provision for young people usually in the form of the apprenticeship where the State together with European Social fund assistance meets 65% of total costs (IDS, 1997 p. 197) and for the unemployed which from the 1980s to the 1990s was a politically sensitive issue for successive Irish governments. The result is that the portion of its budget which can be allocated to continuing training - an apparent problem area in Ireland - for those already in employment is limited. A review of industrial training carried out by IBEC in 1994 identified that £280 million was being spent by state agencies on training for the unemployed compared to a paltry £1.8 million for those in employment. The report also highlighted the passive role of Irish employers with regard to training and development and the resultant deficiency in training provision (Garavan et al, 1995 p. 83). The passive role of employers was also highlighted in the IBEC interview of September 1997. Many of the current training programmes and grants offered by the Irish government in the area of training are heavily subsidised by means of the European Structural funds. Indeed a Chamber of Commerce interviewee questioned what would become of these when this source

of assistance dries up? (Chamber of Commerce, interview notes, August 1997). The general conclusion which may be drawn, therefore, is that there would appear to be wholesale reliance on under-funded state agencies for the provision of continuing training in Ireland.

2.3.6.2. Germany

As in Ireland there is no compulsion on German employers to train their employees, however, a strong belief in the long term benefits of training and its importance for maintaining organisational effectiveness underpins German business culture and the German "dual system" of vocational training is widely acclaimed as one of the best in Europe. Among German employers the view is also widely held that the dual system and the ability of the country's skilled labour force have played key roles in Germany's economic success over the past 40 years (Eichenberg & Wiskemann, 1997 p. 138). As a country with few natural resources coupled with high labour costs - labour costs in the manufacturing sector in West German manufacturing are the most expensive in the world (Institut der deutschen Wirtschaft, 2000 (a) no. 152) - it is by virtue of its skilled labour force that Germany has been able to position itself successfully in high quality niche markets where competitive advantage is based on considerations other than price.

Unlike in Ireland, it is German employers who bear two thirds of the costs of training apprentices (Roberts, 1986 p. 111 in Lane, 1989 p.66) and therefore also have the greatest say in the process. It was mentioned above that the trend in Germany is to train for company needs. In keeping with this the general opinion among employers is that company specific training programmes are the best (Stewart et al, 1994 p. 51). A survey carried out by the *Bundesinstitut für Berufsbildung* in 1996 among 40 large industrial concerns revealed that 67% of these companies considered it very important in making a recruitment decision that the candidate had been trained in-house, a further 25% considered it important. With regard to the future, 6% said that it would become even more important, and 81% said that it would

remain as important as it is today (Institut der deutschen Wirtschaft, 1997 (c) p. 6f). The training of apprentices, therefore, tends to be seen first and foremost as a necessary investment in the future of the company.

The commitment of employers toward the dual system of vocational training is evident in the continuing increase in the number of training contracts offered each year. In 1999 a total of 631,000 new training contracts were signed. There were 654,000 training places on offer with a demand level of 660,000 but employers were for one reason or another unable to find the required quality of candidate to fill all of the available positions (Bundesinstitut für Berufsbildung, Bundesanstalt für Arbeit in Institut der deutschen Wirtschaft, 2000 (b)).

The commitment of companies of all sizes to the dual system is very clear as is demonstrated by the table below.

Number of Employees	% involved in the Dual System
1-9	43
10-49	72
50-99	93
100-499	98
500-999	100
1,000+	100

Table 2.4.: Company size and involvement in the Dual System
Source: 1999 survey of 900 companies by the Institut der deutschen Wirtschaft, ibid.

Small and medium-sized companies train more than 50% of the country's trainees. Many of these are not in a position to provide a trainee with the broad range of skills necessary as their

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operations are too specialised. In excess of 600 inter-company training courses allow such trainees access to facilities to broaden their skills (Randlesome, 1994 p. 148).

Trainees, *Auszubildende* or *Lehrlinge* in Germany have specific rights and duties and it is clearly laid out in which types of work they may or may not engage. They may only undertake jobs which serve the sole function of training. They will not, for example, sweep the plant in the evening as this is not part of their job specification. In Ireland there are no such restrictions as long as the apprentice is not exploited (FÁS interview notes, May 1999).

German apprentices while on-the-job are under the supervision of a *Meister* (foreman) who is not only a trained craftsperson as in the case in Ireland, but has actually acquired the status of *Meister* as a result of successfully passing an examination, part of which includes instruction on how to train apprentices (Lane, 1989 p. 77). In this sense the on-the-job supervision in Germany would appear to be more formalised.

The commitment to training in Germany does not, however, begin and end with the dual system. Annual spend per employee for continuing training averages at approximately DM 2,207 (1998, Institut der deutschen Wirtschaft Köln, 2000 (a) no. 123). Overtraining and life-long learning are integral to industrial life in Germany, ensuring a flexible workforce (capable of adapting to the demands of technological change), increased levels of job security for workers and greater levels of job satisfaction (Lane, 1989 p. 85). Furthermore, even in times of recession, the importance of investment in human resources is not ignored (Eichenberg & Wiskemann, 1997 p. 140).

In their comparison of productive units in France, Germany and Britain, Maurice et al found that the ratio of works (blue-collar workers) to staff (white-collar workers) in Germany was higher than in the other two countries. Likewise, the ratio of supervisory staff to works

was the lowest in Germany (Maurice et al, 1980 p. 66f). This is due to the level of qualification and skills of the general workforce who are capable of carrying out many of the tasks themselves which would in other countries be carried out by supervisors. The net result is that there is less of a necessity for graduate engineers and highly qualified technicians to get involved in the "nitty gritty" of routine problem-solving on the shopfloor (IDS, 1997 p. 143).

A phenomenon which is alien to Ireland is the tendency among Germans to progress to further studies once they have completed an apprenticeship. In Ireland apprenticeships and third level studies tend to be mutually exclusive career paths. Currently approximately 13% of Germans move directly to further training or education on completion of their apprenticeship. This figure does not include those who do their military or civic service immediately after their apprenticeship and only after that proceed to further training or studies (ibid. p. 142). A study of 1,250 *Abiturienten* in Germany undertaking an apprenticeship in 1995/6 reported that 40% of them intended to go on to further studies. Interestingly 31% said that they regarded an apprenticeship as a "gleichwertige Alternative zum Studium" (BIBB/HIS in Institut der deutschen Wirtschaft, 1997 (b) p. 6) again reflecting the difference in attitude to that of their Irish counterparts.

In the past in Germany it was not uncommon for someone to begin as an apprentice with a company and work their way by dint of their efforts up the hierarchy to top management level. Today this is the exception rather than the rule. However, graduates who have also successfully completed an apprenticeship prior to commencing their studies are of particular interest to employers as they have both the necessary theoretical knowledge and intellectual training combined with practical work experience.

2.4. Conclusion

Having analysed the individual components of the national institutional framework for Ireland and Germany it is now possible to summarise the essential differences between both business cultures albeit with the proviso on Irish business culture outlined in 2.3. above.

One core difference which encompasses many of the other components of the National Institutional Framework Model is the role played by legal regulation. While most aspects of the German business environment are tightly regulated, the Irish context may be best described as one in which the law is conspicuous by its absence.

The Irish State adopts a pivotal and direct position in the whole area of industrial development. On the other hand, although the German State has in recent decades deviated significantly from the original thinking of indirect intervention by a process of *Globalsteuerung*, whereby the State should confine itself to creating the necessary conditions in which predominantly private enterprise can flourish, and intervened directly to assist ailing sectors of the economy, its level of intervention, has still been low by Irish standards.

The sources of finance open to companies in both countries were seen to have an impact on the time-frame adopted by them. With their reliance on securing funds from over-prudent banks and private investors who are traditionally very dividend focused, Irish companies were seen to be very bottom line and short-termist in their approach. In Germany, however, with its tradition of active involvement by the banks in the business environment over and above their capacity as lenders, where loan capital is by far the most important source of finance for businesses of all sizes and where investors have tended to concentrate on long-term growth as opposed to short-term profit, German companies have been in a position to think more longer term. It was pointed out, though, that with the advent of shareholder value,

the modern private investor, especially the young generation, would appear to becoming more concerned with company profitability.

On the industrial relations front, the system of voluntarism in Ireland leads to a fragmented landscape where several different management-workforce models - not all positive - coexist. In Germany, with its legally anchored system of industrial democracy and far-reaching institutionalised mechanisms for employee participation, employer-employee relationships tend to be consensual and co-operative in nature.

The structure of top management in Ireland is governed in the main by the directorial principle where the ultimate say in running company affairs lies with one person, the MD or CEO. In Germany, the collegial principle of shared top management is generally found for *GmbH*s and *AG*s. Managerial authority in Ireland was also seen to be frequently based on positional power as opposed to on specialist knowledge/expertise as is the case in Germany.

With regard to training and education, the Germans would appear to adopt a more focused and long-term approach to the deployment of their human resources which in turn fosters greater company loyalty than is present in Ireland where greater functional mobility both within and across companies and a job-hopping mentality prevails.

CHAPTER THREE:

MOTHER COMPANY-FOREIGN SUBSIDIARY RELATIONSHIPS

3.1. Introduction

This chapter will examine the nature of the mother company-foreign affiliate relationship as it has been expounded in the literature. It will seek to delimit an overall set of reference points and a terminology with which to analyse this relationship for the survey companies in Chapters Five and Six of the thesis where the aim will be to examine the mechanics of the relationship for each of the two sample groups, investigate whether or not different patterns are visible for each group as well as the role - if any - that culture plays in this relationship. Reference will be made throughout the chapter to previous cross-national studies carried out on the mother company-subsidiary relationship. To the knowledge of the author no such analysis has been carried out to date on the relationships between German mother companies and their Irish subsidiaries, and Irish mother companies and their German subsidiaries.

3.2. The basis of the mother company-subsidiary relationship

One of the fundamental principles of the mother company-subsidiary relationship is that regardless of the size, age, type or success of a wholly-owned subsidiary, it will always be accountable at some level to its mother company as its principal stakeholder, whether this be directly to headquarters or indirectly via, for example, areas of the organisation having specific product or functional responsibility at a regional, European or world level. Inherent to this notion of accountability are the terms *control* and *co-ordination.*

At its most basic, the term 'control' as applied to the mother company-subsidiary relationship refers to the extent to which the mother company exercises a "directing, restraining or governing influence" (Funk & Wagnall's Standard Dictionary) over the operations of the subsidiary, with the spectrum of possibilities spanning the two extremes of centralisation and decentralisation. Control may be seen as the process whereby:

"[the mother company or other responsible bodies] are able to initiate and regulate the conduct of activities [of the subsidiary] so that [its] results accord with the goals and expectations held by these groups (Child, 1984 p. 136)."[1]

The overall aim of this control process is to:

"ensure that a predictable level and type of performance is attained and maintained (ibid.)."

A further desired outcome of the control process is the integration of the various parts of the subsidiary's operations into a harmonious whole which is in keeping with the overall strategic direction of mother company policy at group level (co-ordination).

3.3. Factors affecting the degree of mother company control and coordination of subsidiary activities

The extent of mother company influence on the affairs of its foreign operation can be seen by the extent to which authority is delegated to subsidiary management (Dobry, 1983 p. 28). Dobry in his book *"Die Steuerung ausländischer Tochtergesellschaften: eine theoretische und empirische Untersuchung ihrer Grundlagen und Instrumente"* (1983) divides the factors which have a direct determining influence on the power distribution relationship between headquarters and subsidiary into the dichotomy of *internal company factors* and *external factors* (ibid. pp 37-80). In the following section Dobry's basic model will be elaborated and expanded upon to investigate the factors influencing this power distribution relationship.

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[1] Child's definition is for that of organisational control in general but it has been modified here to make it more specifically applicable to the mother company-subsidiary context.

Internal company factors:

(i) Mother company characteristics:

- Overall Policy Of The Mother Company Towards The Subsidiary

- Size, Degree Of Diversification And Internationalisation Of The Mother Company

- Mother Company's Familiarity With The Host Country Environment

- Organisational Culture

(ii) Subsidiary characteristics:

- Age Of The Subsidiary

- Size Of The Subsidiary

- Type Of Operation

- Qualification, Expectation Levels, And Nationality Of Subsidiary Management

Host country environment factors

- Level Of Economic Development Of The Host Country

- Laws Governing Business Entities In The Host Country

Table 3.1.: Factors affecting the power distribution relationship between mother company and subsidiary (an expanded and adapted form of Dobry, 1983)[2]

3.3.1. Internal company factors

3.3.1.1. Mother company characteristics

(i) The overall policy of the mother company towards the subsidiary

Perlmutter developed a taxonomy in the 1960s for describing the overall attitudes and approaches mother companies can adopt towards their foreign operations. This

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[2] See Appendix I for a summary of Dobry's approach.

taxonomy consists of three broad tendencies namely, *ethnocentrism* (home country orientation), *polycentrism* (host country orientation) and *geocentrism* (world orientation) (Perlmutter, 1965 p. 151-165). Each of these three models represents an ideal type and in their pure form would rarely be found; nevertheless, elements of each may be seen in the policies and approaches adopted by mother companies and as such they provide useful categories for understanding and analysing mother company-subsidiary relationships and the various aspects thereof. In many respects each of the approaches may be seen as chronological stages in the evolution of an enterprise from being a basically domestic operation with limited overseas activities to being a global one. This is also reflected in the categories *international, multinational, global,* and *transnational* postulated by Bartlett and Ghoshal (1995).

An *ethnocentric* attitude is manifest when mother companies regard 'the ways of doing things' of the home country (that of the mother company) as being superior to those found in the host country (that of the subsidiary). The attitude of the mother company towards the foreign subsidiaries in this case may be summarised by the following comment:

"A brève ou à longue échéance, nos gens employés à l'étranger devront apprendre comment on conçoit et mène les affaires dans notre pays. Nous apprendrons certainement quelque chose d'eux, mais ils devront suivre la ligne que nour leur indiquerons." (Perlmutter, 1965 p. 155)[3]

According to Perlmutter this approach to foreign subsidiaries is that normally pursued by managers with little experience of doing business abroad and at the heart of it lies a mistrust of all that is 'foreign'. The superior attitude of the mother company is, therefore, based either on this mistrust towards the nationals of the host country or the genuine belief that the mother company's approach is the only valid one and can be implemented just as successfully in the

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[3] "Whether in the short or long run, the people we employ abroad must learn how we do business in our country. We will of course learn something from them but they will have to follow the line that we lay down for them.

host country environment as it has been at home. The host country subsidiary is not in a position to argue with the powerful mother company.

He further considers that the underlying motivation for the decision to develop foreign activities is important here. At this stage of the organisation's development, it is probably the hope of making quick and easy profits or gaining a lead over the competition that is the most important priority and hence an opportunistic approach to subsidiary management is adopted with little thought given to the long term developmental needs of the host country operation. Subsidiary operations are usually simple or basic operations with the more difficult or complex operations being retained by the mother company. Decision-making is firmly located at headquarters. Reward levels tend to be high at headquarters and low at local level. The evaluation and control standards applied to the subsidiary are those of the home country and no regard is taken of their inappropriateness and lack of suitability for the host country environment. In terms of how the company sees itself, it identifies itself with the nationality of the mother company, hence if the mother company is German then the subsidiary would view itself as a German company. A continuous stream of directives and advice will be communicated by headquarters to the subsidiary on how mother company methods and policies should also be implemented at local level. An essential feature of the ethnocentric approach is that to advance up the hierarchy one needs to be a home country national and the mother company will actively develop and train home country nationals to occupy key positions throughout the organisation (Perlmutter, 1969 p. 9-18).

This stage of development corresponds closely with Bartlett and Ghoshal's "*international mentality*" where the foreign operation is regarded as a mere "appendage" or support for the mother company's activities which form the real core of the company's *raison d'être* (Bartlett & Ghoshal, 1995 p. 11).

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Mother companies pursuing a *polycentric* approach are host country orientated. Subsidiaries function here more or less as independent units. This perspective may be characterised by the following comment:

"A brève ou à longue échéance, nous devrons nous contraindre à ne donner que les directives-cadres à nos collaborateurs à l'étranger, qui sont placés dans les conditions très différentes des nôtres. Les organisations poussent sur des sols variés et chacun de ces sols produit une espèce différente, qui a ses procédés et ses techniques propres." (Perlmutter, 1965 p. 155)[4]

According to Perlmutter the mother company moves to this approach as the level of its foreign activities intensifies and decentralisation becomes a prerequisite. At this stage on the experiential curve, the mother company having worked together with local managers in the host environment begins to acquire more confidence in their ability and hence to delegate to them decisions which at the outset were the exclusive domain of headquarters employees. At this stage also the time frame adopted by the mother company vis-à-vis the foreign subsidiary also begins to change. While profit still remains the major priority, the time frame within which it must be achieved lengthens (ibid. p. 156 f).

This is not to say that the mother company abdicates all responsibility for the subsidiary. Because it is the mother company who has delegated responsibility to the subsidiary's management, it is also implied that this will be monitored and can be revoked at any time should the mother company so wish (Ringlstetter & Morner, 1998 p. 5). The basic thinking behind this approach is that the locals at the coal face know and understand the needs and requirements of their own market better than those at headquarters and as such the subsidiary operation should be allowed to make all decisions directly concerning its own day-to-day operations. The mother company's aim for the subsidiary is that it should be viewed as a local company and not as a foreign 'blow-in'. Evaluation and

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[4]Whether in the short or the long run, we will have to confine ourselves to issuing framework directives to our foreign employees who are operating in conditions which are very different to our own. Organizations grow on very different soils and each one of these soils produces a different species with its own procedures and techniques.

control standards will be determined at a local level. There will be little communication between mother company and subsidiary and between the subsidiary and the mother company's other subsidiaries. The downside of this is, of course, that those running the subsidiary often feel cut off from what is happening back at headquarters. The senior management at the mother company believes that a minimum of control via the imposition of financial control mechanisms is all that is necessary to keep the multinational enterprise together and as such as long as the bottom-line is satisfactory they are prepared to take a back-seat. In keeping with the desire to be regarded as a good national citizen of the host country, the personnel policy pursued will be that all key positions will be occupied by locals. The negative corollary of this is, of course, that senior career positions at headquarters are not open to anyone who is not a home country national. This in turn reinforces ethnocentric sentiment among host country managers. Likewise, those at headquarters will all be home country nationals and will be provided with little opportunity by the company to gain international experience (Weber et al 1998 p. 110).

Bartlett and Ghoshal's *"multinational mentality"* mirrors closely Perlmutter's polycentrism. They view this as the second stage in the evolutionary cycle of the organisation expanding and deepening its overseas activities. At this stage the mother company management realises that its foreign operations have the potential to make more than a marginal contribution to the functioning of the organisation as a whole but that in order to optimise this an approach which recognises, responds and adapts to local givens is necessary and that it is not just sufficient to regard the foreign subsidiary as a dumping ground for old mother company machinery and product lines (Bartlett & Ghoshal, 1995 p. 12). The world-wide strategy of such companies, therefore, is built on:

"the foundation of the multiple, nationally responsive strategies of the company's world-wide subsidiaries." (ibid.).

Ringlstetter and Morner further subdivide polycentrism into *basic* and *central polycentrism* whereby basic polycentrism implies polycentric decision-making structures strictly at the level of the subsidiary, that is, that each subsidiary will act independently to make the local decisions affecting its own individual activities. On the other hand, central polycentrism refers to a situation where the mother company has delegated decision-making authority to lead country subsidiaries concerning not only their own operations but furthermore cross-national decision-making responsibility regarding specific functional and/or product issues which would have originally been discharged by the mother company itself (Ringlstetter & Morner, 1998 p. 4).

For Bartlett and Ghoshal the next stage in the cycle is that of the *"global mentality"*. This parallels Theodore Levitt's approach of the early 1980s outlined in Chapter One. This global mentality develops in answer to the shortcomings of the multinational mentality. It attempts to overcome the production inefficiencies of the multinational approach by viewing the world as "one unit of analysis". Instead of tailoring products to meet the specific likes/dislikes of individual markets, standardised products are produced for the company's global market. Production is very highly efficient and often centralised. This approach is copperfastened by a large degree of centralised control and co-ordination (Bartlett and Ghoshal, 1995 p. 13).

In many respects this global mentality could be described as a version of Perlmutter's ethnocentrism. Indeed Schreyögg describes this type of approach as the mother company endeavouring to establish a global organisational culture which has at its core a common focus on the defined fundamental values of the company's line of business (e.g. quality, customer care, responsiveness, reliability) and above all the development of a common way of perceiving the way in which its business functions and the organisational actions necessary to optimise it in order to ensure that a coherent cross-national decision-making system is firmly established

(Schreyögg, 1992 p. 147). The very essence of the culture itself will decide whether or not it has a positive/negative effect on organisational development. The culture must, for example, be clearly identified and relatively simple to communicate (Wössner, 1986 in Schreyögg, 1992 p. 148) and the aim of establishing a global organisational culture should only be followed where the mother company has a strong culture itself. Most importantly the elements that it deliberately tries to transplant to all parts of its organisation should be those which are acceptable to and can be readily assimilated by as many national cultures as possible (Schreyögg, 1992 p. 148).

In Schreyögg's opinion both a polycentric and a global approach each have their own advantages. Whereas the polycentric approach emphasises and capitalises upon the differences within the group as a whole and the individual specialisations of each part, a global approach ensures greater integration between the various parts and enables increased efficiency by reducing co-ordination costs. Hence both approaches may be viewed as equally valid alternatives. The choice between them should, therefore, be contingent upon whether or not the organisation wishes to pursue an overall organisational strategy that is multidomestic, that is, where a separate approach is adopted for each market with specific competitive strategies being devised by local management to suit the givens of its individual market, or a global one where a uniform approach is adopted towards each market in which the group is active (Schreyögg, 1992, 149ff).

Finally, those mother companies embracing a *geocentric* approach are those who believe in finding and developing the best person for the job regardless of nationality - naturally working within the constraints often imposed on them in the host country environment. The overall philosophy of such organisations is that both headquarters and subsidiaries are part of an overall whole and hence organisational success is the sum of the

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contribution of all parts. The focus is simultaneously on world-wide and local objectives. This approach is encapsulated in the following statement:

"A longue échéance, il y aura peu de différences notables entre ce qui est national et étranger, et des hommes de n'importe quelle nationalité pourront assumer les responsabilités au sommet de l'entreprise. Les politiques et la pratique devraient conduire à la réalisation de cet objectif. Il n'y a que des problèmes à résoudre; certains d'entre eux seront mieux traités par des hommes venant de tel milieu, alors que d'autres trouveront leur solution grâce à des hommes appartenant à des environnements différents" (Perlmutter, 1965 p. 155).[5]

The ultimate goal is a "world-wide approach in both headquarters and subsidiaries" (Perlmutter, 1969 in Bartlett & Ghoshal, 1995 p. 96), with both headquarters and subsidiaries looking for solutions within the group as a whole to further its overall success. The relationship between mother company and subsidiary is, therefore, a collaborative one. The course of this type of organisation is usually steered by those who have themselves worked and lived in several different national settings and have experienced first hand working constructively with people of different nationalities (Perlmutter, 1965 p. 161). The approach recognises that foreign subsidiaries will adapt to the needs and demands of their local markets but at the same time by virtue of the fact that they are part of an overall group, they will share common features (ibid. p. 157). The top management at the mother company is composed of a 'cosmopolitan elite' consisting of people recruited from the subsidiaries from each continent. This, in turn should ensure that more enlightened decisions are taken as those actually navigating the course of the organisation have experience of all of its operating contexts (ibid.). In this type of organisation it is personal merit as opposed to nationality which is the determinant of success. Standards of evaluation and control tend to be both universal and local, for example, the implementation, on the one hand, of recognised international quality standards, while on the other respecting the host country modus operandi.

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[5]In the long run there will be little noticeable difference between what is national and what is foreign, and the nationality of those with top management responsibility will be irrelevant. Organisational policies and practice should work towards the realisation of this goal. There are only problems to be solved; some of these will be best dealt with by people from that environment whereas others will be solved by people who come from different environments.

Reward systems are such that mother company and subsidiary employees are recognised for achieving both local and global targets and objectives.

Perlmutter writing back in the 1960s believed that the geocentric organisation was the organisation of the future. In many senses it is true to say that the direction of industrial development has made this a necessary course of action for the organisation wishing to prolong product life cycles and maximise economies of scale and scope. He also pointed out that it could only come about where prejudices between countries have been overcome; where harmonisation of laws and a common international currency make international societies more homogenous and stable and levels of economic growth in host and home country are similar (Perlmutter, 1965 p. 159).

According to Perlmutter, elements of ethnocentrism, polycentrism and geocentrism may be found within one and the same organisation. For example, some functions such as R&D lend themselves naturally to being geocentric while finance tends to be ethnocentric and marketing polycentric (Perlmutter, 1995 p. 92-101). The labels ethnocentric, polycentric, and geocentric can furthermore be applied to such areas as personnel strategy, and organisational culture, areas which will be examined in greater detail below.

Bartlett and Ghoshal's final stage in the evolutionary cycle, namely that of the "*transnational mentality*" again corresponds closely with Perlmutter's geocentrism. They point out, however, that this development is forced on organisations both by the backlash of host governments and customers alike to the global mentality and its scant regard for the local context and its specific preferences. The situation in which companies operating world-wide find themselves today requires them to be both.

"responsive to local needs while [at the same time] retaining their global approach to world-wide management. [...] In such companies, key activities and resources are neither centralized in the parent company, nor decentralized so that each subsidiary can carry out its own tasks on

a local-for-local basis. Instead, the resources and activities are dispersed but specialized, so as to achieve efficiency and flexibility at the same time. Furthermore, these dispersed resources are integrated into an interdependent network of world-wide operations. [...] The resulting need for intensive world-wide co-ordination and shared decision-making implies that there is a much more sophisticated and subtle approach to MNC management" (Bartlett & Ghoshal, 1995 p. 14).

(ii) Size, degree of diversification and internationalisation of the mother company

As mother company organisations grow and expand, the number of affiliates within their portfolio usually tends to increase and so too does the pressure to delegate authority and responsibility away from the centre to prevent it becoming overloaded. Thus larger companies are more likely to delegate than smaller ones. The other option is to establish a central administrative layer of staff at headquarters whose sole function is to co-ordinate and oversee subsidiary activities throughout the group. In the case of owner-managed SMEs (small and medium sized enterprises) there will normally be only limited amounts of delegation with regard to decision-making from the mother company to the subsidiary (Kumar & Hoffmann, 1996 p. 194), the owner wishing to retain the right to make all important decisions himself.

The delegation relationship tends to increase in complexity as the mother company diversifies its activities and these are placed under the control of, for example, separate product or geographical divisions at headquarters. Where the subsidiary is involved with the products of more than one division, it will be reporting to several different managers with possibly differing amounts of freedom depending on the nature of the product, its experience with it, and the individual demands of the relevant divisional managers at the mother company level (Dobry, 1983 p. 44).

The degree of internationalisation of the group is determined both by the number of countries in which it operates and the types of activities in which it is engaged in each of these countries, that is, for example, whether its interests are simply in the form of exports to that country or whether it has actually set up its own local subsidiary operation (ibid. p. 45f). The

pressures associated with a larger organisation have already been mentioned above, apart from an increase in the administrative load, the various subsidiaries may furthermore have reporting relationships between each other in addition to or indeed instead of a direct one with the mother company, all of which affect the mother company-subsidiary relationship.

(iii) The mother company's familiarity with the host country environment

Many authors consider the degree of 'difference' or 'foreignness' of the host country context as a determiner of the power distribution relationship between mother company and subsidiary. These differences can be in the form of system difference (e.g. political, legal, tax, religious, social, infrastructural etc.), language differences, cultural differences and their net effect is to make the management task for a mother company that is not familiar with them more complex (Brauchlin & Wiesmann, 1997 p. 1970f). Dobry suggests that the greater this 'foreignness' the more the mother company will be willing to allow more autonomy to the subsidiary's management (Dobry, 1983 p. 79). This should, however, be qualified with the statement that this is only likely to happen when the subsidiary can inspire mother company confidence by means of its track record as to its ability to deliver the desired level of performance.

(iv) Organisational culture

All organisations have an organisational culture although in some companies it is far more explicit than in others. The type, strength of and role intended for the mother company's organisational culture - that is whether the mother company actively sees its culture as a useful organisational tool - will have an influence on the amount of autonomy granted by it to the subsidiary.

In his research into whether foreign affiliates adopt the organisational culture of the home or host country, Scholz proposes three possible cultural dominance theses (Scholz, 1994 p. 193):

1) Mother company dominance
2) Mother company dominance at the level of mother company-subsidiary interaction
3) Subsidiary dominance

1) Mother company dominance

In the case of the mother company dominance thesis, the subsidiary will predominantly reflect the organisational culture of the mother company and the home- country national culture. Hence the local culture of the host country is somewhat suppressed. This is the typical outcome one would expect of the company pursuing a strong ethnocentric strategy.

2) Mother company dominance at the level of mother company-subsidiary interaction

In this scenario mother company dominance only impacts on those cultural dimensions which are geared towards the relationship with the mother company. For everything else the organisational culture of the subsidiary evolves based on the host country culture.

3) Subsidiary dominance

In this case the individual subsidiaries develop their own culture independently of the culture of the mother company. The organisational culture is shaped and moulded by the host country culture.

Both theses two and three above are oscillations around the polycentric theme where thesis three represents a purer form of polycentrism and thesis two reflects the fact that with polycentric organisations there will always be the need for at least a minimal link between the various parts of the group, for example, via a uniform vision (Schreyögg, 1996 p. 150) or standardised reporting procedures (Dobry, 1983) and it is via this link that the mother company culture enters the subsidiary.

But what of Perlmutter's geocentrism? If this is a valid approach then surely Scholz's cultural dominance theses should be supplemented by a fourth one "group culture dominance" whereby the dominant culture will be that which has been derived by a deliberate synthesis of all cultures within the group (what Scholz refers to elsewhere as a 'mixed cultural strategy' (Scholz, 1997 p. 1992)). In the case of the group culture, once defined this would be pushed from the centre to all parts of the organisation.

3.3.1.2. Subsidiary characteristics

(i) Age

The relationship between the mother company and the subsidiary will change over time. Based on interviews with the subsidiaries of American multinational companies in the 1970s Alsegg came to the conclusion that with age subsidiaries enjoy more autonomy from their respective mother companies. This is due, on the one hand, to the fact that they have been able to establish themselves locally over the years and on the other hand, a trust relationship has developed between the subsidiary management and the people responsible for it at headquarters (Alsegg, 1971 p. 100f cited in Welge, 1980 p. 246).

A useful framework for examining the mother company-subsidiary relationship and how the degree of dependency changes over time is the developmental life cycle of a company proposed by Brooke and Remmers (Brooke & Remmers, 1972 in Dobry, 1983 p. 54ff). This

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model assumes a greenfield site as the starting point and consists of the following three phases:

- establishment
- growth and consolidation
- maturity

The **establishment** phase is estimated to last between one and three years[6] and is characterised by rapid growth and a high need for mother company investment and support. By virtue of the fact that the mother company at this stage controls access to such vital strategic resources as technological and management know-how, capital, and markets etc. the dependence on it will be high (Prahalad & Doz, 1981 p. 5). As with all new ventures, the perceived level of risk for the mother company will be viewed as high and as such a careful and watchful eye will be kept on the subsidiary to ensure its success. Decision-making at this stage will, therefore, be quite centrally controlled but this will be acceptable to the subsidiary by virtue of the mother company's superior knowledge and experience.

The **growth and consolidation** phase is marked when the subsidiary enters the profit zone and ends once all of the initial investment has been repaid to the group with interest. This phase is, therefore, characterised by the beginning of the financial independence of the subsidiary and is estimated to take between 8 and 12 years following establishment. The subsidiary gradually becomes increasingly more self-reliant and less dependent on direct mother company help except usually for technical know-how in the mother company's core product range. This will not, however, be the case where the subsidiary is an acquisition which represents a diversification from the mother company's core business. Furthermore,

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[6]Brooke and Remmers point out that the duration of these phases cannot be generalized as they will be governed by such factors as market conditions, industrial sector and the level of investment by the mother company.

the more successful the subsidiary at this stage, the greater the amount of discretion it will enjoy. One can, therefore, conclude that with age, experience and a proven track record the dependence of the subsidiary on the mother company lessens and concomitantly the willingness of the mother company to increase the amount of delegated responsibility will increase.

The **maturity** phase begins when growth rates and profitability levels begin to level off but at the same time the subsidiary is in a position to generate enough cashflow to finance itself and still deliver a return to the mother company. At this stage, given sufficient market potential, the subsidiary is able to become one of the leading lights in the mother company's array of companies which in turn will put pressure on the mother company to treat it on an equal footing as opposed to the relationship that exists between subordinate and superior. This assumes, however, that the subsidiary is more or less acting independently of the mother company or other parts of the group. Where this is not the case but the subsidiary is dependent by means of its products or services on the mother company or other parts of the group, then central control will continued to be exercised by the mother company as it alone possesses all of the prerequisite information to co-ordinate the 'big picture'.

(ii) Size

According to Alsegg, although by virtue of their size large subsidiaries represent a higher element of risk for the mother company should anything go wrong, on the other hand, size is very often positively correlated with age and experience and the subsidiary will have a track record to demonstrate its abilities. Furthermore, larger organisations will usually have more qualified management resources and a more defined internal structure than smaller ones. These factors all speak in favour of granting more autonomy to the larger organisation (Alsegg, 1971 p. 99f cited in Welge, 1980 p. 245f). Alsegg also postulates that because large subsidiaries are usually operating in important markets and as such play a significant role in

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overall organisational strategy this is a further reason why they should enjoy more independence from the mother company.

(iii) The type of operation of the subsidiary

Given the various forms that a foreign operation can take, it is in fact a gross oversimplification to refer to the mother company-subsidiary relationship as if this were a fixed category. Looking at the companies constituting the empirical samples for this thesis, it becomes clear that one cannot refer to them as "the subsidiary" or more precisely "the foreign operation" as the type of operation in each case is not identical. Generally speaking the sample companies here fall into the following three broad categories: 1) *Production Units* whose brief more or less centres around the production of a specific product or products, be it an end product or a sub-component of a product manufactured either by the mother company itself or some other part of the group. In some cases the label *Production Plus Units* may be more appropriate as the operation of the foreign affiliate extends beyond a strictly narrow production focus to encompass, for example, limited amounts of R&D or sales; 2) *Sales/Marketing Operations* whose sole function is to sell mother company, group or related products to the market within which they are located 3) *Self-sufficient Companies* who by virtue of their activities are more or less self-sufficient, their operation including the full spectrum of activities from R&D right through to production, sales and after-sales service.

The specific sector in which a company is operating and the extent to which it must, therefore, adapt to local givens will, of course, also play a role in the amount of influence brought to bear on the subsidiary's activities by the mother company. A German subsidiary company involved in providing, for example, financial services to the Irish market will be forced to tailor its service offerings to the needs and requirements of that market and, as a corollary, should enjoy more autonomy from the mother company than would a German production subsidiary in Ireland manufacturing a sub-component for export back to the

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mother company where the technical standards, quality control systems, product guarantee laws etc. of the host country should be more or less irrelevant.

The type of operation carried out by the subsidiary will have a bearing on the extent of mother company influence on its affairs. Alsegg proposes that production entities will be subject to more intensive control than sales entities because

"[...] production more readily lends itself to centralized direction, and engineers and technicians adhere more firmly to standards and regulations than do salesmen" (ibid. p. 247)

One may not be able to generalise as to which types of profession are more or less susceptible to direction. A purely production entity will, however, usually be dependent upon the mother company for the source of its sales orders, often the supply of its raw materials, R&D input etc. and hence it may be concluded that delegated authority here will be limited and mother company influence high. Indeed Dobry suggests that as the range of activities engaged in by production entities increases so too does the decision-making power delegated to them (Dobry, 1983 p. 50). It would, therefore, be assumed that a production plant producing a sub-component will be subjected to greater control by its mother company than those in the *Production Plus* category. For sales and marketing and service affiliates where knowledge of and a rapid reaction to local market conditions and requirements are of the essence, these entities should enjoy more freedom. Finally those subsidiaries which fall into the central-polycentrism role of having additional responsibility for other subsidiaries either within the host country or in third countries will also, of necessity, have larger amounts of delegated decision-making power.

(iv) Qualification, expectation levels and nationality of subsidiary management

One of the primary means of exerting its influence over the subsidiary and its activities for the mother company is via the subsidiary's senior management. The qualifications and experience of that management will play an important role in determining the extent to which

the mother company will be prepared to entrust specific delegated tasks to it. Additionally, senior managers, based on their qualifications and experience, will bring with them to their job a certain expectation level regarding the amount and type of discretion that they should be allowed in the execution of their role (Dobry, 1983 p.37). Their actual level of independence of the mother company is, therefore, likely to be, at least at the outset, a compromise between the expectation levels of both parties.

In the case of the top manager of the subsidiary being someone who is a home-country national with prior experience of the workings of the mother company, one would expect that the level of delegated authority would be high, increasing in line with the seniority of the person's previous position(s) within the mother company. One would also expect a high level of delegation where the manager is an ex-employee of the mother company but is a national of a third country. Where the manager is a host country national and particularly where the level of "foreignness" is high, one would expect the level of control at least at the outset to be high as the situation would be regarded by the mother company as a high risk one.

3.3.2. Host country environmental factors
(i) The level of economic development of the host country

The level of economic development of the host country will have a decisive bearing on the extent of mother company influence in a number of ways. The range and level of available skills among the host country labour force will play a role in whether or not the mother company will decide to place the management of the subsidiary and the key positions within it in the hands of host or home country nationals. In some countries the inward investor will have no say in this as a precondition of investment will be that management is exercised exclusively by locals. This is particularly true of developing countries. The level of economic development of the country will also influence the likely extent of on-going assistance that will

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be necessary from the mother company in such areas as training, technological and management know-how, marketing expertise etc.

(ii) The laws governing business entities in the host country environment

The very form of business venture which may be established by a foreign investor can be subject to strict laws in some countries. Depending on whether that venture is one that is 100% owned, a joint venture or an agency type of arrangement will determine the extent to which the mother company will be able to exert influence over its affairs.

The legal rights and obligations of a subsidiary deriving from its legal form under host country law can differ substantially to those under home country law and can also effect the power distribution relationship between mother company and subsidiary (Dülfer, 1996). The dual-level of employee co-determination provided under German law for *AG*s and *GmbH*s above a certain size in comparison to the situation in Ireland (see Chapter Two) provides a clear illustration of this. Such mechanisms serve to restrict mother company influence.

3.4. Instruments of control

To facilitate an examination of the range of instruments of control available to mother companies over their subsidiaries, it is useful to view these as a spectrum ranging from *'overt'* to *'more subtle'* instruments. Proceeding from the most overt to the most subtle these include:

(i)   Operational Control Instruments

(ii)   Control Over Strategic Resources

(iii)   The Imposition Of Standards

(iv)   Performance Monitoring Instruments

(v)   Personnel Policy Instruments

(vi)   Communication Instruments

(vii)   Organisational Culture

3.4.1. Operational control instruments

It is by means of operational control instruments that the mother company takes an active part in controlling the operational activities of the subsidiary. This type of control instrument is most typical of the foreign production operation where mother companies can, for example, get involved in deciding which products are produced and when in the subsidiary right down to even dictating the machine to be used.

3.4.2. Control over strategic resources

Mother companies are able to exert control over their subsidiaries by virtue of the fact that they can provide or deny them access to strategic resources such as technology, capital, management and markets (Prahalad & Doz, 1981 p.5). The control of these resources is predominantly significant in the early stages of the life of the subsidiary, however, over time as it begins to grow and develop it no longer needs to look to the mother company for these to the same extent, if at all, as it possesses these itself internally.

Financial control of a subsidiary is one of the principal means by which mother companies exercise an on-going control over their foreign subsidiaries. It has been mentioned above that during the establishment/growth and consolidation phases of their development subsidiaries are particularly reliant on financial support from their parent companies. Furthermore, regardless of the position on the development life cycle curve, normal practice usually tends to dictate that subsidiaries will have fixed levels of expenditure above which they will need mother company approval. Such items of expenditure normally have to do with investment proposals - in some cases this will be because the subsidiary will need to raise the finance within the group to cover the investment or if the necessary funds are not available

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internally, the subsidiary may require the mother company to act as guarantor to raise the money externally. In other cases, however, even if the subsidiary does have sufficient financial resources at its disposal internally, the commitment of vast amounts of financial resources will inevitably require approval from headquarters. A further point which should be borne in mind here is that investment decisions by the subsidiary have the potential to affect dramatically the overall direction in which the subsidiary and indeed the whole group is developing, an example would be the wish by the subsidiary to acquire a company within its host country, and hence the mother company will want to be convinced that this is not out of kilter with its desired strategic direction for the group as a whole. In this sense, therefore, the mother company can be said to exercise control over the development of the subsidiary.

3.4.3. The imposition of standards by the mother company

A formal control instrument that is widely used by mother companies is the imposition of uniform standards throughout the various parts of their operation. These can be standard procedures developed in-house over the years or encompass international standards in such areas as, for example, quality control or environmental protection.

3.4.4. Performance monitoring instruments

Of all of the instruments that come under this category possibly planning and reporting are the two most important ones.

Planning is essentially a systematic method of identifying and solving future problems (Wild, 1974 cited in Dobry, 1983 p. 236). Whether in the form of a yearly plan or a 3-5 year strategic plan, it sets out in varying degrees of detail an overall direction for the organisation and specific targets it wishes/needs to achieve within the set time-frame.

From the point of view of control, it is also important to establish the process by which the actual final plan is arrived. Is it a top-down process, that is, imposed by the mother company? Is it a bottom-up process, that is, put together by the subsidiary? Or is it the result of negotiations and compromise between mother company and subsidiary? According to Dobry, the extent of delegated power to the subsidiary, its size, levels of know-how, success and the degree of 'foreignness' of the host country context will all serve to strengthen the subsidiary's position in the planning process (Dobry, 1983 p. 246).

Generally speaking subsidiaries report to their mother companies or divisional managers on a regular basis. These reports can be in the form of financial, production, market, personnel reports etc. Financial reporting is defined by Leskell as

"the formal and standardized reports which primarily but not exclusively are generated from and based on the accounting system and which are submitted by the foreign subsidiaries to headquarters (Leskell, 1981 p. 206)."

These reports usually contain both qualitative and quantitative elements and increasingly are taking on a more standardised format throughout organisations to facilitate consolidation and analysis centrally. The reports submitted on a weekly, monthly or quarterly basis are essentially an update on actual to planned performance and the mother company will intervene if there are unexpected deviations.

Advances in technology have furthermore enabled increased mother company control over subsidiary activities. Such developments enable mother companies to gain remote access to the subsidiary's management information system. This can, of course, unless handled correctly, lead to accusations of "Big Brother" and attempts on the part of the mother company to undermine local management.

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Performance monitoring can also extend to personnel performance and the extent to which the mother company takes an active part in the appraisal of key subsidiary management staff and in decisions concerning promotions and salary increases.

3.4.5. Personnel policy instruments

A central determining factor of the success of a subsidiary is its top manager and the senior management team (Pausenberger, 1983 p. 42). As the top manager is essentially the eyes and ears of the mother company within the host country and the filter through which all directives and important information will be communicated from it to the subsidiary workforce, it is essential that the correct person is chosen for the job. It is normal practice that the mother company will actively participate in the selection of the subsidiary's top manager and to varying extents the choice of the senior management team to ensure that the candidates possess the prerequisite qualities to run the business successfully, that their approach and thinking is in line with the broad thrust of mother company policy, and that they will be people with whom the mother company can establish effective working relationships. A central characteristic that must be present is a relationship of trust between the mother company and the subsidiary's top manager. This is particularly true in the case of SMEs where most important decisions are made by the owner-manager back at headquarters (Dülfer, 1996 p. 391) who will be relying on the subsidiary manager first of all to provide him with the right type of information to make the best possible decisions and then implement these once they have been made.

. The role of the subsidiary top manager is not without its difficulties. As the interface between the mother company and the host country workforce, in many ways his position could be likened to that of a tight-rope walker continually endeavouring to negotiate a balance between the often conflicting interests and views of each side (Pausenberger, 1983; Dülfer, 1996). His tasks include not only running a successful and profitable local operation but

furthermore ensuring that the subsidiary is integrated into the overall organisational structure of the group, that the workforce is familiar with headquarters' philosophy, objectives and strategic vision, and is motivated to make these a reality. He is additionally responsible for providing subsidiary employees with a sense of being part of a larger group (Dülfer, 1996 p. 403).

In view of the importance of this position, it is no wonder that companies often opt to dispatch expatriates with proven track records within the mother company or the group to fill such positions. Indeed Dobry suggests that of all the control instruments available to the mother company, the dispatching of expatriates is perhaps the most effective. The advantages of using an expatriate are that he will have a good knowledge of the functioning and culture of the mother company, will be known to his network of contacts back at headquarters, will have special expertise in a particular area(s) of management of the mother company business, and as a native speaker will ensure smooth communication with the mother company. By virtue of his socialisation into the ways and culture of the mother company, he will be expected to act as a good corporate citizen within the host country environment (Welge, 1980 p. 198). The downside, however, of such a strategy is that if he does not already have experience of the host country's national and business culture and language, the mother company by its policy has simply placed a buffer zone between itself and a range of problems which the expatriate will be expected to solve.

Companies tend to use expatriates for a number of different reasons which include the transfer of technological and management know-how, as part of career development programmes but especially as instruments of 'personal' control and co-ordination (Weber et al, 1998 p. 105). As home country nationals with experience of the organisational culture, they will serve to diffuse both within the subsidiary. In deciding between the choice of a local or an expatriate, the mother company needs to weigh up whether the advantages of using an

expatriate outweigh the significant costs that are generally involved in terms of extra living allowances, assistance with children's school fees, regular trips home, home country level salaries which may be higher than those in the host country etc.

In terms of the most essential tools/qualities an expatriate manager should possess, the studies which have been carried out would appear to suggest that specialist knowledge (*Fachwissen*) is the most important (Pausenberger & Noelle, 1977; Horsch, 1995 in Weber et al 1998). Horsch's study of 20 German multinationals in the metal, electronics, chemical and services sectors is particularly interesting as he asks the question both of the dispatching organisation (the mother company) and the expatriate managers themselves (Horsch, 1995 p. 143f in Weber et al 1998 p. 126 f).

Criteria Used By Mother Companies For The Selection Of Expatriate Managers	Criteria Listed By Expatriate Subsidiary Managers
Excellent Specialist Knowledge (90%)[7]	Specialist Knowledge (4.37)[8]
Knowledge Of The Foreign Language (85%)	Adaptability (4.22)
Cultural Adaptability (65%)	Knowledge Of Organisational Specifics (4.03)
Leadership Ability (45%)	Ability To Cope With Mental Stress (4)
Motivation (25%)	Ability To Cope With Conflict (3.87)
Communication Skills (15%)	Knowledge Of The Foreign Language (3.69)
Flexibility (10%)	People Management Skills (3.66)
Health (10%)	Health/Ability To Cope With Physical Strain (3.55)
Other (40%)[9]	Age (2.57)
	Family Circumstances (2.56)

Table 3.2.: Necessary characteristics for an expatriate subsidiary top manager from the point of view of the mother company and the expatriate managers themselves (Horsch, 1995).

What is striking here is the fact that apart from two items both lists are almost identical. 'Ability to cope with conflict' is mentioned by the expatriate managers only, however, from the comments made above one would have expected this to be an important quality for both

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[7] The percentages refer to the proportion of respondents mentionining the individual characteristics.
[8] Where 1=low importance, 5=high importance.
[9] Includes strategic thinking, loyalty, perseverance, high development potential, references from superiors, tolerance of frustration, suitable age and family circumstances.

parties. Does its absence from the mother companies' list point to their lack of awareness that conflict is part and parcel of the subsidiary manager's existence? 'Flexibility' is mentioned by the mother companies only, again a characteristic which one would expect to be an obvious element of both lists. It is also interesting to note that while the mother companies ranked knowledge of the foreign language as the second most important quality, the expatriate managers themselves placed it only in sixth position.

The duration of the expatriate's secondment is also important. Where this is short term in nature e.g. two years, he will typically spend the first year trying to find his feet and the second concentrating on planning his next career move. On the other hand, where it is of a protracted nature, there is the risk that he will become more local than the locals themselves and lose touch with his identification with mother company organisational and the home country culture. Furthermore, the policy of using foreign nationals to occupy key positions sends a negative signal to host country employees who may decide that nationality is a precondition of a senior management position within the subsidiary. In many cases it may have only been the intention to use an expatriate at the set-up stage, gradually replacing him over time with a host country national but that he decides for one reason or another to stay on.

Where the mother company decides to opt for host country nationals it is not uncommon for them to establish management development programmes to enculturate them into the ways of the organisation (Dobry, 1983).

A further personnel area within which mother companies can exercise control over subsidiary activities is in the whole area of training. This strategy will be pursued where the mother company deems either that the training it provides to its home workforce is superior to that available in the host country and that the latter does not meet its organisational requirements. Additionally, in view of the fact that training can be an effective method of

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inculcating values and attitudes which the organisation regards as important or unique - in short culture - it may decide that all of its employees or at least those working in the operations which form the core of its operations should receive standardised training regardless of their geographical location.

3.4.6. Communication instruments

Communication between both mother company and subsidiary forms an inherent part of the mother company-subsidiary relationship. This can be one-way or two-way depending on its nature and can fulfil a number of functions. Communication may take place via face-to-face contact in the form of meetings, visits or video conferencing or via phone, fax, email or internet. The information flow can have an *informative function*, that is, it can be used to inform the subsidiary of what is going on both at headquarters and group level and to furnish information in order to enable the subsidiary to make more informed decisions regarding its own internal functioning and its actions vis-à-vis its competitors. Additionally, communication can be used as a means of integrating organisation members (*integrative function*). This occurs via the informal "networks" that organisational members build up over their service with the company as well as through the more formal fora created by the mother company such as meetings of representatives from various parts of the organisation, organisational newspapers/magazines etc. (Dobry, 1983). In their informative and integrative functions communication instruments can be viewed as more subtle means of control.

Communication can, however, also act as an overt control mechanism e.g. visits between mother company and subsidiaries where these are used to oversee the functioning of the subsidiary (*monitoring function*) or when mother company representatives use the visit to participate in the interviewing of candidates for available positions. A further illustration would be when communication instruments are used to transmit directives from the mother company to the subsidiary (*directive function*).

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It may be concluded, therefore, that depending on the function that communication instruments serve, they fall into either the 'overt' or the 'more subtle' part of the control spectrum.

3.4.7. Organisational culture

Of all of the control instruments open to the mother company, control via its organisational culture is perhaps the most subtle but nevertheless a highly effective mechanism. The influence of organisational culture on the behaviour of employees is primarily of an implicit nature; employees having internalised the central tenets of the organisational philosophy will act in accordance with it without the need for explicit reinforcement via hierarchical structures or organisational rules and regulations (Schein, 1985, Schreyögg, 1996 p. 147). This ability to mobilise employees derives from the four broad functions that organisational culture can fulfil (Deal & Kennedy, 1982; Dill & Hügler, 1987 cited in Scholz, 1994 p. 163f). It can exert a *co-ordinating function* by providing guidelines as to desired day-to-day organisational behaviour, a *motivational function* by increasing the sense of meaning and importance employees attach to their work and hence their overall willingness to give of their best while at work; an *identification* function by providing them with a sense of "belonging" to the organisation and finally the function of underscoring the uniqueness of the company and *distinguishing* it from other organisations.

Scholz (1993 p. 807ff; 1994 p. 171f; 1997 p. 1991f) puts forward three strategies for culture transfer which may be adopted by mother companies (Figure 3.1.):

1) Monocultural strategy

2) Multicultural strategy

3) Mixed culture strategy

**Figure 3.1. Three Culture Transfer Strategies
(Scholz, 1993 p. 808)**

1) Monocultural strategy

Mother companies pursuing this strategy will belong very much to those who are ethnocentric in orientation. The mother company's organisational culture is seen as superior and the strategy aims at exporting this to the subsidiaries in order to achieve a unified cultural identity within the group. This is the strategy which will be followed in companies where mother company dominance is the observable cultural dominance orientation.

2) Multicultural strategy

In the case of the multicultural strategy, subsidiaries are allowed to develop their own organisational culture in line with the national context within which they operate but usually there will also be at least some core elements of the mother company culture evident in the subsidiary although this does not necessarily have to be the case. The key here is that a peaceful coexistence of different organisational cultures is not only tolerated but explicitly stated as a desired outcome. This coincides with Perlmutter's polycentrism and will be found in organisations where mother company dominance at the level of mother company-subsidiary interaction and subsidiary dominance are the detectable cultural dominance patterns.

3) Mixed culture strategy

. Here a mixing of cultures takes place between the mother company and its subsidiaries and the result is a uniform organisational culture which is a synthesis of all the cultures in the group. This conforms to Perlmutter's geocentrism and to the group culture dominance thesis put forward above.

These three strategies will influence management at both the subsidiary and headquarters level and will be particularly evident at the level of international personnel management. Examples include whether or not standard recruitment criteria and procedures are utilised throughout the group (monocultural or mixed culture strategy), the extent of the

presence of expatriates in the subsidiary (where a multicultural strategy will be evidenced by a smaller presence than is the case with a monocultural strategy) and the role of the subsidiary manager (with a monocultural strategy this role will be one of being a link pin between the cultural contexts of mother company and subsidiary, with a multicultural strategy he will enjoy a lot of autonomy and with a mixed culture strategy he will have to co-ordinate the bringing together of employees from the most diverse cultural backgrounds).

Two other points mentioned by Scholz are also worthy of mention here. Firstly, from the results of his survey in the early 1990s of 92 German and British subsidiaries, he found, for example, that the German subsidiaries in Britain exhibited both German and British traits (Scholz, 1994). This substantiates Schreyögg's opinion:

"daß die Unternehmenskultur eine *selbständige* eigensinnige Kraft darstellt, die keineswegs nur die Landeskultur widerspiegelt. Vielmehr gilt, daß sie innerhalb der Landeskultur eine eigene Identität, und das heißt vor allem eigene Grenzen durch Bildung von Differenzen, herausformt - dies z.T. so stark, daß die Landeskultur in ihrer Bedeutung zurücktritt, ja unter Umständen sogar selbst von der Unternehmenskultur überformt wird."

He concludes, therefore, that organisational culture and national culture must be treated as two distinct levels which both have the same potential to influence organisational behaviour (Schreyögg, 1992 p. 136). Scholz also concludes that one of the effects of increasing globalization is that although there is a need for commonality across the board in many sectors, cultural differences are such that it is still necessary for organisations to adapt to local needs (Scholz, 1997 p. 1995).

3.5. Conclusion

From the discussion in this chapter it is clear that the mother company-foreign subsidiary relationship is a complex and multifaceted one, responsive to a variety of factors internal to the mother company, internal to the subsidiary and both in the context of the external economic, political, social and cultural environments in which they are located. One

of the fundamental principles underlying the relationship is that the subsidiary is at some level accountable to its mother company. Mother companies have various instruments of an overt and subtle nature at their disposal to control and co-ordinate the activities of their foreign subsidiaries to ensure that they are in line with the overall strategy being pursued for the group as a whole. Chapters Five and Six will explore the mother company-subsidiary relationship for the sample companies and compare and contrast the control and co-ordination mechanisms employed by the mother companies.

CHAPTER FOUR:

THE METHODOLOGY ADOPTED FOR THE EMPIRICAL SURVEY

4.1. Introduction

The empirical section of this thesis (Chapters 5-7) is based on the analysis of interviews carried out by the author on two sample groups of companies, namely, Sample Group A: German mother companies and their Irish operations and Sample Group B: Irish mother companies and their German operations. The interviews with the German mother companies and the German operations of the Irish mother companies were carried out in August/September 1996 during a research visit to Germany by the author. The interviews with the Irish operations of the German mother companies and the Irish mother companies were carried out in Ireland during the months of May-July 1999. The three year time lapse between the German and the Irish interviews enabled the author to observe the evolution which had taken place within the companies in both sample groups over this period. The following chapter will outline the methodology adopted for the survey of the sample companies.

4.2. A question of terminology

In view of the plethora of types of operations controlled by the respective mother companies - sales offices, subsidiaries, acquisitions, joint ventures etc. - all of these will henceforth be referred to as "foreign operations". Furthermore, for the sake of simplicity and clarity the term **"German operation"** will be used to denote the German operation of an Irish mother company and likewise **"Irish operation"** the Irish operation of a German mother company.

4.3. Sample selection procedure

4.3.1. Sample Group A: German mother companies and their Irish operations

4.3.1.1. Identifying the relevant population

The first step towards the selection of the companies which would form the basis of the empirical survey for the German mother company-Irish operation sample was the search for existing published lists of German companies and their Irish investments.

A *"Directory of German Firms in Ireland"* was quickly located and purchased from the German-Irish Chamber of Industry and Commerce in Dublin. This directory is updated regularly by the Chamber and the one used here was that of August 1994, which was the most up-to-date one available in the summer of 1995 when preparations for the empirical side of the thesis began. The directory provided the names, addresses, telephone and fax numbers of 209 German mother companies and their Irish operations as well as the following data for the Irish operations: date of establishment, employee code (giving the size of the operation measured in terms of the number employed), a business code indicating whether it was a manufacturer, sales office, service provider or any combination of these, a contact name (the top manager) as well as a brief description of the business activity of the German mother company.

4.3.1.2. Piloting and pretesting
Preliminary interviews August 1995

During the month of August 1995 a faxed letter was sent to the managers of six of the Irish operations chosen at random from the purchased directory, requesting a one-hour meeting to discuss the whole subject of German-Irish business co-operation. There was no reply from two of the companies and the manager of a third was not in Ireland at the time. Interviews were arranged with the remaining three. The interviews each lasted for

approximately one hour and twenty minutes, were of a semi-structured nature (see Appendix II for copy of preliminary questionnaire), and were carried out in German and English as appropriate. The aims of these preliminary interviews were as follows:

1) to test how receptive the Irish operations would be to an approach by a researcher from a UK university;

2) to hear first hand the experiences of German companies in Ireland and thereby acquire a general feel for the types of issues that should be addressed in a larger scale survey;

3) to determine the most effective interviewing technique; of the three interviews only one was taped. It was decided for the larger scale study that all interviews should be taped with the permission of the interviewee.

The reception by the three companies was by and large very positive. One German and two Irish managers were interviewed. Although three companies could hardly be considered either a significant or a representative sample, nevertheless, some general patterns were detectable. It was, therefore, decided to proceed with the larger scale survey. It should be noted that only one of these three companies formed part of the final sample group.

The final version of the questionnaire

The final questionnaire used for the interviews was not pretested on companies but was presented at a doctoral seminar run by Professor Alfred Kieser, *Lehrstuhl für Allgemeine Betriebswirtschaftslehre und Organisation* at Mannheim University in July 1996 and valuable feedback was received. Professor Kieser's post-doctoral assistant, Dr. Peter Walgenbach, spent time with the author discussing and analysing the final form and order of the questionnaire questions as well as providing suggestions on interview technique.

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4.3.1.3. Selection of the German mother company-Irish operation sample

During a six month research visit to Mannheim (April-September 1996), sponsored by the DAAD (*Deutscher Akademischer Austauschdienst*), the final selection for Sample Group A was made. Using the German-Irish Chamber of Industry and Commerce directory, the computer database Markus[1] in the *Dokumentations- und Datenbankzentrum* of Mannheim University, and "*Wem gehört die Republik*" (Liedtke, 1991), information on all but 44 of the 209 companies was found. The principal reason for being unable to locate these 44 companies was the fact that insufficient or no data were provided on the list for these mother companies.

In view of the central aims of the thesis, one of the most important selection criteria at this stage was that the mother companies should be 100% German-owned and managed. All of the companies in the directory in foreign ownership were, therefore, automatically eliminated from consideration. The majority of companies fell into the category of small or medium-sized companies and were either family-owned or companies in which the managing director was also either the majority or a major shareholder. In the case of the large or multinational companies, precise information as to the shareholders was not always available. In some cases no information regarding ownership could be obtained, in others the majority of the shareholdings were held in "*Streubesitz*" (portfolio investment), in still others only the three major shareholders were listed. Where the known shareholder(s) were German and held at least 50% of the shares, these companies were retained. In some cases despite the lack of ownership details, companies were retained as they feature among the top German companies. In all cases the composition of the management board was taken into consideration. Companies for which insufficient data were available or which were about to go into

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[1]One of the largest databases of German and Austrian companies on CD-ROM. It contains detailed information on organisations with a turnover of in excess of DM 500,000 or employing more than three employees or having shareholders' equity of in excess of DM 100,000.

liquidation were also eliminated. The remaining companies were divided into the following categories:

Sector[2]	Number
Electronics	28
Mechanical Engineering	32
Chemicals/Pharmaceuticals/ Healthcare	28
Financial Services	16
Other	20
Total	122

Table 4.1.: German mother companies: a sectoral analysis

It was decided that for the purposes of the survey, the research would confine itself to the first three categories as these represent traditional German industrial strengths. Seventeen companies were selected from each of the categories and interviews carried out with five in each case. Initially, the intention was to then to administer a postal questionnaire to all of the 51 companies in order to have a sample size large enough from which to make statistical inferences. This was later abandoned due to cost considerations and the normal low response rate associated with postal questionnaires. Moreover, as this is the first known survey of its kind, it was felt that greater benefit would be derived from a more thorough analysis and discussion of the interviews carried out on the smaller-sized sample.

[2] Classification carried out by the author on the basis of the descriptions provided in the German-Irish Chamber of Industry and Commerce list.

In the actual choice of the interview companies from the three categories, the primary concern was that these companies should provide a representative picture of the categories as a whole, that is, that there should be examples of new, old, small, medium, large, family-owned, non-family owned, Irish/non-German managed, and German managed subsidiaries. It was clear, therefore, that the technique of simple random sampling where every element in the given population has the same probability of being selected or not selected, was unsuitable for the purposes of the survey.

With the help of Dr. Siegfried Gabler of ZUMA (*Zentrum für Umfragen, Methoden und Analysen*) in Mannheim and guest lecturer in statistics at Mannheim University, the Cox method of controlled random selection was used (see Cox (1987), Goodman & Kish (1950), Waterton (1983)). Under this technique, the information for the companies in each of the categories was organised into a two dimensional table using the age of the subsidiary, family-owned/Irish-non-German manager, family-owned/German manager, non-family-owned/Irish-non-German manager, non-family-owned/German manager as stratification criteria. The information was fed into a computer programme, written by Dr. Gabler, which calculated the weighting of each cell in the table in proportion to the population as a whole using the following formula:

$$\frac{\text{sum of the number of employees of all companies in a given cell}}{\text{sum of the number of employees in all companies in all the cells}} \times \begin{array}{l}\text{the number of}\\ \text{companies to be}\\ \text{selected [here 17]}\end{array}$$

This weighting also determines the probability of a company being chosen from a given cell in the sample selection process. The selection process furthermore takes marginal values into account. The weightings were summed horizontally and the computer used these to determine how many companies should be selected from each row of the table. The individual weighting

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of each cell determined its importance within the row and, therefore, how many companies, if any, should be selected from it. Tables 4.2.-4.4. below provide a worked example of how this method was used to select the companies for the category of Mechanical Engineering.

Set-up date of Irish operation	Family/Irish manager	Family/ German manager	Non-family/Irish manager	Non-family/ German manager	Total number of employees
1994-1991	20 n*=1	0	0	0	20
1990-1986	0	120 n=2	0	90 n=3	310
1985-1976	310 n=6	320 n=3	190 n=4	770 n=3	1590
1975-1961	70 n=2	200 n=2	500 n=1	100 n=2	870
pre 1960	20 n=1	50 n=1	0	500 n=1	570
$\sum$n=32				Total	3260

*n=number of companies in each cell
Table 4.2.: Cell occupancy for mechanical engineering

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Weightings of the cells				Sum
0.1	0	0	0	0.10
0	0.63	0	0.47	1.10
1.62	1.67	0.99	4.02	8.29
0.37	4.04	2.61	0.52	4.54
0.10	0.26	0	2.61	2.97
2.19	3.60	3.60	7.61	17

Table 4.3.: Weightings of the individual cells and rows

Number of companies to be selected from each cell				Number of Companies to be selected from each row
1	0	0	0	1
0	1	0	1	2
2	1	2	3	8
0	1	1	1	3
1	1	0	1	3
4	4	3	6	17

Table 4.4.: Number of companies to be selected from each cell and each row

When selecting the five interview companies from each of the three categories, an attempt was made to have companies that were as representative as possible of the characteristics of the category as a whole.

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Sector	Number
Electronics	5
Mechanical Engineering	5
Chemicals/Pharmaceuticals/ Healthcare	5
Total	15

Table 4.5.: Sample Group A: an overview

The German mother company-Irish operation sample consists of 15 German mother companies and their respective Irish operations. Interviews were carried out with all 15 of the mother companies and with 14 of the Irish operations.

4.3.2. Sample Group B: Irish mother companies and their German operations

4.3.2.1. Identifying the relevant population

It proved very difficult to obtain a published list of Irish mother companies and their German operations. Eventually a list was received in confidence from the Irish Trade Board in Düsseldorf. This list provided the address, telephone/fax numbers, and a contact name for each of the German investments held by the Irish companies listed and was divided up into the categories of Sales Offices, Subsidiaries, Acquisitions, Joint Ventures, Shared Sales Offices and Support Sales Staff. The list detailed 59 companies but no information regarding the Irish mother companies or the companies' line of business was provided. -

4.3.2.2. Selection of the Irish mother company-German operation sample

It was decided that only operations in Germany that were 100% Irish controlled should be selected, therefore, the companies listed under Joint Ventures, Shared Sales Offices

and Support Sales Staff were eliminated. Using the computer database Amadeus[3] at the *Dokumentations- und Datenbankzentrum*, Mannheim University, and the company search facility at "Companies Registration Office" in Dublin, information was obtained on most of the companies remaining on the list.

For some companies it was impossible to gain any further details due to the limited nature of the data provided on the list. On examination of the information obtained on the Irish mother companies which could be located, it was seen that some of them were in fact not Irish-owned at all but the mother company of the German operation was merely based in Ireland. These companies were eliminated. Out of the original list of 59 companies, therefore, only 18 proved to be relevant for the purposes of this research:

Type	Number
Sales Offices	11
Acquisitions	4
Subsidiaries	3
Total	18

Table 4.6.: Relevant German operations

Most of these companies were contacted by post and telephone and the final selection of the sample companies was based on the number that could be contacted and agreed to an interview.

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[3] Amadeus is a financial database of European companies on CD-ROM with a turnover of in excess of USD 12m and at least 150 employees.

A total of nine interviews were carried out with the German operations and seven with the Irish mother companies. One of the Irish mother companies had ceased trading by 1999. One of the German operations did not figure on the Irish Trade Board list but agreed to an interview on the suggestion of one of the other sample companies.

One of the acquisitions proved not to be 100% Irish-owned but in joint ownership of an Irish mother company and a German family where both parties held equal shares of 50%. Again the insights provided in this interview were felt to contribute to the overall picture of the relationship between Irish mother companies and their German operations and thus have also been included here. By 1999 the Irish mother company had acquired the German 50% stake of the company.

Type	Number
Sales Offices	6
Acquisitions	2
Subsidiaries	1
Total	9

Table 4.7.: The sample German operations: an overview

4.4. Contacting the sample companies and arranging interviews

The German mother companies and German operations of Irish mother companies
August/September 1996

All of the German mother companies were contacted initially by telephone to obtain a relevant contact name for the person responsible for co-ordinating the Irish activities in the German mother company. A letter was then sent to each of these people giving a brief outline

of the research and requesting the possibility of an interview. On the advice of colleagues at the *Lehrstuhl für Allgemeine Betriebswirtschaftslehre, öffentliche Verwaltung und öffentliche Unternehmen, insbesondere Krankenhauswesen* of Mannheim University, the letters sent to German managers were in the form of a letter of introduction by Professor Eichhorn, the Chair of the Department (see Appendix III for a copy of the letter). The author was assured that this would provide a better response rate and that companies would be more prepared to co-operate due to the social standing of professors in Germany and the importance attached in German society to the furthering of *Wissenschaft*. Indeed several of the companies faxed or phoned their replies unprompted to Professor Eichhorn within days of receiving the letter. The remainder were contacted by telephone by the author.

The contact person provided on the Irish Trade Board list was contacted by post, this was followed up by a telephone call. The same German letter was used for all German contact people. An English version of the letter was sent to the Irish contact names (see Appendix III for a copy of the letter).

The Irish mother companies May-July 1999

In an effort to speed up the process a faxed letter was sent to the contact person provided by the interviewee in Germany (see Appendix IV for English and German versions of the letter) and was followed up by a telephone call.

The Irish operations May-July 1999

A faxed letter was sent to the contact name provided in an updated version of the German-Irish Chamber of Industry and Commerce list (1997). This was identical to that sent to the Irish mother companies and was followed up with a telephone call.

Comment

The response from all of the companies was predominantly very helpful and it proved relatively straightforward in both countries to organise the interviews quickly. The author was surprised at how easy it proved to obtain interviews with the Irish operations. Based on the comments of two interviewees, it is the author's assumption that this was because their German mother companies had already agreed to an interview. A further consideration was that many of the Irish/non-German managers contacted had done postgraduate study, very often an MBA, where they themselves had been reliant on the co-operation of companies supplying information.

4.5. Interview format

The interviews lasted on average between one and a half and two hours. They were generally highly structured in nature, using a standard questionnaire with separate versions for mother company and foreign operation companies. Once the German and English language versions of the questionnaires had been prepared, the final versions were compared by a German Master's student of English and Business Studies at Mannheim University to ensure that the content in both languages was identical. Full advantage was also taken during the interviews of the opportunity to explore opinions and issues raised by the interviewees. All of the interviews except for two were taped with the agreement of the interviewees and transcribed at a later date.

4.6. Language

The interviews were conducted in German or in English depending usually on the nationality or the preference of the interviewee. In two cases where two people were present - one German and one Irish - the interview was carried out in English. What is interesting to note in the comments made by the German interviewees, is the frequency with which they tended to pepper their comments in German with English words and expressions, very often

where a well-known German equivalent existed. The author would like to point out that the English terms and phrases used in the German quotations reproduced here stem from the interviewees themselves. There are two possible explanations for this phenomenon: 1) the increasing propensity of Germans, especially educated Germans, to use English vocabulary in their everyday speech 2) a tendency which the author has encountered many times when speaking to a German interlocutor in German who can also speak fluent English, namely, that the frequency of the usage of English words by the German tends to increase in such situations.

4.7. Reasons for choosing the interview as a data collection instrument

In spite of the cost and time considerations associated with this method of data collection, it was felt that given the limited research data on the experiences of German companies in Ireland and the complete absence of data on the experiences of Irish companies in Germany, this method would provide greater insight into the relevant issues. The author was able to seek clarification and concrete examples of items raised by the interviewees, she was also able to explain anything that may not have been clear to the interviewee in the questionnaire, hence avoiding the situation where questions are omitted. Not all of the interviewees were in a position or were prepared to answer all of the questions. Issues and opinions raised by several interviewees could also be checked with others to determine whether these were just isolated mentionings or indeed borne out by general experience. From the point of view of gaining insights into and a feel for the corporate culture and style of a particular company as well as observing the personal style of the interviewee as s/he interacted with their colleagues, a visit to the relevant company provided information in addition to the answers given to the questions and allowed the author to make a more informed and well-rounded judgement of the answers and information provided. Unlike the postal questionnaire scenario, where the recipient probably places it at the bottom of his list of

priorities, in the case of the interview, the managers could, for the most part, give their full attention to the questions raised for the duration of the interview.

The interviews in the companies also led to the author being introduced to other useful contacts both within the company and without, being provided with useful printed information on the companies (e.g. annual reports, press clippings, company literature) as well as being advised of useful articles, reports or contacts known to the interviewee.

4.8. Presentation of the questionnaires

Two questionnaires were used for the interviews with each company (see Appendix V for English and German versions of Questionnaires 1 and 2) with different versions for mother companies and subsidiaries. Both versions contained a certain amount of common questions. It was felt that in this way both a more rounded picture could be gleaned - very often one interlocutor had for one reason or another a greater insight into a specific issue than the other - and this provided a means of establishing whether or not both parties perceived matters in the same way as well as allowing for the contingency that it might not prove possible to carry out interviews with all of the mother companies and their respective foreign operations. In view of the three year time lag between the interviews with the mother companies and the foreign operations, any changes which had occurred in the interim could also be identified.

Questionnaire 1

In Questionnaire 1 the questions are of a highly structured nature and were designed to elicit rapidly information to provide the author with a profile of the company, the interviewee, and the co-ordination and communication between the mother company and the foreign operation. In short, all the questions covered the essential background details necessary to create a context within which to interpret the answers to the questions in Questionnaire 2. The questions did not require much thought on the part of the interviewee

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and served to put the interviewee at their ease before proceeding to the more in-depth questions of Questionnaire 2. During the interviewing in Germany the interviewees completed Questionnaire 1 themselves; for the interviews in Ireland as often the interviewees had less time available, the author completed this Questionnaire for them so they were not aware that there were, in fact, two questionnaires.

All but two companies (German mother companies) completed Questionnaire 1.

Questionnaire 2

Questionnaire 2 formed the main focus of the interviews and looked at creating an overall picture of the functioning of the organisations, the mother company-foreign operation relationship and the cultural differences between German and Irish workers.

4.9. Limitations of the sample results

Due to its nature and size this survey does not claim to be in a position to make assertions concerning the populations to which both sample groups belong. Its aim is simply to highlight common or pertinent features found for each of the two sample groups in the hope that the findings will feed other future research projects which will either be broader in scope, that is, dealing with larger sample sizes and/or concentrate on a specific subcategory within the overall population. As this, to the author's knowledge, is the first known survey of German-Irish collaboration of this kind [4], it was felt justifiable to 'cast the net' of the survey as widely as possible in an attempt to identify just what the trends/elements of this relationship are likely to be.

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[4] The existing surveys e.g. Armbruster, 1985 and the regular "Surveys of German Investors in Ireland" carried out by the German-Irish Chamber of Industry and Commerce, only investigate the experiences of German subsidiaries based in Ireland.

A further point which needs to be addressed at this stage, is the rationale for comparing inter and intra sample results for different types of operation e.g. sales operations which can have staffing levels of anything from the 'one-man-band' type of operation to those employing a considerable number of people which function more or less as autonomous companies, engaging in the complete spectrum of activities from production, sales/marketing right through to R&D and services. The reasons for doing this were (a) the attempt to identify whether or not there is such a concept as an 'Irish/German style', that is, regardless of the size or scope of the operation, an identifiable"Irish/German way of doing things", both from the point of view of the stance adopted by mother companies vis-à-vis their foreign operations and the day-to-day activities of the individual operations themselves; (b) for the Sample Group B the fact that the number of German operations controlled by Irish companies is still limited in number and no information could be obtained on these prior to the interviews.

Finally, in terms of the sectors within which the sample companies operate, the degree of homogeneity achieved for the Irish operations was not possible with the German operations. Once again this was due to the relatively modest level of German investments as yet held by Irish companies. The companies here were involved in a wide range of activities from computing to engineering and food.

CHAPTER FIVE:

GERMAN MOTHER COMPANIES AND THEIR IRISH OPERATIONS (SAMPLE GROUP A):

EVIDENCE FROM THE INTERVIEWS

5.1. Introduction

This chapter will explore the relationship between German mother companies and their Irish operations based on the evidence from the interviews. In all interviews were carried out with fifteen mother companies (1996) and fourteen of their Irish operations (1999). The chapter will begin by examining the profiles of both the mother companies and the mother company interviewees with the aim of establishing whether or not these may be said to mirror those traits outlined in Chapter Two as being typical of German business culture. Next attention will be turned to the Irish operations and a similar investigation of both the profiles of the companies and the interviewees will be carried out. The final section of the chapter will examine the extent to which mother companies intervene in the activities of their Irish operations and the instruments used by them to control and co-ordinate their affiliates' activities. The emphasis in these two sections will be on identifying the presence or absence of German influences in the Irish operations and establishing the overall approach of German mother companies to their Irish operations. Some interesting insights are also gained into the changes currently taking place in Germany to the traditional model of corporate culture.

5.2. The German mother companies

5.2.1. Profile of the German mother companies

Age/size

Number of employees	Number of companies
<50	1
≥50<500	2
≥500	12
Total	15

Table 5.1.: Size of the sample German mother companies

All of the mother companies forming the basis of this sample were founded between 1840 and 1970. Defining the size of the companies in terms of their number of employees, the majority of the mother companies in the sample (twelve) belonged to the category of large companies (that is having 500 or more employees)[1][2]. The remaining three companies are SMEs. While medium and large companies in Germany account for only 5.4% of German companies, they nevertheless employ 65.7% of all German employees[3].

Structure

Examining the structure of the mother companies, revealed that half of the companies, regardless of size, had both a functional and divisional structure (eight out of fourteen), the remaining six were evenly distributed between functional and divisional forms. For one SME company, the terms 'functional' and 'divisional' were regarded as irrelevant by the interviewee.

Generally speaking, the information on the hierarchical structure was inconclusive and, therefore, will not be discussed here in further detail.

Ownership

Ten of the fifteen mother companies were either in family ownership or owned by one principal shareholder. In all cases these were either directly active in the senior management of the company, had the final say with regard to decisions or formed all or part of an advisory committee to the top management of the company.

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[1] Small companies up to 50 employees, medium sized up to 500, large in excess of 500 (Kugler, 1995 p.366)
[2] In two cases the mother companies were Holding companies, so the employee numbers they provided referred to the German operation as a whole.
[3] Statistisches Jahresbuch 1994 p. 137 in Gabler Wirtschaftslexikon, 1997 p. 3923

Operating activities

Activities	Number of companies
Production	14/15
R&D	13/15
Sales	15/15
Marketing	13/15
Services	11/15

Table 5.2. : Operating activities of the German mother companies

From the table it can be seen that broadly speaking, all of the mother companies were involved in the full range of activities from production to marketing. In fact there was only one mother company not engaged in production. Only four of the companies interviewed did not undertake R & D.

Prior foreign operations in English-speaking countries/in the Irish market

It is interesting here to consider the amount of prior experience the mother companies had in dealing with foreign operations in general before setting up their operations in Ireland. For five of the fifteen companies Ireland was their first foreign operation, for an additional three companies it was either their first foreign production unit (two companies) or their first European operation (one company). On this basis more than half of the mother companies interviewed had had little or no prior experience of dealing with foreign operations. Furthermore only four of the companies had had direct experience of doing business with Ireland before deciding to set up their Irish operations.

At the time of interviewing in 1996 all but two of the fifteen companies had other operations in English speaking countries. These two still had no other foreign operations apart from Ireland.

Communication with the Irish operation from the German mother company

With regard to communication between the German mother company and the Irish operation, twelve of the thirteen mother companies answering this question said that the various functions of both communicated directly with each other. In the case of the thirteenth company it was the policy of the mother company that all communication from the Irish operation was to one person in the mother company - partly due to language difficulties - so that this person could raise issues internally with relevant departments.

5.2.2. The "Germanness" of the German mother companies

In Chapter two the following elements were identified as characterising German business culture:

(i) **long-termism**, manifested in such items as the attitude of German companies towards the role and importance of training, traditionally low levels of employee turnover and high levels of company loyalty as well as active growth of management in-house;

(ii) **shared top management** where top management in a company is shared equally among several people (collegial principle) as opposed to the usual scenario in the Anglo-Saxon world where ultimate decision-making power is concentrated in the hands of one individual, the company's MD or CEO (directorial principle);

(iii) **legally anchored industrial democracy with institutionalised mechanisms for employee participation** such as works councils and *Mitbestimmung*;

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(iv) **functional immobility within companies** arising out of the fact that German employees do not tend to change from one functional area to another but hold jobs which are connected to their skills base or *Fachwissen*;

This section will examine the fifteen German mother companies in the sample for the presence or absence of these characteristics of German business culture. Their Irish operations will later be looked at to see whether or not any of these elements have been transferred from the mother company to Ireland.

(i) Long-termism

Training

As pointed out in Chapter Two, German companies in general tend to view the training of their human resources as an important investment in the long-term future of their companies. Apprentices are traditionally trained and kept on once qualified. Thirteen of the fifteen German mother companies offered apprenticeships. In the case of one of the remaining two companies, the mother company did not offer any apprenticeships itself as there was a plentiful supply being produced by other companies in the same sector and the general tendency within the sector in recent years had been to cut jobs. The company's approach here is encapsulated in the following comment by the interviewee:

"Es ist besser, diese Leute aufzunehmen, als eben selber auszubilden, ohne ganz zu wissen, ob man hinterher auch Bedarf hat."

It did, however, train apprentices in other parts of its German operation. This remark serves to highlight the typical German attitude of training to meet either actual or predicted company demand for skilled labour. Of the thirteen companies that did offer apprenticeships, two of the mother companies were Holding companies, therefore, it was in the operative side of the

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German operation that this training was done. In all cases, the training was financed by the company as laid down in the German *Berufsbildungsgesetz* (1969). On the whole all of the companies interviewed endeavoured to retain people upon completion of their apprenticeship. Six companies, however, pointed out that due to the current economic situation in Germany, it was not always possible to do so:

"Vor drei Jahren hätte ich Ihnen diese Frage mit "ja" beantwortet, heute kann man das nicht mehr sagen. Viele Lehrlinge werden übernommen aber nicht alle."

This response was typical of the reaction of these companies.

Three of the large companies interviewed said that they had their own *Bildungszentren* and that life-long learning among their employees was an important facet of their overall philosophy.

Low staff turnover and high levels of company loyalty

Of the fourteen companies providing information here, all of them said that their staff turnover rate was low. This was certainly borne out by the service records of the interviewees themselves. The problem, however, is quantifying what percentage may be regarded as low. One company which set great store by the lengthy service records of its employees, said that in Germany turnover levels of 8-10% are seen as low. [National average staff turnover in Germany in 1998 was 10.7% (Statistisches Bundesamt in Institut der deutschen Wirtschaft Köln 2000 (c))] Five of the companies who were actually able to provide the author with their staff turnover percentages all had rates of less than 10%. Going on this basis it would seem that the majority of their employees spent most of their working lives with the same company, which is very much in line with the traditional pattern in Germany.

Three companies said that their low staff turnover was probably linked to the lack of alternative employment opportunities in their area. A fourth company commented that its percentage turnover was falling due to rising levels of unemployment:

"Was sind die Alternativen? Bei 4 Millionen Arbeitslosen haben sie [the employees] nicht so sehr viele Alternativen."

One company stated that the less qualified an employee, the more likely he was to change to a job that was better paid. The company had very low turnover rates in the German plant in question and the reason provided for this was:

"[This plant] hat eine sehr bodenständige Mitarbeiterschaft. Leute, die in dieser Region groß geworden sind, die gehen eigentlich ohne einen sehr wichtigen Grund nicht unbedingt [somewhere else]. Die Mentalität ist hier anders als z.B. in Mannheim, und die Sprache bzw. wenn hier einer den Dialekt von hier spricht und einer in Mannheim den dortigen, sie haben wirklich Probleme, sich zu verständigen."

This comment would suggest a reluctance among certain sections of the German population to move outside of their local area to seek employment opportunities. The veracity of this assertion was not tested further but a survey carried out in October 1999 by the *Forschungsinstitut für Ordnungspolitik*, revealed low levels of willingness to be geographically mobile for work purposes among Germans (Institut der deutschen Wirtschaft, 2000 (d) p. 1). Two German interviewees, one the manager of an Irish operation and one a German mother company employee were amazed at how geographically mobile Irish people were prepared to be for their work.

Four companies said that while their staff turnover rates were low they were higher for their sales and marketing employees. Similar comments were made by the managers of the Irish operations leading one to conclude that this is characteristic of this type of activity.

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It is interesting to note that there are some perceived changes occurring to the traditional model as witnessed by the following quote from one interviewee:

"Die Zeiten haben sich ein bißchen geändert. Heute legt man mehr Wert auf junge Leute, recht junge dynamische Leute, die können gar nicht 40 Jahre bei der Firma sein."

Active growth of management in-house

All fifteen companies said that they mostly endeavoured to fill management positions using internal candidates. It was only when no suitable internal candidate could be found that resort would be made to an outsider. This policy does help possibly to foster a sense of organisational loyalty in that it also encourages employees to adopt a longer term perspective to their relationship with their companies.

(ii) Management

Management style

Nine of the fifteen sample companies provided details of their management style and all described this as being "kooperativ" or "konsensorientiert". The notion of the team was stressed by five companies and this was not just in the case where top management was shared among several people.

Shared top management

In four of the sample companies the *Geschäftsführung* was composed of one person. In the remaining companies the responsibility was shared by two or more people. For four of these it is clear that those who were members of the *Geschäftsführung* had equal power. One such company described the equal status of the members of the *Geschäftsführung* as follows:

"[...]von der juristischen Seite sowieso und wir haben gleichlautende Verträge und haben nur eine Aufteilung, die sich durch die Stärken und Schwächen des Einzelnen ergibt."

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For three companies the founder or owner of the company was in principle *'primus inter pares'* but had the last say. In the case of the remaining companies, it is unclear as to whether or not command was shared equally by all members of top management (e.g. in the case of *AG*s but according to the legislation for this form of enterprise, differences of opinion in the management board must be resolved on the basis of majority vote.[4])

iii) Legally anchored industrial democracy with institutionalised mechanisms for employee participation

Thirteen of the fifteen companies had some form of *Mitbestimmung* usually in the form of a *Betriebsrat* . In the case of one of the remaining two companies, the employees of the mother company had never asked for a *Betriebsrat*, but they were in existence in other parts of its German operation. Employee participation in these two companies was, therefore, of an informal nature. In ten of the thirteen companies *Mitbestimmung* among the workforce was solely in terms of the provisions set down in law. In the other three companies arrangements going beyond the letter of the law were in evidence.

Internal suggestion schemes for employees was a common feature in most companies.

(iv) Functional immobility within the companies

Thirteen of the fifteen companies provided an answer here. Seven of the thirteen said that the company's employees tended to remain within the same functional area right throughout their career with the company and were promoted within it. Three companies mentioned the importance of qualifications/skills in determining whether or not an employee would change to another functional area:

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[4] "Besteht der Vorstand aus mehreren Personen so haben sie gesetzlich Gesamtgeschäftsführungsbefugnis und Gesamtvertretungsmacht. In der Satzung kann auch Einzelgeschäftsführungsbefugnis und Einzelvertretungsmacht festgelegt werden. Die Einzelgeschäftsführungsbefugnis wird aber dadurch beschränkt, daß bei Meinungsverschiedenheiten im Vorstand nie gegen die Mehrheit der Vorstandsmitglieder entschieden werden darf." (Aktiengesetz of 6.09.1965 §§ 77,78 Kugler, 1995 p. 61).

(Company 1): "Die Mitarbeiter bleiben im Prinzip in ihrem Funktionsbereich aber es gibt auch Arbeiter, die eben springen, gerade eben wenn es Arbeiten gibt, wofür man keine Qualifikationen in dem Sinne braucht."

(Company 2): "Das hängt von der Ausbildung ab. Jemand der technisch orientiert ist und Ingenieurwesen an der Fachhochschule studiert hat, im Entwicklungsbereich tätig war, Produktmanager war, kann sich zum Vertrieb hin orientieren. Das ist möglich. Aber jemand, der rein kaufmännisch von der Ausbildung her orientiert ist, kann nicht plötzlich zuständig für Technik sein. Also dies hängt von der Ausbildung und dem gesamten Spektrum der Kenntnisse ab."

The third company said that while changes did take place it would be unusual, for example, for a finance person to move into sales. It will be seen in the next chapter that one of the Irish interviewees working in the Irish mother company's German operation had exactly this profile.

Conclusion

Based on this analysis, it would appear that both the German mother companies and the interviewees comprising Sample Group A conform to the picture of German business culture as outlined in Chapter Two.

5.2.3. Profile of the German mother company interviewees

Number of interviewees

In all sixteen interviewees were interviewed in fifteen companies.

Age/sex/nationality

All of the interviewees were German. There were fifteen males and one female. They ranged in age between 34 and 60 with an average age of 50 years (thirteen companies, fourteen interviewees).

<u>Job title</u>

The job titles and hierarchical positions of the interviewees varied considerably and were largely influenced by the size of the mother company as well as the nature of its business. The positions held by the interviewees included: owner, board member, financial controller, project manager, and country manager. In the larger companies the interviewee was often one of several people in the mother company responsible for Ireland. In three cases the author was told that there was no person in the mother company directly responsible for co-ordinating the activities of the Irish operation apart from the obvious board level interest in its overall performance. In one of these cases, this was due to the success of the Irish operation over time and the fact that its German manager also played a significant role in the mother company. In another company, it was the general policy of the group that all subsidiary companies should function as independent companies. In the case of the third company, the interviewee did not regard the Irish company as a subsidiary at all but as a fully independent company which acted as a dedicated supplier to the mother company. The Irish operation here received 100% of its business from the German mother company which acted as its sole customer. In four of the companies, the person 'responsible' for Ireland in the mother company was not fixed but very much depended on the project or business in hand.

<u>Training/educational background</u>

Nine of the fourteen interviewees who answered this question had a commercial background (*Betriebswirtschaftslehre/Industriekaufmann/Volkswirtschaftslehre*), four had a technical background and one was a pharmacy graduate. In all, five of the interviewees possessed a university degree. Three of the fourteen interviewees had completed an apprenticeship as their primary source of job training, a further seven had combined an apprenticeship with further studies at a *Fachhochschule* or university. This underscores the importance of practical experience within the German business landscape and also the popularity of combining it with a course of studies at a third level institution. Such a

combination is more or less unheard of in Ireland with the apprenticeship and third level courses of study being regarded as mutually exclusive options.

English language ability

Fifteen of the sixteen interviewees said that they could speak English. No information was available for one company. Only four out of fourteen said that the company had encouraged/helped them to improve their level of fluency. It should be noted here that the use of English as the corporate business language among German companies is on the increase, indeed some German companies had adopted English as their company language as far back as 1996. One of the German mother company interviewees had this to say:

"Unsere Geschäftsprache ist Englisch. [...] Ich habe mich hier schon mal in einer Besprechung auf Englisch unterhalten, obwohl nur Leute, die Deutsch als Muttersprache haben, am Tisch saßen.[...] Wir haben Englisch gesprochen mit der Begründung: wir müssen mal unser Englisch trainieren. Das finde ich maßlos übertrieben."

Previous work history before joining the mother company

Of the fourteen interviewees who provided details here, nine had worked for at least one other company - all German - before joining their present company. In the case of two this was for the purposes of *Ausbildung*. Of the remaining seven, six had worked for just one company and just one had worked for two companies. The average length of service in the first company for the six was eight years, the interviewee who had worked for two previous companies spent ten years with one and six years with the other. The profile of all interviewees conforms with the traditional picture that Germans are not "job-hoppers" and tend very often to make their careers with one company. It is important to mention here also that none of these people, with the exception of one, had worked at anytime during their working career in sales and marketing where higher levels of staff turnover are generally found.

Career with the company

(i) Length of service

The length of service of the interviewees with their respective companies ranged from five to forty years. If the two youngest interviewees are disregarded (both in their 30s and at the beginning of their careers with five years service with their companies), the average length of service was twenty-five years (based on information for twelve interviewees. No information was available for the remaining two interviewees). This again underscores the long-term approach traditionally adopted to the working relationship with one's company in Germany. In view of the comment made above that this is now beginning to change among younger workers, it is perhaps important to bear in mind here that the average age of the interviewees was 50, this is also a reflection of their seniority in the company.

(ii) Number of positions held in company

Of the thirteen interviewees who answered this question, six had never had any position with the company other than their present one. Of the seven who had had other positions, only one had completely deviated from the area of his training/studies and had had a variety of very different jobs within the company including construction, Sales/Marketing, *Organisation* and project management. Furthermore, his background although technical had absolutely nothing to do with the line of business of the company. This once again underscores the tendency towards functional specialisation within the German business culture.

(iii) Current hierarchical position

Eight of the fifteen interviewees answering this question were members of the *Vorstand/Geschäftsführung/Geschäftsleitung.* Four were *Direktoren/Leiter* and the remaining three belonged to other categories or did not specify.

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(iv) Function/hierarchical level to which interviewees reported

Eight of the fourteen interviewees answering this question reported to the *Geschäftsführung/Geschäftsleitung* or *Vorstand*. A further interviewee reported to both the *Geschäftsleitung* and the *Vertriebsleiter*. Three interviewees worked in finance and reported to the finance function, one reported to the owner of the company and one to several different functions depending on the nature of the project in hand. While this picture mirrors the diversity of the positions held by the interviewees, it also serves to highlight the importance of top management in all of the companies with regard to foreign operations.

(v) Direct responsibility within the Irish operation?

Six of the sixteen interviewees said that they had direct responsibility within the Irish operation. Two were *Geschäftsführer* in Ireland, and two were directors on the Irish board. All four of these interviewees either had a *Geschäftsführer* role in the mother company or were members of the *Vorstand*. A further interviewee, a member of the *Vorstand* of the mother company, had *Gewinnverantwortung* for Western Europe and Ireland was included in this remit. On a day-to-day basis, however, he tended to have a 'hands off' approach to the Irish operation. The remaining interviewee was a financial controller in the mother company. Of the six only the two *Geschäftsführer* got involved in directing the day-to-day activities of the Irish operation from Germany. This was, however, no longer the case in 1999. This coupled with the fact that the majority of mother companies did not have headquarters staff with direct responsibility within the Irish operation, would suggest that they were pursuing an arms' length or polycentric approach to their Irish activities.

(vi) Responsibility for other foreign operations?

Thirteen of the fifteen companies were known to have other foreign operations. Eleven interviewees said that they were also responsible for other foreign operations in addition to the Irish one. These interviewees were, therefore, in regular contact with people of

more than one nationality and should have been well-placed to comment on the differences between the Germans and the Irish within the corporate context.

One of the mother companies had no other operations - foreign or domestic - apart from the Irish one. A further company had no other foreign operations. For this particular company the experience in Ireland had proved very negative and it was in the process of winding down its operations there at the time of interviewing.

Prior dealings with Irish companies/English-speaking countries

Of the thirteen interviewees answering this question, nine had had prior dealings with Irish companies or English-speaking countries before holding their present position. Of these one had lived in an English-speaking country, but not Ireland, and one had spent a year studying at an Irish university.

Remuneration

Among the interviewees the tendency was to receive a fixed monthly salary (seven out of thirteen respondents), five received a salary plus some form of profit-sharing, and one a car. The remaining two were not prepared to specify. This profile reflected the low importance attached to such financial indicators as shareholder value and performance related-pay, in Germany up to the mid 1990s.

5.3. The Irish operations

5.3.1. Profile of the Irish operation interviewees

Number of interviewees

In all fifteen people were interviewed in fourteen of the fifteen companies. Of these twelve were carried out in 1999, one in 1995 and one in 1996. It was not possible to arrange an interview with the final sample company in Ireland. The analysis below will concentrate on

the information provided by the fourteen main interviewees as the fifteenth merely made a few comments.

Age/sex/nationality

All of the interviewees were male. Three were German, ten Irish and one British. None of the Germans were involved in purely sales operations. They ranged in age from 35 to 61 with an average age of 49 years (thirteen companies, no information was available here for the fourteenth).

Job title

Eleven of the fourteen interviewees held the position of either General Manager or Managing Director, one was a Company Director with Divisional Management responsibilities, one a Financial Manager and the final person was one of three managers who jointly shared the management of the Irish operation. In all cases the initial contact was made by the author with the senior manager of the affiliate, however, in two cases he was unable to provide an interview and so recommended another senior colleague instead.

Training/educational background

Nine of the fourteen interviewees had a technical background, eight of which were related to engineering. Two had chemical degrees and three qualifications in finance/business, of the latter only one held the position of MD/General Manager. It is interesting to note that only one of the MDs/General Managers interviewed did not have an official qualification or the equivalent in the core activity of the operation. This person was a finance person who had worked for the Irish operation for several years prior to taking over as MD and so was known to the German mother company and as such had been grown in-house.

Four of the fourteen interviewees had done an apprenticeship. For two of these - both Irish plant managers - this had been their only form of official qualification. This once again demonstrates that in Ireland apprenticeships and third level studies are generally considered to be mutually exclusive options. The remaining two, both German expatriates, had pursued a degree at either a university or a *Fachhochschule* on completion of their apprenticeship. One of these had undertaken a degree in business although his apprenticeship had been in engineering. In the case of the two Irish plant managers, one had worked his way up the hierarchical ladder within the Irish operation having worked in every department during his many years with the company. The other person had years of experience working for German companies abroad and spoke fluent German. Both of these were the first Irish people to hold this position within their companies and had been given their positions following difficult internal industrial relations in the company under previous German management.

The majority of the interviewees (twelve out of fourteen) had a degree or its equivalent from either a university or other third level institution. Three - two Irish and one British - had acquired an MBA (Masters of Business Administration) since they had joined the company; in all cases this had been on their own initiative. Additionally, one of the Irish interviewees held a PhD in the company's core activity. It was mentioned in Chapter two that unlike in Germany PhDs are rare in the industrial landscape in Ireland; they are, however, on the increase in science-based disciplines. It is significant here that the majority of the interviewees were specialists in the specific sector of the company. As the mother companies were responsible for recruiting these people, this would be evidence of the transfer of a German business culture trait to the Irish operation.

Language ability (German/English)

Of the eleven non-German managers interviewed, two said that they could speak German, one fluently due to having lived and worked in Germany for many years. Seven said that their German was very poor. Only four had been actively encouraged by the German mother company to learn German and one of these said that they had little or no opportunity to use it. It may be concluded here that the German mother companies would seem not to regard it important that the manager of the Irish operation should be able to communicate with them in German but rather that the onus was on mother company personnel to bridge the linguistic gap. Only four companies, three of which were run by German expatriates had introduced German classes for Irish employees.

Of the three German managers only one said that he had been supported by the mother company to learn English prior to taking up his current position. This scenario coupled with comments made above on the adoption of English as many German companies' working language would seem to reflect the assumption on the part of many German companies that German employees of a particular level of education will also have a good command of the English language.

Previous work history before joining the Irish operation

All of the interviewees had worked for at least one company prior to joining the Irish operation. The three German managers had been previously employees of the mother company, although for one of them this had consisted of just a year's training for his position in Ireland. He was, however, known to the mother company prior to this time. The other two were engaged in activities in Ireland which were related to those for which they had responsibility before they came to Ireland. This follows the typical pattern of the deployment of expatriates for foreign operations outlined in Chapter Three. Four interviewees had worked for just one other company, four for two, three for three and three for at least three. No clear

pattern emerges as to the length of service in these cases. What is significant here is the fact that by comparison with the German mother company interviewees, who had more or less the same average age, the Irish interviewees had experience of a greater number of companies over the course of their careers to date which is in line with the findings of Chapter Two.

Of the eleven non-German managers, all but one had worked for at least one non-Irish company in Ireland in contrast to the three German expatriates who had only ever worked for German companies. This reflects the structure of the Irish industrial landscape where there is a large presence of foreign companies. Four of the non-German interviewees had previously worked for German companies in Ireland. One of the German mother company interviewees commented that this had been an important criterion when selecting their Irish plant manager.

Career with the company

(i) Length of service

The length of service of the fourteen interviewees with the Irish operations ranged from less than one year to thirty years. Average service was fifteen years. It should be borne in mind here that service length will be influenced by the fact that the age of the operation was one of the selection criteria used. Five of the interviewees - three Irish and two German - had been there since the start up of the operation. Of these only one Irish interviewee was not in top management. Of the seven interviewees with seventeen or more years of service, three were the German expatriates who had initially come to Ireland for only a short period but who had never returned to Germany. Their service record again reflects the traditional German model.

(ii) Number of positions held within the company

Of the fourteen interviewees, nine had never held any other position in the Irish operation other than their present one. Eight of these were either the MD or the General

Manager of the Irish operation. In a further company with shared management (all German), the German interviewee had always been part of the top management team but had held several different positions within it, interestingly in both technical and non-technical roles although his background was technical. The remaining five people had held several roles within the Irish operation, all of which had led to their development within their specific area. None of the non-German managers had been mother company employees prior to working for the Irish operation.

Eleven of the fourteen interviewees held the position of either MD or General Manager. It is interesting to look at the profile of these people to see if there is evidence of an attempt at growing management in-house and where this was not the case, which strategies were pursued by the mother company. As mentioned above, the three German expatriates were all grown in-house, a further two Irish interviewees were known to the German mother company who had worked closely with them in the past before they joined the Irish operation; three were developed internally within the Irish organisation. Of the remaining four, one was recommended by another German company. A trawl of the external labour market in Ireland was utilised, therefore, only for the recruitment of three people. It may be concluded that there is thus evidence of growing senior management in-house - again a German trait - and furthermore, in view of the crucial role played by the MD/General Manager of the foreign affiliate, the strategy of using people known to the company in order to minimise the risk attached to making this key appointment, which could be viewed as reflective of Germany's high uncertainty avoidance score.

(iii) Direct responsibility within the mother company/responsibility for other foreign affiliates?

Only one of the interviewees, a German, had a direct role to play within the German mother company - the role of international business development. This was due to the fact

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that the Irish operation had been the company's first foreign operation, had been set up by him and from Ireland he had developed other foreign operations. Another interviewee mentioned that his Irish MD had a direct role to play in the mother company as part of a board made up of the MDs of the foreign affiliates to advise the German Management board on strategic issues affecting them. The mother company here had a very strong organisational culture but also demonstrated elements of a geocentric approach. This MD as well as two others also had direct responsibility for other foreign affiliates, two of these were sales operations and one a fully autonomous company with activities unrelated to the mother company's core business. This is an example of central polycentrism.

Prior dealings with German companies/German-speaking countries

Six of the eleven non-German interviewees had had dealings with German companies in the past. As mentioned above, four of these had worked for German companies. Only one had actually lived in Germany.

Remuneration

Eight of the thirteen interviewees here said that they received some form of performance-related-pay, a further interviewee said that he would in the future be entitled to this. Five specified the form this took and in all cases it was a cash premium. The prevalence of performance-related-pay for the Irish operations is interesting when compared to the pattern of fixed monthly salaries for the mother company respondents mentioned in 5.2.3. above.

<u>5.3.2. Profile of the Irish operations in the sample</u>

<u>(i) An overview of the population and sample statistics for the sectors chemical/
pharmaceuticals/ healthcare, electronics and mechanical engineering.</u>

<u>Size</u>

A statistical analysis of the population of the Irish operations of German mother
companies in the three categories of interest to the thesis, revealed that these tended to be
predominantly small to medium-sized companies: 63% (34% for the sample companies) of
the population had less than fifty employees.[5]

Number of Employees	Number of companies
<50	5
≥50<500	8
≥500	1
Total	14

Table 5.3.: Size of the sample Irish operations

<u>Age</u>

80% (80% also for the sample) of the population had been in operation for at least
nine years. This result tends to underscore the long-term approach which is characteristic of
the German business culture. None of the German mother company interviewees except one

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[5] The characteristics of the sample companies in general mirror closely those of the population, however, the
method used to select the sample companies did not always allow the achievement of a precise match between
the two. This dimension demonstrates the greatest amount of deviation. Population and sample figures here
are based on the information provided in the German-Irish Chamber of Industry and Commerce "Directory of
German Firms in Ireland" (1994).

whose Irish operation was in the process of being wound up, indicated that their commitment to Ireland was anything other than long-term even in the face of the attractions of other cheaper business locations in, for example, the Far East or the knowledge that tax incentives in their current form would not continue indefinitely.

Age	Number
<5 years	1
≥5<10 years	2
≥10<15 years	4
≥15<20 years	2
≥20 years	6

Table 5.4. : Age in years of the sample Irish operations

Staffing/mother company ownership

In all three categories, family-ownership of the mother company accounted for on average 61% of companies (53% for sample). Generally the Irish operations of these companies tended to be managed by a non-German (65% for the population and 62% for the sample). For the mother companies not in family ownership, the predominant trend was still towards management of their Irish operation by a non-German (56% for the population, 57% for the sample).

Overall 38% (40% for the sample) of the operations in all three categories were German managed and 62% (60% for the sample) run by a non-German. From the contact

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names provided in the German-Irish Chamber of Industry and Commerce list, it is to be assumed that the latter were predominantly of Irish/British nationality.

Analysing the sectors on a sector-by-sector basis, only Mechanical Engineering proved the exception to this pattern. In this category the top manager in the Irish operation tended to be German (53% for the population, 60% for the sample). By comparison the percentages for the other sectors were as follows: Chemicals/Pharmaceuticals/Healthcare 32% for the population (20% for the sample); Electronics 29% for the population (40% for the sample).

Examining the nationality of the top manager of the Irish operation together with its age, it would appear that the older the operation, the more likely it is that the top manager will be Irish. This was borne out also by the fact that the number of non-German top managers of the sample companies had increased over the period 1996-1999[6]. It is also interesting to note that the top manager of all the Irish operations set up between 1991-1994, the most recent category in the survey, was always Irish. This could perhaps be explained by the fact that the Irish education system is now in line with its European counterparts and with the advent of the Celtic Tiger, many Irish returnees bring with them a wealth of experience gained during their time abroad.

The information provided here on the nationality of top management in the Irish operations would appear to suggest that the German mother companies were generally espousing a policy of polycentrism.

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[6] When the interviews in Ireland were carried out in 1999, it was found that by that stage 27% of the sample population were German managed and 73% run by a non-German, in all cases except one by an Irish person.

Operating activities

60% of the population (60% also of the sample) were engaged solely in manufacturing activities. This is no surprise in view of the substantial differentials in labour costs between Germany and Ireland and the incentives offered by the IDA. Direct and indirect labour costs in manufacturing in West Germany are currently twice those in Ireland, Ireland is also substantially cheaper than East Germany (Institut der deutschen Wirtschaft, 2000 (a) No. 152).

79% of the population (73% of the sample) were engaged in manufacturing and sales and/or service activities. The sales end of the companies' activities to the domestic Irish market accounted for only a very small proportion of the total. The German-Irish Chamber of Commerce list does not specify the target markets involved but from the responses provided by the interviewees, the domestic Irish market, due to its size, is insignificant for most companies, with the vast majority of output being produced for export.

Examining the activities of the Irish operations in relationship to their age, it may be postulated that the older the company, the more likely it will be engaged in other activities in addition to manufacturing. A critical determining factor here, however, is the role conceived of for the Irish operation by the mother company. If this, for example, is that of a dedicated supplier to the mother company, then the activities of the Irish operation will continue to be limited to those related to production.

Activities	Number of companies
Production	10/14
R&D	7/14
Sales/Marketing	8/14
Services	4/14
Total	14

Table 5.5.: Operating activities of the Irish operations

Four of the fifteen companies interviewed were engaged solely in sales operations in Ireland. Three of these were exclusively to the Irish market and one to both Ireland and world-wide markets. For three of these companies, the products sold by them were imported directly from their mother companies and its other subsidiaries. In the case of the fourth company, many of its products were bought via the central purchasing department of the German mother company but it also had the option of seeking its own Irish suppliers.

Eleven of the fifteen sample companies were engaged in production activities in Ireland. Nine of these produced standard products or components. In most cases these products had been produced in the past by the mother company. With regard to the introduction of new products, the general tendency was for these to be developed and perfected by the mother company first before passing the product to Ireland for batch

production. The reason for this is aptly summarised in the following quote by one mother company interviewee:

"Wenn wir ein Produkt neu haben und es anfängt, in Stückzahl zu laufen dann geben wir dieses Produkt nach Irland. Innerbetrieblich sagt man dann schon, "die nehmen uns die Arbeitsplätze weg." Wir argumentieren umgekehrt, indem wir sagen, "wenn wir Irland nicht hätten, würden wir viele dieser Dinge heute gar nicht mehr tun können." Die Komponenten, die wir aus Irland bekommen, setzen uns in den Stand, ein Produkt zu fertigen, das in Europa zu marktgängigen Preisen verkauft werden kann."

For all nine of these companies their German mother company provided them with the vast majority of their business. There was, therefore, a very high degree of dependence among the Irish operations at this level on their mother companies for whom they functioned, in effect, as dedicated suppliers. As will be seen later, this dependency does not imply that the mother company thus kept tight control over the day-to-day affairs of the Irish operation. In addition, six of the nine companies sent their entire output to either the German mother company or its other subsidiaries. This meant, therefore, that there was no contact between the Irish plant and the final customer and hence no need for a sales operation or expertise in this area in Ireland. In the case of the remaining three manufacturing plants, two of these were allowed by the mother company to secure their own contracts for the Irish and UK markets, work for all other markets was supplied by the mother company. One of these was also allowed to deliver to the end customer. The third company was permitted to deliver finished products to some existing customers. In the case of the two remaining companies in the sample, both were relatively independent of their mother companies. One started out as a *Werkbank* operation and over the years had developed into a fully autonomous company encompassing the complete spectrum of activities from R & D through to sales/marketing and services. The second company had been initially set up as a completely independent company and it was still functioning as such in 1996.

Conclusion

In general, the typical profile of the Irish operation which emerges is one which is managed by a non-German, manufacturing for the export market, and whose mother company has a long-term commitment to its activities in Ireland.

ii) The sample companies

Type of set-up

Thirteen of the fifteen Irish operations set up by the German mother companies in the sample were greenfield sites, the remaining two companies were inherited by the German mother companies when they acquired other groups.

Reasons for set-up

Of the reasons mentioned for set-up in Ireland, the principal ones were those linked to the ability to reduce costs - Irish wages were lower than in Germany, the 10% tax deal and assistance offered by the Irish government. Three of the four companies in the sample with purely sales operations in Ireland, stated that their operation in Ireland was merely part of their strategy for global presence. The fourth company had chosen Ireland due to the flexibility of Irish graduates who unlike their German counterparts were prepared to travel to the four corners of the globe should their client base demand it. This again highlights the difference in levels of geographical mobility between German and Irish workers. Although at the time of interviewing Ireland was still considered a cheap production site, this may change should Irish workers begin to demand a greater share in the fruits of the economic boom being currently enjoyed in the country.

Preparations for set-up

Of the fifteen companies only nine interviewees were able to provide details on the preparations made by their mother companies prior to the set-up of the Irish operation - many

interviewees had not been in their current positions or even employees of the company when the decision was made. Of the nine, three said that no preparations in the form of market surveys etc. had been made. One company with no prior experience of dealing with Ireland had received advice from other German companies operating there. As mentioned above only four companies had had direct prior experience of doing business with the Irish market. The final company had sent over one of its employees to speak to Irish lawyers and accountants in anticipation of the move.

The overall impression which emerges is that not only was very little preparation made by these companies but that with over one half of the companies having no prior experience of dealing with foreign operations, the decision to invest in Ireland for most marked a venture into completely uncharted waters. Whilst from today's perspective such decisions may appear naive and high risk, they must for the most part be viewed against the backdrop that internationalisation today is the norm for many businesses which ten or twenty years ago would have exclusively focused their attention on their own domestic markets.

Choice of location in Ireland

The interviewee companies which set up greenfield sites in Ireland named several factors which influenced their choice of location. These were predominantly the personal preferences of the owner of the company or the person charged initially with setting up the Irish operation. The decision was very often made in consultation with the IDA who would have shown these representatives from the German mother company a number of suitable locations, some with already existing facilities.

Role of Irish government assistance

Eight of the fifteen mother companies said that the role of Irish government assistance and subsidies was important in increasing the attractiveness of Ireland over other countries in the decision-making process. Below are comments from two of these:

(Company 1): "Dies hat hinterher bei der Auswahl des Landes eine Rolle gespielt. Es gab dort schon die Alternativen Osteuropa und Portugal. Es waren sicher mehrere Gründe, aber das Thema Preis war das dominantere."

(Company 2): "Die praktische Unterstützung der IDA war sehr positiv und entscheidungsmitbestimmend."

One company said that while the tax deal was important it did not play a decisive role. This interviewee also felt that a lot of German companies would not leave Ireland if this advantage were to be reduced. These latter sentiments were further echoed by two other companies, one of whom remarked that it would be a lot of trouble to ship the factory back to Germany if the favourable tax regime were to change and that, therefore, it probably would not happen and the second had introduced efficiency measures to improve the performance of the Irish plant in the face of stiff competition when it could just as easily have shut it down and moved to a more advantageous location. These facts once again highlight the long-term approach of the German mother companies.

The overall importance of the Irish operation to the German mother company

Ten out of the fifteen companies gave a definite answer to this question. Four said that the Irish operation played an important role in the overall portfolio of the mother company's activities, six said that it played a subordinate role. Of the four that said that Ireland was important, all were engaged in production. Two were completely independent of the mother company, the other two used Ireland for cost reasons and for long production runs.

Advantages and disadvantages of Ireland as an industrial location

With regard to the advantages of setting up an operation in Ireland, most of the factors listed by the mother company interviewees were those also given under their reasons for choosing Ireland in the first place, that is cost reasons. Many of the companies further mentioned the plentiful supply of labour (since the late 1990s this situation has been changing drastically as Ireland approaches a situation of near full employment), particularly qualified labour, and the good level of general education of the Irish workforce. Additionally, the ability to converse with Irish employees in English was mentioned as a major advantage.

Concerning the disadvantages, these were the obvious ones of Ireland's peripheral location and the consequent higher transport costs as well as the small size of the domestic Irish market for those engaged in sales operations.

Overall level of satisfaction of the German mother company with the Irish operation to date

Of the fifteen mother companies, only three were not satisfied with the development of their Irish activities. Of these three, two said that they would only consider Germany in the long-term for future investment. One of these commented:

"Unsere unternehmerische Verantwortung ist hier in Deutschland. Wir können nicht zu einem reinen Dienstleistungsland verkommen. Wir müssen in Deutschland Produktion haben und wir werden aufgefordert, gemeinsam mit allen Beteiligten daran zu arbeiten, daß wir sie erhalten oder weiterentwickeln können. Und ich bin der Auffassung, daß es durchaus geht, und dies ist letzten Endes nicht teurer."

When asked if faced with the same decision today to choose an industrial location outside of Germany whether or not they would still select Ireland or whether Ireland would lose out to competition from locations in Eastern Europe, five interviewees felt that Eastern Europe was still not stable enough or that the language difficulties outweighed the advantages on the wage front.

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For the remaining two companies whose operations were quite labour intensive, both would if faced with the same decision today invest in Eastern Europe. One of these companies already had several plants in Eastern Europe. This interviewee said that Irish workers could not compete with the DM 3.50 per hour wages (1996) of some of their Eastern European counterparts. (Irish hourly manufacturing wages in 1996 were DM 22.40 (Institut der deutschen Wirtschaft, 1998 (a) No. 147)). Furthermore, from the point of view of the transportation of finished products, this company found Eastern Europe more practical. It is interesting to note that in spite of these facts, neither mother company envisaged closing its Irish operation although severe cutbacks in manpower had been made over the years and greater amounts of capital substituted for labour in a drive for greater efficiency. This again bears witness to the long-term approach of German companies.

Training and skills profile

Fourteen companies provided information here. In terms of the overall skills profile of the workforce, three of the companies employed predominantly graduates; six took on mainly unskilled workers and trained them to meet the needs of the company; the remainder had a mixture of skilled, unskilled and graduate level employees. The proportion of the unskilled workers acquiring transferable skills with these companies was thought to be low. Seven of the fourteen companies either took on apprentices or had done so in the past. Of these four retained them upon completion of their training as they were trained to meet a specific need within the company. A further company kept them on if possible. Of the remaining two companies, one had a definite policy of not retaining apprentices and the second, under German management, had in the past always kept them on but today reemployed them only after their service with the company had been broken. It is difficult here to draw any conclusions due to the fact that a diversity of patterns are found in Ireland. All of the companies engaged in on-the-job training and ongoing training of some kind. This record stands in stark contrast to that of indigenous companies (Forfas, 1996). Significantly,

only three of the companies were following a training philosophy and guidelines laid down at group or regional level.

Staff turnover

Twelve of the companies commented here. Eight of these said that their staff turnover was extremely low. Only very few interviewees actually provided any percentages with 10% being the maximum; these would be similar to the German levels. A further three said that staff turnover for them in the past had been practically non-existent but with the current economic boom in Ireland and the competition for labour this was increasing. For only one company did location and lack of alternative sources of employment appear to exert any influence here. The overall trend tended to be towards long service records with the companies interviewed. Three of the interviewees remarked that long service records were characteristic of the group as a whole. One of these said that the owner of the German mother company took a serious personal interest in the staff turnover rates for the individual companies within the group:

"Basically staff fluctuations within the group are seen as a cancer. [...] [The owner] has an abiding personal interest in staff fluctuation. If staff fluctuation went off the wall he would personally get involved. One of the reasons that [our Irish MD] got involved in [another foreign operation] was the staff fluctuation there went through the roof and [he] was asked to investigate. [...] [The owner] will look at all the figures and he will comment on the figures and staff fluctuation is something he sees. As he always says, the name of the company is his own personal name and if somebody leaves the company and is bad mouthing it, they are bad mouthing him and he takes it very personally."

This was the only company where the mother company became directly involved in this issue.

In another two companies where long service would have been the norm, the interviewees felt that there was evidence of a shift in thinking with greater concentration within their groups on bringing in younger dynamic employees and stripping out successive layers of organisational hierarchy, hence decreasing the number of promotion prospects within companies which in turn have a knock-on effect on the length of service.

Six of the twelve remarked, however, that the impact of current labour shortages and the resultant competition for skilled labour in the Irish market place was posing problems for their operations. One of them commented:

"Up to now we thought it was a difficulty that we didn't have a turnover of staff in certain positions because in certain positions it is good to have a turnover because what happens is that new blood comes in and fresh thinking but what has happened in the last nine months is that we have lost 5-6 people, which for us, a small company, is very high. [Our type of industry in our local area] is very buoyant at the moment, very competitive, people are seeking opportunities and saying now is the time to move. The difficulty is that in some cases there are skill shortages, there are a shortage of graduates. It is difficult to get replacements. This is everyone's experience."

In the current economic boom employees at all levels are moving companies in search of better terms and conditions. Poaching is rampant. One company gave the example of a sales representative who had applied to and was turned down by the opposition prior to applying to their company. Having worked for the company for a year and a half he was then headhunted by the opposition just because of the reputation of the company for the quality of its training.

It is interesting to note some of the solutions being adopted to stem this flow of employees. One company which employed very highly qualified graduates who were potentially very mobile, had introduced an employee share scheme. This was the Irish MD's own initiative and the Irish operation was the first company within the group to have introduced such a scheme. The MD here remarked:

"The reason I did it first of all was it was available under Irish legislation. Secondly, we have a very young work force here, average age is about 26, 27. We take on about 20 graduates per year, so these guys and girls are very highly educated and potentially very mobile. That's the way the market is at the moment. But we don't pay overtime, for example, so everybody is working 2,300, 2,500 hours per year, depending on the projects and what they are doing. And they have to be rewarded in some way for that. And I feel the best way of doing that is a buy into the company and the legislation is cleverly drafted that when they get £10,000 worth of shares that they are going to keep them for a while and there is additional pressure on them to stay. It's very important."

Another company was offering better starting wages and a further company was in the process of introducing a company pension scheme and possibly also a sickness payment scheme as a means of demonstrating to employees that they are indeed valued by the company and hence provide them with an incentive not to leave. In all three cases the initiative came from the manager of the Irish operation and not from the mother company.

Evidence of loyalty working both ways was further witnessed by one company's decision not to relocate to a more suitable location in a different part of Ireland as it valued the continued effort of its local workforce over the years and knew that most people would be unwilling to move with it. This company was under German management.

The conclusion to be drawn here is that while staff turnover rates tended on the whole to be low, this would not appear to be the outcome of an explicit mother company policy.

Management of the Irish operation

(i) Nationality of top managers

In 1996 in six of the fifteen Irish operations - all production - the top management was German and all of these managers had previously had a production background with the mother company. By 1999 only four of these companies had German management, the existing German management having been replaced by Irish people. In the two cases where management had changed, the decision had been a deliberate one in order to improve worker relations and turn around the fortunes of the Irish operation which had been struggling under German management.

In three of the four companies with a German manager, the German manager had been in place in the Irish operation since it was set-up. In the fourth where the top management was shared equally by several Germans, all of them had been with the Irish operation for a

very considerable number of years. One German manager of an Irish operation had the following insightful comment to make on the length of time for which expatriates should be despatched. It demonstrates the long-termist thinking of the Germans and in view of the lengthy duration of the stay of German expatriates in Ireland once seconded, it would appear to reflect general thinking.

"Man sollte auch möglichst keinen Mitarbeiter mit einem fixen Termin irgendwohin schicken. [...] Es gibt viele Firmen, speziell amerikanische Firmen, die ihre Mitarbeiter mit 2-3-Jahresverträgen ins Ausland schicken. Ich bin der Meinung, daß dieser Mitarbeiter sich niemals ernstlich bemüht. Für einen, der möglichst noch mit Familie in ein neues Land kommt, braucht er eine ganze Zeit, um sich da zu etablieren, seine neue Umgebung kennenzulernen, um einen neuen sozialen Aktivitätenkreis zu bilden. Und wenn man gegebenenfalls ein Jahr benötigt, um sich irgendwo einigermaßen zurechtzufinden und insgesamt aber nur zwei Jahre hat, dann wird das zweite Jahr benutzt, um sich langsam wieder 'raus zu klinken, d.h. also, daß die aktive Zeit für das Unternehmen, die eigentlich der Sinn der Sache ist, sehr kurz ist. Ich glaube, das sollte sich jede Firma reiflich überlegen, denn Mitarbeiter in das Ausland zu schicken, kostet eine Menge Geld. Und von diesem Mitarbeiter sollte man dann möglichst auch viel Gegenleistung haben. Deshalb bin ich ein großer Freund von offenen Verträgen."

In the case of the nine companies with Irish/British management where the MD was interviewed, seven of these - four engaged in sales exclusively to end customers in Ireland and a further one in sales to other parts of the group, the remainder with production operations - said that it was a conscious decision on the part of the German mother company to have non-German staff and that their general approach to all their foreign subsidiaries was that they should be run by locals so that the company can capitalise on their knowledge and expertise of the local market. In all nine companies top management was composed of one person, a *Fachperson*, which follows the German pattern of senior management positions being held on the basis of *Fachwissen*. For the four companies engaged in sales activities to the domestic Irish market, it is no surprise that these should be headed up by host country nationals as they would usually be more attuned to the demands and methods of the local market than an expatriate.

One mother company interviewee whose company was involved in sales to Irish customers, stressed that it was not their aim to put a German imprint on their foreign operations and that it was important for the motivation of locals to see that they had career prospects with the company:

"wir [...] versuchen grundsätzlich, die Tochtergesellschaften in ihrem nationalen Umfeld als nationale Gesellschaften arbeiten zu lassen und zu führen. Wir haben nicht den Ehrgeiz, ein deutsches Gepräge darauf zu drücken. Da sitzen nur Iren. Es ist wichtig, daß sie in einer deutschen Tochtergesellschaft Karriere machen können. Und daß da nicht immer für die interessanten Stellen nur Leute aus dem Stammhaus kommen. Es ist ganz wichtig, daß die nationalen Mitarbeiter in den Gesellschaften ein Beispiel sehen, daß sie in einer deutschen Tochtergesellschaft Karriere machen können."

The interviewee in a further mother company whose Irish operation now functions as a fully autonomous company, said that they tended to use expatriates only at the set-up stage and then to revert to nationals. It should, however, be mentioned that the expatriates in this specific case, the German senior management of the Irish operation, has never returned to Germany! Another mother company which had no German expatriates in its Irish operation felt that this was a mistake and the use of expatriates particularly at the set-up stage to instil mother company organisational methods and approaches was vital to the success of the operation. This company has since closed down its Irish operation:

"Sie [the mother company] muß eigene Mitarbeiter 'rüberschicken, um die Philosophie der eigenen Firma mitzutransferieren. Daß eben von vornherein ein Controlling im positiven Sinne da ist. Damit die Mitarbeiter dort wissen in welche Richtung sie gehen müssen. Dies haben wir versäumt. Wir hätten permanent Mitarbeiter drüben haben müssen, die die Erfordernisse für unseren Betrieb mitschulen. [...]Sie müssen dort sitzen, wo die Produktqualität entschieden wird. Das kann auch ein Mechaniker sein oder eine Frau, die eine Maschine führt. Aber es läuft meistens darauf hinaus, daß es leitende Positionen sind."

In view of the population statistics for the nationality of the manager of Irish operations set up during the period 1991-1994, the general trend would, however, now appear to be to use locals. Of the companies with German top management, two of them said that when the time came to replace the current German management, knowledge of the sector/product would be a

more important criterion than nationality. A third company said that the replacement should be Irish:

"Er sollte kein Deutscher sein. Wir haben inzwischen einen vollständig selbständig operierenden Laden, der könnte auch überall sonst als selbständiges operierendes Unternehmen fungieren und es gibt alle Funktionen, die notwendig sind und es gibt keinen vernünftigen Grund dort einen Deutschen hineinzubringen. Da wird mit Sicherheit einer der irischen Mitarbeiter oder ein neuer Mitarbeiter, auf jeden Fall ein Ire, dann das Ruder übernehmen."

The general approach by German companies towards the management of the Irish operations would, therefore, appear to be polycentric.

(ii) Shared top management

As was identified above, a feature of German business culture is the fact that top management is often shared equally among two or more people. This feature was also identified in two of the Irish operations in the sample. In one of these all members of the top management team were German, in the other, management was shared between several people, one of whom was German. In both cases senior management decisions were reached by a process of consensus between all of the members, with each having an equal say. This is a clear example of the transfer of the German collegial system of management to Ireland.

(iii) Growth of management in-house

Twelve companies provided information here. Only two said that they did not grow their own management and that this was because either the Irish operation did not have suitable existing employees or the interviewee was the only manager in the operation. The remaining ten companies developed their own management where possible or used a mixture of internal and external recruitment. One company said that for top management positions of foreign operations, it was group practice to transfer expatriate managers from existing group companies. This appeared to be the only company pursuing such a strategy. An additional four of the companies, all with Irish management, were following mother company guidelines

in succession planning. In the case of one of these, the mother company had only just begun to play a role here; in the past succession planning had been left entirely in the hands of the local Irish MD. This change of policy coincided with an increase in the overall strategic importance of the Irish operation to the group as a whole. The mother company had also adopted a geocentric approach to promotion and was interested in identifying potential candidates for promotion to positions arising throughout the group.

It was interesting to note in two of the companies with Irish management where the Irish top manager was about to retire, the mother companies said that the replacement was to come "aus der eigenen Mannschaft" in Ireland. This was also the case for one of the companies with a German top manager. The reason given for this by one of the companies was: "Weil wir ihn kennen und ihm dies zutrauen". In all cases the fact that the company knew this person and he knew the company was regarded as very important. It was seen above that six of the eleven interviewees holding the position of either MD or General Manager had been grown in-house. There was also evidence of this being the case for other key senior people.

As was seen in the section on the German mother companies above, the growth of the management in-house appeared to be the norm in Germany.

Industrial relations in the Irish operations

The pattern of industrial relations within the Irish operations followed very much the Irish pattern. Five out of the fourteen Irish operations had no union. Three of these were engaged primarily in white collar activity and so this would be nothing exceptional. In one case the Irish interviewee stated that this was the preference of the German mother company. This is unusual in view of the position of trade unions in Germany. Three of the five companies followed a strong Human Resources (HR) approach with individual negotiation

between employees and management, which in essence amounted to a union substitution strategy. This policy was also followed by another company which had only a tiny proportion of its workforce organised:

"We don't have a very strong union here. Why? Because we have a very strong HR policy for our people to develop and once we have positive HR well then staff will say, "what's the union for? It doesn't add any value"."

Six out of the fourteen companies had only one union. Three of the respondents stated that this was company policy, in a further company with two unions, negotiations were always joint. This could be seen as an effort to ensure the German system of one plant, one union. Two other companies had more than one union and in both cases negotiations were carried out separately.

Three of the companies sent representatives to the meeting of the group's European Works Council (EWC). In all cases this was viewed merely as an information session and did not have the power or brief of a German style works council. In two cases this representation was to conform with the European Works Council Directive. For the third company their EWC had been in existence ever before it became a legal requirement.

Only one company, under German management, had tried to introduce company meetings along German lines where top management and the shop steward committee would report to the workforce followed by a question and answer session. This, however, did not work. The reason given by an Irish manager here was that Irish blue collar workers feel more comfortable when it is just the shop steward committee and themselves as there will always be a few 'messers' or people 'sparing off each other' as well as a certain shyness and distrust of management.

It is extremely interesting on the industrial relations front that the German mother companies with their works councils and *Mitbestimmung* and their associated benefits have not actively sought to introduce these in Ireland. The question arises as to why this is so? Does it point to the fact that German companies embrace these concepts only because they are legally bound to do so? Is it that such mechanisms not only have a price tag but also curb management prerogative and hence are viewed as an unnecessary obstacle in an operating environment in which they have not been institutionalised? Or is it the case of "if it ain't broke don't fix it"? The latter was certainly the opinion of one of the Irish interviewees who said that the Irish operation prior to the introduction of a partnership approach on the initiative of the Irish management had, on the surface, appeared to be running smoothly in that it was meeting its targets and hence the German mother company was reluctant to agree to proposed changes even though internally the management-workforce climate was standing in the way of progress and greater efficiency.

(i) Sick pay schemes

Unlike in Ireland, all German employees regardless of their status are legally entitled to receive 80% of their normal wages from their employer for a period of up to six weeks in the case of illness. Furthermore, companies employing more than 20 (excluding trainees) may claim 80% of this outlay from the *'gesetzliche Krankenversicherung'* (mandatory health insurance for the majority of those not self-employed in Germany) (Gabler, 1997 p. 1121). Although sick pay in Ireland is now the norm for white collar workers, this is not the case for blue collar employment. Five of the Irish operations falling into the latter category mentioned that they had a company sick pay scheme and a sixth company was endeavouring to implement one. In four cases it was clear that this was the initiative of the Irish operation, only one of which was under German management. In view of the fact that there is no legal requirement for such a scheme in Ireland, the provisions and duration varied greatly. In no case, however, was the German standard adopted. The underlying rationale for the

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introduction of such schemes (mentioned by three of the companies) would appear to be to demonstrate to employees that they are valued by the company. This was viewed as particularly important in the light of the situation of a tight external labour market in Ireland in the late 1990s.

Given the concern of the German mother companies with the bottom-line (which will be seen later in this chapter) and their choice of Ireland due its lower wage bill, it is no surprise that mother companies have not sought to add this unnecessary cost item to their operating costs.

Functional mobility

Eleven companies provided an answer here. Of these nine said that functional mobility took place within the Irish operation. Only three of these commented that they were following a specific mother company policy here. Interestingly enough, one of the companies said that this corporate policy had only been introduced in the last three to four years and had not been the only change observed by him to the group's traditional German business culture. In the case of the remaining companies, the policy was decided by the management of the Irish operation. The reason given by one of the companies for employees remaining in their functional areas was due to the small size of the Irish plant and the resultant limited opportunities open to the workforce. It was obvious here that for the most part there was no mother company interference on this front.

5.4. The relationship between German mother companies and their Irish operations: co-ordination and control

(i) Operational control

The amount of operational control exerted by the mother companies over the Irish operations depended above all on the extent of the range of operational activities engaged in

by the operation, with those acting as dedicated producers for mother companies providing them with all their contracts, inputs and absorbing all of their outputs for distribution to end customers, being more tightly controlled. It was seen that in some cases age also played a role. Operations which had successfully expanded their range of activities over time - even since the interviews with their mother companies in 1996 - as well as those which were functioning smoothly, experienced less operational control from their mother companies in 1999.

Only one production company said that the mother company involved itself in the day-to-day running of its business. The Irish operation had not been in existence long, had no production planner and the production schedule was dictated from Germany. A possible reason here for this high level of intervention could be that the Irish operation in question was experiencing severe quality problems and has since been shut down.

In the case of the production companies where orders were received from Germany, the internal planning on the ground in Ireland was entrusted by the mother company into the hands of the local management team. As long as production targets were met, the mother company did not tend to get involved in the day-to-day running of the companies. Information was available for nine of the ten production companies. Five said that their annual production targets were supplied by the mother company; three decided these jointly with the mother company, and one set its own targets as it was run as a fully autonomous operation with just a reporting relationship to the mother company. Here again the extent of the activities of the Irish operation determined the degree of mother company involvement.

In the eight companies involved in production which were not take-overs, the production equipment used by them was either second hand from the mother company or bought new in either Germany or Ireland but identical to that already used in the mother

company - this was particularly true at the set-up stage. One German manager of an Irish operation aptly summarised the practice and the rationale behind it:

"Die [the machines] waren alle neu, aber absolut identische Einrichtungen und das ist das, was man jemandem, der irgendwo eine Fertigung einrichten will, nur so empfehlen kann. Daß man die eigene Erfahrung mitnehmen sollte und dazu gehört der Maschinenpark. Wenn man also an einem neuen Standort, nicht nur mit neuen Mitarbeitern, sondern auch noch mit unbekanntem Equipment anfängt, dann lädt man sich Probleme ein. [...] Wir haben alles das, was gut war [in the German operation], kopiert. Harmlos kopiert. Wir haben also unsere Arbeitsmethodik mitgenommen, unsere Zeitwirtschaft. Wir haben erst im Laufe der Jahre Eigeninitiativen entwickelt, aber zunächst mal alles kopiert."

All four of the sales operations said that the German mother company did not intervene in their day-to-day affairs providing they adhered to their agreed performance targets. It should also be remembered here that these sales operations had been successfully operating in Ireland for many years.

Suggestions for improvement

When asked if the mother company made suggestions as to how the Irish operation could improve its performance, thirteen companies provided an answer here. Of these only three said that this was not the case. One of these said that all initiatives to optimise efficiency had come from themselves. The other company stated that no real suggestions were made for improvement regarding day-to-day activities because the mother company felt that the Irish operation was better placed to make judgements here.

Three of the companies commented that the suggestions made by the mother company were not binding. For one of these they were the result of collaborative think tanks. Another company had this to say:

"they [mother company representatives] are not dictatorial, dogmatic [...] unless the figures are not going well, then they will interfere and they will interfere like a ton of bricks."

Suggestions were often of a technical nature and could flow in either direction although the receptivity of the mother company varied substantially. They also concerned

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financial aspects of the company's operations as seen in the English quotation above and in the following comment from an Irish manager:

"they could ask us to look at our asset management, our turnover or various, if you weren't turning over your stock levels at a high enough frequency, they would have some benchmarks, like asset management is now a very big issue within the company, to get the working capital down, that type of issue, yes, they would give you guidelines on that."

Conclusion

Operational control by the mother companies, therefore, tended to take the form of monitoring actual performance against targets and making suggestions for improvement. Most mother companies did not appear to involve themselves in the day-to-day affairs of their Irish operations.

(ii) Control over strategic resources

R&D/expertise

Practically all of the Irish operations regarded their mother company as a resource - this encompassed in the main R&D in the broadest sense, technology and specialist expertise. Once again the level of dependence here was very much determined by the range of activities of the Irish operations. Among the production companies it was typical that all development work was carried out in Germany with any R&D activities in Ireland being of a rather low level. Only two Irish operations had their own dedicated R&D facility. One of these would still, however, turn to either the mother company or other parts of its group for specialist expertise.

Among the four operations engaged solely in sales operations, three of these were exclusively selling goods produced by the mother company and hence were also reliant on mother company R&D activities.

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Finance

(i) Bottom line orientation

As was seen in Chapter Three, financial control is one of the principal means by which mother companies exercise control over their affiliates. Ten of the Irish operation interviewees stated that their mother companies were very bottom-line orientated and would only interfere in the affairs of the Irish operation if there was a problem here. One of these remarked:

"provided the company is running well and they can see that the company is running well, which they can see by the level of profit, then you won't get too much interference."

Four of the companies, all public listed companies, said that the shareholder was uppermost in the mind of the mother company when it came to decision-making. Three commented that this had not been the case in 1996. This coincides with the advent of shareholder value in Germany in the intervening years. One reason given by one of them was that the younger generation of shareholders in Germany was not interested in low dividends. According to one Irish interviewee although the group had gone public only in recent years, the philosophy of the company - originally a family owned one - had always been bottom-line orientated with heads of affiliates being fired if their operations failed to perform adequately. This company, however, proved to be very much the exception to the rule of the traditional German modus operandi.

(ii) Pricing

Interviewees were asked how the selling price of their products was determined. Twelve provided an answer here. Two Irish operation interviewees said that they decided this independently of the mother company. Both of these were fully autonomous operations. Eight commented that the process was either the result of discussion between the mother company and the Irish operation or the Irish operation was provided with a guide price list from the mother company and given flexibility to negotiate around this. In some cases, however, the mother company had pan European pricing. In all cases market price levels were

taken into account when deciding prices and products. One company had in the past sold everything at cost to the mother company in Germany but in recent years this had changed and it was now deciding its own prices and despatching directly to the end customer. For the final company the mother company decided the prices for the contracts despatched to Germany and the Irish operation could decide with agreement from the mother company for contracts it secured itself.

(iii) Expenditure levels and investments

Twelve of the Irish operations gave information here. Apart from one company which had to receive approval from the mother company before purchasing even one new computer - more than likely due to the operational problems it was experiencing - the general picture which emerged is that most companies had fixed levels of expenditure above which they needed to get approval from the mother company. While the level was very much dictated by the size and turnover of the Irish operation, in general terms it was only for large investments in capital equipment, land or acquisitions that this approval was required. What is interesting to note here was that for the most part the suggestion for the investment came from the Irish operation. Only two of the companies complained that the approval process in such cases was too long. In one case this was due to the small size of the mother company and in the other to the small size of the Irish operation in relation to the group as a whole:

"Anything over [x deutschmarks] we have to go to the central board for approval. So if we wanted to acquire a company here [...] it is quite a difficult process to have to go through both internally and externally to get that approved. So that takes a bit of time. Actually we were trying to get acquisitions in the last few years [...] the companies weren't available to us in the end but to get that through [the mother company] it takes time, [it is] slow and that is one of the problems we have. We see a company that we want to buy very quickly and I think the parent company won't move quickly in Ireland because we are a very small country. They may not give it the attention that I feel it should get, but then I can understand that in a very large company where they are meeting acquisitions on a global basis, so that is one of the disadvantages of being a small subsidiary."

The same interviewee said that the mother company was not prepared to short-circuit procedures in such cases.

Generally, large items of expenditure tended to be planned for by the Irish operations and included in their annual budgets agreed with the mother company hence they did not pose a problem.

(iv) The financing of the Irish operation

Information was received here for twelve of the Irish operations. The majority of the companies were more or less self-financing, however, except for two, all stated that should they require a loan, group finance would be their first option. Among the two exceptions, one of these was being financed by a German bank and the other - completely self-financing - said it would seek financing from an Irish bank.

Conclusion

Generally greater control over strategic resources was in evidence particularly with regard to all decisions relating to pricing or those which involved the long term commitment of financial resources and hence would affect end of year figures.

(iii) The imposition of standards

The interview questionnaire examined this type of control exerted by the mother company in three areas: the imposition of specific work practices, record-keeping systems, and quality assurance systems.

Imposition of specific work practices

Ten of the Irish operation interviewees commented on whether or not the mother company imposed specific work practices in the Irish operation. The reply from nine of these was a clear no. Indeed one Irish interviewee said that he would meet such a move with resistance. The philosophy of his mother company was to allow foreign subsidiaries a high degree of discretion:

"They never have [imposed work practices] and I would resist it... unless it was a technical issue or something specific, but [the group] as an organisation has always had a decentralised management structure. They believe, for example, that each company should be managed by a manager with the national culture of that country, [...] that comes from a view that different countries have different ways of operating, which is appropriate to that process, so they don't interfere whatsoever. There might be a situation if things weren't going so well, they might start getting involved, but it hasn't happened actually here [...] I think the current management philosophy in [the mother company] especially is 'if it's not broken don't mend it'. As long as you keep growth in your organisation you are given plenty of opportunity to develop."

The final company said that while the mother provided certain guidelines these were not viewed as the mother company throwing its weight around in the Irish operation:

"Obviously there are guidelines. There are guidelines in lots of things we do but if you ask me are we adhering to the guidelines, I would say yes but I don't know what they are so that tells you in itself that we don't take out the manual and ask are we adhering, it has evolved over the years."

This latter comment reflects the following one by a German mother company interviewee:

"In der Regel zeigen wir ihnen [the Irish], wie wir das gemacht haben, aber, ob sie das hinterher so tun, ist uns eigentlich egal. Das Endergebnis muß das gleiche sein."

Here again one sees evidence of a polycentric approach by the mother companies who were concerned more with the end result as opposed to the manner in which it was achieved. Three of the interviewees answering no to this question were under expatriate mother company management or had been for lengthy periods in the past. It could be assumed here that at least some of the practices to which the expatriate had been exposed in the mother company might be implemented by him in the Irish operation even without explicit instruction from the mother company. Additionally two of the companies for which no information was available were and have always been managed by expatriate mother company employees.

Record-keeping systems

The answer for nine of the ten companies providing information on whether or not the mother company imposed a specific system of record-keeping in the Irish operation was no.

Generally reporting was the only enforced system here. Other records which the Irish operations were obliged to keep did not emanate from the mother company but from international or industrial standards organisations e.g. ISO or were industrial requirements. The final company had to maintain testing records for the mother company but this again could be viewed within the context of industry wide standards as opposed to individual preferences of the respective mother company.

Quality assurance systems

Eleven companies provided information here, ten of which had at least one ISO accreditation. Six commented as to whose initiative this was. In two cases it was clear that the impetus came from the Irish operation which had been in existence for many years. One of these commented:

"We were the first affiliate to get ISO 9000 and we did it on our own. We always like to try to be the first and the best"

and in a third case from the company's customers.

In a further company the decision had been a joint one but there was also pressure from the industry. In two companies it had been a mother company idea.

Two Irish interviewees commented on the requirement as an Irish company to have such accreditation:

(Company 1) "ISO 9000 - Ireland - I don't know if it still the case - used to have one of the highest percentages of companies. The Germans would say we don't need to do that. We [in Ireland] are eight times more dependent upon exports than the US so we need to have all these certificates and baggage, they don't. [...]The company [in Ireland] had to get ISO 9000 to continue doing business."

(Company 2) "I know 5 or 6 years ago if you weren't ISO [accredited] you couldn't tender for some of the main bodies here [In Ireland]."

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Whereas in some cases German mother companies introduced ISO throughout their operations, they themselves were often the last part of the organisation to actually achieve the accreditation - this could of course be due to their size in comparison to the affiliates and the added difficulty of obtaining the certification.

Interestingly, in one Irish operation which felt it enjoyed more independence from its mother company than was the norm within the group, the quality assurance person reported first and foremost to the German mother company:

"The Irish QA [Quality Assurance] person reports directly to the German QA person with a down line to me [the Irish MD]. OK, I think that is trying to symbolise something, that we have become strategically important for [the mother company] and that we are making their - we would call it - their family silver now. We have the key products here so they want to, I suppose, ensure that there will be no local variations on quality assurance, regulatory decisions. So it is a way of doing that."

This, however, was the only such example in the sample and may be explained as the interviewee himself said, by the increased importance of the operation to the mother company.

Overall four of the interviewed companies were actively involved in quality initiatives which were not instigated or driven by the German mother company. As one Irish interviewee commented:

"We are the only company within [our group] with a full time quality manager. [...] the driver if you like from our point of view was when we evaluated the business ... where we were making money and not making money, losing money, I came very quickly to the conclusion that the key to success in our business is getting it right first time."

The evidence here highlights the perceived need among Irish companies to obtain external attestations of quality. In view of the high quality associated with products made in Germany, one would have expected intervention on the part of the mother companies here. Indeed some mother companies with older Irish operations did comment on the quality issue being a problem at the outset. It is quite probable in such cases that quality thinking had been

introduced over the years in these Irish operations and coupled with the Irish drive towards international accreditation, the role for the mother companies thus became less obvious.

Marketing

The four companies engaged primarily in sales operations in Ireland all commented that their marketing was influenced by the centre (mother company headquarters). This was particularly true of corporate identity e.g. logos, brochures etc. but also manifested itself in advertising campaigns which while having a local format needed to be in line with the wishes of the centre. The picture which emerged was that the overall strategy or framework was often drawn up by the centre and that the affiliates were then allowed to work on their own local initiatives from within that framework.

Conclusion

It would appear, therefore, that apart from issues to do with corporate identity, the main impetus for the adoption of standards is not the mother company but rather national and international bodies or customers. There is evidence here of international or global best practice being more important than the mother company. As corporate identity, literature etc. is crucial to how an organisation is viewed in the marketplace and the values/qualities it is perceived to embody, it is no surprise that the mother companies should be so actively involved here and exert control to ensure a certain level of uniformity throughout their operations both at home and abroad.

(iv) Performance monitoring instruments

Planning and strategy

When examining the amount of discretion that the Irish operations enjoyed with regard to both planning and strategy, the range of their activities needs to be borne in mind. It should not be forgotten that the vast majority of the affiliate companies engaged in production

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in the sample, were totally reliant on their mother company for survival, their operation consisting to all intents and purposes of just filling orders received from Germany. The word "strategy" must, therefore, in this case, be relativised. As one German mother company interviewee put it when asked who drew up the strategy for the Irish operation:

"Dies ist eine schwierige Frage, weil das Tochterunternehmen keinen Einfluß auf die Produkte hat. Wir entscheiden mit dem *General Manager* [in Ireland], welches Produkt produziert wird. Dies würde ich nicht als Strategie bezeichnen, das sind Sachentscheidungen. [...] Ziele hört sich so strategisch an. Wenn wir über Ziele reden in Zusammenarbeit mit Mutterunternehmen und Tochterunternehmen, meinen wir Ziele in Zusammenarbeit von zwei Fertigungsunternehmen. Die Mutter lebt von dem, was die Tochter zur Verfügung stellt, und letztendlich sind keine großen Ziele zu definieren. Man kann eigentlich nur über Produkte/Produktsegmente reden. Und man kann dann vielleicht sagen, welche Produktsegmente das Tochterunternehmen im nächsten Jahr bekommt und daß es überprüfen soll, ob es die richtigen Prüftechniken dafür hat etc."

In these cases planning and strategy for the Irish operation tended to consist of annual production target setting for the Irish operation. In pure production operations this was done by means of the mother company presenting the Irish operation with a production schedule which was then either imposed or agreed by both sides.

For the companies in the sample who had discretion to develop their own strategies which would then be agreed with the mother company, the role of the mother company was to develop the strategic direction for the group as a whole and the strategies and plans needed to be approved by the mother company to ensure that these were in line with the overall course plotted by headquarters. One Irish interviewee commented:

"There is no point in saying we are here now and we are going to be there in five years time. And the company says we won't have products, we can't position ourselves there or we can't grow fast enough, or they can say yes this is a key market we are growing very fast here by the way we expect you to do more in that area, we want you to do more than your projections. So then we put it all in and sign it off and then the whole package goes to the central board."

There was only one exception to this rule. In this particular company the main group strategy was put together by the mother company and major decisions could be made by it affecting

the various parts of the business without the individual companies being consulted. The internal planning and strategy for the Irish affiliate itself was drawn up by its own management team and the internal objectives were not shown to the mother company nor were they requested by it. The attitude of the Irish management was that the Irish operation needed not only to be the best at what it did within the group but in the world so that if the group should be taken over its long term independence and survival was ensured.

Reporting

As mentioned above reporting on a regular basis to the mother company was usually the only enforced system of record-keeping imposed by the mother companies. Thirteen of the sample Irish operations provided an answer here. Eleven of these reported on a monthly basis. Of the remaining two companies, one reported on a daily basis due to the quality problems it was experiencing and the other on a weekly basis. All but two of these companies used a set computerised format imposed by the mother company. The primary thrust of the reporting in all cases was financial data but also included production and personnel data as well as progress against annual targets or plans. Many companies also incorporated some level of future projections. These monthly reports were generally used by the mother company for the purpose of corporate monitoring. Feedback if provided was usually in the form of general information about the progress of other parts of the group or requests for clarification of certain items mentioned. The role of the reporting in all cases is aptly summarised in the following quote by one of the mother company interviewees:

"Die Berichterstattung ist auch ein wesentliches Instrument für die Wirtschaftlichkeits-kontrolle der Gesellschaft vor Ort."

Technology

The use of IT to remotely monitor the day-to-day activities of foreign affiliates would not appear as yet to be a very widespread practice. Only two of the sample companies

mentioned this. One of these had only recently installed such a system in 1996 and the other was about to install one in 1999. For the second company the MD was still not clear what exactly this would monitor but his comments are interesting:

"Basically they will be able to pick up everything, every single transaction. [...] Production, finance, I would say maybe personnel, pay and overtime and all that kind of thing. I am assuming that practically everything that is currently captured in our information system, in our management information system, will be available."

Conclusion

As the primary objective of every mother company is to ensure a smoothly running operation in all parts of its organisation, co-ordination in the form of performance monitoring instruments is necessary to establish whether or not this is actually happening as well as to identify the remedial action needed in problem areas. Even in mother companies pursuing a polycentric approach with a minimal link to their Irish operations, the instruments of planning and reporting were essential in order to co-ordinate the group as a whole.

(v) Personnel policy instruments

Personnel performance monitoring

The questionnaire here examined the extent to which mother companies were actively involved in performance appraisal and the deciding of promotion and salary increases in the Irish operations. Twelve companies provided information here.

In all cases the MD's salary was decided by Germany. Two companies said that international salary benchmarking methods were employed. In ten of the twelve companies promotion and salary decisions for the rest of the Irish workforce were decided by the Irish management team and these formed part of the annual budget. In the remaining two companies although the Irish plant manager made the internal decisions one was provided with cost guidelines from Germany and the other had to discuss his recommendations with Germany.

In only one case did the Irish operation mention that its German mother company had recently introduced a group wide performance appraisal programme for all employees to be carried out by German representatives.

Mother company involvement in recruitment

Ten companies provided information here. Only one company, part of a large multinational, said that recruitment criteria for specific jobs were set at a regional level by working groups:

"No you can't willy nilly just go out into the market place and recruit. It is becoming a lot more competency based. The company has identified [certain] competencies that are important that the company needs to have to make it successful. [...] Every job description has been updated and has a set of competencies attached to that job.

Another company in the early stages of its operation had to seek approval from Germany to recruit for all levels above operative level. Otherwise the picture which emerges is that recruitment on the whole was left up to the local management team and that the mother company only became involved in appointments at the senior management level (MD, finance, production and possibly also quality control). The involvement of the mother company here was either in the form of actively participating in the actual interview process or at least discussing the short list proposed by the Irish operation. One Irish operation whose mother company took part in high level interviews said that this ensured that where wrong decisions were made in the appointment of key personnel, the blame was also apportioned to Germany!

Presence of expatriates

The policy of the German mother companies on the nationality of top management in the Irish operations has been discussed above.

Nine of the fourteen companies interviewed in Ireland had no expatriate presence whatsoever in their operation. A further company had no other function apart from that of MD held by a German. Four of the nine mentioned that they had in the past had Germans with them as part of a mother company management development programme. These were usually young graduates and stayed for periods of between six and twelve months. They also said that they could have German experts, despatched by the mother company, for up to six months.

Among the four companies with expatriate presence in functions other than that of MD, all of these were engaged in production or were fully independent operations in their own right. The sample size here is too small to draw any definite conclusions but suffice to say expatriates were found in the following positions: secretarial staff, technical/production management, design, engineering and quality control. The level of this presence was very low with usually no more than two or three expatriates apart from the MD.

Training in Germany/by Germans

For twelve of the fourteen companies, the German end of the group's operation provided a source of expertise with Irish employees being sent there for training or German expatriates visiting the Irish operation for this purpose. The extent to which this resource was utilised varied from company to company and depended on the nature of the operation's business, its age and the general rate of development of the group. The principal types of training mentioned in this context were technology transfer, quality control and management. Of the five interviewees who were in a position to speak about the early days of their company's operations in Ireland, four said that training by expatriates or by sending contingents of the Irish workforce to Germany had been important. In the fifth company initial training had been carried out by a third country national.

Conclusion

The principal involvement by the mother company in personnel matters in the Irish operation was in the form of the appointment and deciding the salary of the MD and the appointment of other key people. As was pointed out in Chapter Three, given that these people are central to determining the success of a foreign operation (Pausenberger, 1983 p. 42), it is normal practice for mother companies to involve themselves here in order to establish that these candidates can be trusted to run the operation properly and possess the prerequisite qualities to be able to do so.

(vi) Communication instruments

As seen in Chapter Three, communication between mother company and subsidiary regardless of what form this may take, is an important element in their relationship. Information for all fifteen Irish operations was obtained here. Thirteen companies had some form of daily contact with the mother company in Germany or with the region to which they belonged within the group. Of the two remaining interviewees, one was not an MD and had contact once or twice a week with Germany. At the time of the interview in 1999, this company was just about to go on-line and hence it is likely that the amount of contact would thus increase. In the case of the final person, contact with the mother company was as the need arose which could be daily or once a fortnight. The nationality of the MD did not play an influencing role here.

All forms of modern communication particularly phone, fax and email were used. The reasons for this level of on-going contact were many and varied and covered all aspects of the Irish operation's business from information on products being produced for the Irish operation in Germany to financial and technical issues. Here again it would appear that the mother company was very much seen in the light of being an important resource upon which the Irish operation could draw.

Visits

Visits both to the mother company and the foreign affiliate are also important communication instruments. In all of the interviewed companies visits took place on a fairly regular basis in both directions. Overall no clear pattern emerges but the following observations were made. Firstly, Irish operations experiencing problems in terms of quality control, production, sales etc., automatically received more visits. Secondly, the number of visits tended often to increase as the affiliate became of more strategic importance to the mother company. Thirdly, companies involved in project work or tasks which relied on an on-going basis on expertise to be found both within the mother company or other parts of their group received more visits from a wider variety of functional areas than those engaged in a relatively straight forward production operation. Fourthly, affiliates experiencing change of any kind, be this the introduction of new processes or products, also experienced an increased level of visits. Older stable operations tended to see a decrease in the number of visits they received. It was also significant that meetings between affiliate and mother company representatives did not necessarily have to take place in either Germany or Ireland. If the Germany mother company was a large multinational these regular meetings usually involved the bringing together of representatives from all of its affiliates and as such the location of the meeting often changed from one meeting to the next.

(i) Visits by mother company representatives to the Irish operations

With regard to the visits of mother company representatives to the Irish operations, the functions of those visiting tended again to depend on the nature of the affiliate's business. Common to all operations in recent years were, however, visits from IT people from corporate headquarters. Other functions included product or technical experts - to discuss both new product ideas and sort out any technical problems - and senior personnel from the mother company e.g. owner, divisional heads. The reason for the latter group's visits included

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courtesy visits so that the German mother company did not appear to be too remote from the Irish employees, information exchange, review and discussion of results, and plans for the future including investments. In one case the Irish manager of an Irish operation said that in the past mother company representatives had come to Ireland to learn new production management and quality control techniques from himself but this was the exception to the rule.

Generally the affiliates' impression of such visits was that they were non-threatening in nature as can be seen by the following comment from one Irish interviewee in a sales operation:

"[The function of these visits is] To see what is going on. How the company is operating and pick up some information and pass on some information. Not very much done from [the point of view of] looking over your shoulder, to see are you doing your job. They are generally not that kind of a visit. Generally from the purchasing department, they are set up to make sure you are going to do all your purchasing with them. As we point out to them, we are a customer of yours, if you don't give us better prices, we will go some place else, and we have done it."

For another company board meetings in Ireland consisted of two high profile German mother company representatives and two Irish representatives where the Irish MD determined the frequency of such meetings which served his own purposes. He had also had a decisive role to play in the choice of one of the German representatives:

"I insist they come over at least twice a year just to keep the profile of the [Irish] company pretty high, so the choice of the second guy was calculated.[...] [The function of the board is] to back me up in the promotion of this company, to try and get investment to develop and expand the business or proposals like that. It is really to try and steer the company through these people because they are at high levels in [the mother company]."

In one company due to the popularity of trips to Ireland ("Ireland tourism"), it was mother company policy to restrict such visits to key people only!

Concerning visits by representatives from the Irish operations to the German mother companies, there was again no clearly detectable pattern here except that in all cases the Irish MD was usually the most regular visitor. The reasons for such visits once more included information exchange on all aspects of the business from targets to new products, getting to know opposite numbers both in the mother company and other affiliates and hence the building up of informal networks, meeting customers, visiting other business units in the group, attending conferences organised by the mother company etc.

Apart from the Irish MD, other affiliate employees who tended to visit the German mother company included finance, production/engineering, and quality control people. Here also the frequency of such visits tended to depend on the activities of the operation and in all cases they amounted to just one or two visits a year in total and were, therefore, less frequent than those by the MD. One mother company pursued an active policy of bringing together employees of all levels from all parts of its group for an annual gathering in Germany with different people being selected each year by the affiliates.

Conclusion

All of the Irish operations interviewed were in frequent contact with their mother companies. In all cases, this was viewed positively and not cast in terms of 'Big Brother'.

(vii) Organisational culture
Sense of belonging

One of the functions of organisational culture as highlighted in Chapter Three is the identification function that organisational culture provides employees with; it gives them a sense of belonging to the organisation. In the interviews with the German mother companies and their Irish operations, seven of the fourteen mother companies and their Irish operations said that the mother company pursued a policy of making the Irish employees feel part of a

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bigger group. This usually took the form of organisational newspapers, newsletters, corporate literature, company briefings by visiting mother company employees and interaction at a personal level with Irish employees during such visits. In two cases it was the management of the Irish operation and not the mother company that promoted this sense of belonging to the German group. Six of the seven companies here were managed by Irish nationals. Of the three Irish operations managed by German nationals, two said that the mother company fostered no sense of belonging and in the third company this was done by the German manager in Ireland.

While the sample size does not allow one to draw conclusions with any great degree of certainty regarding the influence of the nationality of the manager of the Irish operation here, it could be assumed that the German managers in Ireland as former employees of the mother company, would already feel a sense of belonging to the greater group and hence the apparent lack of necessity for the mother company to be active here. From the types of initiatives undertaken by the mother companies, it can be concluded that this is the approach they adopt towards all of their operations both national and international and no extraordinary effort would appear to be made for Ireland.

Explicit organisational culture

It was pointed out in Chapter One that organisational culture can be a very difficult phenomenon to actually pin down. This is due to the manner in which it has evolved, whether, for example, it was a deliberate strategy pursued by the founder or simply grew organically over the years. Furthermore, organisational culture may be either explicit or implicit but in either case it is essentially something which is 'perceived' by those working within the organisation.

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In order to ascertain whether or not the German mother companies used organisational culture as an explicit means of organisational control of the Irish operations, the mother company interviewees were asked whether or not they felt that the mother company had an organisational philosophy or culture and what were its constituent elements. Eight of the fifteen mother companies had an explicit organisational culture usually set down in the form of *Leitsätze* detailing centrally held organisational values or methods which could be found in their corporate literature. The question which usually arises with regard to such organisational principles is to what extent are these merely a Public Relations exercise as opposed to something which embodies the approach the actual company adopts to its customers and employees. Interestingly, two of the companies with such *Leitsätze* were unable to tell the author what these were! This could, of course, simply mean that these principles were so well-established and absorbed by the organisations that they had become the underlying assumptions guiding organisational behaviour (Schein, 1985).

The interviewees in the Irish operations were also asked whether or not they felt the Irish operation had the same organisational culture as the mother company. Only three felt that an organisational culture was imposed or at least fostered by the German mother company or group. In a further two companies the Irish MDs had been so long with their companies that they were incapable of detecting anything specific. When one of these was reminded about the 'vision' of the mother company set out in its corporate literature, he remarked:

"It is not a company that has a very strong culture centrally that it imposes on people. It very much respects the individual. Doesn't try to clone people, let's put it that way [...] OK I know I am working for a German company, I can see some of the Teutonic nuances, but certainly in my experience, they don't say we must do this or we must do that, maybe German companies did that 20 or 30 years ago but that's gone. [...]it does allow the company to develop its own management. [...] It [the vision] is not a culture. It is trying to get people involved, give people more responsibility. If you call that culture well then yes, it is not done in a ... we all get up in our uniforms and sing around like IBM used to do years ago, but isn't done any more."

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In one of the companies in which the centrally driven organisational culture was part and parcel of the Irish operation's day-to-day activities, this was viewed as very positive by the Irish interviewee, by no means a method of controlling it but rather a way in which both the employees of the Irish operation and the other parts of the group could optimise their interaction. This is evidenced in the following quotation:

"You don't have very much interference from the division heads in Germany. I had three people from the divisional office over two weeks ago. They travelled with some sales reps. They came back and they requested some of the techniques that we use for [x]. They thought it was very good so it's more I suppose you could call it a joint think tank that we all get involved in. We pass product sheets to each other at [group meetings]. I might have a product I'm selling here in Ireland and a guy might say where are you buying it, where are you getting it? [...] the hierarchical structure even within the company here, we don't have a very much top down [approach]. Like the company has to be run and it has to make a profit [...], but it is very much an open door type of management and that's not just here, that's throughout the Group, but I would have to say that we were probably in line with the [Group's] thinking being one of the strongest exponents of the open door management style.

In another company with an extremely long-term group vision, this vision was regarded by the Irish operation as a very wide vision, something which provided an overall direction without acting as a straitjacket:

"It does give a certain direction and a certain framework to everything that we do. You would ask yourself where is what we are doing adding value within that vision [...] It is a clever enough vision. Every single individual has the right/the empowerment to go and pursue initiatives in pursuit of this vision."

By virtue of the manner in which this vision was derived first day, based on the input of work groups throughout the organisation, the general feeling was that it was not 'imposed' but that all parts of organisation had 'ownership' of it.

Does the Irish operation have a 'German feel' to it?

Allied to the notion of an explicit organisational culture is, of course, whether or not the Irish operation feels that there is a 'German feel' to its operation. Six of the fourteen interviewees in Ireland said that this was the case. Three of these were managed by German management and this was the reason given. In the remaining three companies, one company

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which enjoyed and pursued tremendous independence from the mother company, remarked that the market perception is probably that the Irish operation had a German tinge due to the quality of its engineering capability. In two of the five companies the 'Germanness' of the company was perceived to lie in the emphasis on organisation and order in the companies, both traditional German attributes.

The fact that the majority of the Irish operations - eight - did not perceive themselves to have a 'German feel' would serve to underscore the polycentric approach, in Scholz's terminology "multicultural" culture transfer strategy, adopted by the German mother companies vis-à-vis their Irish operations. On the other hand, however, the length of service of the interviewee needs to be taken into consideration. A few had been with their companies so long that they were not in a position to be able to give a definite answer as seen in the following quotation:

"It's a hard question. I have been here so long. We are very much an Irish company and we project ourselves as an Irish company, an Irish subsidiary of a German multinational company is how we project ourselves, but I suppose I have adopted some Germanic customs or ways over the years, sometimes my wife says I have, I don't know."

Cultural change in recent years

As pointed out in Chapter One, organisational culture is a dynamic construct. Evidence of this dynamism was seen in the interviews both with the mother companies and their Irish operations.

(i) Mother companies

Three of the Irish interviewees felt that the culture of their German mother company (all large international/global companies) had changed since 1996 and had become quite Americanised. One of these remarked:

"I would say that [the mother company] has changed significantly in the latter part of the 1990s, from the mid 1990s on. Obviously they are a global company, even before the term

'globalised company' came they were trying to make themselves Americanised to try and get away from this conservative, staid, type of culture."

All three said that this was marked by a greater emphasis on financial considerations such as shareholder value and the bottom-line:

(Company 1): "Well it [the mother company] is being driven by shareholders and that is very much an American phenomenon. A very strong focus on share value."

(Company 2): "You have an Americanisation of the business and the pendulum is moving towards Anglo-Saxon, London, New York type. A lot more emphasis on capital, on return on investment than was before. A lot more pay-per-performance incentivisation."

(Company 3): "This wasn't the case in the past but it has become so in the past three years. In the time of [a previous family member who headed the company], the annual boast was we have X dividend but we are not going to take it out, it is going back into the company. This is not the case today with the younger generation of shareholder with their Ferarris and their houses in the South of France. They are going to be comparing [the Group's] performance to that of other companies. Young people don't want low dividends".

Other American elements mentioned by these companies included higher levels of take-over and merger and acquisition activities by their groups, the stripping out of hierarchical layers and a movement away from conservative management and seniority based promotion as well as an end to the practice of life-long employment.

A fourth Irish interviewee felt that his mother company had always had an American feel to it in that it pursued a 'hire-fire' approach, was short-term in orientation with attention permanently focused on the bottom-line. This, however, would appear to be the exception in terms of the traditional German pattern.

(ii) Irish operations

Three of the Irish interviewees had introduced radical changes to the organisational culture of the Irish operations in recent years in an attempt to improve relations between management and workforce and move away from a 'Them-and-Us' situation towards one of

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partnership with greater employee participation in the form of team working and ownership. In all three cases the initiative had been taken by the Irish operation and reflected the recent introduction of such an approach within the Irish business environment. In one case, indeed, this was in the face of strong mother company opposition.

Conclusion

It may be concluded that the Irish operations generally did not consider their mother companies to be using organisational culture to exert explicit control over their operation. This did not, however, prevent some of them from having a German tinge.

5.5. Conclusion: German influences in the Irish operations

From the point of view of the approach adopted towards the management of their Irish operations, it would appear that overall the German mother companies were pursuing a polycentric approach where they wished the affiliate to appear as a local company, encouraging it to blend into its local environment by staffing it, in the main, with host country nationals. There would furthermore appear to be a growing trend to replace retiring expatriates who often remained for far longer than was originally envisaged, by host country nationals. Additional evidence of this polycentric approach was seen in the types of instruments used by the mother companies to co-ordinate and control the activities of their Irish affiliates. Although the range of operational activities of the Irish operation, its age, and the role conceived for it by the mother company influenced the amount of control it experienced, as a general rule a 'hands off' approach was pursued allowing local management substantial freedom to develop its own initiatives within set parameters, unless problems were experienced in which case direct intervention could be expected. The mother company in all cases tended to be viewed as a valuable resource upon which the Irish affiliate could draw. In very few areas did the mother company endeavour to impose specific methods of working. The principal form of intervention was in the planning and target setting process, the monitoring of progress in meeting these targets in the form of usually standardised reporting procedures, the

selection of the MD and key senior people as well as all decisions involving the commitment of substantial funds and those likely to influence the general course of the group as a whole. Concerning the question of cultural dominance, it may be concluded that the pattern generally detected was that of mother company dominance at the level of mother company-subsidiary interaction (Scholz, 1994).

In spite of this polycentric approach, there were, however, German influences to be observed in the Irish operations. These included the long-term approach of the Irish operations, the length of service of their top management, be these host or home country nationals, the fact that these people were, on the whole, qualified in the area of specialisation of the operation, the existence of shared management which is unusual in the Anglo-Saxon model pursued by most Irish companies, a strong emphasis on growing management in-house and evidence of a one plant one union approach to industrial relations.

CHAPTER SIX:

IRISH MOTHER COMPANIES AND THEIR GERMAN OPERATIONS (SAMPLE GROUP B) : EVIDENCE FROM THE INTERVIEWS

6.1. Introduction

The structure and objectives of this chapter will closely parallel those of Chapter Five but the focus here will be on identifying and understanding the key elements of the relationship between the Irish mother companies and their German operations. In all, interviews were conducted with nine German operations (1996) and seven of their Irish mother companies (1999). The chapter will firstly consider the profiles of the mother companies and their interviewees in order to establish whether or not the elements proposed in Chapter Two as being characteristic of Irish business culture may be seen to be present here. Secondly, the profiles of the German operations and their interviewees will be examined. The final section will then investigate the mother company-affiliate relationship and the mechanisms of control and co-ordination employed by the mother companies. As in Chapter Five the emphasis here will be on ascertaining whether or not Irish influences are evident in the German operations as well as drawing conclusions on the overall approach pursued by the Irish mother companies towards their German affiliates. Differences between Sample Group A and B will also be highlighted.

6.2. The Irish mother companies

6.2.1. Profile of the Irish mother companies

Age/size

Number of[1] employees	Number of companies
<50	1
≥50<500	6
≥500	2
Total	9

Table 6.1.: Size of the sample Irish mother companies

The Irish mother companies in this sample were all founded between 1820 and 1992; four of which were formed out of the take-over of a previously existing company or companies. The German categories for company size have been used here for the sake of uniformity. According to this classification the majority of companies in Sample Group B would be medium sized companies. It should be pointed out here, however, that most companies in Ireland fall into the small or very small category. The 1994 Government Task Force on Small Business, for example, found that only 2.9% of Irish businesses employed more than 50. Indeed 85% employed only ten or less and 71% four or less (Lynch & Roche, 1995, p. 5). Hence in terms of their size the sample companies would belong to the small group of larger Irish businesses.

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[1] In the case of two of the mother companies the headquarters was merely an administrative entity and hence employee numbers refer to the groups' operations in Ireland.

Ownership

Four of the nine mother companies were either in family ownership or owned by one principal shareholder. It is known that in seven of the nine companies shareholders were directly involved at senior management level. Only one of the companies was a PLC at the time of interviewing in 1999.

Operating activities

Activities	Number of companies
Production	7/8
R&D	7/8
Sales & Marketing	8/8
Services	6/8[2]
Total	8[3]

Table 6.2.: Operating activities of the Irish mother companies

Based on the information in the table, the mother companies were more or less involved in the full span of activities.

Prior experience in the German market

Overall six of the nine companies had had previous experience with the German market. In the case of four of these this had been either via an agent and/or existing German customers. A fifth company had been involved in project work in Germany before deciding to carry out market research for a specific product it wished to actively sell from a dedicated German operation. In all five cases this experience had spanned several years. The German

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[2] For those companies engaged in production and sales, services usually referred to those supporting the products produced e.g. advisory services to customers

[3] Information was only available for eight of the companies.

market had thus proved itself to have sufficient potential to warrant the establishment of a German affiliate. In the case of the sixth company, it had previously acquired a German subsidiary and decided to expand its market position in German by means of further acquisitions. For all six companies, their active penetration of the German market did not, therefore, represent a 'leap into the unknown' unlike the scenario of most of the German mother companies in Sample Group A.

Communication with the German operation from the Irish mother company

In all cases the individual functions of the mother company and the German operation communicated directly with each other and this communication was in English.

6.2.2. The "Irishness" of the Irish mother companies

The difficulties associated with what exactly constitutes Irish business culture, a largely unresearched area, have already been mentioned in Chapter Two. Some of the principal elements proposed there included:

(i)   **the pivotal role of the Irish state in the area of industrial development;**

(ii)   **the bottom-line orientation of Irish companies;**

(iii)   **management and managerial authority:** The Irish approach to management as a generalist as opposed to specialist discipline where managerial authority is frequently based on position rather than specialist knowledge. A strong presence of people with financial backgrounds in senior management was also detected. While Irish companies often have a Board of Directors there is usually only one designated person who has the final say concerning organisational decisions, the MD or CEO - the directorial principle (Schneider, 2000);

(iv)   **functional mobility** within and between companies due to the generalist orientation;

(v)   **staff turnover and the 'job-hopping' mentality;**

(vi)   **industrial relations**: Irish industrial relations presents a fragmented landscape with a multitude of relationship models between management and workforce in the absence of tight legal regulation. Although the number of trade unions has decreased substantially in recent times, employers can still find themselves faced with negotiating with more than one union at plant level. Employee participation is still voluntary and tends to be limited, in the main, to task-related issues.

(i) State assistance

It was mentioned in Chapter Two that the State in Ireland plays a pivotal role in the business environment. This was also reflected in the sample companies with four of the mother companies having received aid from one of the State development agencies in order to assist them with set-up. One of the companies remarked that this state assistance had been a major factor in setting up its operation. Two of the nine companies also commented that they received state assistance for training programmes for their Irish workforce. In all, therefore, five had benefited or were benefiting from State aid.

(ii) Bottom line orientation of the Irish mother companies

Of the seven mother companies interviewed in 1999, five of them said that their company was very bottom-line orientated. One of the large companies commented:

"[the company] is obsessed with the bottom line. [...] People who join us would say, "you guys are obsessed with the bottom line", the bottom line being profit and what level of profit, is it profit before interest or is it profit after tax. We have an obsession or focus on profit. That's how we built the company. That's one of the strong things we have. Some people might complain that it's excessive but we would listen to what they are saying and then deny it."

In the other large company the only group function was finance. The interviewee here commented:

"The culture of [the company] would very much be that the purpose of our business was making money and that therefore unless there is a real payoff you don't invest the money."

Comparing the approach pursued by German companies due to their financial structure to the short-termism associated with the Anglo-Saxon tradition he remarked:

"That [the difference in perspective between both traditions] would come from the different shareholder base. Whereas the banks [in Germany] were interested in long-term stability, shareholders in America and the UK are more interested in short-term profit but there is really no reason why short-termism should not also be long-termism. Everyone thinks that because you are running your business for profit that you are going to collapse in five years but the record of business failures [in the UK/Ireland] is no different."

Among the smaller companies the same cost consciousness was also seen. For one of these their recruitment criteria were the best qualified person and the cost. If they could recruit someone in Ireland for less than in Germany with the same qualifications then they would do this and vice versa. Another company had been forced through circumstance to become very cost orientated, which it had not been in the past:

"we squandered money over the years. We were a very wealthy company eight or nine years ago and major research and development went on. We squandered a lot of money when we had a lot of money because at that time we just went ahead with projects, knowing what they were going to cost but not really looking for the best deals or not looking for the most efficient way of doing things. We knew we had the money to do it and we went ahead and just did it. We have to be very careful now and whatever we are doing it has to be the best deal ever and the most economical and efficient way of doing it."

It is also interesting to note that of the companies who said that they were bottom-line orientated, the shareholders active in the senior management of three of them all came from a financial background.

(iii) Management and managerial authority

It is known that in seven of the nine companies the shareholders were actively involved in the management of the company. In all cases but one the shareholder with the greatest stakeholding had the ultimate say. In this particular company day-to-day decisions were made jointly by the two shareholders regardless of the fact that one was the majority shareholder. In another company the largest shareholding was held equally by two people who both had the final say in running the company. While this amounts to shared management, the

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difference to the German version is that those sharing management in Germany are very often not shareholders in the company at all but are appointed to run the company jointly and as such have the same position and status - the collegial principle (Schneider, 2000).

One of the differences pointed out in Chapter Two between German and Anglo-Saxon business culture was that in Germany the traditional pattern is for companies to be run by *Fachleute*, that is people with an expertise in the company's core business. In the Anglo-Saxon tradition this has not tended to be the case and very often finance people have held pride of place. Looking at the ownership structure of the mother companies in the sample of Irish mother companies and the background of the principal shareholders, it is known that in four of the seven companies interviewed in Ireland, the owner or principal shareholders had an accountancy background.

(iv) Functional mobility

Four of the seven mother companies for whom information was available here said that they had functional mobility within their organisations. Of the remaining interviewees, one commented that the reason workers tended to stay in their functional area was due to the small size of the company. This company had, however, tried to introduce an element of functional mobility into its German operation. Another company regretted that this was the way things were. The final company felt that employees were promoted within their functional areas until the level of general management was reached:

"I would say they tend to stay within the same function until they get into general management, if they get that far, at which stage your functions become wider. [...] I wouldn't take somebody out of a factory and put them into sales."

(v) Staff turnover and the 'job-hopping' mentality

Information was available for seven of the nine mother companies here. No interviewee was able to provide definite statistics although one did mention that these existed

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for the company. All of the interviewees said that their workforces were fairly stable with six of them saying that employees tended to spend all of their working lives with them. This fact was unexpected particularly in view of the tight external labour market since the late 1990s in Ireland in the booming Celtic Tiger economy and the possibilities this presents for anyone seeking a change in employment. The job-hopping mentality and geographical mobility was, however, in evidence among younger workers. One company commented:

"Very young people come in, 17 or 18, the number of them that could be with you when they are 25 mightn't be all that great. When they pass 25 they tend to stay."

These comments are reflected in the following remark from another company concerning apprentices who have completed their training with the company:

"The ones who do quite well in their training we don't be able to keep them. If you take some of our apprentices, one of them he won one of the world competitions, and straight away [a large company] took him but then [they weren't] able to give him a big enough salary and now he is in Canada working. That has happened to a number of our apprentices, but we prefer to keep them, yes."

All seven companies were at least 20 years old. In three of them one of the reasons given for the longevity of employee service was the good condition of management-workforce relations particularly between the owner and the workforce. This loyalty was fostered through such things as generous bonuses, organised social events and employee involvement in task-related issues. It must be mentioned, however, that for two of the companies their long service records could possibly be linked to the lack of alternative sources of employment in their area.

(vi) Industrial relations

All but two of the seven mother companies providing information said that their workforces were members of trade unions. In the two non-union companies, one employed highly qualified graduates who negotiated individually with management. By 1999 this company had introduced a Human Resources function. It could be postulated that this company was pursuing a union substitution strategy. The mother company here did not state

whether or not its particular situation was a deliberate management choice. The workforce of the other company engaged in manufacturing had voted against having a union and a works committee had been set up instead:

"Probably four or five years ago we had a new factory manager who was pro union and it was put to the workers and they voted against it and that was when the works committee started. We recognised that there had to be some sort of representation for the workers there, so it was really the workers who decided they would be non-unionised and it has become a policy I suppose because of that.[...]basically, everyone working in the company is invited to the works committee meeting once a month and when it was formed they drew up guidelines of the rules of the company which were agreed by the workers and everyone will meet and they put forward any grievances they have and they are discussed and agreed there. So basically, well everyone on the shop floor agreed to that as opposed to joining a union and if they have a problem it is discussed in the open in front of everyone if they have pay issues or overtime issues, anything really in relation to their work is discussed there and solutions are come up with."

In keeping with the experience of the Irish operation in Chapter Five which unsuccessfully endeavoured to introduce German style works meetings, the management in this case was also not represented at such meetings:

"Well, the management isn't actually there. They have appointed their own spokesperson who would be a member of the shop floor and there is no hierarchy in the committee, there is just a spokesperson and the rest of them. There is no management there and they can talk about whatever they want and the spokesperson takes notes and then he has a meeting to discuss any of the grievances with management."

In five of the companies who had trade unions, only one had more than one union - it had three, all of whom it negotiated with separately. The interviewee in this case had not been with the company for very long but had never experienced demarcation disputes. Among the other companies, two commented that it was company policy only to negotiate with one union.

Two of the companies had introduced some method of worker participation in day-to-day activities:

(Company 1): "We try to give everyone in the company a say in how they feel the company should look for themselves and the company. Last Friday we got all the employees world-wide together for the first time ever for a conference. We asked them their views on the path

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the company should be following, what they believed the strategies should be for their particular markets and also gave them input into those. Very successful."

The second company was participating in a new work organisation programme:

(Company 2): "So what we essentially tried to do was to create this need for change by involving everybody in the organisation, and looking for volunteers to participate in the programmes that resulted from the issues we identified."

The first case scenario would be the exception rather than the rule in Ireland. In the second case employee involvement was really at the task as opposed to the management or strategic level.

One of the large companies which had a works council in some of its European operations and thought that these were "practical", that they worked, made the following comment as to why he felt that they did not exist in Ireland:

"Because there is no tradition. Works councils work in [other European countries the group is operating in and] are very strong. When we get to the works councils they tell us the problems, we tell them the problems. It's not like 'Them-and-Us', confrontation, it's what's good for the company and what we need to do for the company, for its employees. That's the tenor of a works council in Germany or in [other European countries]. In the UK and Ireland because of the history of adversarial relationships between trade unions and employees and employers it's hard to get that, it's very hard to get constructive works councils going in Ireland."

He also felt that the 'Them-and-Us' situation was still in Ireland but that it was not as bad as it had been in the past.

Commenting on the state of management-worker relations, three companies stressed that there was a very positive climate in their companies. In two cases this was seen to hinge very much on the actions of the MD (owner). One of these companies commented:

"He [the MD owner] spends a disproportionate amount of his time in the factory, on the factory floor talking to the employees, because he feels that the front end of the business is the bread and butter end of the business. He is very people-focused. I think that is one of the reasons we don't have trade union problems."

In this company the MD had, without any request from the union, decided that a fixed percentage of the company's profits should go to the workforce. In the second company which had recently experienced cash flow difficulties, the banks had recommended a change of management. The company had an independent body do a survey of all members of its Irish workforce:

"every single employee was interviewed, this was in detail, and the result of that was extraordinarily positive. The workers were very supportive of the management, Managing Director. At the time there were questions that the Managing Director wasn't doing his job properly and that was the reason why the company was going into the problems it had. They have since been proved wrong [...] I think 1% spoke against the Managing Director [...] I think about 75% said they would leave the company if the Management changed. They were all very positive. There were the usual gripes, overtime and everything, but in general there was a very good feeling between the workers and the management."

The third company in a rural location felt that one of the reasons for the positive relationship which existed between management and workforce was due to the social activities organised by the company:

"Something else that helps the good feeling I suppose are things like the football club, we bring them out for meals, different functions and things like that, it kind of brings on a good feeling in itself, particularly I think the football club."

The same company although it did not have any form of works council or worker participation felt that this would have to come in the future in order to increase worker productivity and move away from a situation where workers just put in hours.

Conclusion

Based on the evidence presented here it would appear that the elements proposed in Chapter Two as characteristic of Irish business culture are reflected here in the Irish mother companies.

6.2.3. Profile of the Irish mother company interviewees

Number of interviewees

Seven of the nine mother companies were interviewed. Of the remaining two companies, one refused to provide an interview and the other had ceased trading prior to the interview with its German operation which in 1996 had been taken over by a non-Irish company and continued to trade as an independent company under the same name and management. In the case of one company, the Irish MD had been interviewed in Germany and hence the interview in Ireland was with a Human Resources Manager. The profile of the interviewees provided here will, therefore, confine itself to the six mother company respondents interviewed in Ireland who were responsible for the company's German operation. In the case of one of the acquisitions the interviewee was not in fact based in the Ireland but in the group European headquarters in another European country.

Age/sex/nationality

All of the interviewees were Irish. There were five males and one female. They ranged in age from 31 to 57 with an average age of 43 years.

Job title

In all cases the author made contact with the Managing Director of the companies concerned who either agreed to an interview or suggested another employee instead. The titles varied quite considerably and included: MD, Divisional MD, Deputy Chairman, Sales/Marketing director. All interviewees were directly responsible for the German operation in the mother company and were all members of senior management. In four of the six companies there was more than one person responsible for the German operation. In all cases the other people were either the MD of the company or a board member. This again highlights the importance attached to their foreign operations by the companies, a pattern which was also found in the German mother companies.

Training/educational background

Four of the six interviewees possessed a university degree, the remaining two held diplomas from other third level institutions. Five of the six had a business qualification, four of which were at postgraduate level. Two of the interviewees had an MBA combined with a qualification in engineering. This is one difference with the sample of German mother companies. Due to the organisation and length of courses of study in Germany, it is difficult to combine a postgraduate qualification with a primary degree in a completely different field of specialisation. This could be one explanatory why there is in general less functional mobility in Germany than in Anglo-Saxon countries. It should also be pointed out that of the seventeen Irish/British interviewees in Ireland for both the Irish mother companies and the Irish operations, five had MBAs, four of whom had combined this with a degree in a completely different discipline.

Only one interviewee had combined an apprenticeship with other third level and postgraduate qualifications. In view of the Irish profile presented in previous chapters, this person proves to be the exception to the rule. It should be noted, however, that some of his qualifications were obtained in the UK.

German language ability

Only two of the interviewees could speak German, both of whom had spent some time living in Germany, one for a period of six years. Overall three of the six said that their companies encouraged them to learn German. In all cases it was quite clear that from the point of view of communication, the onus was on those in the German operation to bridge the linguistic divide. This was the opposite of what was found in the German mother companies and can be explained on the one hand by the status of English as a world trade language and on the other by the traditionally low importance attached in Ireland to the learning of all foreign languages other than Irish. Based on comments from the interviewees and those of

their German operations, three of the nine companies felt that this state of affairs was a disadvantage for their company as it cannot automatically be assumed that all Germans speak fluent English.

Previous work history before joining the mother company

Five of the six interviewees had worked for other companies before joining the Irish mother company. Four of these had been with British and/or US companies. Two had worked for three companies (their work experience had in part or in full been sales related), one for two and two for one. For four of these their previous service records were similar to the pattern outlined in Chapter Two, that is 2-6 years, typical of Irish people at the beginning of their careers. Given that the interviewees were on average seven years younger than their German counterparts, their career patterns demonstrated greater mobility.

Career with the company

(i) Length of service

The service records of the interviewees ranged from six months to twenty-eight years. No clear pattern emerged as to average service records but four had been with their companies for less than ten years and all of these had only been responsible for the German operation for a period of less than two years. It is also interesting to note here that two of the senior interviewees with titles of MD and Deputy MD had service levels of under two years and, therefore, it is clear that they had not been grown in-house. This again contrasts with the pattern found for the German mother company interviewees.

(ii) Number of positions held in the company

Five of the six had held other positions in the company. Two had held only one other position, the remaining three had held four to six positions before taking up their present positions. It is significant that three of the interviewees with the title of Chairman or MD did

not have qualifications in the core business of the company. Two of these had exclusively commercial backgrounds.

(iii) Function/hierarchical level to which interviewees reported

As mentioned above, all of the interviewees were at the senior management level in their companies. All of them reported to either the MD or the Board of the mother company. As in the case of Sample Group A, this highlights the importance attached by top management to foreign affiliates.

(iv) Direct responsibility within the German operation

None of the interviewees had a direct role to play in the day-to-day running of the German operation and the relationship with Germany was purely a reporting one. This would suggest a 'hands off' approach on the part of the mother companies.

(v) Responsibility for other foreign operations

Five of the nine mother companies were known to have other foreign operations. Four of the six interviewees were also responsible for these other foreign operations. In five cases it is not known whether these were set up before or after the German operation.

Prior dealings with German companies/German speaking countries

Only two of the six interviewees had had prior dealings with German companies or German speaking countries and in both cases had spent some time living there.

Remuneration

Only three of the six interviewees received some variable element to their salaries. Interestingly, in two cases this was related in part or in full to the long-term profits of the company. Both of these interviewees were at MD level and had been with their companies for

less than two years. One of these companies is known to be very bottom-line orientated and the inclusion here of some long term element in his remuneration package could, in view of his short service record, be an attempt to retain the person as opposed to necessarily indicating a long term perspective on the part of the mother company. Other variable elements included share options and cash bonuses.

6.3.   The German operations

6.3.1. Profile of German operation interviewees

Number of interviewees

In all ten people were interviewed in nine companies in Germany in 1996.

Age/sex/nationality

The interviewees ranged in age from 26 to 59 years with an average age of 41 years. All of the interviewees except one were male. The German interviewees (average age 48 years) were older than the Irish (average age 34 years).

Of the ten interviewees five were German and five were Irish. The breakdown was as follows:

Type of operation[4]	Nationality	Number of companies
Sales Office	2 Germans/3 Irish	5
Subsidiaries	1 German/1 Irish	2
Acquisitions	2 Germans/1 Irish	3
Total		10

Table 6.3.: Nationality of the German operation interviewees

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[4] Irish Trade Board classification

It is interesting to note that by 1999 one of the German MDs had been replaced by an Irish person who had been grown within the German operation.

Job title

In all cases the most senior person in the operation was interviewed. The title of the interviewees was either *Geschäftsführer* (six interviewees) or (Export) Sales/ Marketing Manager (two interviewees). The remaining two interviewees were Manager and Financial Director. In the case of one sales office, the interviewee explained that according strictly to the terms of his contract his title was Sales Manager but that given the extent of his brief, he was in actual fact the *Geschäftsführer* of the operation. In three cases the *Geschäftsführer* were shareholders in the organisation, two of these in the German organisation only. By 1999 both had sold their shares back to the Irish mother company and left the German operation. In the case of two of the sales offices, the person running them was also allowed to work on a freelance basis.

Training/educational background
(i) Irish

All of the five Irish people interviewed had a university degree, four of these in a business studies discipline. The remaining person had a degree in the core business of the company and also a PhD in a different field. Of interest here is also that one of the sales representatives manning one of the sales offices in Germany had previously worked as an accountant, highlighting once more the functional mobility possible within the Irish career path.

(ii) German

Of the five Germans four had either a university or *Fachhochschule* qualification. Two had a degree in business studies, one an MBA and one a PhD in the core business of the

company. (This person was in the joint venture company and was a major shareholder in the German operation). One of these had combined an apprenticeship with a third level qualification. The fifth German had done a series of qualifications but not at university level, none of which were related to the line of business of the German operation.

From the profile of both groups here it would appear that mother companies tended to recruit generalists as opposed to those with specific knowledge of their core activity, evidence of the influence of Irish business culture.

Language ability (German/English)

Of the four Irish and the five Germans running the German operations, all spoke fluent German/English respectively. Three of the Irish said that their companies had actively encouraged them to learn or improve their German. This was essential due to the lack of German language skills on the part of their mother companies. Two of the Germans stated that this was the case for their companies with regard to English. Where this was not so, it was always because of the previous language ability of the interviewee on joining the company.

Previous work history before joining the German operation

(i) Irish

Three of the five Irish interviewed had previously worked for other companies. In the case of the two remaining people, one was an owner of the Irish mother company. It is relevant to note that for two of the three their previous work experience was with non-Irish companies. This is interesting as it could suggest that their own personal style may not be typically Irish having been influenced by the styles to which they had been exposed in the past. They were also in a better position to be able to compare the style of their current mother companies to that of their previous employers and point out any differences they may

have found. Three of the interviewees had worked and lived in Germany prior to taking on their current position.

All of those with previous work experience had worked for at least two companies. In the case of one of them average length of service was two years with each of three companies. In the other, previous work experience consisted of seven years with one company and one year with another. For the third person their previous work experience amounted to a total of six years with at least two companies but precise details of the breakdown are not known. None of these had previously been involved in sales where staff turnover levels are typically higher than in other positions. In view of their average age (34 years) their service records demonstrate the greater mobility characteristic for Irish people at the beginning of their careers.

(ii) Germans

As mentioned above the German interviewees were older than their Irish counterparts. Of the five interviewed, all of them had previously worked for one or more other companies. Three of them had at some stage held a sales position. Two had worked for only one other company, one of them spending a substantial period of his working life (in excess of 20 years) with that company before joining his present company. Of the three remaining Germans, two had worked for four companies with an average service length of 4.5 and 6 years per company respectively, one had worked for two companies with service duration of six and thirteen years. Four of the Germans had previously worked for a non-German company. Three had worked for an English-speaking company but none of them had previously been employed by an Irish company. Their previous work experience thus provided them with an insight into the Anglo-Saxon way of doing things and formed a backdrop against which many discussed their current situation.

Conclusion

For both groups, therefore, for most of the interviewees this was their first experience of working for an Irish company. Taking the age difference into consideration, the Irish interviewees would appear to demonstrate greater mobility than the Germans.

Career with the company

(i) Length of service with the German operation

Seven of the nine (four Germans, three Irish) interviewees responsible for the German operations had been there since the start of the operation. The remaining three interviewees (two Irish and one German) were relatively new to the German operation with 1-2 years service.

(ii) Number of positions held within the company

Three of the five Irish interviewed had held a previous position or positions within the group owned by the Irish mother company. For two of these this had been a sales or sales/marketing position, in the case of the third, this had been a financial/commercial role. It is important to mention that for all of these their past experience with the mother company was directly related to the activities in which they were engaged in the German operation at the time of interviewing. The same pattern of deployment of expatriates was detected in the German sample. A fourth Irish person had had a substantial track record with the product the Irish company wished to sell, experience of the German market and was known to the Irish management. None of the Germans had previously been employed by the Irish mother company. This was also the pattern found in Sample Group A for the Irish nationals in the Irish operations. None of the nine had held any position in the German operation other than their current one. While the Irish mother companies pursued strategies similar to those of their German counterparts, it would appear that they were prepared to trawl the German labour

market for a greater proportion of the people running the German operation. This would indicate lower uncertainty avoidance levels.

(iii) Direct responsibility within the mother company/responsibility for other foreign affiliates

Of the nine interviewees running the German operations, three had on-going direct responsibilities also in the Irish mother company - two Irish and one German. These responsibilities were either Sales/Marketing and/or Board responsibilities. Those with Board responsibilities in the mother company were also shareholders in the mother company and/or the German operation. By 1999, however, the top management situation in these three German operations had changed and none of them had responsibilities in the mother company. None of the interviewees were responsible for any other foreign affiliates.

Prior dealings with German/Irish companies/German-speaking/English-speaking countries

Of the five Germans interviewed, all of them had had previous experience with Irish firms or English speaking countries before taking up their current position. Two had lived in an English speaking country but not Ireland.

Of the four Irish running operations in Germany, three had had experience of dealing with Germany or German speaking countries in the past and had actually lived and worked in Germany prior to accepting their current position.

Remuneration

Information was obtained for nine interviewees here. Seven (four Irish, three Germans) interviewed received bonuses in addition to their salary which were usually related to the operation's performance or were in the form of share options. For the remaining two interviewees, both German, their remuneration package did not contain any variable element. This could, of course, point to the Irish mother companies adhering to the German norm of

the time. What is surprising, however, is that in both cases the interviewee was the head of a sales operation.

Of particular interest is in the case of the company where two people were interviewed, one German and one Irish, where the German received a fixed salary and the Irish person (not a sales person) received a profit related bonus although the German was the Geschäftsführer and thus the more senior of the two.

6.3.2. Profile of the German operations in the sample

Unlike for Sample Group A no population statistics were available for the German operations of Irish mother companies except with regard to the nationality of the contact person provided in the Irish Trade Board list which indicated that some 60% of these were German. It is thus impossible to determine to what extent the characteristics of Sample Group B are a true reflection of the population as a whole. To the extent that the companies were selected in a truly random fashion and in the absence of other similar surveys, the findings here serve to provide some indication of Irish FDI in Germany.

Number of employees	Number of companies
<10	4
≥10<20	1
≥20<50	2
≥50<500	1
≥500	1
Total	9

Table 6.4.: Size of the sample German operations

A brief examination of the size of the German operations in the sample, where size is once more measured in terms of the number employed, reveals that the vast majority of these companies (seven out of nine) fell into the category of small firms. Of the four companies with less than ten employees, three of these were more or less one man operations. This is in line with the fact that six of the companies were sales operations. At the other end of the spectrum lie the two acquisitions which would be regarded as medium/large companies.

Age	Number of companies
<5 years	5
≥5<10 years	3
≥10<15 years	1
Total	9

Table 6.5.: Age in years of the sample German operations

More than half the companies were clustered in the first class of less than five years. This may coincide with the development of the Irish economy during that period and the concomitant ability of Irish mother companies to look beyond their own national boundaries for business opportunities. It should be pointed out that the date of establishment was not used here as a selection criterion as this was not known at the outset.

The age profile of the Irish operations of German mother companies is, as was seen above, much older with many of the companies having being established in the 1970s.

Staffing of the German operation

Nationality	Number of companies	Type of operation
All Irish	2	Sales Office
All German	2	Sales Office
Mainly German (>75%)	4	misc.
Mainly Irish (>75%)	1	Sales Office
Total	9	

Table 6.6.: Staffing of the German operations

Within the sample it would appear that the overwhelming tendency would seem to be to use German staff.

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Operating activities

Activities	Number of companies
Production	2/9
R&D	1/9
Sales & Marketing	9/9
Services	6/9
Total	9

Table 6.7.: Operating activities of the German operations

Apart from the two acquisitions whose activities spanned the full gamut, the activities of the remaining seven companies centred around sales/marketing and related services. Products and services sold by five of these were usually 100% imported from Ireland and as such the German operation was a dedicated customer of the mother company. In the case of the remaining two companies, the products/services sold were partly imported from Ireland and partly produced in Germany, in only one case by the German operation itself.

The typical profile of the German operation in the sample is one which is involved in some type of sales operation in Germany.

Type of set-up

Apart from three companies all of the German operations were greenfield sites. For these three companies, two were the acquisitions and the third was part of the group bought by the current owner.

Reasons for set-up

One definite difference between the two sample groups is that for the Irish mother companies, the decision to set up their own independent operation in Germany was for the most part a deliberate strategy to target the German market with its strong purchasing power. In the case of the German mother companies it was more accidental, often a necessity in view of domestic circumstances and hence the result of little explicit strategic thought. Possibly one explanatory factor here could be the time at which these operations were established (1990s Vs 1970s). Another one could be the actual type of operation involved, namely, for the most part sales, in the case of the Irish mother companies, where the need to carry out market research would be greater than for the scenario of a cheaper manufacturing base in the case of the German mother companies.

Preparations for set-up

As mentioned above, six of the nine mother companies had had previous experience of doing business in Germany before setting up their German operation. In some cases this had been quite extensive experience. For three of the six Germany had either been a very significant or the most important market for their products before they actually set up a dedicated operation there. Only three of the nine had not undertaken market research - two of these had acted on 'instinct'; for the final company, the German operation had been inherited when the group was acquired by the current owner.

Based on the above evidence, it would appear that for the companies who provided details about their route into the German market, this was predominantly a deliberately pursued strategy with the risk element being reduced by virtue of previous experience or in-depth market research. What is interesting to note is that none of the companies interviewed stated that they had made contact with other Irish companies operating in Germany to assist them in their decision-making.

Choice of location in Germany

Six of the nine were using their German operation to service exclusively the German market. The other three operations targeted both Germany and elsewhere.

When asked why their mother companies had decided to set up an operation in the given location in Germany, four replied that this was due to the proximity to their target customer base. Three companies - all more or less one man operations - commented that they had been living in the location at the time the company decided to set up its German operation. For two of these the initial operation consisted of the sales representative operating out of their own apartment with the Irish mother companies paying their expenses. Both of these interviewees spoke of the cost-consciousness of their mother companies and that this meant that the company did not have to make any capital investment at the outset. As the businesses grew, both moved into serviced offices. Proximity to European airports was also mentioned as an important selection criterion.

In the case of the two acquisitions, location considerations did not feature as the primary objective here was enlargement of market share via the acquisition.

The role of Irish government assistance

None of the companies mentioned that they had benefited from any German government schemes; the role of Irish government support and financial assistance was, however, seen as playing a crucial role to help the companies to establish a foothold in the German market.

Five of the nine German operations had benefited or continued to benefit from Irish government assistance programmes. It is significant to note that all five companies fell into the category of sales operation. In the case of two companies this assistance was in the form

of marketing support such as help with market research projects and schemes to pay all or part of the sales representative's salary or expenses. For one of the companies the sales representative had been actually employed by the Irish company in the first place as the result of an Irish government funded graduate scheme. On completion of the training programme the sales representative had then been retained by the company to develop its activities in Germany under an additional scheme. Two further companies stated that they had received IDA grant aid to assist them with their set-up.

The low 10% tax regime for manufactured goods and financial services produced in Ireland is also of benefit to Irish companies selling into the German market. Although this point was only mentioned by one company, the insight provided by the interviewee would lead one to suspect that this is not just an isolated case. The company in question played the role of Handelsvertreter for the Irish mother company in Germany. All of the products sold into the German market were imported from Ireland, hence, for tax purposes, all of its sales were classed as Irish exports and were subject to the low 10% Irish tax regime instead of the German equivalent of 45% (1996). The double tax agreement between Germany and Ireland ensured that the company was not liable for tax in Germany as well as in Ireland. In terms of fulfilling its duties towards the German tax authorities the philosophy of the mother company was:

"Wir machen eine Bilanz, die kostendeckend ist. Möglichst keine großen Gewinne ausweisen. Sie [the company] soll mit einem bestimmten Kostenrahmen klarkommen und muß dem Staat hier [in Germany] gegenüber ein positives Ergebnis zeigen und möglichst wenig Steuern bezahlen."

In the case of the two acquisitions, no Irish government assistance had been received but this was probably due to the size and financial strength of the Irish mother companies.

The overall importance of the German operation to the Irish mother company

Information was obtained for eight of the nine companies here. All of these said that the German operation was very important to their organisation as a whole. Indeed by 1999 two of the companies had a second German operation, in one case an acquisition and in the other a further sales operation for a different division of its business. Five of the companies actually quantified this importance. In all cases the turnover generated by Germany amounted to at least 10% of their total turnover. For one of the eight while its German operation made a vital contribution to its turnover, its real significance lay in its function as a base from which the company could service other European markets. This company had experienced difficulty in penetrating the German market due to the presence of its major competitor, a German company.

Advantages and disadvantages of Germany as an industrial location

One of the main advantages of Germany in the opinion of the interviewees was that it was a large wealthy market. Other benefits were German functional expertise, honesty and loyalty. The disadvantages included the legal complexities governing all aspects of German business and the inflexibility of the German workforce. Two companies mentioned the difficulty of penetrating the market due to the strong propensity to buy local in Germany and as such the expense involved for a foreign company before it can make an impact. One of these gave this German attitude as the reason for setting up in Germany. He felt, however, that the tendency to buy goods 'made in Germany' was beginning to change:

"Historically it was very difficult to sell in Germany unless it was made in Germany. That's changing quite a bit in the competitive environment of the last ten years but certainly one of the attractions for us in going into Germany was that no matter how good your product, it wasn't made in Germany and you couldn't sell it and it wasn't protectionism. The German retailers wouldn't buy it. A lot of that has been dissipated now and Germany will buy now based on value for money and a lot of German companies have moved their own production [out of Germany] so the 'made in Germany' although important in many ways is far less important than it used to be, whereas 'made in England' ceased to be important 30 years ago, it has just come to Germany."

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Management of the German operation

In six of the nine companies the management of the German operation was composed of one person. For two of the remaining three a management team was in place. In the case of one of these companies the management team consisted of one Geschäftsführer and two absentee Irish Geschäftsführer who in effect left the running of the operation up to the German Geschäftsführer. In the case of the company, where the management team was all German, while a consensus-type management was in place, the German Geschäftsführer had the ultimate say. By 1999 the latter had retired and the operation was headed by an Irish manager who had been grown within the German organisation. In the final company the management consisted of two Irish sales managers, it is not clear as to whether or not power was equally split between them.

Although the nationality of the top managers in the sample was more or less evenly split between German and Irish, the population statistics indicate that the Irish mother companies tended to pursue a polycentric approach here.

Industrial relations in the German operations

Only two of the German operations - the two acquisitions - had a Betriebsrat and formalised Mitbestimmung as laid down under German law. One of the German interviewees in a third company said that the reason that the company did not have one was that it had never been demanded by the employees. It should be remembered here that three of the German operations were more or less one man operations and hence this issue would not have been applicable to them.

Here the position of the Irish mother companies would appear to be very much a polycentric one, adhering to the traditions of the host country.

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(i) Operational control

As a general rule the Irish mother companies did not involve themselves in day-to-day operational matters in their German operations. They monitored Germany's progress via monthly reporting and progress against set targets.

Suggestions for improvement

Four German operations mentioned that the mother company made suggestions but the main impetus was a bottom-up one.

Conclusion

With regard to operational control, the pattern found here mirrors that for Sample Group A.

(ii) Control over strategic resources

R&D/expertise

Six of the nine German operations interviewed were reliant on the R&D and expertise of their mother companies. This was only to be expected as all of them were predominantly sales operations. The remaining three companies were run as self-contained operations with their own internal specialists and hence there was more or less no input from the mother companies on this front. In fact two of the companies mentioned that people from the mother company came to Germany to learn from them:

(Company 1): "da kamen die Leute rüber, um sich anzuschauen, was wir machten, was sie davon wiederum in Irland verwenden konnten."

(Company 2): "Der Umweltsachbearbeiter, der war schon bei uns. Das ist ein Thema, wo [the mother company] versucht, einen gewissen europäischen Standard zu erreichen, der für uns überhaupt kein Problem ist, weil Deutschland in der Beziehung sowieso führend ist.

Insofern kommen die eher zu uns, um von uns Informationen zu bekommen, wie es in anderen Ländern verbessert werden kann".

Finance

(i) Bottom line orientation

The bottom line orientation of the mother companies has been discussed above. It would appear that it is above all in questions concerning the finances of the German operation that the Irish mother company involved itself - four of the interviewees stressed this. The following remark by a German interviewee provides a good summary of their comments:

"In der Technik hatten wir große Freiräume. Im Kaufmännischen da war es etwas strenger [..] Es gab ein Budget. Dies mußte eingehalten werden. Das war das Wichtigste. Vor allem auf der Kostenseite."

(ii) Pricing

Three patterns emerged concerning the setting of selling prices for the German operations.

(a) Mother company has no influence

In the case of the two acquisition companies the Irish mother company played no role in influencing the prices charged by the companies for their products. One of the companies did, however, say that it needed to follow a certain group pricing policy concerning, for example, the selling off of development costs to customers.

(b) Top down

In just one company where the mother company had in-depth knowledge of the German market, prices were set independently of the German operation. The sales operation in German was, however, allowed some room for negotiation on smaller contracts. The mother company would also be present at all major negotiations with customers.

In two further cases the mother company provided Germany with pricing guidelines allowing the people on the ground a certain amount of flexibility. For anything outside of these guidelines mother company approval needed to be sought.

For three companies while the mother companies set prices they were guided by feedback from the German operation and the final price was the result of negotiation between the two sides.

(c) Bottom-up

This scenario again applied to just one company which more or less functioned as an independent operation. It presented prices for approval to the mother company based on market prices and its own internal calculations.

Conclusion

The patterns found here were similar to those detected for Sample Group A in Chapter Five.

(iii) Expenditure levels and investments

Six of the nine German operations made either direct or indirect reference to the fact that there were certain expenditure ceilings above which they required mother company approval before committing resources. Four of the companies said that there were definite ceilings in place. For the remaining two companies these were of an indirect nature borne out of the awareness by the person running the German operation of the mother company's cost-consciousness. Two of the nine affiliates were in the position to acquire further companies. While the initiative in both companies came from the German operation, mother company approval needed to be sought.

(iv) Financing of the German operation

Information was obtained here for seven of the nine companies. Five of the seven German operations were self-financing from their turnover. The remaining two were being financed from Ireland. In one of these cases this was not because the German operation was not making a profit but was the policy of the mother company towards all of its foreign operations:

"everything financial is from here. When they need money we give it to them and when they have money we take it off them. [...]they have a bank account but it is cleared out every night."

Conclusion

It is especially in all financial matters that the Irish mother companies would appear to intervene or at least monitor very closely the affairs of their German operations. This was the trend also seen for the German mother companies.

(iii) Imposition of standards

Introduction of specific work practices

Six of the nine companies commented here. Two of the mother companies said that they had not introduced any specific work practices in the German operation. In the case of the two acquisitions, the mother company had introduced new financial controls. For one this included performance-related-pay for senior management which had been unheard of at the time in Germany:

"With the older organisation [i.e. the German operation prior to take-over], profit was something they didn't think much about. We introduced big bonuses for management, senior management. There were none before, or they were derisory, whereas our bonuses for our senior management are very significant, and can be up to 100% of salary. Well it's a bit like I read there was a comment made some years ago about Deutsche Bank, three years ago nobody knew how to spell the word, so that would have been a big culture [change], where the focus is on financial performance and results whereas a lot of German companies, I would say, had a focus on technology, had a focus on market share and that somehow the profits might follow if you got it right. So a lot of big German companies make very little profit."

Of the remaining two companies, one had introduced measures to reduce the level of formality in the German operation including the use of first names, team-working and employee participation in decision-making. The final company gave its German operation more or less a free hand but under close supervision and guidance of the Irish owner.

Although the evidence here is based on a limited number of companies, it is nevertheless interesting to note the two areas in which the Irish mother companies intervened, namely, financial control and formality, both identified as distinctions between German and Irish business culture.

Record-keeping systems

Only two companies stated that the mother company actively imposed standard record-keeping in the German operation. The remaining companies did not have to follow any standard systems. From the comments made by several interviewees in Germany, both Irish and German, it would appear that record-keeping/documentation/bureaucracy is an area of difference between the Irish and German approaches to doing business, with the Germans having a lot more paper work than would be the case in Ireland. Indeed in one case the German interviewee running the German operation actively endeavoured to make his Irish mother company more systematic in its approach in terms of the type of documentation it used when dealing with customers in Germany.

One Irish owner, recognising perhaps this greater sense of system among the Germans, said that the German operation could have influence on the Irish mother company if it came up with superior documentation or procedures. A further Irish interviewee in a German operation whose company did not enforce any standard system of record-keeping/documentation, said that he used his visits to the Irish mother company inter alia for the purposes of obtaining a proper sales analysis:

"The company does not do proper sales analysis. The information is there but there is no one putting it together. The information is in the system."

The following view of an Irish interviewee on German internal company bureaucratic structures in one of the acquisition companies is also insightful:

"The paperwork is colossal. There is much more of a chain [here] that everything has to go through".

Part of this person's brief was to simplify the systems in the German operation which up to then had only been ever managed by Germans.

"I am not saying that I will ever be able to simplify the amount of paperwork. By systems I mean management information system. If you update your management information system, there should be less paper flying around. But even in doing this, you will not take away the formality from [the German operation]. You will still have to fill out holiday request forms that really don't exist in the other subsidiaries [of the mother company]".

What emerges here is an Irish view that increased systematisation is definitely an advantage but that it should not be allowed to get out of hand.

Quality assurance systems

Of the nine mother companies six had a quality assurance accreditation, in most cases ISO. Two were in the process of obtaining it and the final company had abandoned its efforts in favour of investment in company expansion. The opinions on ISO were divided. Two interviewees (one German, one Irish mother company interviewee) felt that it was advantageous when dealing with the German market:

(Company 1 which was not accredited): "It can be a disadvantage with a new customer. Many of our customers in Germany are with us for 15 or 20 years, they know what we are like, but certainly with new customers it is a disadvantage. Definitely they want to see that mark of approval and all the things that go with it."

(Company 2): "Wir waren früher zertifiziert als unsere Wettbewerber und daher hatten wir da schon einen gewissenen Vorsprung."

In the case of this interviewee, the external quality assurance award was underscored as being a crucial means of securing competitive advantage over rival firms. The difference in the German versus the Irish perspective on international quality standards awards seen in the previous chapter is also evidenced in the following quote from the German manager of a German operation:

"Ich weiß, daß in anderen angelsächsischen Ländern ISO einen hohen Stellenwert hat [...]. In Deutschland ist das nicht so von Bedeutung. Ich glaube es hat auch damit zu tun, daß der Qualitätsstandard [in Germany] schon sehr hoch ist. Letztlich werden wir durch ISO nicht noch besser, sondern das hat höchstens einen Einfluß auf die internen Abläufe. Das ist der Grund, warum wir ISO 9000 machen."

The interviewee here would seem to be saying that German quality stands for itself - the notion of "made in Germany" springs to mind - and therefore does not need to be propped up by external assessments. Against this it is interesting to hear the views of the two larger Irish mother companies. In both cases no central policy of international accreditation was pursued, it was left up to each individual affiliate to decide this for themselves:

(Company 1): "We encourage our companies to put in their own quality controls. I don't know if [the German operation] has ISO 9000. A lot of our companies have ISO 9000. We have no policy that we have to have or have not to have [it]. In some sectors they are not interested [...] Companies that we believe don't require ISO we don't insist upon it. [...] We share best practice but [...] our companies are autonomous in many ways. We encourage them to be autonomous, to be responsible for their own business."

(Company 2): "it's just a PR exercise, ISO, I mean quality is a thing that is instinctively in the organisation or it's not. We have this documentation around but I would be quite cynical about the whole ISO exercise. Except for the general consciousness of raising quality, but in today's market if you don't make quality, you don't sell it."

Marketing

Information was obtained for six of the nine companies here. In only one case was marketing a wholly centralised function. In four cases the German operation was responsibility for doing its own marketing. One mother company commented:

"we run programmes about loving the customer and whatever, but effectively our companies are not spoon fed. They are expected and [...] they like to have their own independence, and be free to design their own marketing."

In another company again the financial orientation of the group was in evidence:

"They are completely responsible for taking those [decisions]. They decide they are going to take the products that they believe they can sell, so they are trying to push for what they can sell in their markets, and therefore their responsibility is to ensure that as a whole the group is making money on these products, but they will decide how it's sold, what it's sold for, completely their responsibility."

In the third company the mother company did do some direct marketing to customers in Germany but their sales representative in Germany was their main marketing tool. In the final company marketing was a relatively new function for the group and the approach being pursued would appear to be a collaborative one between the mother company and its foreign affiliates - in essence a geocentric approach.

Unlike the situation with the Irish operations and their German mother companies, therefore, marketing would appear here to be less of a centralised function.

Conclusion

While no central pattern can really be detected here with regard to the imposition of standards, nevertheless, cultural differences in perspective between the Germans and the Irish were evident.

(iv) Performance monitoring

Planning and strategy

Information was obtained for all nine companies in the sample. Basically three patterns regarding planning and strategy emerged depending on from where the initiative originated.

(i) Top-down

In the top-down scenario the initiative came from the mother company. In its most extreme form this involved the mother company single-handedly compiling a strategy for the German operation without consulting the people on the ground. Only one company fell into this category. For two companies the mother company developed the strategy for Germany and then the input of members of the German operation was invited to ensure that the necessary modifications were made to this to make it work. In two further cases the mother company set down guidelines or a corporate strategy within which the German operation would then put together its own strategy which would be agreed centrally. It is interesting to note here that in 1996 two of these mother companies did not appear to have any other strategy for Germany than to get what they could from the market there.

(ii) Bottom-up

In this case the initiative came from the German operation. At its most extreme there was no input at all from the mother company apart from approving the plans proposed by Germany. This scenario applied to three companies. One German interviewee commented here:

"Ich habe es [the strategy] präsentiert [to the Board of the Mother company] und wir haben es gemeinsam verabschiedet [...] Das Mutterunternehmen hat unsere Pläne kritisch analysiert und geprüft. Die haben keine Gegenvorschläge gemacht. Wenn, dann waren es eher Änderungen [of figures] und Anpassungen. Einen kompletten Plan weggeschmissen und einen anderen Plan gebracht, das kam nicht rüber.[...] Sie haben sich mit mir darüber unterhalten, aber es kam nie eine Idee von ihnen und sie haben nie versucht, sich losgelöst von mir auf dem deutschen Markt zu informieren, um mehr Sicherheit zu bekommen oder andere Ideen zu bekommen."

In the other company as the group has expanded so too has its approach to strategy moved from being a centralised one to a more decentralised one:

"Well historically it would have been here in head office because we had a small company but bit by bit we have discovered that bit by bit the companies are developing their own strategies and they are explaining them to us. [...] As the group gets bigger we are getting more and

more strategy issues coming from the local companies. At the end of the day the local Chief Executive's responsibility is to grow the business."

(iii) Collaborative

This final scenario applied to just one company. Here the strategic process was organised by the owner of the mother company but was the result of collaboration with the German operation:

"We would all sit down together, look at the figures, look at the prospectus and see how we have done over the last year and plan a year's plan or a two year plan. And it would be agreed with everybody around the table and then we would all go off and perfect it."

Conclusion

Based on this evidence it would seem that the preferred pattern here is some version of the top-down approach.

Reporting

As with the companies in Sample Group A, reporting appeared to be the only enforced system of record-keeping. This section will examine the frequency and content of this reporting as well as the format used and the feedback provided.

Seven of the nine German operations had to report to their Irish mother companies at least on a monthly basis. One of the two remaining companies reported monthly to its group's European headquarters. In the case of the final company, a sales office, its mother company did not feel that any monthly report was necessary as it was able to assemble this information from the orders received and wanted to minimise the paper work involved. Here again one sees the Irish attempt to keep bureaucracy in check. Of the seven providing information on the format of this reporting, only three said that a standard fixed format was used. Two of the three companies were acquisitions and part of large groups hence the necessity for fixed formats to facilitate co-ordination and monitoring from the point of view of

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the mother companies. For the remaining companies a checklist of issues usually had to be addressed. In addition to their monthly reports three companies were also reporting on a weekly basis - for two of these, both sales operations, this was sales figures and for one of the acquisition companies it was a cashflow report.

Seven of the nine companies sent detailed financial information to their groups. In the case of the two remaining companies the mother company was able to calculate this itself from the orders received. Some element of market information was also generally included as were forecasts for the coming month.

Of those who commented that feedback was given on these reports, three said that this was done in the form of a monthly face-to-face meeting to discuss problem areas and future developments.

Technology

None of the companies in the sample made any reference to remote monitoring of their operations via mother company IT systems.

Conclusion

As in Sample Group A mother company intervention here was essential to overall co-ordination of its organisation. The only significant difference between the two sample groups was that fewer of the German operations used a standardised format for reporting. This may be explained in terms of the smaller size of their Irish mother companies.

(v) Personnel policy instruments

Personnel performance monitoring

The objective here was to ascertain the extent to which the Irish mother companies became involved in such personnel issues in the German operation as promotion and salary

decisions. Concerning the six German affiliates with more than one employee, only one mother company enforced a uniform company policy with regard to promotion and salary decisions. In four of the companies the pattern was for the MD of the German operation to make recommendations to the mother company for approval. In the case of the final company the Irish mother company decided all salary increases for the German operation which was viewed more or less as an additional sales force. As with Sample Group A, the mother companies all decided the MD's salaries. In one case the salary of the financial director was also set by Ireland again underlining the bottom-line orientation of that particular mother company.

Mother company involvement in recruitment

Information was obtained for five of the nine companies here. In all cases recruitment was left up to the management of the German operation. Two German affiliates, however, said that they would need to be working within cost guidelines set by the mother companies. In all cases the MD was recruited by the mother company - this was again the pattern seen in Chapter Five for Sample Group A. Two of the mother companies were also involved in the selection of the financial director, one had furthermore input into the selection of all key personnel in Germany. Both of these companies described themselves as very bottom-line orientated. One of the Irish mother companies described its policy as follows:

"In all of our subsidiaries that decision [the appointment of the financial director] is ours [the mother company's] and in effect the Financial Director in each company is responsible to the Group Financial Director here, separate from his managing director, he is effectively independent. [The German MD] couldn't fire [the Irish expatriate Financial Director in the German operation], but he could fire anybody else [...] So the finance guy, although he is a colleague and he works well with him he is independent, and his salary is set here, and his bonus is set here. So that's one way of say, controlling the integrity of the information across the group. Every financial director everywhere else is a local of the country [...] and then we would decide on the Chief Executive. So apart from those two, everything else is handled by the local company."

<u>Presence of expatriates</u>

The overall nationality of the staff of the German operation and particularly the person responsible for running the operation have been examined above. Of interest here will be, therefore, the policy of the mother company towards the deployment of expatriates and the types of functions they tend to occupy. Information was obtained on the six German operations employing more than one person.

Two of the Irish mother companies with German acquisitions, both very bottom-line orientated, explained that they had a deliberate policy of employing local managers. In spite of this, however, both had opted for an Irish expatriate, with prior group experience, for the position of financial director/manager in Germany in order to bridge a lacuna they felt existed in Germany. The reasons given here varied:

(Company 1): "the trouble with German accountants, I am being a bit unfair but, they tend to be very bureaucratic and not profit orientated and we needed a financial guy who with the Chief Executive could work through to make the place much more effective than it had been."

In all of the group's other operations the financial director was a local. In the second case the mother had imposed a lot of changes to the organisation of the financial side of the German operation:

(Company 2): "I would say on average German companies, certainly if we are talking about the *Mittelstand*, they tend to be very good technically, they tend to be very poor by Anglo-Saxon standards in terms of monitoring the business and in terms of financial reporting. And they tend to be very poor at marketing and we had major inputs into [our German operation] in the early years, we put in good financial controls and financial information on computers and stuff [...] we actually put in an Irish guy as financial director who put in quite good financial controls, and that would be an area where companies like ours would be better than our German colleagues, we would be better with financial controls."

In the third company the German MD wanted the Irish finance person to fulfil a liaison role to help him understand the differences between Germany and Ireland with regard to the financial side of their business. This person also brought previous group experience with him.

Of the remaining companies only one had a definite policy of employing predominantly Irish staff based on bad experience in the past:

"when we opened the company first we had all German staff and first of all we weren't used to working with German people and we found it very difficult to get across our ideas to them on how we wanted the marketing and sales done [...] I think it was more mentality. We put in a manager there who came from a similar company in Germany who, he was in his 50s and had his own way of doing things and didn't want to change and we couldn't get across what we wanted to do and it was just very complicated, so we said OK we will try putting in somebody we have here in the office and see how that works. And it just happened to work very well, so that sort of set a trend, we gradually replaced all the German people over there with Irish people and it just worked quite well."

The final two companies followed a policy of employment on the basis of abilities rather than nationality.

In terms of their overall number, the presence of Irish expatriates was very low. Apart from the company mentioned above that employed predominantly Irish staff, and the financial managers, only three German operations said that they had small numbers of expatriates, all in support roles, one financial and two technical.

Training in Ireland

In only one of five companies employing more than one employee in Germany for which information was provided here, were German operation employees sent to Ireland for training. For the remaining four training tended to be done in Germany. It should be noted here that three of the companies were run to all intents and purposes as independent companies with minimal mother company input. In only one of the five companies did the mother company mention that training in Germany was carried out also by people from the mother company.

The importance of the Irish mother company as a source of expertise for its German operation would, therefore, not appear to be as great as was seen in the case of the Irish

operations in Sample Group A. One explanatory factor here could be the predominance of sales operations which, of necessity, would not require the same level of technical ability as would a production unit.

Conclusion

As was seen with Sample Group A the main involvement here of the mother companies centred around the recruitment and remuneration of the MD. The greater concern of the Irish mother companies with financial issues was, however, seen in their approach towards the role of financial manager/director in the German operations.

(vi) Communication instruments

Information was obtained for all nine companies, for three of these from the 1996 interviews with the German operations. The general pattern of communication between the mother company and the German operation would appear to be on a daily basis. In all cases contact was direct in the form of fax, email, and phone and covered all aspects of the on-going business of the German operation.

(i) Visits by mother company representatives to the German operations

For six of the nine companies representatives from the mother company visited the German operation approximately 10-12 times per year. Of these five of the German operations were engaged purely in sales and one was an acquisition. One German operation was under the direct jurisdiction of the group's European division located in a third European country but headed by an Irish expatriate. This also sent visitors on a regular basis - these were both Irish and locals from the third country involved. For the final two companies the pattern was quarterly and bi-monthly respectively. In all cases the visitors from the mother companies were usually senior people and included mainly: MD, owners, and the Sales/Marketing Director. In all cases the mother company interviewee was usually the principal visitor. In only two cases was it mentioned that the mother company sent technical

people including IT specialists. One of the mother companies also sent financial people to review the finances of the German operation, this was one of the companies which described itself as very bottom-line orientated. The purpose of these visits included monitoring the progress of the German operation, discussing problems and issues arising including investment, visiting customers and taking part in trade fairs/exhibitions.

Five of the six mother companies interviewed in 1999 felt that the number of visits had fluctuated in recent years. For four of these there had been an increase in the number. There had been specific organisational reasons for this including the expansion of business in Germany, changes in organisational personnel and the creation of new liaison roles, as well as changes in the ownership structure of the German operation. For the remaining company the number had decreased due to the age and hence the experience of the German operation.

(ii) Visits to the mother company

Based on the interviews with the German operations in 1996, visits to the Irish mother company tended to be quarterly and appeared to be more frequent than visits in the other direction. By 1999 with the increase in the number of visits by mother company representatives, this trend had been reversed. It is not known what effect this has had on the pattern of visits to the mother company. In all cases the most senior person visited the Irish mother company, usually alone. There were usually several reasons for the visits the most important of which were co-ordination purposes (this included presentations to the board of the mother company on results or new ideas), bringing German customers over to the Irish plant and also technical discussions with mother company people. Only one company said that these visits were used for training purposes.

<u>Conclusion</u>

All of the German operations were in frequent contact with their Irish mother companies. The only detectable difference here between the two sample groups was that the visits by Irish mother company representatives appeared to be more frequent. One possible explanation for this could be the difference in the age of the affiliates in both groups.

(vii) Organisational culture

Sense of belonging

The notion of the sense of belonging to a larger group really only applied to six of the nine German operations surveyed as three were more or less one man operations, in one case the sales representative was actually self-employed. Five of the six mother companies said that they actively pursued a policy of making the German operation feel part of the larger organisation. In three cases the same answer was also given by the German operation. In the remaining two companies substantial changes had occurred in the overall organisation and running of the foreign affiliate since the 1996 interviews. As in the case of Sample Group A, the main methods used by the Irish mother companies were monthly communication e.g. newsletters and interaction of visiting senior personnel with members of the German operation. Further means mentioned in this connection also included group-wide meetings - possibly due to the generally smaller size of the groups than in Sample Group A - and also social activities, something not mentioned in the other sample group, but a distinguishing feature of Irish life highlighted by the interviewees in Chapter Seven. From the comments of two Irish mother company interviewees and one German manager this sense of belonging would not appear to be very strongly pushed. The German manager felt that in spite of mother company efforts his workforce felt first and foremost that they belonged to the local German operation. One of the reasons given here was the fact that very few of the German staff, all white collar workers, had been to the mother company in Ireland. The mother companies in question described their approach as follows:

(Company 1): "what we say to all our people [is]: You are employees of [the German operation] and you are employees of [the Group]. [...] but we tend to put the local business, the local company first and [the Group] second."

(Company 2): "They are aware but we don't push it very strong and we have a lot of local cultures. But we would go to certain functions, I mean, one of the companies in Germany was celebrating its [xth] year and it was a two day function in Germany and we all went to it and they knew we were there but we don't try and push global culture like an IBM or something like that, it tends to be much more local. We would call it a family of companies but the number of transfers between companies are very few, very few."

Explicit organisational culture

The aim here was to establish whether or not the mother company had an explicit organisational culture and whether or not this was used as a mechanism for controlling and co-ordinating the efforts of the German affiliate. Four of the nine mother companies felt that they had no explicit organisational culture.

Of the five with an explicit organisational culture only two said that they applied it to all parts of their group. In both cases this had marked a changed since 1996. In the intervening years these companies had thought seriously about what their shared cultural values should be and how they could be diffused throughout their groups.

One of the companies which did not push its culture onto its foreign affiliates made some very interesting comments as to its approach - these were borne out by the comments of the interviewee in its German operation:

"We try not to disturb existing cultures until we find out how they function and whether they work well or don't work well. [...] The relationship with the group board is the same. Our relationship with them is the same. But each of the [acquisition] companies have their own management style which would be quite different [...] and you don't try to expunge that culture. There are only a handful of things you want to change. [...]We leave the cultures of the business as best we can, untouched because the people feel more comfortable working within that and we only change one or two things where we think it is a real bar."

<u>Does the German operation have an 'Irish feel' to it?</u>

The findings here were consistent with those above on explicit organisational culture. Information was obtained for seven of the nine companies. Only one company was stressing its Irishness due to the nature of its products. For all other companies the German operation was said by both mother companies and those on the ground in Germany to have a 'German feel' to it. This finding is particularly interesting where the MD of the German affiliate was Irish. When asked to describe what was so German about their operation, one such mother company commented:

"Well, it's the reaction from customers actually going in there. Five years ago it didn't have a German feel to it. German customers who lived around the corner liked to call in and buy a few [of the products] and [they would have said] it is obviously an Irish office or a foreign office and it was, because all the people working there were Irish and the way of working was very Irish, they saw it as disorganised and inefficient whereas now if you walk in there you know you have half German and half Irish working around you and it is efficiency personified now. New computer system, everything is computerised, and internetted. The local customers walk in and they are just very comfortable in that environment. They feel they are on a level par and they know [...] they can understand what people are saying to them."

In this case it would appear that the German operation had in recent years deliberately attempted to become more German to increase its success in the marketplace. Another company in spite of its efforts to introduce a common organisational culture into its German operation and to break down a lot of the formality there, still described its operation there as very much Germanic even if it was headed by an Irish MD, the only expatriate in the company:

"For me the German feel is the language, the way the people communicate with each other. Even the way, we deal with customers. Germans have a different approach to the customer than the Irish."

Generally, the key ingredient for the 'German feel' appeared to be having predominantly German staff.

<u>Cultural change in recent years</u>

<u>(i) The mother companies</u>

Only three of the mother companies mentioned that they were in the process of undergoing organisational cultural change. In two cases the aim here was to create greater ownership within their operations. In the third case these changes had been brought about in no small way by its involvement in the US market and the demands of its customers there. In all three cases these changes concerned the overall improvement of the efficiency of the operation and the greater unleashing of employee potential.

<u>Conclusion</u>

The findings here suggest that organisational culture is not a tool used deliberately by most Irish mother companies to control and co-ordinate the activities of their German operations. The findings here were even more pronounced than in the case of Sample Group A. The reasons for this are probably the fact that most of the operations were sales operations or German acquisition companies headed by German MDs and the view that as long as the German operation is successful there is no need to interfere with its culture.

6.5. Conclusion: Irish influences in the German operations

Generally, the Irish mother companies appeared to be pursuing very much a polycentric or 'hands off' approach to their German operations. This tended on the whole to be even more pronounced than was seen in the case of Sample Group A and is possibly due, on the one hand, to the type of operations involved - these were for the most part sales operations which of necessity need to be tailored towards the exigencies of the local market and are usually actively seeking sales opportunities as opposed to relying on their mother companies to provide them with these - and on the other, the conviction that if an operation is running successfully then there is no need to intervene.

In terms of the mechanisms employed by the mother companies to control and co-ordinate the German operations, these were similar in nature to those used by their German counterparts, namely, intervention in the planning and target setting process, the monitoring of progress in the form of regular reporting, albeit for the most part in a non-standard format, the selection of the MD and some of the key senior people in particular the Financial Director/Manager. Of interest was that none of the mother companies endeavoured to put their stamp on the German operations except with regard to matters financial. Indeed the greater concern with the bottom-line and the financial affairs of the German operations was particularly evident as were the attempts to keep paperwork in check. The overall pattern regarding organisational culture here also conformed to Scholz's thesis of mother company dominance at the level of mother-company subsidiary interaction (Scholz, 1994).

In spite of the overall polycentric approach there were Irish influences identified in the German operations. These included the role played by Irish government assistance, the greater willingness to recruit senior staff by means of trawling the local labour market - pointing to a lower uncertainty avoidance level than was seen for Sample Group A - and the tendency for the German operation to be headed by a generalist as opposed to someone with specialist knowledge of the mother company's core business.

CHAPTER SEVEN:

CULTURAL DIFFERENCES BETWEEN THE IRISH AND THE GERMANS - EVIDENCE FROM THE INTERVIEWS

7.1. Introduction

In Chapter Two it was seen that in Hofstedian terms the principal differences between the Irish and the Germans would appear to lie along the dimensions of Uncertainty Avoidance and Power Distance (if one is to take into consideration that in Germany the low score for the latter is kept artificially low whereas in Ireland it is naturally occurring). The present chapter will examine the cultural differences between the Irish and the Germans, particularly within the workplace environment, as identified by the interviewees in the interviews carried out by the author in Germany and Ireland in 1996 and 1999. In spite of the reservations expressed concerning the applicability of Hofstede's scores to this survey, outlined in Chapter One, it will be found that the cultural differences fall broadly into the categories of Uncertainty Avoidance and Power Distance.

The chapter will, therefore, first of all examine the traits relating to Uncertainty Avoidance and then proceed to consider those concerning Power Distance. It will also examine mechanisms put in place as a means of compensating for or combating these differences where they were regarded as undesirable. In all cases their impact on day-to-day organisational life will be explored.

7.2. Cultural differences pertaining to uncertainty avoidance

It is helpful as this juncture to recall Hofstede's definition of Uncertainty Avoidance quoted in Chapter One:

"the extent to which people in a culture become nervous in unstructured, ambiguous situations, and try to avoid such situations by strict rules of behavior, intolerance of deviants, and a belief in absolute truths (Hofstede, 1993 p. 3)."

7.2.1. Approach to time

Of all of the differences between the Irish and the Germans identified by the interviewees, the way in which people perceive time in both cultures would seem to be one of

the most significant. Of the 45 people interviewed, 26 - 11 Germans and 15 Irish - saw differences here.

According to the interviewees, the Irish and the Germans do not have the same attitude towards time and time-keeping. Whereas for the Germans time is a concept which must be understood and measured in a very literal and precise fashion, the Irish attitude can be summed up in the old Irish adage 'When God created time, he created plenty of it' and hence time is not a commodity which must be treated sparingly or indeed measured in a strict manner. One Irish CEO of an Irish mother company summarised this difference in attitude very aptly:

"The approach to customers in Germany has to be 100% professional especially in time-keeping and if you say that you have a proposal ready, you have to have it. You are taken exactly to the letter of your word whereas in Ireland it could be just a casual remark and you are not necessarily held to it e.g. "we'll meet this afternoon" means 'sometime', not necessarily a particular time".

A further illustration is the following quotation from an Irish sales representative in Germany:

"The Germans don't like to be put under pressure when they have given you a date. The mother company will say, "ring him [the German customer] up, the offer you made him is outstanding for six weeks." I will say that I spoke to him two weeks ago and he said that he won't be able to make a decision until [a date specified by him]. The Germans are quite reliable. When they say something they usually mean it. If a German says he won't know until the end of August then this is true. I feel that the mother company does not have enough sensitivity to this".

The Irish liberal attitude towards time is clearly seen in the tendency to use the suffix 'ish' with regard to time, something which is relatively alien to the German restrictive and precise view of time. One Irish manager said that when he visits his company's German operation he is always conscious that if a meeting is at 8 a.m., it is at 8 a.m. on the dot and not 8 ish. He is always there at 7.55 a.m. This was echoed by an Irish manager in a German company in Ireland commenting on his German mother company colleagues:

"There is no 'I'll see you around 4 o'clock, 4 o'clock ish. There is nothing like that."

The noticeable difference towards time led one German mother company interviewee to remark with regard to Ireland:

"Die Uhren gehen da anders".

The Irish approach to time-keeping does pose difficulties for the Germans. One German who had been with his company in Ireland for many years still found this very hard to accept:

"Die Iren neigen zur Unpünktlichkeit. Für einen typischen Iren, dies betrifft nicht unbedingt das tägliche Betriebsleben, wo sich mittlerweile durchaus eine Disziplin breitgemacht hat, sondern es betrifft die Tatsache, man hat ein Appointment und das ist 10.00 und dann kann das auch 10.30 sein. Das ist meiner Ansicht nach unverzeihlich. Das verschwendet Zeit und frustriert auch Leute und ich lasse auch keine Gelegenheit aus, sowohl meine Mitarbeiter als auch Kunden oder Lieferanten daran zu erinnern, daß man sich tunlichst an Interviewzeiten oder an Appointments halten sollte. Ich muß sagen, das kann ich auch im Privatbereich nicht besonders gut leiden. Man muß zwar nicht immer der erste sein um 8.00 aber man sollte nicht unbedingt aus 8.00, 9.00 machen. Das ist eine Eigenschaft, an die ich mich sehr schlecht gewöhnen und im Prinzip auch nicht gewöhnen kann. Ich habe mich aber bemüht dies aus dem betrieblichen Bereich etwas herauszubringen und das ist mir auch einigermaßen gut gelungen. Ich versuche das immer damit zu erklären, daß, wenn mein Zug um 8.00 abgeht dann ist der um 8.00 weg und um 8.05 ist für mich der Zug abgefahren. Da gibt es keine Möglichkeit mehr, das wiedergutzumachen."

One would have thought that after his years of experience in Ireland, this German would have realised the futility of comparing the time-keeping of Irish trains to those in Germany - Irish trains are notorious bad time-keepers and although improvements have been made over the past few years, the chances of the train still being there at 8.05 would be relatively high! The stark comparison between the Irish relaxed view of time and the German uptight attitude is again illustrated by the following anecdote told by an Irish manager visiting his company's German operation:

"The last time I flew to Germany, I flew to X, it was a beautiful day. One of the ladies in the office came down to collect myself and [the Irish MD]. We had an hour to spare. I said to [the MD] I would love to see [a well-known local scenic attraction], he said, "Good idea", it had been years since he saw it. I told her we would like to see it. She said, "But you are due at the office." And even though we were the guys making the decision, she was worried about driving us out. We still got back in plenty of time. She apologised to her MD [an Irish man] for keeping us so late."

From the Irish perspective the Germans are, therefore, viewed as being obsessed with time and as being clockwatchers *par excellence*. Several of the Irish interviewees were surprised initially when dealing with the Germans at their regimented approach to the working day in view of the reputation that Germany enjoys in terms of its strong work ethic and its dedicated, industrious workforce. One Irish manager had this to say:

"I went to Germany expecting a very strong work ethic. I was disappointed. Everyone is there on time and leaves on time. A dangerous place to be is in the office at 5 p.m. If people stay back they expect you to pay them the hour or half hour's overtime. It reminds me of the situation in Ireland 15-20 years ago. I am not saying that they are not motivated. But I have noticed their commitment to time.

Another Irish manager in a German company in Ireland echoed these sentiments:

"I think we have a stronger work ethic [in Ireland]. I find with Germans 4 o'clock is 4 o'clock, they go at 4 o'clock by and large, we are not that inflexible here. [...] Even though we close at 5 o'clock you find people around the building until six, half six. You wouldn't find somebody in Germany at 4.30 on Friday evening, they finish at half twelve. [...] You would find people around this office [the Irish office] until 7 or 8 o'clock, they wander in on a Saturday to do a few hours. You wouldn't find it in Germany to the same extent."

(The foreign operation for both of these companies was a sales based operation). Punctuality, therefore, for the Germans means not only beginning their working day at the agreed time but also finishing promptly once the number of contracted hours of work are over at the end of the day.

This perception of the Germans by the Irish as not being as hardworking as they initially thought is linked to the fact that very often in Ireland the number of hours worked as opposed to the quality of the work itself is viewed as an indication of one's level of commitment to one's job and to the company. In comparison to the Irish, German workers would appear to have a more contractual approach to their working relationship with their companies. One Irish manager commented with regard to his company's German sales operation:

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"They will work very hard for the hours they are supposed to work according to their contract." [and then they expect to go home]

This is in sharp contrast to the situation in his company's Irish plant [a production facility]:

"People work and would never dream of looking for a bonus or special conditions. I have seen people working in that factory until 12 o'clock at night and there is no such thing as double time. There are never any arguments."

His sentiments are mirrored by another Irish sales representative in Germany but who was also cognisant of the quality issue:

"I feel the Germans work the least with their coffee breaks, their 35 hour working week and their regimented approach to work. [...] On average I feel that the quality of time worked in Germany is better. The Germans are more focused and more thorough. The Germans when they are on the job they are more concentrated."

It should be noted here that this was the only interviewee who felt that the Germans were more concentrated on the job. A German manager running a production operation in Ireland who took part in the pilot study in 1995 said that he noticed particularly in the office that if the working day in Germany is supposed to finish at 3.30 p.m. the Germans would leave on the dot whereas the people in their Irish plant if they still had something to do they would do it so that they did not have to start with it again the following day. This had led to a flexible system in the Irish plant whereby the German manager allowed people to finish early if they needed to as he knew that they would work longer hours when required.

The contractual approach of the Germans to work was seen by the Irish manager of a German company in Ireland as being a distinct weakness when it came to providing good levels of customer service:

"because of the German mentality in terms of wanting to work 4.5 days a week and not wanting to work bank holidays or weekends [...] the customer is left high and dry."

This contractual approach is further highlighted by the next two anecdotes from one Irish mother company interviewee on his experiences of interacting with their German operation:

"I have noticed that I'd go for lunch and would be talking to a German employee over lunch. The German would be watching the clock and saying, "We must be back in the office for two o'clock." I found this very formal. You could even be having a personal conversation with them but it must start at a certain time and if it is to be continued it must be continued back at the office. "Oh we must get back to office". I find that unusual because if I am working on someone else's agenda and I have the time, I am prepared to give that person the time. It comes across as rude that they are not prepared to take that time even on their own agenda. "We must be back in the office because we are going to get a phone call and we won't be there". What are they worried about, they are here with the boss!"

"The coffee break is at 10.20 and it finishes at 10.30. [...]Certainly no one would ever have to tell them to come back. [...] I was doing a sales training course in Germany. I said we would go for a cup of coffee in ten minutes. A German employee said, "What time are we going to have coffee?". I said, "At ten or half past whatever". He said, "I normally go for my coffee at 10.20". At 10.20 he said, "Will the coffee be ready?" We were in the middle of a serious conversation about where we wanted to bring the sales force up to and he was worried about the time the coffee was going to be at. In the end I said, "Would you get your man a cup of coffee".

In view of the relaxed approach of the Irish towards time, both the Irish and the German interviewees saw the Irish as being more laid back. The German opinion in this regard is aptly summarised by one German mother company:

"Irland ist ein Land, wo man nicht in Minuten oder in Stunden denkt also nicht so hektisch wie in Deutschland der Fall ist [...] Irland ist viel beschaulicher als Deutschland. Ruhiger, nicht so hektisch, letztlich nicht so gestreßt."

An Irish manager of a German plant spoke about what happens when Germans from the mother company visited the Irish plant to do work for them:

"It's so relaxed [here in the Irish plant] but we get the work done. [...]The guys come over and they are trying to look busy whether they are or not and they look at us and we are getting all the work done but here there is no one panicking. If people are rushing around it's far too easy to make a mistake. They settle in after two or three weeks and they are always asking to come back [...] I think [they are trying to look busy] to try to impress people. Maybe it works but they are only human beings at the end of the day and you can't work like that all the time."

7.2.1.1. Delivery performance

The downside of the more relaxed Irish attitude towards time can, however, manifest itself in poor delivery performance by German standards. A third (four out of twelve) of the German mother companies with production operations in Ireland said that adherence to set delivery schedules was a problem but more significantly four out of five of the Irish companies with a purely sales operation in Germany admitted that this was a weakness in their overall operation.

Looking firstly at the perspective of the German mother companies, three of them felt that the reason for this poor performance on delivery was linked to the Irish mentality ("mentalitätsbedingt", "Einstellungssache"). The difference in attitude towards adherence to deadlines is clearly seen from the following comments of a German mother company interviewee:

",daß vielleicht unsere irische Fertigung zu Termintreue eine etwas andere Vorstellung hat als wir. Die Zuverlässigkeit von Terminaussagen ist also vielleicht eher einer größeren Bandbreite unterworfen, als man das hier [in Germany] vielleicht antreffen würde."

One German interviewee whose company decided to pull out of Ireland said that precisely this difference in attitude was one of the major contributory factors to their decision to shut down their Irish operation:

"Das große Problem war, daß die [Produktions-] Pläne nie eingehalten worden sind, weil immer etwas nicht ging. Zeitmäßig. Die Zeitpläne, die vorgegeben waren, die durchaus vernünftig kalkuliert wurden, wurden nur in sehr seltenen Fällen eingehalten. Das es immer mit Streß ging, immer mit Sondertransport, immer Teillieferungen usw. [...] Daß man versucht hat, beizubringen, daß, wenn man sagt "morgen schicke ich ihnen 10.000 Faltschachteln", daß es dann morgen sein muß und nicht in 14 Tagen.[...] Oder daß, wenn ein solches Problem auftritt - das Problem habe ich hier genau so - daß man reagieren muß, daß man dem Kunden sagen muß, "paß auf ich habe zwar versprochen, aber leider hat es nicht geklappt." Daß man den Kunden informieren muß und nicht sagen darf, "och, das ist doch nicht so schlimm, wenn es in 14 Tagen ankommt, reicht es auch noch." Dies geht wieder auf die Mentalitätsunterschiede zurück."

Another German manager running a plant in Ireland whose own company did not experience problems on the delivery front but who recognised that good time-keeping tends to be a problem in Ireland, said that if a company had problems adhering to delivery dates this was due to lax management:

"Dann sollte man das Management auswechseln. [...] Jeder Mensch ist von Natur aus faul. Wenn das Management also keine Anforderungen stellt, keinen Druck ausübt, dann kann ich doch von meinen Mitarbeitern nicht verlangen, daß die alle die Initiative entwickeln, die eigentlich das Management entwickeln sollte. Das halte ich - und ich habe das sehr oft gehört - für eine faule Ausrede eines nicht aktiven Managements".

It is interesting here to examine next the responses given by the interviewees in the Irish operations of these German mother companies on the whole subject of delivery performance. One of these companies said that:

"[...] our delivery dates were absolutely dire up until '96/'97 whereas now we are up to 100% [on time]. [...] I would say over the last year or so from talking to people in headquarters now we are the best [within the Group]."

This interviewee (an Irish manager) remarked that in spite of their poor performance on deliveries in the past, they had never been provided with information by the mother company as to what level of standard was being achieved within the group as a whole, so they took matters into their own hands:

"[...] nobody ever said to us here is a target, in fact we started measuring ourselves about two years ago and we have been trying to find out what is the benchmark within [the Group] and really that information is hard to come by, so what we have also done, [...] and I am not relying on our headquarters, we joined a group called the Irish Centre for Business Excellence, which is a group of 40 companies and we benchmark among ourselves [one of the items is delivery performance. His company had only just been accepted as a member of this group] [...]we should find out what is the norm for on-time deliveries in other business sectors."

Significantly, one German manager of a German company in Ireland blamed the mother company for his plant's poor score here:

"I think that this is the German mother company causing that by not giving you a proper forecast for the order situation. In Germany they have a bigger workforce so they can move

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people around a lot more easily. We are limited. I can't just move somebody from there to there. The efficiency is not the same."

One Irish manager felt that the main reason for his plant's poor delivery performance lay in the mentality of his workforce:

"I think it is mainly a case of lack of commitment. I think there is a failure [...] to see some relationship between this and their job and really giving a damn, and when something breaks down I have to accept it and I have, but I can't excuse just not doing it. And I think there is a lot of 'well, we didn't make it'."

Two further managers of German plants in Ireland - one Irish and one non-German felt that adherence to delivery deadlines cut both ways. One of the these managers said that they would begin to adhere strictly to delivery dates as soon as their German mother company began to do so. It is clear from these comments that the issue of delivery performance is not a simple cut-and-dried one.

Looking next at the Irish mother companies and their German operations, the general consensus among the Irish interviewees working for Irish companies was that the Germans are very sensitive to reliable delivery performance. There was also a recognition on their part that their companies tended to fall down in this area. One Irish owner manager said:

"The Germans are perhaps more demanding and exacting on specifics, deadlines and requirements and would fault the Irish as being lax on this. My German staff has not adopted Irish ways - they set the standards on such things. I encourage them to follow through on any laxness they encounter in the Irish operation."

An Irish sales representative for an Irish company in Germany commented:

"Delivery dates are a problem. I feel that in [the mother company] they are not sensitive enough to the importance of delivery dates. Customers are quoted a delivery period and sometimes this is not adhered to due to a shortage of something or a quality problem arises."

The same interviewee stated that when it first started up in Germany and was canvassing potential customers the poor image of British companies on delivery performance was automatically transferred to Irish companies. The perceived German attitude to delivery

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performance is encapsulated in the following quotations from another Irish mother company which also recognised that the Germans will not be flexible here:

"Oh this is the whole thing about inefficiency. It drives them absolutely bonkers. If you tell them you will have the product for them in four weeks and you don't have it in four weeks, it's the biggest *faux pas* you can make, and it is compounded by not telling them in advance. [...] Information on delivery, delivery on time, good quality. All of that would be paramount to their accepting the company and really they can make their decision on whether they want to continue working with you or not on a thing like that. If you have got a good product and a good price, if you don't deliver on time, they just go elsewhere. They will give you fair warning but they say, "This can't happen any more, I need to know when my goods are coming." [...] We supply to everywhere and we know we can get away with things like that. In Italy we blame it on the ferry system or the postal system and they accept it because they know these things happen, but no, in Germany we would have to say we take extra care, scheduling the product first of all. They much prefer you to tell them it is going to be eight weeks instead of four rather than to tell them it is going to be four and for it to arrive in eight weeks. They can deal with that so long as you give them the correct information. They then can make the decision whether they want it or not."

A German manager of an Irish sales office in Germany said that his company over the last few years had lost customers due to its poor delivery performance but at the time of interviewing their performance was improving. Two of the companies remarked that they have actively adopted strategies to improve matters. One of these had this to say:

"There are full control mechanisms in place so that there are no surprises. Everything is monitored on a daily/weekly/monthly basis. If there is any slippage on schedules or deliveries etc. the customer is informed that these slippages are occurring so that there is not one big surprise at the end [...] We employ an entire internal police force to police the Irish [...] These police the engineers to ensure that everything has been done as planned. I [the MD] manage any external contingencies or external factors influencing time schedules etc. These are reported directly to the Operations Director and this is the safety net employed." (The owner manager of an Irish company).

Three of the Irish mother companies said that their performance on deliveries had improved in recent years due often to the fact that their domestic customers had become more demanding and expected higher standards than in the past and also as they themselves became increasingly involved in the export business, foreign customers were exerting pressure on them to improve.

7.2.2. Flexibility

When asked about the differences between the Irish and the Germans specifically concerning the workplace environment, one third of the overall sample felt that the Irish were more flexible than the Germans. It is particularly of interest in this regard to take the nationality of the respondent into consideration: 48% of the Irish and 17% of the Germans commented that they felt this was so. This flexibility of the Irish manifested itself in such things as the willingness of the workforce to work over-time or unsociable hours without any fuss or red tape should the need arise:

"If an Irish company is unionised as long as there is a reasonable arrangement, the guys will work 50 hours one week because there is a big order. You are more likely to get that from an Irish company. You'll get the rule book and laws quoted at you in Germany." (An Irish sales representative in Germany)

A German manager of a German plant in Ireland who took part in the pilot survey in 1995 said that if his workforce knew that there was pressure on to get something out to Germany:

"ziehen die gleich mit [...] die Reaktion ist praktisch sofort."

whereas in Germany he would encounter the attitude of:

"ach, muß das schon wieder sein?".

Comparing the situation in the Irish plant and the German mother company, one third country manager in Ireland said:

"if you really had to get some work done, at the weekend you would be more likely to get it done here than in Germany."

One reason for the difference in attitude was given by one German manager in Ireland as the fact that workplace relations in Ireland are less rigidly structured than in Germany:

"You can talk to them [the Irish workforce], it is not down to the rules. In Germany everything is ruled out, everything is structured. Everything is finalised with figures, dates etc."

As a country which has traditionally known high levels of unemployment, the workforce in Ireland is prepared to be very geographically mobile, a point which has been mentioned in previous chapters. One German mother company interviewee said that one of the reasons that the company had come to Ireland in the first place was the fact that they saw that unlike their German employees who refused to travel across the globe to install equipment in a client's premises without frequent trips home, the Irish, on the other hand, were very flexible.

"Wenn Sie mit deutschen Mitarbeitern am Tisch sitzen, kann es Ihnen passieren, daß einer um fünf sagt, er habe jetzt Feierabend. Oder daß er nicht mit Ihnen nach Japan geht, weil er keinen Bock dazu hat. Vielleicht im Moment gerade nicht, weil alles ein bißchen dünn geworden ist, aber von der Tendenz her würde ich das sagen. Während mit den Iren hat man das Problem nicht. Die sind da. Die sind zu jeder Zeit und an jedem Ort, wo es sinnvoll erscheint, verfügbar."

This once again highlights the non-contractual view the Irish have towards their work in comparison to their German counterparts, and a far more pronounced tendency to be prepared to do whatever the job demands as opposed to laying down the law as to what they are/not willing to do. Despite the common stereotype of the Irish as being a laid back people, the role of work would indeed appear to be of central importance, evidenced by their general willingness to allow work and work commitments to encroach on their personal life. This could also be because the Irish, unlike the Germans, would not appear to have a compartmentalised view of life where work and leisure fall into two discrete categories. The Irish tend to view life as a continuum, a point which will be explored in greater detail under the Power Distance section later in this chapter. The German manager just quoted above, with a lot of experience of doing business in Ireland, had this to say on the subject:

"Meine Frau toleriert es, daß ich ein bis zwei mal die Woche mit Kollegen oder Kunden zum Essen hinausgehe. Darüber hinaus würde sie fragen, ob es sein muß. Ich habe den Eindruck, irische Frauen fragen das nicht."

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Although the general picture which emerged from the interviews was that the Irish were more flexible than the Germans, this was predominantly the view of Irish interviewees and as such an element of national bias cannot be ruled out.

Three of the German mother company interviewees felt that stubbornness was a typically Irish characteristic with which they were confronted but that at the end of the day their Irish employees knew who had the final say. One of these commented that the Irish are a very proud people. If their opinion is not accepted sometimes they become stubborn. The particular manager in question coped with this by trying to reason with his Irish employees but if this did not work then they were told what to do. At the end of the day the workforce knows that the Germans have the final say. Another German interviewee said:

"Mein persönlicher Eindruck ist, daß die Iren häufig starrköpfiger sind als wir. Die Kompromißbereitschaft, die häufig bei uns anzutreffen ist, ist dort weniger ausgeprägt."

His method of coping was identical to that of the interviewee mentioned above:

"Im Prinzip mit Diskutieren oder auch mit Anordnen."

The third company said:

"Man bekommt sie manchmal aus der Spur, in der sie sitzen, nicht mehr heraus. Da muß man manchmal richtig "hebeln". [...] Es ist eine Frage, ob es uns gelingt, sie zu überzeugen. [...] Im großen und ganzen kommen wir schon dahin, wo wir hin wollen bei der Zusammenarbeit."

This interviewee qualified his comments, however, by saying that he also experienced this with other foreign operations and, therefore, felt that it could be possibly an inherent characteristic of the relationship of a small subsidiary to its large mother company.

While stubbornness would appear to contradict the otherwise flexible image of the Irish, great caution must be taken when drawing any general conclusions here. It is significant

that these comments all came from German mother company employees whose contact with their Irish operations was a rather long distance one as opposed to one characterised by direct face-to-face interaction on a daily basis. As such what the mother company may regard as 'stubbornness' could in fact, be simply those on the ground digging their heels in concerning mother company decisions which they consider inappropriate to their particular operational context. Furthermore, differences in attitudes to authority which prevail between Ireland and Germany and which will be explored below under "Cultural Differences Pertaining To Power Distance" could be an additional explanatory factor here.

7.2.2.1. Rule-orientation in Germany

The main cause of German inflexibility as expressed by the interviewees would seem to reside in their rigid adherence to rules and regulations, decisions, and procedures of any kind once these have been established. In this respect it is interesting to recall that Hofstede posits that countries having a high Uncertainty Avoidance score will have a greater rule orientation and hence more written rules and greater structuring of organisational activities than countries with low Uncertainty Avoidance scores (Hofstede, 1980 p. 144). One German manager of an Irish plant in Germany speaking of the Germans as a people commented:

"Wir sind eher zu starr. Wir legen uns einen Plan fest und nach dem wird marschiert, ohne Rücksicht darauf zu nehmen, was rechts und links passiert."

His sentiments are reflected in the comments of the following two Irish managers of German companies in Ireland:

(Irish manager 1):"I find that our own [Irish] guys over the years are very good, flexible and innovative and they are open, but dealing with the Germans, they are still very rules-orientated, they will not push the boat out too much in my opinion. If we are dealing with a project the Germans will say, "This is the way we will do it so we will just continue along these lines." You might have to be a bit more flexible in terms of the project is not working out. You might have to shift a bit this way, come back a bit that way. It is never just straight down."

(Irish manager 2): "In my early days, the 1970s/early 80s, we had a lot of work in Germany. I spent weeks in Germany testing equipment. They are really very, very good but some of the

rigidity, it didn't help the efficiency and where we [in the Irish plant] would want things done in a certain way at a certain time and just broke the rules, it just wasn't done [in Germany], and that long term is a recipe for disaster."

This would still be his appraisal of the German mother company today.

A further perceived reason for the inflexibility of the Germans, mentioned by three interviewees (two Germans and one Irish), was that the Germans have it too easy. As a prosperous society Germany has become bureaucratic and complacent:

"There's also a lack of hunger. Germans are very wealthy. They put a high priority on holidays and having a good time. They don't work as hard as the Irish do." (An Irish mother company interviewee)

A consequence of this is the *Anspruchshaltung* of the German workforce. When asked to provide a concrete example of this, one German manager described the position of German apprentices. He felt that the fact that apprentices in Germany today are referred to as *Auszubildende* instead of *Lehrlinge* exemplifies this:

"'Auszubildender sein' heißt "ich bin jemand und ich muß ausgebildet werden. Andere haben eine Verpflichtung, mich auszubilden." 'Lehrling sein' heißt "ich bin ein kleiner Lehrling und ich muß 'was von anderen lernen."

Auszubildende have clear ideas about what they will and will not do in the line of duty. They will not, for example, sweep the plant in the evening as this is not part of their job specification. Irish apprentices, on the other hand, must be prepared to do all tasks that their employer sets them as long as they are not being exploited. A further Irish interviewee in Germany believed that the legal mechanisms in place to protect the German worker were also a contributory factor to this attitude.

Possibly one of the reasons why there is such strict adherence to organisational rules, decisions etc. in Germany is that these decisions are often the outcome of a process of consensus decision-making, involving more than one person, so that there is a greater sense of

ownership of the agreed outcome and secondly, the concomitant difficult and indeed often protracted task that amending or scrapping one decision and replacing it with another would entail. According to Hofstede countries with high Uncertainty Avoidance scores feel a greater need for consensus (ibid. p. 139). The impact of the observance of set structures and procedures on people's attitudes is illustrated by the following quote from an Irish manager of a German company in Ireland:

"Structures are less formal here than you would find in Germany and that reflects in people's attitude. Irish people are very flexible. They have a 'can do' attitude. Germans would tend to say, "There is a structure here, I can't really do this or this is my piece, I don't go left or right." I suspect Germany is changing as well....[...] I can go to the board member who is responsible for Ireland and I can say, "You know there is a great chance here we should buy this company." He would never say, "Go ahead." He would refer you to the board of acquisitions, they would go through [it]. It is the Germanic way and you don't short circuit. "

This interviewee felt that consensus-management and decision-making had served Germany well over the years but that its useful life had come to an end:

"[...] consensus within the parent company slows down the decision-making process. [...] Actually it served Germany very well post war with the very strong triumvirate of unions, employers' representatives, and powers of government and worked extremely well, but the world is now changing, moving much faster and that consensus tends to be too slow to react to the fast decisions that need to be made. [...] I can remember going back 20 years the product might last seven or eight years, some products now only last six months. With that pace and with that cycle it wasn't critical to move that fast. Now the pace of that has changed so fast. The business decisions need to be made far more quickly."

He also said that although the mother company was aware of this need for change as consensus decision-making slowed everything down, change, however, was very difficult because it permeated the whole ethos of the company. There was a reluctance to make quick decisions due to the fact that consensus decision-making was entrenched and, therefore, he adopted the following approach when dealing with the mother company:

"If you have an issue with a German and you want a solution, never ask them for a solution. Give them an alternative, one, two, or three and you have a much better chance of getting a solution. But if you go to a German and say, "I have a problem here" in a really soft tone you expect him to take it but no. You [would do better to] say, "I have a problem here and I would suggest the following, we have the following alternatives, one, two, or three and I would like to discuss them with you."

The disadvantage of consensus decision-making is that often opportunities which demand a rapid response can be missed out upon, a fact which was also emphasised by the following interviewee, the Irish owner of a company in Germany:

"The Germans are very thorough, they go through everything from A to Z and cross all the Ts and dot all the Is so the market opportunity is lost before the project gets started. The Germans are very methodical. The Irish are more practical, they get something and work through iterations to improve the product. The product produced by the Germans would perhaps be superior but the market opportunity would have been lost."

Another area in which the Germans are viewed as being inflexible by the Irish is their tunnelled vision approach to their jobs in that they develop an area of expertise outside of which they do not tend to stray. This reflects the generalist versus specialist perspective outlined in Chapter Two:

"There is one guy in our IT dept in Germany who is also very good at finance and we wanted to move him to finance from the point of view of adding value to his training. He found it very difficult to even contemplate leaving what he had been trained to do to add something new. I find them inflexible from that point of view." (An Irish mother company interviewee)

This rigidity or inflexibility of the Germans is perceived as not being without its advantages. One of these is that they are seen to be very straight forward and honest and play by the rules in their business dealings. The Irish interviewees who commented here felt that they knew where they stood with their German business partners:

"One thing we have, certainly seen over the years is that the German people are very honest. [...] Good to pay and quite loyal as customers to manufacturers. If they are thinking of changing suppliers they will certainly give you fair warning to get your act together, so really good people to work for so long as you play by the rules.[...] I deal with southern Europe, Italy, Spain and dealing with those from a selling point of view, you are almost guaranteed that you are going to barter, bargain and the whole selling thing is a performance for both of you. Where I would go in and I would have a plan of what price I wanted to get and I would have to start 15% higher and they would fight me down for it and they would have a victory once they had won it. It's a whole game whereas in Germany it is very up front: this is the price for this product, take it or leave it. And they don't respect the whole bartering thing at all, they would see it very much as devaluing your product. [...] There is no game involved whereas in a lot of countries they see it as a game, and it is an achievement to get a low price or whatever, there is no victory involved in the German situation. [...]They are very honest people in

Germany and very direct and very intolerant of inefficiency. They expect you to work the same way as they do." (An Irish mother company manager)

The Germans, as a result, are regarded as good and loyal customers who value reliable service above all else:

"They won't change suppliers rapidly and they tend to take a much bigger view of what's value and what's not. [...] Irish and English companies would change for 10% cheaper. They wouldn't weigh up the risk factor of changing and whether you are going to get what you think you are going to get. I find German companies are much less willing to change, even if the price is right. I think reliability, proven reliability over a period of time is one of the key things they look for." (An Irish mother company manager)

"The Germans are very correct. Procedures are vigorously followed. The Irish would be more ad hoc, more *laisser faire*. In terms of business, our experience of German people [is that] verbal agreements are better than other countries. They pay their bills on time, they are correct." (An Irish mother company interviewee)

This *ad hoc* less structured approach in Ireland, however, can be very frustrating for the Germans as witnessed by this comment from the German sales manager of an Irish company in Germany:

"Wir haben uns absolut selbst organisiert [in Germany]. Wir haben hier auch relativ viel Arbeit für die Iren geleistet, um ihre Organisation dort drüben auf einen gewissen Level mitzubekommen, z.B. bekam ein Direktkunde [the interviewee is referring here to the direct customers the mother company had before establishing a dedicated German operation and which it continued to service itself after the operation had been set up] von dort [Ireland] keine Auftragsbestätigung. Dies ist organisatorisch nicht möglich. Der bestellte und irgendwann bekam er seine Ware, und wenn die Bestellung verloren gegangen ist wegen Poststreiks, ist sie erst Monate später aufgetaucht, wo sie nicht mehr gebraucht wurde, und der Kunde fragte sich, was aus ihr geworden ist. Wir sind hier typisch deutsch ausgerichtet, d.h. wir machen 100% Abwicklung so wie der deutsche Kunde dies erwartet - sehr formell. Der Kunde will wissen, was da ist, und möchte auch ein properes Angebot haben. Es muß auch formal irgendwas darstellen. Das hatten die [the Irish] früher selbst gar nicht drauf. Wenn sie direkt angeboten haben, war es handschriftlich - ein paar Preise notiert und ein bißchen dazu. Dann haben wir sehr viel Organisation hineingebracht in das Tochterunternehmen und es wurde zum Teil drüben auch übernommen. Wir versuchen auch immer noch, weiter voranzutreiben."

Another advantage of the German rigid adherence to rules is the fact that their planning systems are well-developed which can make life a lot simpler for the supplier company:

"If you look at in the situation in the UK. When we get orders they always need something in two or three days. Now if they are installing a system and they are only finding out they need [a specific part] to make that system work three days from now, that is not very good planning. Whereas the Germans would have ordered much further in advance [...] They have lead times of about 16 weeks so if we can turn things around in two or three weeks we have a lot of satisfied customers. [...] I have a preference for dealing with German people because they seem to be able to plan things out and seem to be less panic oriented than some other nations."(An Irish mother company manager).

Adherence to rules and regulations means that the Germans will automatically carry out an instruction particularly if it is a written one:

"if you give an instruction in Germany you get it done.[...] In Ireland generally if you give an instruction it gets done if they want to do it and unless you check up, you won't be sure if it is done."(An Irish mother company interviewee)

The difference here in the execution of orders given by a superior is, of course, connected with the difference in approach to authority and figures of authority in both countries, a point which will be investigated later under the section dealing with Power Distance. The upside of the very structured nature of German organisations, in the eyes of the Irish, is that there is no chaos, order must prevail at all times - this was mentioned by two of the Irish managers of German companies in Ireland.

In view of the very highly juridified nature of German society by comparison with Ireland, outlined in Chapter Two, it would appear that the Germans are well-accustomed to obeying laws. Indeed it would seem as if they have little choice in the matter as these laws are rigorously enforced unlike the situation in Ireland. One Irish manager of a German company in Ireland had this to say:

"I would say that the Germans are fairly orderly and they obey laws. They stop at traffic lights, they obey the speed limits driving through towns and the laws are enforced through the administration over there. If you are caught speeding over there you are done, there's no "aw my uncle's a sergeant". If you're done, you're done. That's it. You throw garbage on the ground, you behave like a barbarian, you are treated like one. I think over here people just get away with it. I think a lot of it has to do with the administration. The general administration for their society and that reflects the type of people they are. Here we have laws, like litter gets on my nerves, but here laws are not enforced and I think a lot of it has to do with that."

A further reference to using personal influence and connections to flout the law was provided by a German manager of a German plant in Ireland again in relation to speeding fines where he referred to the practice in Ireland of having speeding fines 'pulled' by knowing someone who knows someone who can do it.

It is interesting to ask the question as to just how deeply internalised is this readiness on the part of the Germans to abide by the laws imposed by their society. One Irish manager of a German plant expecting that this would be the case was quite surprised when his German bosses from head office told him when he enquired about obtaining a fire certificate for the plant not to bother with it until the fire people came looking for it. Such a reaction does not sit at all with the picture generally painted of the Germans in their domestic environment. While this may be an isolated occurrence and it was in fact the only example provided by the interviewees, nevertheless the question begs as to whether or not the Germans would react in a manner similar to the Irish if their society had the same degree of laxity?

7.2.2.2. Inconsistency and opportunism in Ireland

In view of the often very liberal approach adopted by the Irish towards regulations and procedures, they are frequently considered to be inconsistent and opportunistic by the Germans. On both of these points there was also much agreement from the Irish interviewees. One German sales representative of an Irish company in Germany felt that the service provided by his own company to customers has been inconsistent over the years:

"Wir haben auch Zeiten gehabt, in denen wir wirklich ein sehr zuverläßlicher Partner waren für alle. [...] Das war dann eine Zeitlang sehr schlecht und im Moment geht es wieder gut."

Internal administration procedures in the mother company were also seen as being inconsistent by the same interviewee:

"Bei der Abwicklung [of customer orders] dort drüben ist es manchmal schwierig. Die arbeiten nicht sehr kontinuierlich d.h. es wird manchmal periodisch gearbeitet von der ganzen Abwicklung her. Nehmen Sie an, Sie schicken zehn Aufträge nach drüben an einem Tag, da kann es sein, daß Sie am gleichen Tag für alles Termine bekommen und die Preise bestätigt. Es kann aber sein, daß es vierzehn Tage dauert, bis überhaupt eine Reaktion kommt. Die Mentalität ist dort drüben immer noch, wer am lautesten schreit, wird am ehesten bedient".

The sentiments of this German are echoed in the following quotation by an Irish sales representative in Germany:

"Sometimes it can be frustrating. As long as I don't complain they tend to forget about me out in Germany. I could be looking for prices for customers or need to know if they can produce to a customer's spec."

Another example of Irish inconsistency was provided by an Irish manager of a German plant in Ireland who told of his endeavours to prevent a loss making department in his organisation from being closed down by the mother company. Having informed the employees of the mother company's intention if performance did not improve, he had this to say:

"this is the Irish thing again. Yes, they all knuckled down and then when things started to get a little better and I relaxed a little bit, it all started to go to pot again. And this is something I can't understand. The advances that had been made suddenly within a week were wiped out and we lost the momentum and then we had to more or less start again."

Examples of Irish opportunism also abounded. As was mentioned in Chapter Two, the Irish will tend to try to get away with things if they can. One Irish mother company interviewee gave this example of how the Irish and German approaches differ:

"Things like if the paint isn't quite good enough [our German sales representative] will say, "Oh we have to paint it", and I am trying to get away with it and he will say, "No, we will turn off the customer", and naturally I am trying to get away with it."

One German sales representative for an Irish company in Germany felt that saying one thing and doing another if one stood to benefit was a typically Irish characteristic:

"Ich würde es heute fast verallgemeinern. Ich habe diese Erfahrung mehrfach gemacht. [...] Die Iren versuchen doch immer, sich ihre Vorteile zu suchen und keine konsequenten Wege gehen. Sie sind sehr materialistisch und sagen,"komm, da verzichte ich doch nicht" [although they would have previously said this was what they were going to do].

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The principal way in which the opportunism of the Irish manifested itself, however, was in the anecdotes provided by the interviewees in Ireland of their experience with the Irish 'compensationitis' syndrome referred to in Chapter Two. Seven of the 14 German companies interviewed in Ireland - all production plants - had suffered first hand the consequences of spurious claims being submitted by employees hoping to make easy money. Ireland, unlike Germany, does not have a system where fixed amounts are awarded for set injuries nor are there mechanisms in place to ensure that employees do not incur loss of earnings in the event of illness or a workplace accident. Moreover, Irish judges tend to side with an employee should a claim be pursued through the courts. One Irish manager of a German plant in Ireland had this to say:

"This compensation culture is there and it is absolutely ridiculous. The unfortunate thing with it is that the insurance companies want to get rid of [a claim] and say,"give [an injured employee] £5,000". [...] we have fought some genuine cases and we know one case where one guy perjured himself, we know he did, I was at the case myself. He got £10,000 for nothing, just for the inconvenience of turning up and I think that there is something wrong with the system and the system encourages it. The law encourages people to go [before a court of law] because the judge will always side with the employee and where the employee deserves it, sure, but all it does is give a message to other people "this is easy I am going to get something out of it". [In reference to the perjury case] there was no case really and the judge even said that there was no case. He didn't believe what the guy was saying, but he still awarded him £10,000. Where do you go from there? [...] But some people just see it as a meal ticket. Somebody sees this as "I can change my car, maybe go on a holiday"."

One third country manager of a German company in Ireland which was in the process of winding up its operation in Ireland at the time of the interview, reported that now that the company was closing down, he had received two claims from employees, one of which was spurious and the other dated back to the previous year and about which nothing had been noted at the time in either the company's health and safety records or by its welfare officer. These claims had come out of the blue in the hope of extracting money out of the company before it closed down.

An Irish manager of a German plant in Ireland told of how one of his employees had had an accident prior to the interviewee taking over as plant manager. The company had paid the employee his full salary plus his usual weekly overtime payment for the full duration of the time he was out of work as it was anxious not to have another claim. The employee never mentioned at any time that he intended to make a claim and claimed social welfare in addition to the payments he received from the company. The company had also promised him that they would look into something else for him for later on, for example, a holiday. He did not take the holiday and when he returned to work he handed in a solicitor's letter saying that he was going to claim. While the employee did have a genuine injury - he had cut his finger and had some movement problems - he stood to be awarded the exorbitant sum of £30-40,000. The manager felt his behaviour was sending out the wrong signal to the rest of the workforce particularly as he was a supervisor:

"what kind of signal is that sending out? [...] if we don't get insurance we are out of business. But the other guys, can they not see that basically he is putting not just his own but everyone's job at risk when this happens? [...] the other guys will clap him on the back and say, "Fair play to you." I mean that's Irish. That's as Irish as you can get."

A further Irish manager of a German plant in Ireland felt that the employees' approach to compensation was one of the most distasteful aspects of his job. This manager had introduced a far-reaching change process into his company shortly after he joined the organisation in order to improve the climate of management-employee relations and increase workforce motivation. Certain elements among the workforce, however, were not interested in the change process and expressed this in the form of spurious compensation claims:

"during this change process my blackest hour wasn't when I was threatening to resign [because the mother company was wary of the changes], my blackest hour was when I got about 14 letters from a particular solicitor for claims in the one day. They were all the same really. And they were all SIPTU people. Then on the next day I got another six or seven, so about 20 hearing claims. All were spurious, but they are still all there. Really, it's an industrial relations thing. Just to show that the people were worried about the whole change process. It was their way of maybe getting a golden egg, a golden handshake."

In an effort to curb abuses here this manager now demands the resignation of anyone making a 'big hit' (interviewee's expression) against the company.

7.2.2.3. Signs of change in Germany?

It is noteworthy that a number of Irish interviewees had noticed a change in German attitudes and behaviour in recent years. One Irish mother company interviewee believed that there were signs that the Germans were beginning to become more flexible than they have been in the past:

"[...] in the last three or four years, the unions have become more flexible, so that situation has improved. We have good agreements with our unions. We would like to work longer in summer and shorter in winter. That wasn't discussed five years ago, four years ago, three years ago, but we are discussing it now. We have agreements now to work 40 hours in the summer and 36 hours in winter, averaging out at 38 hours a week in a full year. So I think that is improving in the last three or four years in Germany."

This is possibly also a repercussion of a situation of increasingly high levels of unemployment in Germany from about 1993 onwards (Institut der deutschen Wirtschaft, 1999 no. 23). Two Irish interviewees working for German plants in Ireland felt also that the Germans had become more opportunistic in recent years. One interviewee gave the example of how his company had taken full advantage of the crisis in the Far East to acquire companies there, the other described how the mother company's attitude to exploiting the tax situation in Ireland had changed:

"There is one individual [back at head office in Germany] who didn't believe that there should be this zero tax rate and we should exploit it in Ireland because ethically he didn't feel that was proper, exploiting taxes. That has gone now.[...] Even putting more business through [Ireland] to get the lower tax rate. He just didn't believe it was true. The same individual has changed his mind since because you have to. If you can get a competitive advantage by putting an investment in a country where there are low tax rates it increases your return, that is what the Americans are doing. So there is a shift towards that as well. I was always pushing the tax issue [...] I thought [their attitude] was crazy and I said so."

7.2.3. Business is serious business

7.2.3.1. The role of humour

The comments of several interviewees would suggest that the Germans have a more serious attitude towards business than the Irish in the sense that business should be viewed as a serious matter and, therefore, the role of humour in it should be minimal. This would also be in keeping with a high Uncertainty Avoidance orientation. From the point of view of the Irish interviewees there does not seem to be the same degree of 'fun' in business in Germany as there is in Ireland:

"I have noticed that in Ireland we are inclined to laugh during conversations, the Germans will say what they have to say and laugh or smile afterwards but not during. If they have something serious or profound to say they are very serious. [...] That is one of the key differences I see. There is more fun in Ireland with regard to business." (An Irish mother company interviewee).

An Irish sales representative in Germany felt that the Germans do not enjoy their work as much as their Irish counterparts:

"Germans are not easy-going about work. They don't seem to enjoy work. They complain about doing this and that, overtime etc."

The serious attitude adopted by the Germans with regard to their work is reflected in their contractual approach to it discussed above. The following comment from a German manager in Ireland provides a good illustration of the difference in perspective between both races:

"we have had winters here [in Ireland] with lots of snow. People from the outskirts from say 20 miles away they came in, even in snowy conditions, slippery conditions. People from down the road didn't show up. And when you think about it, why should they risk their car, their lives, everything as well, they won't get paid for it? Some do it. [Speaking of the behaviour of Germans in Germany in similar adverse conditions] Germans don't think. They will go anyway. "I have to be there at 8 o'clock"."

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7.2.3.2. Workforce commitment

Two respondents working for German companies in Ireland (one German and one Irish) felt that there was not the same level of commitment among their Irish workforce as there was among the workforce back at the mother company due to the fact that for some of their employees the job with the company was not their sole or principal source of income. This was the case where the employees were part-time farmers or engaged in for example B&B (Bed and Breakfast) activities. Another issue mentioned in this respect by these two companies and also a third (a German company in Ireland under Irish management) was the issue of absenteeism. In the case of the part-time farmers this could be during good weather at critical times for the farming year. Both of these companies said, however, that this applied to ever decreasing numbers of their workforces. For another company it was particularly the day after important sporting fixtures:

"They tend to go more ballistic when it is the national team, hurling or soccer or whatever, and then all sense is gone. Irish people are a bit like that, it doesn't matter. And that is the level of responsibility and commitment. By all means take a day's holidays or arrange beforehand, there is nothing wrong with that, then it is the company's problem, but at least you could say, "I won't be in on such a date." You can always find a way around a problem but not just turning up on a day.... [...] They just couldn't be bothered. And it is not just here I think you find it in all companies." (An Irish manager of a German plant in Ireland).

The German owner manager of this company, interviewed in 1996, felt that this situation was similar to the 'blauer Montag' syndrome found in Germany 25-30 years ago. He had tried to impress upon his Irish workforce the costs incurred by the company of machine downtime to try to combat the problem but from the comments of his Irish manager in 1999, quoted above, it would appear that the message had not yet been driven home successfully. The result is that the company endeavoured to arrange emergency cover with reliable workers if it knew about these sporting fixtures in advance.

It should perhaps be added here that the three companies just referred to were all located in rural areas in Ireland, however, it is precisely to such areas that the Irish government

is striving to attract foreign inward investment with the aim of having balanced economic development throughout the country.

The comments on absenteeism here would appear to contradict those made earlier on the commitment of the Irish workforce. They must, however, be put into context. It was seen in Chapter Two that in 1994 German absenteeism rates were 5.5% versus 3.5% in Ireland. At this level the German figure was 20% above the European average. Furthermore, while absenteeism for the reasons mentioned above does occur, it is also highly probable that the individuals concerned would have no problem with working over-time either during the week or at weekends as the need arises. Hence in the minds of these employees there is no contradiction between their commitment to their companies and their reasons for absenteeism.

7.2.4. German perfectionism

The pursuit of perfectionism just like the adherence to rules and regulations all have the ultimate goal of achieving greater predictability in an otherwise ambiguous situation. Comparing the Irish and the Germans, the interviewees postulated that the Germans are perfectionists and look for complicated solutions, the Irish on the other hand prefer to keep things simple as the following two quotations demonstrate:

"Our chief competitor in Germany is the world leader [for this product]. They produce excellent products but are extremely expensive. We produce excellent products but they are not so expensive. This is mainly due to the fact that Germans manufacture products that are overspecified. They go for overkill. For years money was no object to the Germans so they were able to afford such expensive products. Price was not a consideration." (An Irish sales representative in Germany).

"The Germans tend to overengineer. The Irish want to keep things simple, straight forward and direct. Germans like to complicate things." (A German manager of an Irish company in Germany)

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The desire for simplicity on the part of the Irish is also seen in the difference in approach to problem-solving by both races referred to above where German methodicalness can lead to a superior solution but often not rapidly enough to capitalise on the market opportunity.

German perfectionism grates with the Irish attitude of 'that'll do'. One German manager in Ireland commenting on the process of training his Irish workers to develop an eye for quality in the 1970s, mentioned that this Irish attitude of 'that'll do' was not at all helpful:

"Mit der Qualität haben wir uns am Anfang sehr schwer getan. Es dauerte einige Zeit, bis wir das Beurteilungsvermögen soweit trainiert hatten, daß es dem kontinentalen Standard entsprach [...] Es dauerte, bis wir irisches Personal hatten, das tatsächlich in der Lage war, richtig zu urteilen. In Irland gibt es den Trend "that'll do". Das ist nicht so hilfreich, wenn man sich über meßbare Qualität unterhält [...]".

One Irish mother company interviewee admitted that this attitude had been a weakness of its operation in the past but that in the intervening three years since the interview with its German office in 1996, it had been eradicated. The current quality policy was 'delivery on time, every time, zero defects. In the past they would have been happy with 20% defects. This change in attitude in recent years was primarily due to the pressure exerted on them by more demanding customers particularly in the US market. Commenting on German perfectionism another Irish mother company saw the German standard as being something worth striving for:

"I think they have a certain mentality. Perfectionism is part of their work. Ethical I suppose. Where we would tend to overlook certain things like dates being wrong, or colours being wrong, things being crossed out and hand written in [...] They just have much higher standards which I suppose we should aim for."

Another Irish interviewee in a German company in Ireland commented on the greater attention to fine detail in the German company:

"There is an attention to detail and precision. But then again if you are good at your job and you are professional in your job you would do that anyway. In finance closing down a quarter we are not going to spend any time looking for £100 if that is what the difference is, an error. If it was part of a bigger problem we would certainly chase it down and close it down exactly. But we will say, "cut to the chase, we are happy with that, we know that control

is OK there". I would suspect with the German situation that they would go until they get the £1."

This tendency by the Germans towards perfectionism and complexity could possibly stem from the fact that in the opinion of most interviewees German production workers have higher levels of skills than their Irish counterparts due to the nature of the German apprenticeship system. Perfectionism is, of course, very symptomatic of uncertainty avoidance in that nothing is left to chance and all eventualities are covered.

7.3. Cultural differences pertaining to power distance

Power Distance which is basically a question of human inequality was defined in Chapter One as:

"the power distance between a boss B and a subordinate S in a hierarchy is the difference between the extent to which B can determine the behavior of S and the extent to which S can determine the behavior of B" (Hofstede, 1980 p. 72)

The power distance relationship is, therefore, a two-way process which reflects the values of both parties. The extent of the authority of a boss is thus contingent upon the extent to which his subordinates are prepared to obey him (ibid., p. 70). Hofstede further asserts that the implicit understanding that exists between S and B is reinforced by their social environment and to a certain degree is determined by their national culture (ibid. p. 72).

In Chapter Two the author expressed reservations about accepting Germany's low Power Distance score of 35 at face value (the Irish score here was 28), believing that it is kept artificially low in the workplace by means of the country's legally anchored system of industrial democracy. As will be seen in this section, the interviewees found significant differences between the Irish and the Germans along this dimension which would appear surprising in view of the fact that according to Hofstede their scores are so close together.

The evidence presented below would lead one to reassess the validity of Hofstede's Power Distance score for Germany.

7.3.1. Authority

One of the most significant differences emerging between the Irish and the Germans from the comments of the interviewees was their respective relationship to authority and authority figures. Twelve interviewees (nine Irish and three German) expressed the belief that the Germans unlike the Irish do not question authority. Whereas the average German worker will automatically accept and act upon an instruction issued by a person in authority, the Irish are more likely to question its usefulness before complying with it; this is seen from the quotes from the following two managers:

(Manager 1) "Der grundsätzliche Unterschied zwischen einem deutschen Mitarbeiter und einem irischen Mitarbeiter ist der, daß ein deutscher Mitarbeiter daran gewöhnt ist, einen Auftrag entgegenzunehmen und ohne Kommentar auszuführen. Ein irischer Mitarbeiter muß davon überzeugt sein, daß der Auftrag, den er bekommen hat, auch sinnvoll ist [...] Das hat natürlich einen Nachteil, daß sehr viel diskutiert werden muß." (A German manager of a German plant in Ireland).

This interviewee himself was brought up to accept orders.

(Manager 2) "In Germany I deliver the corporate message and this is understood and acted upon and carried out. In Ireland I deliver the message and the instruction would be questioned as to why one should do this. The Germans are authority-based. They don't tend to question instructions. [...] In Ireland the instruction is taken, it is questioned and rejected, they become reluctantly involved, they know best. It is part of the national mentality. [In Germany] an authority person gives an instruction so they must do it. They will question [it] if it doesn't work or in an attempt to understand the message, but not why." (The Irish CEO of an Irish mother company).

A third interviewee, an Irish manager of a German company in Ireland, said that when the mother company held management meetings with the managing directors of the Group's affiliates there would be very open and sometimes nasty discussion but that this would come mainly from the non-Germans present.

Associated with this perspective on authority is also the fact that the Irish will not let themselves be dictated to. The same interviewee just quoted above had this to say:

"The Irish do not like to be dictated to. The Germans naturally accept it. Below board level in [the mother company] there are elements of a dictatorial style. Someone makes a decision and ignores the engineer. It is just a guy who has power and is prepared to use it in a negative way".

A German manager of an Irish plant recalled his experiences with his first Irish employees back in the 1980s and how he soon came to realise that he could not as an authority figure approach them in the same way as he would German employees:

"Well, the first employees I got through Manpower [previous Irish state job placement and training agency]. At the time we approached them like Germans. The approach is different [here]. If you tell a German worker "Do that" he will do it... You tell an Irish person, "Do that" he will say, "Get lost"."

He felt that this was still true of his workforce's attitude today and gave the example of the difficulties he had recently been experiencing in attempting to cajole his Irish employees into accepting annual working hours:

"if you talk about annual hours, in Germany you tell them, "you have to come" and if they don't come they get some kind of warning. Here it is still voluntary. You won't get away with it. You can't tell them, "you have to come"."

When asked if he thought that this was due to the fact that "annual hours" is a new concept for Ireland, he did not believe that this was the case as it was still also relatively new in Germany. His remarks are mirrored by an Irish manager of a German plant in Ireland who had spent many years in Germany and thus understood the German way of doing things, something that his workforce did not:

"If I think the order is fair and I think the order can achieve something for me as well or I can learn, I have no problem with an order. But Irish people do."

Describing the reaction of his Irish workforce to the style of their German ex-manager he said:

"I think people felt here he is this guy, jumped up, what is he trying to get over on me?"

Another Irish manager of a German company in a rural location in Ireland had this to say:

"To Irish people you don't tell them what to do. The culture is a lot different. You let them think about it for a while, go slowly, nurture it. Many years ago Mr. X [their previous German plant manager] might come in and say I want this done and got everyone's backs up, and that's it. The people we work with [around here] weren't used to industry. They were never used to that. If you're out on the land nobody is talking to you [you are your own boss]."

Generally speaking the interviewees felt that the reasons for the difference in attitude were to be found in the historical development of both countries:

"In einer Industriegesellschaft wie Deutschland hat es eigentlich das Wort Demokratie nie gegeben. Es gab sehr strikte Hierarchien und das führt natürlich dazu, daß Mitarbeiter gewohnt sind, Anordnungen Folge zu leisten. In Irland gibt es diese Tradition nicht. Dort gibt es erheblich größere Familienverbände und ein Familienverband ist ein Trainingground für Demokratie. Da gibt es Geschwister, die untereinander argumentieren, man ist also gewohnt, in einer größeren Gruppe zusammenzuleben aber auch gleichzeitig, sich als Individuum bemerkbar zu machen, zu argumentieren, zu diskutieren. Diese beiden Hauptfaktoren zusammen bilden eigentlich verschiedene Menschen aus und das ist zum Beispiel eine Geschichte, die ich in den ersten paar Wochen [in Irland] nicht begriffen habe." (A German manager of a German plant in Ireland).

The comments of this interviewee would appear to substantiate the assertion that 'democracy' is not a naturally occurring phenomenon in German society and, therefore, requires 'props' in the form of legal rulings or imposed consensus decision-making in order to ensure its existence. Another German interviewee, also a manager of a German plant in Ireland, felt that it was linked to the fact that Germany industrialised in the 1850s and as such the industrial work ethic and the associated necessity to adhere to high levels of discipline in the workplace of which the obeying of orders forms an integral part, are well entrenched in the German psyche. In Ireland, on the other hand, the transformation from an agrarian society where a farmer was more or less his own boss is a relatively recent occurrence. The same interviewee furthermore felt that the Irish attitude is a throw back to the fact that having cast aside one yoke - that of British oppression - they are not prepared to replace it with another.

The Irish interviewees were of the opinion that the Germans did not question authority because they were afraid of making mistakes. Germany is known to be a society which does not tolerate mistakes or incompetence. The following comments by one Irish mother company manager throws greater light on this:

"We found German employees were very slow to come forward, not just with us but with each other and with their own managers in the various sections. [...]They [the German office] had a problem lately within the company where they would have come to Ireland for an answer before as the MD of the German office [an Irish man] was away on holidays for two weeks. I actually put the problem back to themselves. I said, "Get a team of ten people together, come up with two possible solutions and send them to me and I'll have a look at them." This they did. Either solution would have done. So I sent these back to them and said, "You are empowered to make the decision." There was a nervousness and then they actually made the decision. Everything worked out grand. I find with the German workforce - I could be wrong - that they are actually waiting to be told what to do rather than empowering themselves. I don't know why that is. I find that when you actually do empower them and give them the responsibility, and say, "It is OK to make mistakes, we want you to make your own decisions on the basis that nine out of ten are going to be right and we are not going to screw you for the one that is wrong." The [ex-German MD] was actually waiting for people to be wrong. We have changed that, we are waiting for people to be right. We have a different approach."

The way that his company has tried to counteract this feeling among its German workforce is:

"How we have gotten over that [fear of making mistakes] is we don't hold anyone responsible. What we do is put them in work groups and let the group come forward with an idea. The manager in the group will act as a facilitator, rather than as a leader."

The Irish interviewees felt likewise that just as German employees do not question authority, so too do those in authority not like their authority to be questioned. As was mentioned in Chapter Two, authority in German society is frequently legitimated by the outward symbol of a title which serves to underscore the credentials of the position holder as a suitable candidate for the post he occupies. The following quote by an Irish manager highlighted what happened when his company acquired a German company with a long established traditional German management philosophy and began to rock the status quo by questioning the actions and decisions of its designated 'experts':

"[the Germans] want to get their titles and have their positions and they expect their staff to agree with them. They will invite discussion but at the end of the day they will make the

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decision, so I think the various production people and various others [in positions of authority] were somewhat surprised when we would say, did you think of this? Did you look at that? "

It is interesting at this juncture to look at the Irish reaction to "German authority". It was clear from the responses of the Irish and non-German interviewees that they themselves questioned the instructions of their German bosses when the need arose:

"There is the mentality that they are always right, that you cannot question why they do things. That doesn't mean you don't question them but you have to be careful how you do it. Work your way around it somehow." (A third country manager of a German company in Ireland).

The extent to which questioning and indeed outright disagreement could arise with the mother company is witnessed by the comments of two Irish managers of German companies in Ireland who had or were willing to put their jobs on the line in order to stand up for what they believed to be right in the face of mother company disapproval or opposition:

(Manager 1)"I have said to [the German owner manager], you think I'm wrong, you want a new manager, fire me, I'll resign."

(Manager 2)"in the last two years we have put in an enormous amount of work and we put in a lot of effort to improve things and that emanated from here. [...] the then [German management] board [...] was very uncomfortable about all the change and I had to put my neck out on a total limb in terms of saying, "look if you put me here to do a job I have to do the job [my way], so I nearly had to resign over it"."

Three Irish interviewees found authoritarianism to be a feature of the old management school in Germany but that this was less so among younger managers:

"There are some people at senior levels of the old school who would tend to come from that approach, "I am Herr so and so, I am a director and what I say goes and there is no discussion." Our new chief executive [...] has a much different approach. He has a very modern approach to people, relaxed, less formal. He still has some of the old people around but I suspect that over time he will gradually transform that whole structure." (An Irish manager of a German company in Ireland).

The same interviewee spoke of the grave consequences that disagreement with very senior figures could have in his organisation:

"I would have to have a very serious issue where I would confront somebody in that I would totally disagree with them [in Germany]. You usually find ways, the use of intermediaries. You might have a meeting and break up with disagreement, but for me to go and confront somebody at a very senior level and say, "Look I totally disagree with what you are saying", the consequences of my disagreeing is that I will not do that, that is something you would avoid at all costs. Because that means you are bringing the thing to a head, and depending on who you are dealing with ... you've probably got yourself into a situation where you can't get back. You have to be very careful that you don't get yourself into a situation where you know there is no way back, so in a way in all my dealings with Germans there have been very, very few situations like that. And I think you will stage manage a situation not to allow it to end up at the end of a meeting with total conflict."

Two of these Irish interviewees felt that their German owner managers - both coming towards the end of their careers - surrounded themselves with 'yes men' who agreed with everything they said. One of these interviewees made the following comment:

"[He] is always surrounded by about three colleagues. They tend to tell him what he wants to hear. He will listen to them and then get angry and dictate what is to be done. He can roar at them."

Interestingly, one Irish interviewee, approaching retirement, who had been a civil servant prior to joining the German company in Ireland, described the old traditional Irish management structure as also quite authoritarian:

"You did exactly what you were told. You did not offer an opinion, because the manager was always right."

Only one other interviewee, a German sales manager for an Irish company in Germany expressed the opinion that disagreement with his Irish boss was not always acceptable. From the comments of all the other interviewees the impression emerges that Irish workers will disagree if need be with their bosses be they German or Irish.

As pointed out above, the central aspect of the authority relationship is, of course, the figure of the 'boss' or 'superior' and his workforce's perception of him. The following two anecdotes by one Irish mother company manager illustrate the tendency of the Germans to create a certain aura around people in authority and to view bosses as example setters:

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"One thing I noticed, is that I would be working in the office over there [in Germany]. [...] I [generally tend to] put in long hours. I see people getting restless coming up to 8.20 p.m. in the office. What they should be saying to me is, "The last orders in the restaurant are 9 p.m.". You see them getting fidgety, then you ask, "Is there a problem." They say, "The last order is 9 p.m., we will not be able to eat after that". I say, "Why didn't you say that to me, let's go, we'll talk over dinner." This formality of "you're the boss". I notice when I arrive in the German office I try to be as casual as possible, they try to create something that is not there. They are trying to create a barrier that doesn't exist for me but which I have comprehended is there for them."

"I remember going in there one day off the plane and everyone was in collar and tie. I was casual. The next morning I had a meeting there with the sales guys and the IT guy and was in collar and tie and they were all casual. One guy said to me, "You try and fool us?" So we actually had to agree a dress code and now when we have a meeting, we are sent an email re the dress code for the meeting."

This contrasts to the picture in Ireland drawn by a German manager of a German company there:

"If Management goes around on the shop floor, people are standing around talking together. In Germany if they see a manager walking by they will go their own way and start working away. Here they just do not give a damn."

Germans expect those in authority over them to make overt displays of their displeasure. The Irish, on the other hand, expect their superiors to be more controlled:

"Es sind sehr höfliche Leute, die Iren. Ich würde sagen höflicher als die Deutschen. Ich würde sagen, daß deutsche Manager rasten eher schon mal aus. Bei den Iren habe ich das nicht so erlebt." (The German manager of an Irish company in Germany)

Conflicts between the German operation and the mother company were solved in this case via discussion:

"nicht durch laut sein und auf den Tisch hauen, wie ein deutscher Manager es immer machen würde. Ich bin natürlich auch ruhig geblieben. Ich habe auch nicht auf den Tisch gehauen."

When mistakes were made:

"Sie haben sie toleriert und zur Kenntnis genommen: "Was sollen wir tun? Es ist geschehen." Insgesamt scheint mir der irische Manager zu gutmütig zu sein. Sie müßten

sagen, ich stehe über dir in der Hierarchie und jetzt machen wir es soundso. Das wurde nicht konsequent durchgeführt."

His comments are reflected in those of two other German interviewees: the manager of an Irish company in Germany and the manager of a German company in Ireland:

(Manager 1)"Die Iren sind sehr geradelinig und klar berechenbar, weil sie einen relativ ausgeglichenen Charakter haben und ihre Meinung sagen ohne Umschweife, aber auch nicht so drastisch wie es die Deutschen tun."

This would appear to contradict the comment made above by another German interviewee that the Irish are inconsistent.

(Manager 2)"I am easy going, relaxed here and don't shout. The Germans shout at each other. I take a different approach, more like the Irish approach."

How Irish employees react to the German approach is highlighted by the experiences of an Irish manager of a German plant in Ireland. Having spent years working in Germany he had in many respects become quite Germanic in his approach and employees had at times accused him of shouting at them. He admitted to the author that maybe he needed to keep down the tone of his voice in problem situations.

7.3.2. Formality

A very obvious difference between the Irish and the Germans relates to the level of interpersonal formality in each country. The '*Sie*' form of address in Germany creates a certain distance not only between bosses and their subordinates but also between colleagues of equal status in the hierarchical structure for which there is no observable equivalent in English. Several of the Irish interviewees found it strange that Germans who had been sharing an office with each other for years should still be calling each other *Herr this* and *Frau that,* a practice which is totally alien to the more informal Irish mentality. This formal level of address between colleagues is, however, symbolic of most Germans' desire to erect

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barriers which compartmentalise their lives into worklife and private life with little interface between the two, a point which will be dealt with later.

Apart from the '*Sie*' form, another Irish comment was that titles for the Germans play a very important role and people expect to be addressed correctly by them as is seen by the following comments from an Irish mother company owner on the German plant his company acquired:

"[They are] very formal, very rigid. But Germans are like that. They have a very formal structure. They like to know where they are and they like to have titles. We have all sorts of titles all over the company [in Germany], I haven't a clue what they are. I have never changed that, because German management and middle management are very much defined by their titles: who can do what and who can't do what. So I haven't changed that because it would be foolish. They have them but I don't know how it works and I have shown very little interest and I would never make suggestions. That's for them to look after.[...] The Germans love titles and organisation and they love [to know] who has got authority for what. They actually need that whereas I think Irish people don't."

It is interesting here to recall Hofstede's assertion that:

"The smaller this distance from the more powerful person, the stronger the tendency to reduce it [even further]" (Hofstede, 1980 p. 71 quoting Mulder, 1977 p. 92).

As a country with a low power distance score the conclusion one would draw from Hofstede is that the Irish will make an effort to reduce power distance where they encounter it and this is precisely what emerged from the interviews with three Irish managers of German companies in Ireland and one Irish mother company manager. All of these endeavoured to reduce the level of formality they encountered by non-compliance with the German etiquette of addressing people by their surnames, regardless of the rank of their German interlocutor.

"We [in the Irish operation] call you by your first name. They might call me Mr. O'Sullivan[1] first but they are Heinz and they will eventually call me Michael. But you have to do the running. That doesn't bother me. [...]But habits of a century are very hard to break, they will go back to Mr. O'Sullivan and I'll call him Heinz and he will eventually call me Michael. I think if you get a good enough relationship going with them they will eventually accept you for what you are." (Irish manager of a German company in Ireland).

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[1] The names here have been changed to preserve the anonymity of the company involved.

This interviewee just because he balked at this German custom did not regard himself as a 'maverick' in any way but rather underscored that he was a good 'corporate citizen' (interviewee's expressions). The company in question had become quite Americanised in recent years - certainly since the author's interview with the mother company in 1996 - and had endeavoured to introduce a group wide directive to remove the use of Dr. when addressing colleagues but without success. He felt that the Germans "have a thing about Dr." It can be seen from this interviewee's comments that the Germans sometimes have great difficulty in casting aside the formal form of address. An Irish manager of an Irish mother company who had lived abroad for many years acknowledging this did not force the issue when dealing with Germans:

"We don't force that. If people feel more comfortable calling you Herr that's alright by me, and if someone feels more comfortable being addressed as Herr Dr., I'll say Herr Dr."

In reply to the question as to whether or not he actually asked people which form they preferred he had this to say:

"Occasionally. You don't always get the right answer to that, so you try to suss out what are they most comfortable with because if you say, "would you like me to call you [by your first name]?" it puts them under pressure so you suss that out."

His sentiments are mirrored by another Irish interviewee in a German company in Ireland:

"By necessity, there will be more of a degree of formality, more protocol until [you know them well]. You won't just bound into his office and say, "Hello Hans". Little nuances like that you can sense when it is appropriate to do so. When it is appropriate to address someone as Mr. I can't think of any situation in Irish business. If you see someone up at the bar there is a lot more back slapping and banter [in Ireland]. That comes with the Germans as well but with time."

The formality of addressing people is also echoed in the following comment by an Irish manager in a German company in Ireland:

"Even though we have a very, very open door policy, I find it very formal in Germany as regards Mr., and this kind of stuff. [...] If you meet somebody for the first time, even if they are 10 years older then they will address you as Mr. Particularly the young assistants. You go to division conferences and there are some trainees there, they see some old guy like me who's around for a long time and it's Mr. this and Mr. that and I say, "Stop. I don't want that".

The only person this interviewee addressed by their title in the German mother company was the owner. Another Irish mother company manager said that once he joined the Irish organisation he took steps to remove the formality in their German operation and that this had been warmly received by his German colleagues. This interviewee was, however, unaware of the connotations for Germans of moving from addressing someone as Mr. to using their first name as this significance does not exist in English. The author would suspect that the reason that this measure was successful in the company's German operation is that it was accompanied by a package of measures all designed to break down existing organisational barriers and increase levels of trust between management and staff both within the German organisation and between it and the Irish mother company:

"Everyone in the German operation now calls each other by their first name. It was a brave move. When I went in there first day I said, "My name is Seán O'Rourke[2]" rather than let someone introduce me. I became Seán and Donal [the Irish owner] became Donal. They actually appreciated then that they were part of a family. They came over to the recent strategic event [held by the company in Ireland]. This meant a huge amount to them as up to now they saw themselves as a German subsidiary run by a German, not really part of the mother company. Over the last few weeks I have had about fifteen emails saying how much they appreciated it and they all said 'Dear Seán'. I got two with 'Herr' on them and I sent them back. We are not trying to bring a casualness but an openness."

An Irish manager who had recently taken over the management of a German company in Ireland which had been experiencing a lot of problems under the previous German management got rid of addressing the German owner-manager of the mother company as Mr. X as he felt that this created a psychological barrier for his Irish workforce:

"I said to Mr. X, "While over there [in Germany] it is the language and the culture [that] it is Herr X, that is out the window, everybody here is on a first name basis. Including you." [The

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[2] The names have been changed here to preserve the anonymity of the company

workforce] are afraid to talk to him. They are afraid because they have always had this Mr.X. It raises a barrier that in our culture we are just not used to. And I think he was delighted."

Of the three German managers interviewed in Ireland two of them insisted on being called Mr. by their workforce. This could also substantiate Hofstede's theory that:

"The greater this distance from the less powerful person, the stronger the striving to increase it." (ibid.).

which would suggest that the Germans being accustomed to a certain level of power distance in Germany thus endeavour to reproduce similar levels between themselves and their Irish workforces, in both cases even after having spent many years living and working in Ireland. On the other hand, this does not necessarily always have to be the case as is witnessed by the fact that the third manager decided to adopt the Irish approach from the outset and even modified his German first name to make it less German sounding:

"No even with the German students here, I say, "my name is X, du". Some people are surprised but I was a student myself and I know what it is like. Down the road in another German company everyone calls him by his surname. I don't work like that. What I learned also in Ireland is that people call you by your Christian name regardless of rank. You go to business meetings, everyone calls you by your Christian name unless there is someone very old and he is called 'sir'. But people meet me on the road and say, "Hi X". I did this right from the start.[...] [In the mother company] it is very formal. When I call Germany I still refer to them by their surname and *'Sie'*. Our [young German] Quality Manager was in Germany a couple of times for training, he *dutzt* everyone and called them by their Christian name. Maybe because of my function [as plant manager] I just keep a bit of distance. [...] I don't think it necessary [to have 'Herr' and 'Sie']. To me the first name is an advantage. I feel better. I don't like people calling me Mr. Y."

That the formality is particularly with the more senior levels in Germany was also remarked upon by several Irish interviewees:

"you can deal with people in Ireland at the highest level on quite an informal basis, you can't do that in Germany. And if you are dealing with a formal level, it is very formal. You have to be careful." (The Irish manager of a German company in Ireland).

People in German organisations by virtue of their titles and positions would appear not only to be put into categories but there are also certain types of behaviour which are

expected from them and others which are not. Although there are, of course, expectations of people associated with their position within the organisational hierarchy, people in Ireland in senior positions are not afraid 'to let their hair down' in an appropriate context, something which their German counterparts find very difficult indeed:

"They [the Germans] find it very difficult to understand when they participate in some of the parties we would have here that it is so laid back, nobody is in any way formal. Even sometimes they say things to me that they may regret in the morning, but I take it in context. I would lead the singing for example and start the whole thing which is most unGermanic. I think our cultural way of doing things takes them a while to understand, it is actually very productive, improving spirit within the organisation, an indicator that you are not afraid of what might come out of a situation." (The Irish MD of a German company in Ireland).

One German mother company manager felt that it was precisely because of the formality of Germans with each other in the workplace that it was very difficult for them to admit that they had made a mistake:

"[Der Nachteil], den wir im deutschen Umgang und in der deutschen Sprachlichkeit miteinander haben, ist, daß wir eben alles formal miteinander kommunizieren, und dann ist es sehr schwer, mal Fehler zuzugeben und Kollegen zu bitten, einem zu helfen, wenn man einen Fehler gemacht hat."

7.3.3. Work and non-work life: continuum versus compartmentalisation

Ten of the interviewees, five Irish, four Germans and one third country national commented either directly or indirectly that while work and non-work life formed a continuum for the Irish, for the Germans these were two distinct categories with often very little overlap. This is illustrated by the following quote from the third country manager of a German company in Ireland:

"The Germans can be very stiff and formal about things. I find it amazing that people who have worked together in Germany for 20 years don't even know each other. This sort of thing. It is dividing life into your social life and your work contacts"

and contrasts starkly with the Irish perspective as epitomised by the comments of an Irish manager in a German company who had also had contact with other German companies in the past prior to taking up his present position:

"They [the Germans] are inclined, when work is finished to go home. Now it is a little bit different in our [German] company fortunately, to an extent. There is a works' choir, there's a works' band, some people are involved in that but in general I find they don't interact as much as we do.[...] I don't draw any very hard lines between here and home in what I do. You find a lot of [work] stuff around my house. You'll find my wife will take phone calls from the area managers and the reps. We are so tied up in it. We socialise and that together. I go out with [another manager] and his wife for a drink or maybe at weekends five or six of us might decide to go out with the wives and meet up with [the MD]. We go for a few pints and a traditional music session and a bite to eat. All the friends I have are within the company. My wife's friends are within the company. So for me it's a way of life."

One of the ways in which this split between worklife and non-work or personal life manifests itself is in the extent to which Irish employees will discuss personal problems with their superiors in contrast to their German counterparts:

"Der gravierende Unterschied ist auch heute noch das Personalwesen. Wir brauchen in Irland mehr Personal für eine funktionierende Personalabteilung. Grund: in Irland wird z.B. eine Personalabteilung auch als Sozialabteilung benutzt. Mitarbeiter kommen auch mit sehr persönlichen Problemchen. Die irische Personalabteilung ist also im Prinzip nicht nur eine Abteilung, die Leute einstellt oder Papiere schreibt und wieder entläßt, sondern auch eine Abteilung, die auch eine weitumfassende soziale Aufgabe hat. Da gibt es Mitarbeiter, die haben ein paar finanzielle Problemchen. Da gibt es Mitarbeiter, die familiäre Probleme haben. Die Personalabteilung einer Firma sollte das durchaus als ernsthafte Aufgabe ansehen, sich um solche Dinge zu kümmern und nicht nur den genau planbaren Tag von 8 Uhr morgens bis 5 Uhr Zeit aufzuwenden. Auch mal zu diskutieren, auch mal die Vaterfigur oder die Mutterfigur zu spielen. Und das ist mit Sicherheit in Deutschland etwas anders. In Irland gibt es aber auch einen Unterschied zwischen Groß- und Kleinstädten. In der Kleinstadt, wo jeder jeden kennt, gehört es zur Aufgabe der Firma, auch ein Teil der Familie zu sein. In einer Großstadt kann eine Firma durchaus ein Fremdkörper sein und als solcher vernünftig funktionieren. Da geht man zur Arbeit und geht wieder nach Hause, ohne sich so sehr sozial zu binden. Man hat halt einen Job. In der Kleinstadt, speziell in einer Firma, die schon einige Jahre aktiv ist, ist es oftmals nicht nur der Job. Da kommen Leute sogar gerne hin zu ihren Kollegen, ihrer Ersatzfamilie und dann muß sich die Firma entsprechend darauf einstellen. Man darf Mitarbeiter nicht so behandeln, also ob sie nur zu einem Job kämen."

This interviewee was the German plant manager of his company's Irish operation and admitted that he has been out of Germany for too long to be able to judge the situation there today in this regard. However, when he thought about his past history with the company and his current position which also included a direct role in the mother company, then he would not discuss his personal problems in this way:

"Ich hätte die Firma als solche nicht als Ersatzfamilie und den Personalleiter nicht als Beichtvater benutzt." [and would not do so today].

Another German manager in Ireland said that his employees had come to him for advice on very personal problems over the years, problems which Germans would not discuss with their superiors:

"I sometimes feel like mother and father, people will talk to me about everything."

He felt that the division between private life and work life in Germany was very pronounced in comparison to in Ireland and believed that the reason for this was the existence of a higher level of interpersonal trust in Ireland:

"People [Germans] feel that if they tell you something you can use it against them. Here people trust you more or less. They tell you a story in the hope that you will be able to help them, not use it against them."

He also mentioned that in Ireland people tended to know a lot more about each other and local events than is the case in Germany:

"But here there are people who know everything. My maintenance guy knows everything: for example that this woman is pregnant. They all know. Also people talk. If something happened on a local level they tend to talk about it. I came in one Saturday and bumped into someone who said, "Have you heard about the accident on the X. road?" In Germany it wouldn't be mentioned."

It would appear from some of the comments of the Irish interviewees in Ireland that they feel it important to establish a relationship of trust with their employees so that if the latter need to they will come and discuss matters of a personal nature with them. This is seen in the following comment from an Irish manager of a German company in Ireland who considered it an important priority for himself and all the members of the senior management team - regardless of function - to spend time on the shopfloor where they could have contact with the employees:

"If they get to know you they feel they can talk to you and not talking about pay rises or that, but say they have personal problems and they can't talk to you, it will affect their work. They may need time off or leave of absence and I believe if you are walking along the floor,

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someone can say, "My wife is sick, I'm having a terrible problem at home, I could do with two or three days off. I don't want to get paid. I've no holidays left." We do everything we can to arrange that the guy can take his time off and it's working very well."

Another Irish manager of a German company in Ireland felt that it was important to take the personal life and circumstances of an employee into account in appraising their performance:

"I read figures every morning off the overview to see the turnover. If I see a sales rep. with a problem I will ring him as figures only tell you one story. While you have to have turnover you also have to look at the personal side of it. His wife or one of his children might be sick and we also look at that side of it."

Further evidence of work and personal life being part of a continuum for the Irish is seen in the way in which people at work in Ireland relate to one another in contrast to their German counterparts. Colleagues tend often to be friends outside of the workplace and socialising together forms a greater component of the relationship than it would appear to in Germany although this is perhaps changing among the younger generation. This is true also of the Irish approach to customers and visitors.

One German manager who had been heading a German company in Ireland for many years still found it difficult to understand the reaction of his workforce when, for example, he was forced to fire someone for stealing:

"Everyone will start defending the culprit saying for example that he is so young and has his whole life ahead of him. There will be letters from the bishop on his behalf."

This, the interviewee said, would not happen in the company's German plant as people there are more concerned with discipline. Before being assigned to Ireland the interviewee had been working for the mother company in Germany and during his few short years there had fired more people on the request of the *Betriebsrat* than for any other reason.

For one German mother company interviewee with much experience in dealing not only with his company's Irish operation but also with a variety of Irish companies over the

years, the way in which people interact with each other in a business context is one of the major differences for him between the Irish and the Germans:

"die Art wie die Leute miteinander handeln, sozialisieren[3] - das empfinde ich als sehr positiv. Das würde man in einem deutschen Unternehmen nicht machen. Es kommt z.B. nicht vor, wenn Sie ein irisches Unternehmen besuchen, daß Sie abends allein im Hotel sitzen. Wenn Sie mehrere Tage dort sind, müssen Sie schon um etwas Ruhe bitten. Und das ist eine etwas peinliche Situation, sonst werden Sie jeden Abend im Pub enden."

This interviewee was of the opinion that this 'socialising approach' is common to all Irish companies he had encountered:

"Dieser Sozialierungsansatz, den erlebe ich in Unternehmen aller Größen."

When asked what he felt the reason was for this difference in approach he replied that on the one hand it was due to spouses not exerting pressure to curtail these after work social activities and furthermore that it was an inherent feature of Irish society in general:

"Ich glaube, daß es auch in der irischen Gesellschaft mehr Socialising unter den Mitarbeitern gibt und deswegen, ist das Verhältnis wohl auch anders. Sicher gibt es auch in der englischen Sprache eine Höflichkeitsform, aber nicht so ausgeprägt wie im Deutschen. Vielleicht sind das Elemente, die da eine Rolle spielen."

He also felt that this more "friendship" type of relationship between work colleagues is easier to establish in the English speaking world:

"[...] nicht wegen 'Sie' und 'Du', sondern, daß viele Barrieren überwunden werden mit der Angewohnheit, sich mit Vornamen anzureden. [...] Das hat eher einen persönlichen Zugang."

This he saw as very positive:

"Ich habe im menschlichen Bereich von den Iren gelernt, wie wichtig es ist, einen guten persönlichen Kontakt zu haben mit den Leuten, mit denen man zusammenarbeiten muß. Sei es Kollegen oder Kunden. Ich habe in Irland gelernt, daß das nützlich ist und auch Spaß macht."

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[3] It is interesting here to note the interviewee's choice of verb to convey the English verb 'to socialise' although this is not the lexical meaning of the verb in German.

In his company he had tried to introduce some of the Irish "socialising approach". Before the beginning of projects he would get all those involved in the project to come together for a Start-up Meeting:

"wo nicht das technische Gespräch im Vordergrund steht, sondern das gegenseitige Kennenlernen der Leute. Bei unserem Start-Up Meeting kriegt man alle Beteiligten an einen Tisch und dann wird gesagt, um was es geht und was die Voraussetzungen für den Auftrag sind, und dann rückt man zusammen, geht Essen oder Trinken. Dazu gehört auch, daß man um 6 oder um 7 das Lokal wechselt und im Restaurant weitermacht. [...] Das schafft Teamgeist."

As a result of such interaction with one's colleagues some of the barriers are removed:

"und selbst [during these social gatherings] wenn jemand da aus der Rolle fällt, weil einer sich furchtbar einen in die Birne gegossen hat, weiß ich, er ist ein Kollege, der fachlich 'was drauf hat, und ich habe ihn einmal erlebt, wie es ihm ordentlich eingeknallt hat. Es macht mir ihn eigentlich sympathischer und es fällt mir leichter, dem zu sagen "hör mal zu, ich habe Mist gemacht, können Sie mir helfen?""

Due to the distance which exists between German bosses and their subordinates and often even between colleagues of equal status in the organisational hierarchy, their relationships tend to be of a far more direct nature than would appear to be the case in Ireland. One German who had worked in his company's Irish plant for several years, was married to an Irishwoman, and in 1996 was back working in Germany for the mother company, felt that one of the differences between Germans and the Irish is that the Germans are far more direct:

"z.B. ich kann [in Ireland] nicht kritisieren. Ich kann nicht sagen "das ist falsch" sondern ich muß sagen "man könnte es vielleicht besser machen." In Deutschland kann ich einfach sagen "das ist falsch. Das hast du falsch gemacht." In Irland muß ich etwas vorsichtiger sein. Es ist im Endeffekt dasselbe, aber ich muß sagen "wir haben da ein Problem - das ist nicht so ganz richtig, wie es hätte sein sollen." Es schaut im Endeffekt auf dasselbe 'raus, aber das direkte Deutsch ist in Irland nicht so angebracht."

A further example is that provided above by a German manager in Ireland who said that if one wants to issue an instruction to an Irish employee one will be more successful by using such formulations as 'would you mind' instead of 'do this' or 'do that' as one would in Germany.

Another illustration of the difference between the two countries is that given by a German manager of a German company in Ireland who said that at company meetings in Ireland if an employee stands up and says something that is "a load of rubbish" no one will tell him to "shut up". This would not be the case in Germany where he would be quickly put in his place in no uncertain terms.

One Irish mother company had recently held a team building exercise for a selection of its German and Irish employees. It had identified cultural differences as being one of the stumbling blocks in the relationship between the mother company and its German operation. In one of the exercises the German and Irish employees were asked to compile a list of three to five things they liked about the other race. One item which the Irish team identified and admired in the Germans was their ability to have arguments about business related matters during the working day but to put these behind them once the working day was over. The Irish said that they themselves were unable to do this presumably because for them the relationship with each other did not make distinctions between 'our relationship at work' and 'our relationship outside of working hours' and hence a falling out at work affected the relationship in its totality.

The role of golf and corporate entertainment are areas where work and non-work activities are clearly mixed. The Germans, however, would appear to have difficulty in appreciating this interface between what for them are essentially discrete categories to the same extent as do their Irish counterparts:

"My [German mother company] boss when I became a member of a golf club here, accused me of playing golf all day. [...] So eventually I made him a member of a golf club here and I said, "When you come come for a bit longer and we can talk about business over a game of golf. But they are always rushing - in one day out the next." (The German manager of a German company in Ireland).

Another German, this time the sales representative of an Irish company in Germany, said that one of the first questions he was asked by the Irish company when they employed him was whether or not he played golf. He did not and did not see it as a disadvantage to acquiring new business in Germany.

The difference in the extent and importance of corporate entertainment in Germany and Ireland would appear to be very much linked to the approach to building relationships with customers in both countries. One German owner manager with a company in Ireland who attended a talk given by the author to members of the "Irish German Business Association" (IGBA) in Neu-Isenburg in May 1999, described this difference in the following terms: in Germany the relationship is first and foremost a professional one, in Ireland one tends to get to know customers more quickly as people. This opinion is further underscored by this comment from an Irish mother company interviewee on how customers choose suppliers in both countries:

"In Ireland the choice of company is based not always on the best product or service but might be more on the fact that they know you or know your neighbour. In Germany companies are selected on the basis of committee decision, best product, best service, best offer."

In this context the difference in physical size between both countries would also appear to play a role in influencing behaviour. Ireland is traditionally a country where everyone knows everyone else - either directly or indirectly - and it is the usual custom for Irish people when they meet for the first time to endeavour to identify common acquaintances. This has also been the experience of the author. Indeed during the course of carrying out the interviews in Ireland in 1999 the author was able to identify common acquaintances with four of the interviewees in spite of the fact that their companies were located in neither the same county nor city from which the author originates and nothing was known about the interviewee prior to the interview!

An Irish manager of a German company in Ireland compared the approach of his team towards customers versus that pursued by his German mother company colleagues as follows:

"They [the Germans] are not prepared to put in as much time and commitment to build a relationship with the customer. They tend to want to keep them at arms' length and are highly technical, whereas sometimes a customer wants an arm put around their shoulders and [for you to] say, "Look, maybe we shouldn't approach it like that" without getting too technical about it."

An Irish mother company interviewee felt that German formality interfered with getting to know the customer more closely on a personal level:

"I suppose the other big difference we have noticed, this would be a difference between English and Irish cultures - because they are not very different really - there is very little corporate entertainment in Germany, with customers. In Ireland and England the relationship between salesmen and their customers is quite significant. They play golf together, they go to the races and they do a lot of that. I think that is changing, but what I would call the corporate entertainment, or the socialising in Germany seems to be far less than it is here. [...] I think the formality interferes. I mean there is an awful lot with the German language with these familiar and formal forms, a lot of people never get on to a first name basis, whereas in this part of the world you are on first name basis at the first meeting."

An Irish employee of an Irish company in Germany with a German boss who attended the author's IGBA talk further illustrated the difference in mentality towards corporate entertainment with this anecdote. In a German-Irish golf tournament he proposed that his company should sponsor a hole with a bottle of good Irish whiskey. His German boss' reaction was "what's in it for us?".

Unlike the Irish approach, according to one German interviewee working for an Irish company in Germany, the most important component in customer relations in Germany is not the socialising element but good interpersonal contact within the work environment:

"Die persönlichen Kontakte sind meistens sehr gut. Das gehört heutzutage in Deutschland sehr zum Geschäft. Das verstehen die Iren auch nicht so ganz. Der persönliche Kontakt ist überhaupt das Nonplusultra.[...] Das Soziale drum herum ist bei manchen Leuten natürlich wichtig. Es gibt Kunden, mit denen muß ich mal 'was machen. Es gibt Kunden, mit denen ich einfach nach Irland 'rüberfliegen muß. Ich fliege immer mit den Leuten samstags. Wir

machen erst mal ein Wochenende in Dublin und dann fahren wir ins Werk. Solche Dinge kriegen die schon, und natürlich kriegen sie auch in einem ganz geringen Rahmen 'was typisch Irisches, z.B. einen schönen Wildlachs zu Weihnachten oder so 'was. Aber ich glaube, daß in Deutschland die Betreuung auch außerhalb des Dienstes, die ist heute in den meisten Fällen nicht mehr erforderlich. Früher vor zehn Jahren gingen Sie mit dem Kunden, den Sie besucht haben, mittags Essen. Heute hat dafür kein Mensch Zeit mehr. Es wird auch im Unternehmen nicht mehr gerne gesehen, weil der Mitarbeiter drei Stunden weg ist und wenn er wiederkommt, hat er einen getrunken und hat keine Lust mehr zu arbeiten. Es wird nicht gerne gesehen und es wird auch nicht mehr gemacht, da sind die Mitarbeiter unter Druck."

Another German at the IGBA talk commented that taking customers out for lunch unless one knew them very well was decreasing because people do not wish to be under any obligation. He mentioned moreover, that a German customer would expect a decent lunch which would be expensive whereas in Ireland bar food is so cheap that it is no problem to accept an offer as a customer.

7.3.4. Admitting mistakes

Six of the managers interviewed in German companies in Ireland (four Irish, one German and one third country national) mentioned that their German mother companies had difficulty in admitting mistakes. It has already been mentioned above that as a people that strives for perfectionism, the Germans are less tolerant of mistakes than the Irish. It should, however, be taken into account here that in the absence of evidence for the German operations of Irish companies that this could be an inherent feature of the mother company-subsidiary relationship which in the case of all the companies in the sample is one of a relationship between unequals and hence may not necessarily be a cultural difference between Ireland and Germany. This is hinted at in the following comment from an Irish manager of a German company in Ireland:

"another thing is with the Germans dealing with projects, they will look and they will blame all round the place. They won't blame themselves. We [in the Irish plant] will take blame where blame is due and we will say right we have messed up let's move on. It is so political particularly working in a headquarters and they will try everything to push the blame out and it does at times create tensions and difficulties for our own people."

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Further evidence which would seem to support this hypothesis is the attitude of superiority or arrogance which two managers (one Irish, one third country national) said that they encountered from mother company representatives:

"I was told once in Germany, "you don't have to tell us anything, you look at our company, you look at our industry here in Germany, what have you got in Ireland? Nothing"."

This was the reaction received by the Irish interviewee when he was perceived to be getting "ideas above his station" by criticising mother company methods and suggesting ways in which these could be improved. It should furthermore be noted here that there was perhaps also a hidden agenda at work in that the Irish company was an extremely successful operation with ample space for expansion, the German mother company, on the other hand, had been experiencing quite a lot of problems with its workforce and according to the interviewee there was a fear there that if the German owner wanted to he could close his German operation and transfer the bulk of his manufacturing activities to Ireland. The second interviewee who had been working as the plant manager of the German company in Ireland for many years felt that:

"The Germans like to make you think that our people here are quite badly trained and incapable of doing anything decent. But then you get things from Germany and you wouldn't let them out the door. It's an awful dichotomy they have. They reject sort of stupid things and then send you rubbish. [...]The Germans never make mistakes.[...] Oh it is the German way you are dealing with. The mentality that nobody can do anything as well as they can."

He gave the example of a product quality problem they had had in the past when a specific product they delivered to Germany when calibrated with mother company test equipment was found to be outside the required specification of the customer. The whole delivery had to be readjusted by the mother company. The German reaction was "you must be doing it wrong". The Irish plant checked the product using their test equipment and the reading matched the customer specification exactly. The interviewee then suggested to the Germans that they should check their test equipment, the response was, "Oh no, there wouldn't be anything wrong with ours." With the next shipment of the product to Germany the same

problem occurred again. A month later the interviewee had to go to Germany and while he was there asked to see the test equipment concerned:

"So [the German] puts the ground for the meter on this point and he measures and he says, "Look X millivolts wrong", and I said, "Yes but that is not where you are supposed to put the ground. The test procedure - which is their test procedure - says it should be grounded here." He said, "It doesn't make any difference." I said, "Just try, just in case." So he puts it over there and of course it is perfect. He said, "Oh I don't know why that makes any difference, but anyway." I said, "Well, that's what's wrong." He said, "Oh I don't know". Then I rounded on them and said that it wasn't clear to me, "You have been readjusting all these [products], these voltages and you can see now that you have been making them all wrong by X millivolts. Have you had any complaints from the customers or the people installing them in the field?" He said, "No, no." I said, "So you are saying we don't need to set them that accurately." He said, "Of course you need to set them that accurately." I said, "But you just told me you don't get any complaints, 14 millivolts out." He said, "Oh no, no, it has got to be accurate." I give up"."

Even at this stage they were not prepared to admit that the problem was at their end:

"Because we had got it wrong, they were adjusting them right. That was their mentality, they had to make it right. We had it wrong, and they wouldn't even admit it then that they were getting it wrong. The problem went away, and it was their own test procedure that we were working to that they don't bother to adhere to."

7.4. Conclusion

Based on the evidence from the interviews presented in this chapter, both Hofstede's dimensions of Uncertainty Avoidance and Power Distance would appear to be areas of difference between the Germans and the Irish in the corporate context.

The survey findings would seem to substantiate his findings for Uncertainty Avoidance and would suggest that in spite of the substantial time lag and the significant changes which have occurred in both countries since he carried out his IBM survey in the late 1960s and early 1970s, his results are still relevant today for both societies. Evidence of higher Uncertainty Avoidance behaviour among the Germans was seen in their precise approach to time, the lower levels of flexibility among the workforce, the role and importance of rules, the 'seriousness' of business as well as the degree and type of workforce commitment. It was interesting here, however, to detect signs of a movement towards greater

flexibility which is no doubt due to the cold wind of international competition being felt both at workforce and management levels.

The significant differences detected for the second dimension, Power Distance, would lead one to question Hofstede's scores here. The results of this survey would indicate that for this dimension Germany and Ireland lie far further apart than Hofstede suggests, with Germany having a much higher score than Ireland. The evidence included the approach to authority and authority figures in both countries, the explicit level of formality in German companies with the *Sie*-form, use of surnames and the importance attached to job and academic titles creating barriers between boss and subordinate as well as between colleagues of equal status in the hierarchical structure which do not exist in Ireland; and finally the German compartmentalisation of life into the discrete spheres of work and non-work whereas the Irish tend to view it as a continuum.

CONCLUSION:

GERMAN-IRISH CORPORATE RELATIONSHIPS: THE CULTURAL DIMENSION

This thesis began with the aim of exploring whether or not in an era of growing internationalisation and globalization culture is still a relevant variable in cross-national cooperation, or whether it has been removed from the equation by the widespread diffusion of international best practices which have accompanied such developments.

Both Ireland and Germany are subject to similar external pressures (international and global). This is particularly true when one considers the influential role played by the EU in their affairs. The adoption of common standards within the EU in a wide range of areas is leading gradually to greater uniformity at an institutional level among its member states, even if this uniformity is still only in its infancy. The preparations for the introduction of the European Monetary Union provide a clear illustration of this. With the European Central Bank in Frankfurt now determining monetary policy for the eleven members who qualified in May 1998 for Euro membership, this has had a direct impact on the role of the state in these countries and the freedom that governments enjoy at the national level with regard to acceptable inflation levels, budgetary discipline which inhibits the ability of the individual state to pursue an expansionary financial policy by loosening the monetary reins in times of economic crisis (Sarrazin, 1997 p. 73), and long term interest rates. Further examples include the adoption of a raft of EU legislation at the national level: the EU directive on working hours, European Works Councils, and food safety, but to name a few. Additionally, given that the mobility of European citizens is one of the explicit aims of the internal market as set down in Article 3 of the Treaty of Rome 1957, it follows that greater integration at the level of training and education is a necessary outcome if the qualifications of citizens of one member state are to be considered equivalent to those for the same discipline in another. Indeed, this was clearly seen in the rationale in Ireland for adopting a standards-based system of

apprenticeship post 1993, precisely to ensure that Irish vocational qualifications would be recognised by her European partners.

At a global level as countries whose exporting activities make a major contribution to their GNP and by virtue of their histories, the USA acts as an important influencer of the economic activities of both countries. The diffusion of internationally accepted management practices largely pioneered by the USA or propagated by it in, for example, the case of techniques emulated from the Japanese, have had a direct impact on management practices in both countries. In the German case a certain 'Americanisation' of the organisational culture of traditional German companies in recent years was remarked upon by the interviewees with examples including the shift away from traditional stakeholder thinking towards that of shareholder value, higher rates of take-over and merger and acquisition activities which even at the beginning of the 1990s were more or less a rarity in the German business environment, and an end to the practice of life-long employment. A further development here is, of course, also the fact that increasing numbers of German companies are adopting English not only as their second commercial language, on an equal footing with German, but some are even introducing it as the language in which all company activities are conducted. At a wider national level, the role played by the USA in the post-war reconstruction of the country and its influence on popular culture in Germany should not be overlooked, a trend which has been accelerated in recent decades with the spread of internet technology. This Americanisation on the Irish front is evident in the large number of American companies operating in Ireland – accounting for some 42% of FDI – and the steady flow of Irish returnees with US experience back to Ireland to meet the demand for skilled labour generated by the advent of the 'Celtic Tiger'. Furthermore, Ireland has always looked up to the USA, the host country for many of its emigrants, and enjoyed a special relationship with it.

The result of such international and global influences is a gradual but nonetheless perceptible convergence at the systems or structural level. This was clearly visible when the mother company-foreign operation relationship was analysed for the two sample groups. It was seen, for example, that the diffusion of internationally accepted best practices is leading to a levelling of the playing field between Germany and Ireland. A clear example of this are international quality standards whose implementation ensures a standard level of quality in both mother company and affiliate operations and an erosion of the traditional perception of quality being a German strength and an Irish weakness. In terms of the mother company-foreign operation relationship, the adoption of such standards reduces the amount of intervention necessary by the German mother company to ensure that the quality levels of the products being produced by its Irish operation coincide with those laid down by headquarters. Furthermore, an investigation of the patterns of control and co-ordination adopted by the mother companies towards their respective foreign operations revealed broadly similar patterns even if some national distinctions and preferences could still be detected. In this convergence process, the role and impact of information technology, also a development pioneered by the Americans, cannot afford to be ignored.

This convergence is today present to varying degrees, affecting some operating activities more so than others. What one can conclude is that although as yet it is gradual it is likely to increase in the future given the direction of EU and global developments. While, for example, the mechanics of the mother company-foreign affiliate relationship were found to be broadly similar, the companies involved – be they mother company or foreign operation – were, however, generally speaking seen to be reflections of the national business cultures within which they were embedded. This is in keeping with the findings of the Societal Effects school of Maurice et al. Despite this, some of the foreign affiliates did manifest some of the traits of their mother companies due to their interaction with them. These traits were in the form of characteristics identified as being typical of the national business culture context in

which the mother company was located, for example, the strong financial orientation of Irish mother companies or the engineering know-how of German mother companies. Any interaction between a mother company and its foreign operation involves, therefore, the interaction of two distinctive cultural systems, which while slowly converging are still nevertheless different. An appreciation of the role and functioning of the components of the respective national institutional frameworks is, thus, still important if one is to understand the motivations moulding behaviour within the business environment in both countries and as a foreign direct investor unleash the potential of one's investment. It was also interesting to note that on the whole the mother companies interviewed did not feel that there was a need to export their organisational cultures to their foreign affiliates. In Scholz's terms they were pursuing a multicultural strategy (Scholz, 1993), or in Perlmutter's a broadly polycentric approach (Perlmutter, 1965). The pattern detected, therefore, was that the management of the foreign operations, acting within mother company guidelines, enjoyed autonomy to develop their internal affairs without too much mother company intervention. Mother company dominance was, however, present at the level of mother company-foreign operation interaction particularly in terms of specific procedures set down on the financial reporting front and also in view of the fact that it was clear to the affiliates that at the end of the day, the mother company had the final say in decision-making.

Within the German-Irish corporate relationship the greatest evidence of the role and importance of culture was found to be at the human level, namely, in the differences in attitudes and values between the Irish and the Germans manifested at the level of interpersonal interaction on a day-to-day basis. One reason for this in view of the convergence occurring at the structural level, could be found in Hofstede's explanation of the evolution of cultures:

"norms change rarely by direct adoption of outside values, but rather through a shift in ecological conditions: technological, economic and hygienic. In general, the norm shift will be gradual unless the outside influences are particularly violent (such as in the case of military conquest or deportation" (Hofstede, 1980, p. 23).

Therefore, while both countries' ecological conditions are experiencing a shift due to international and global pressures, there would appear to be a time lag in the changes or shift that takes place at the level of the norms or values embraced by their societies as a whole and the individuals therein. The difficulty is in determining the speed at which these changes will occur. Furthermore, one reason why these differences in values and attitudes are apparent at the workplace in spite of broadly similar structures, is that most organisational problems have both a human and a structural dimension to them, and that the people involved will react according to their mental software (Hofstede, 1991 p. 140), acquired through their experiences of primary and secondary socialisation ever before they entered the workplace. The findings of this investigation lend weight to that view. More specifically, the survey findings here revealed that these differences in values and attitudes fall broadly within the Hofstedian categories of Uncertainty Avoidance and Power Distance and in each case translated into very different types of behaviour within each national grouping.

With regard to Uncertainty Avoidance, the dimension of national culture for which Hofstede identified the greatest level of deviation between Germany and Ireland, the results of the interviews would appear to substantiate that in spite of the three intervening decades and all the transformations accompanying them in both societies, the Irish at the eve of the 21st century still appeared to be much more comfortable with ambiguity and unstructured situations than their German counterparts.

On the Power Distance dimension, however, the findings here contradict Hofstede's assertion that levels of Power Distance in both countries are more or less identical. In fact from the comments of the interviewees, it would seem that Ireland as a society has very low levels of Power Distance witnessed, for example, in the approach adopted by the Irish to persons in authority, the fact that they favour informality within the corporate context, and the existence of greater levels of interpersonal trust at the workplace – all of which starkly contrast

to the situation in Germany. The conclusion that must be drawn here is that Hofstede's findings for Germany on this dimension should be revisited. His original results for IBM's German operation may have been skewed by its very strong corporate culture with its first name terms, regardless of hierarchical rank, and its sense of informality in comparison to the formal conservative organisational culture which would have been typical in Germany at that time. A further consideration here, of course, is also the presence in Germany of institutionalised industrial democracy which by redressing the power imbalance between boss and subordinate artificially lowers otherwise high levels of Power Distance. It is significant here that such mechanisms do not exist within the Irish business environment.

While differences at the level of attitudes and values still impact upon day-to-day corporate affairs in both countries, it should be noted that in some cases undesirable behaviour can be changed should the appropriate trigger factors be implemented. One example of this was when external threats from German and American customers to rescind contracts with Irish companies with poor performance on adherence to delivery schedules, forced these companies to prioritise the scheduling of the orders for these customers. The message to the foreign direct investor is, therefore, that in order to change or compensate for such behaviour, one must first of all be aware of its existence and the attitudes and values which underpin it. While financial considerations are extremely important when assessing the viability of FDI investments, they still do not provide the complete range of factors which will affect the successful outcome of the venture.

Despite its limitations this thesis has endeavoured to elucidate the hitherto neglected field of German-Irish corporate relationships. Evidence of both convergence and continuing divergence between both corporate environments and the attitudes and values espoused by the populations of each country has been identified, which substantiates the view put forward by researchers such as Child and Tayeb (1982-3) and Lane (1989) that the available approaches

to cross-national management research should be viewed as complementary and the field of study should not be seen as one in which one either pursues a culture-bound or culture-free approach. It remains for future researchers engaging in larger-scale empirical surveys or surveys which concentrate in-depth on a specific aspect of the German-Irish corporate relationship to determine whether the results presented here are a general reflection of the patterns for the populations as a whole or merely features of the chosen sample groups. It would be of considerable interest to monitor the effect that the further passage of time will have on the elements of cultural convergence and divergence which have been identified in the chapters of this thesis.

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APPENDICES

APPENDIX I

SUMMARY OF DOBRY'S MODEL (1983 p. 37ff)

Factors influencing the distribution of power between mother company and subsidiary

1) Internal company factors

(a)   Qualifications and expectation levels of management

(b)   Mother company organizational philosophy

(c)   Organization size, degree of diversification and internationalization of mother company

(d)   The standing of the foreign subsidiary (the function it carries out, its degree of development and range of activities.

2) External environmental factors

(a)   Economic regime of host country

(b)   Legal rights and obligations of the management bodies and committees within the subsidiary.

PRELIMINARY QUESTIONNAIRE 1995

Number of employees in the subsidiary?

Number of employees in the mother company/group?

Date of foundation of the mother company?

Length of time the subsidiary has been in existence?

Has the subsidiary always been a German subsidiary?

Do you think this German subsidiary has a 'German' feel to it? Or is it like any other Irish company of its size operating in the same sector except that it has a German mother company?

Does the subsidiary have any work practices that would not be found in Ireland?

Is the subsidiary unionised? Does the subsidiary have a works council?

How involved does the German mother company get in the subsidiary's affairs with regard to:

-Reporting

-Recruitment

-Policy/strategy making

-Visits from mother company representatives

-Frequency of communication

How many German nationals work for the subsidiary? In what functions? Why are there Germans and not Irish people in these functions?

Has there always been an Irish/German plant manager? If not, since when has there been one? What was the rationale behind this choice?

Have you worked for other German/Irish companies?

If you have never worked for a German company before what differences do you see in the way the company is run from the other Irish companies you have worked for?

What is your own background - technical/financial/degree etc.?

Do you speak German? If not, would it be an advantage?

How much time have you spent in Germany? Was this for training purposes?

Do exchanges of personnel take place between the subsidiary and the mother company?

What range of activities does the subsidiary engage in? Have these expanded/contracted since set-up?

How many levels of management does the subsidiary have?

Why did the mother company decide to set up in Ireland originally (role of IDA incentives?) Why has it decided to stay?

Does the subsidiary do R&D? If not, why not?

What markets are you producing for? Domestic Irish/German etc.?

Are the products you are producing being produced by the mother company or by other subsidiaries owned by it?

How do Irish productivity levels for these products compare with those in the other plants?

Does the mother company have other subsidiaries in Ireland? How many subsidiaries does it have in total?

Was the machinery used for production in Ireland imported from Germany or purchased in Ireland?

How does the subsidiary fit into the mother company's portfolio of companies? (Totally integrated or isolated?). How dependent is it on the mother company for inputs? Could it survive without the mother company?

Personnel profile: What is the proportion of graduates/skilled/semi-skilled workers in the subsidiary?

Is training provided, at what levels, by whom and where?

How would you compare the motivation of Irish workers with those of their German counterparts?

APPENDIX III:

LETTERS TO COMPANIES IN GERMANY 1996

ENGLISH VERSION OF PROFESSOR EICHHORN'S LETTER ON HIS DEPARTMENTAL HEADED NOTEPAPER

Mr. X,
Address.

DATE.

Dear Mr. X,

Miss Niamh O'Mahony is doing a doctorate on "German-Irish Business Collaboration" which is sponsored by Aston University, Birmingham, UK, and the German Academic Exchange Service and is currently in Germany to carry out part of the fieldwork for her thesis. Her research examines various aspects of the relationship between mother and subsidiary companies as well as the reasons for the choice of Germany/Ireland as operating sites.

For the purposes of the fieldwork she needs to make contact with Irish companies operating in Germany and German companies operating in Ireland. It goes without saying that complete confidentiality would be guaranteed by Miss O'Mahony, her interest lies strictly in the statistical analysis of data on such companies and the identification of possible trends. All companies cooperating with the research will receive a short summary of the main findings of the PhD upon its completion.

Miss O'Mahony will contact you in a few days with a view to arranging an interview with you.

I very much hope that you will be able spare her some time for this very worthwhile research project.

Many thanks in advance in anticipation of your cooperation,

Yours sincerely,

Professor Peter Eichhorn.

APPENDIX IV:

LETTERS TO COMPANIES IN IRELAND 1999

ASTON
UNIVERSITY

Mr. X,
Address.

Date 1999

Dear Mr. X,

I am a lecturer in German for Business at Aston University, Birmingham and am currently on a sabbatical in Ireland to finish my PhD thesis which looks at the role of culture in German-Irish business relationships based on a sample of Irish mother companies and their German subsidiaries and German mother companies and their Irish subsidiaries.

During a 6 month research visit to Germany in 1996, sponsored by the German Academic Exchange Service, Mr. Y [of your German office] was kind enough to give me an interview at your [German operation] and provided me with an insight into your German operation.

As my thesis is a cross-cultural study, it is essential that I look at both the mother company and subsidiary operations as only thus can a well-rounded picture be formed. I would be grateful, therefore, if you could spare me some of your time to talk about your Irish operation.

It goes without saying that complete confidentiality would be guaranteed. My interest lies strictly in the statistical analysis of data on my sample companies and the identification of possible trends. All companies co-operating with the research will receive a short summary of the main findings of the PhD upon its completion.

The success of my thesis is dependent upon the co-operation of my chosen sample companies.

With your permission, I will contact you in the next few days with a view to arranging an interview.

Or if you should wish to contact me, please do not hesitate to do so. I may be contacted at the following address until September 1999, thereafter, at the Aston University address on the letterhead:

Address
Telephone number
Fax
Email

Many thanks in anticipation of your co-operation.

Yours sincerely,

Niamh O'Mahony

Herrn X
Address.

Date 1999.

Sehr geehrter Herr X,

ich bin Dozentin an der Aston University in Birmingham, Großbritannien und bin zur Zeit in Irland in Forschungsurlaub, um meine Promotion zum Thema „Deutsch-Irische Zusammenarbeit" zu Ende zu schreiben. In dieser Arbeit möchte ich die Rolle der Kultur in deutsch-irischen Geschäftsbeziehungen anhand einer Stichprobe von deutschen Mutter- und ihren irischen Tochterunternehmen und irischen Mutter- und ihren deutschen Tochterunternehmen erfassen und analysieren.

1996, während eines vom Deutschen Akademischen Austauschdienst geförderten Forschungsaufenthaltes in Deutschland, habe ich Herrn Y [of your German mother company] interviewt, der mir einen Einblick in das Mutterunternehmen gegeben hat.

Aus wissenschaftlicher Sicht ist es wesentlich für diese interkulturelle Studie, daß sowohl die Mutter- als auch die Tochtergesellschaft analysiert wird. Nur so kann ein abgerundetes Bild entstehen. Es wäre für mich sehr hilfreich, wenn Sie mir Gelegenheit zu einem persönlichen Gespräch geben könnten.

Selbstverständlich garantiere ich absolute Verschwiegenheit über den Gesprächsinhalt. Eine Verwertung der Angaben erfolgt lediglich in anonymisierter und statistisch aggregierter Form; es interessieren nur die strukturellen Erkenntnisse aus der Befragung. Nach Abschluß der Studie würde ich Ihnen gern eine kurze Zusammenfassung der wichtigsten Ergebnisse zukommen lassen.

Ich melde mich bei Ihnen in den nächsten Tagen, in der Hoffnung, einen Termin mit Ihnen vereinbaren zu können.

Bis September erreichen Sie mich unter der folgenden Adresse:

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Address
Telephone number
Fax
Email

Mit besten Grüßen verbleibe ich

Frau Niamh O'Mahony

APPENDIX V:

SURVEY QUESTIONNAIRES 1 & 2

QUESTIONNAIRE 1 MOTHER COMPANY (ENGLISH)
PRE-INTERVIEW QUESTIONNAIRE FOR THE MOTHER COMPANY

1) When was the mother company set up? _____

2) How many employees does the mother company have? _____

3) What is the mother company's turnover? _____

4) In which of the following activities is the mother company engaged? (please tick the relevant boxes)

Production ☐

Research & Development ☐

Sales ☐

Marketing ☐

Services ☐

5) Apart from its German subsidiary/interests does the mother company have other foreign subsidiaries/interests?

YES ☐   NO ☐

If yes, are these in other German-speaking countries?

YES ☐   NO ☐

6) What type of corporate structure does the mother company have?

functional   YES ☐   NO ☐

divisional   YES ☐   NO ☐

7) What is your nationality?

_____

8) How old are you? _____

9) What is your official job title?

_____

10) Which functional area and which level within this function do you report to?

_____

11) How many people within the mother company are responsible for the subsidiary?

_____

Which functional areas do they work in?

_____

_____

_____

12) How long have you been responsible for the subsidiary?

_____

13) Do you also have direct responsibilities in the subsidiary?

YES   ☐   NO   ☐

If yes, which?

_____

14) Do the various functional areas in the mother company and subsidiary communicate directly with one another?

YES   ☐   NO   ☐

or

Does all communication take place via yourself/those responsible for the subsidiary?

YES   ☐   NO   ☐

If yes,

is this due to language barriers?

YES ☐   NO ☐

or

is it the official policy of the company?

YES ☐   NO ☐

15) Are you also currently responsible for other mother company subsidiaries?

YES ☐   NO ☐

If yes, are these subsidiaries located in   Ireland   ☐

                                                                      abroad   ☐

16) Had you already had dealings with German companies or companies located in German speaking countries prior to taking up your present position?

YES ☐   NO ☐
If yes, did you actually live in the country concerned?

YES ☐   NO ☐

17) How long have you been with this company?

_____

18) Have you held other positions within the company?

YES ☐   NO ☐

If yes, which?

_____

_____

19) Do you receive performance-related bonuses in addition to your salary (e.g. share options)?

YES ☐   NO ☐

If yes, what form do these bonuses take?

_____

20) Have you worked for other companies?

YES ☐   NO ☐

If yes, please complete the following table:

Job title	Sector	Nationality of Company	Length of Service

21) Which of the following have you completed?

Apprenticeship (Area) ☐

_____

RTC/Technical School Qualification (Subject Area) ☐

_____

University Degree (Subject Area) ☐

_____

Other (please specify) ☐

_____ (Subject Area) _____

22) Do you speak German?

YES ☐ NO ☐
If yes,

has the company encouraged you to learn German?

YES ☐ NO ☐

or

has this been on your own initiative?
YES ☐ NO ☐

QUESTIONNAIRE 2
INFORMATION ON THE MOTHER COMPANY

1) Briefly describe the operations/activities of the mother company?

2) Is this company owned by a family or one major shareholder?

If yes, what role does the family or the major shareholder play in the company's activities?

3) Does the mother company take on and train apprentices? If yes, are these normally kept on once they have completed their training? How is this training financed?

4) Does the mother company have a works' council or other forms of employee participation?

5) What percentage of the workforce are members of a trade union? Do they belong to more than one union?

What role do the unions play within the firm (demarcation disputes etc.)?

6) Under what circumstances does the company sanction overtime? Are employees paid for this or are they given time off in lieu?

7) How high is staff turnover?

8) Do mother company employees tend to remain within the same functional area throughout their career with the company?

9) Does the mother company pursue an active/deliberate policy of growing its own management or do the majority of managers come from outside of the company?

10) What are your typical activities with regard to the collaboration between the mother company and the subsidiary?

REASONS FOR CHOOSING GERMANY
1) What were the reasons for deciding to set up a subsidiary in Germany?

2) Was the Germany subsidiary a greenfield venture or the acquisition of an already existing company? What were the associated problems?

3) How did the mother company prepare itself? (By engaging in market research, making contact with other Irish companies already operating in Germany etc.)

4) What role does the German subsidiary play within the portfolio of the mother company's activities?

– Simply a production site which sends all of its output to the mother company?

– A company which operates on a more or less autonomous basis?

– Other?

5) If an Irish company which was thinking of possibly investing in Germany asked you for your advice what would you tell them? What from your experience are the pros and cons of such a decision?

6) If your company was faced with the same decision again would it still invest in Germany or would it decide to locate elsewhere? If so, where and why?

METHODS OF CONTROLLING THE ACTIVITIES OF THE SUBSIDIARY BY THE MOTHER COMPANY

(i) VISITS

1) How many times a year do you or other mother company employees visit the German subsidiary?

2) In which functional areas do these others work?

3) What are the reasons for such visits?

4) Has the number of such visits increased/decreased over time?

5) How often do you have contact with the subsidiary? What form does this take: telephone, fax etc.? With regard to which matters do you have contact with the subsidiary?

(ii) PRODUCTION

1) Was the production facility imported from the mother company? If not where did it come from?

If yes, is it configured and organized in exactly the same way as it was originally in Ireland? Was it possible to transfer the production facility holus bolus or was it necessary to modify things? If no, what were the modifications, on whose initiative were these carried out and why?

2) How and by whom were the first German workers trained?

3) Who decides as to the following for the subsidiary?

- Organization of the production facility?

- Production targets?

- Production scheduling?

- Investment in new machinery?

- The development of new products/the improvement of existing products?

4) Did the mother company actively introduce specific practices with regard to e.g. work organization into the subsidiary or did it rather give the German management a free hand?

5) How is quality control carried out in the mother company and subsidiary?

Are there uniform systems of quality control in the mother company and subsidiary? If not what are the differences and why are there differences?

(iii) PERSONNEL ISSUES

1) How many members of the German management team are there?

2) What nationality are they?

If Irish - why have these positions not been filled by Germans? Have these positions always been filled by Irish people? Why?

If German - have these positions always been filled by Germans? Why?

3) Are the other key positions held by Germans or Irish people?

4) Which criteria were used in the selection of the management of the German subsidiary?

5) Are the same recruitment criteria used in the mother company and subsidiary? If not what are the differences?

6) Are the same criteria used in deciding promotion and salary increases in the mother company and subsidiary?

7) Does the mother company pursue an active/deliberate strategy of making the employees of the subsidiary feel part of the total organization?

8) Do manpower requirement and staff development plans exist for the subsidiary? Whom are these developed by? Are these different to those for the mother company? What is the time span of such plans? Is this time span the same as for the mother company?

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9) Does all or part of the training and on-going development of the German employees take place in the Irish mother company or is this carried out by representatives of the mother company seconded to Germany for this particular purpose or is it carried out exclusively by German trainers/training institutions? Who bears the cost of this training and on-going development?

10) In your opinion are there differences between Irish and German workers with regard to for example training and skill-levels, motivation, commitment etc.?

(iv) INFORMATION PROVIDED BY THE SUBSIDIARY TO THE MOTHER COMPANY/FINANCING

1) What kinds of information do you require the subsidiary to submit to you?

How often must the subsidiary present you with such information?

Does this information relate to past performance or future projections?

To what use is this information put?

2) Does the mother company require the subsidiary to keep a particular form of record-keeping? Is this the same as that of the mother company?

3) How is the subsidiary financed?

(v) PRICING

1) If a product/service is sold by the subsidiary who decides on the selling price?

- The mother company?

- The subsidiary?

- Representatives of the mother company in consultation with the subsidiary?

(vi) STRATEGY

1) Who draws up the strategy for the subsidiary?

- The same people involved in drawing up the strategy for the mother company?

- The (German) manager or (German) management team based in Germany who are responsible for the subsidiary?

- Irish manager/s in the mother company responsible for the German subsidiary?

- Representatives of the mother company in consultation with the subsidiary?

(vii) SCOPE

1) Are there particular areas where the subsidiary is given a lot of latitude/kept on a tight rein? If yes, which and why?

(viii) CULTURE

1) Does the mother company have an organizational philosophy? If yes, how would you describe this?

2) In your opinion does the German subsidiary have the same organizational philosophy? If not do conflicts arise between mother company and subsidiary? If so with regard to which issues? How are these solved?

3) In your day-to-day dealings with the subsidiary are there any specific German characterisics/traits that you have to take into account that you would not encounter when dealing with another Irish company? If yes, which mechanisms have you developed to deal with these?

4) What are the difficulties that arise out of the collaboration with the German subsidiary? How are these overcome?

(ix) MISCELLANEOUS

1) Does the mother company engage in R & D? If so where are the results applied - in the mother company or in the subsidiary?

2) Does the German subsidiary come forward with suggestions as to how it could improve its operations or does it tend rather to wait for the initiative to come from the mother company?

3) What in your opinion are the characteristics of a good manager?

QUESTIONNAIRE 1 MOTHER COMPANY (GERMAN)

FRAGEN AN DAS DEUTSCHE MUTTERUNTERNEHMEN VOR DEM INTERVIEW

1) Wann wurde das Mutterunternehmen gegründet? _____

2) Wie viele Mitarbeiter hat das Mutterunternehmen? _____

3) Wie hoch ist der Umsatz des Mutterunternehmens?_____

4) In welchen der folgenden Aktivitäten ist das Mutterunternehmen tätig? (bitte ankreuzen)

Herstellung ☐

Forschung und Entwicklung ☐

Verkauf ☐

Marketing ☐

Dienstleistungen ☐

5) Hat das Mutterunternehmen neben dem irischen noch andere ausländische Tochterunternehmen bzw. Niederlassungen?

JA ☐   NEIN ☐

Wenn ja, in anderen englischsprachigen Ländern?

JA ☐   NEIN ☐

6) Wie ist die dominante Gliederung des Mutterunternehmens?

funktional JA ☐ NEIN ☐

divisional JA ☐ NEIN ☐

7) Welche Staatsangehörigkeit haben Sie?

_____

8) Wie alt sind Sie? _____

9) Wie lautet Ihre offizielle Stellenbezeichnung?

_____

10)Welchem Funktionsbereich und welcher Ebene dieses Funktionsbereiches sind Sie unterstellt?

_____

11) Wie viele Leute innerhalb des Mutterunternehmens sind für das Tochterunternehmen verantwortlich?

_____

Was sind ihre Funktionsbereiche?

_____

_____

_____

_____

12) Wie lange sind Sie schon für das Tochterunternehmen verantwortlich?

_____

13) Haben Sie auch direkte Verantwortung im Tochterunternehmen?

JA ☐   NEIN   ☐

Wenn ja, welche?

_____

14) Kommunizieren die verschiedenen Funktionsbereiche des Mutter- und Tochterunternehmens direkt miteinander?

JA ☐   NEIN   ☐

oder

Erfolgt jede Kommunikation über Sie/die zuständigen Ansprechpartner?

JA ☐ NEIN ☐

Wenn ja,

ist das in fremdsprachlichen Fertigkeiten begründet?

JA ☐ NEIN ☐

oder

die übliche Praxis in der Firma/im Unternehmen?

JA ☐ NEIN ☐

15) Sind Sie derzeit auch für andere Tochterunternehmen des Mutterunternehmens verantwortlich?

JA ☐ NEIN ☐

Wenn ja, sind diese: deutsche Tochterunternehmen   ☐

ausländische Tochterunternehmen   ☐

16) Hatten Sie schon mit irischen Firmen oder mit englischsprachigen Ländern zu tun, bevor Sie diese Stelle übernommen haben?

JA ☐ NEIN ☐

Wenn ja, haben Sie in dem Land auch gewohnt?

JA ☐ NEIN ☐

17) Wie lange arbeiten Sie schon bei dieser Firma? _____

18) Haben Sie andere Positionen in dieser Firma innegehabt?

JA ☐ NEIN ☐

Wenn ja, welche?_____

_____

19) Bekommen Sie Sonderleistungen zusätzlich zu Ihrem Gehalt (wie z.B. Vorzugsaktien)?

JA ☐   NEIN   ☐

Wenn ja, welche?

_____

20) Haben Sie bei anderen Firmen gearbeitet?

JA ☐   NEIN   ☐

Wenn ja, bitte die folgenden Informationen angeben:

Stellenbezeichnung	Branche	Nationalität der Firma	Dauer der Tätigkeit

21) Welche Art der Ausbildung haben Sie durchlaufen?

Lehre (Fachbereich) ☐

_____

Fachhochschulabschluß (Fachbereich) ☐

_____

Universitätsabschluß (Fachbereich) ☐

_____

Andere (bitte angeben) ☐

_____ (Fachbereich) _____

22) Sprechen Sie englisch?

JA □   NEIN   □

Wenn ja,

hat die Firma Sie dazu ermutigt, es zu lernen?

JA □   NEIN   □

oder

haben Sie das auf eigene Faust gemacht?

JA □   NEIN   □

QUESTIONNAIRE 2
INFORMATIONEN ZUM MUTTERUNTERNEHMEN

1) Könnten Sie mir eine kurze Beschreibung der Aktivitäten des Mutterunternehmens geben?

2) Ist diese Firma im Besitz einer Familie oder eines Hauptaktionärs?

Wenn ja, was für eine Rolle spielen die Mitglieder der Familie, bzw. spielt der Hauptaktionär?

3) Bietet das Mutterunternehmen Lehrstellen an? Wenn ja, werden Ausgebildete im Normalfall weiterbeschäftigt? Wie wird die Ausbildung finanziert?

4) Hat das Mutterunternehmen einen Betriebsrat oder andere Arten der Mitbestimmung?

5) Sind die Mitarbeiter des Mutterunternehmens Gewerkschaftsmitglieder? (Welcher Prozentsatz?) Was für eine Rolle spielt die Gewerkschaft innerhalb der Firma?

6) Was ist die offizielle Politik der Firma Überstunden gegenüber? Werden die Mitarbeiter dafür ausbezahlt oder erhalten sie zusätzliche Freizeit?

7) Wie hoch ist die Fluktuationsrate der Firma?

8) Bleiben Mitarbeiter des Mutterunternehmens normalerweise innerhalb der gleichen Funktionsbereiche?

9) Verfolgt das Mutterunternehmen eine aktive/bewußte Politik, seine Manager(innen) im Hause heranzuziehen, oder kommen die meisten Manager von außerhalb der Firma?

10) Was sind Ihre typischen Aufgaben bzw. Aktivitäten in bezug auf die Zusammenarbeit zwischen Mutter- und Tochterunternehmen?

GRÜNDE FÜR DIE AUSWAHL VON IRLAND

1) Was waren die Gründe, ein irisches Tochterunternehmen zu gründen?

2) Handelte es sich hier um eine Neugründung oder um den Aufkauf einer schon existierenden Firma? Welche Probleme traten am Anfang auf?

3) Wie hat sich das Mutterunternehmen darauf vorbereitet?(Marktforschung unternommen, sich mit anderen schon in Irland tätigen deutschen Firmen in Verbindung gesetzt usw.).

4) Was für eine Rolle spielt das irische Tochterunternehmen innerhalb der gesamten Aktivitäten des Mutterunternehmens?

– Lediglich eine Produktionsstätte, die ihre gesamten gefertigten Produkte an das Mutterunternehmen liefert?

– Ein Verkaufsbüro? (woher stammt das Produkt?)

– Eine mehr oder weniger selbständige Firma?

– Andere?

5) Wenn eine deutsche Firma, die sich über eine eventuelle Investition in Irland Gedanken macht, Sie um Ihren Rat fragt, was würden Sie ihr sagen? Was sind aus Ihrer Erfahrung heraus Pro und Contra?

6) Wenn Ihre Firma sich wieder vor der selben Entscheidung befände, in eine Tochterfirma zu investieren, würde sie noch mal Irland wählen oder eher einen Standort in den neuen Bundesländern oder irgendwo in Osteuropa? Warum?

DIE STEUERUNG DES IRISCHEN TOCHTERUNTERNEHMENS DURCH DAS MUTTERUNTERNEHMEN

(i) BESUCHE

1) Wie oft im Jahr besuchen Sie oder andere Mitarbeiter des Mutterunternehmens das irische Tochterunternehmen?

2) In welchen Funktionsbereichen arbeiten diese anderen Personen?

3) Was sind die Zwecke solcher Besuche?

4) Hat die Zahl solcher Besuche im Laufe der Zeit zugenommen oder abgenommen?

5) Wie oft haben Sie Kontakt zum Tochterunternehmen? In welcher Form: Telefon, Fax usw.? In bezug auf welche Gelegenheiten?

(ii) PRODUKTION

1) Stand die Produktionseinrichtung früher beim Mutterunternehmen? Wenn nicht, woher stammte sie?

Wenn ja, sieht sie heute in Irland genauso aus wie damals in Deutschland? War es möglich, die Produktionseinrichtung samt der damit verbundenen Arbeitsorganisation in Irland einzuführen, oder mußte man sie modifizieren? Wenn nicht, welche Modifikationen sind durchgeführt worden, auf wessen Initiative und warum?

2) Wie und von wem wurden die ersten irischen Arbeiter ausgebildet?

3) Wer entscheidet für das Tochterunternehmen über

- die Organisation der Produktionseinrichtung?

- die Ziele der Produktion/Produktionsmengen?

- den zeitlichen Ablauf der Produktion - welches Produkt zur welchen Zeit hergestellt wird?

- Investitionen in neue Maschinen?

- die Entwicklung von neuen Produkten bzw. die Verbesserung von existierenden Produkten?

4) Hat das Mutterunternehmen bewußt spezifische Praktiken bezüglich beispielsweise Arbeitsorganisation in das Tochterunternehmen eingeführt oder eher dem irischem Management freie Hand gegeben?

5) Wie sieht es mit der Qualitätskontrolle im Mutter- und Tochterunternehmen aus? Existieren einheitliche Systeme der Qualitätskontrolle im Mutter- und Tochterunternehmen? Wenn nicht, was sind die Unterschiede und warum gibt es Unterschiede?

(iii) PERSONAL

1) Wie viele Personen bilden die Geschäftsführung des Tochterunternehmens in Irland?

2) Welche Staatsangehörigkeit haben sie?

Wenn deutsch - warum werden diese Positionen nicht durch Iren besetzt? Sind diese Positionen immer mit Deutschen besetzt worden? Warum?

Wenn irisch - sind diese Positionen immer durch Iren belegt worden? Warum?

3) Werden die anderen Schlüsselpositionen mit Deutschen oder Iren belegt? Warum?

4) Welche Kriterien wurden bei der Einstellung der Geschäftsführung des Tochterunternehmens in Irland eingesetzt?

5) Werden dieselben Kriterien bezüglich der Rekrutierung im Mutter- und im Tochterunternehmen eingesetzt? Wenn nicht, wo liegen die Unterschiede?

6) Gelten die gleichen Kriterien für Beförderung und Lohnerhöhung beim Mutter- und Tochterunternehmen?

7) Verfolgt das Mutterunternehmen eine aktive/bewußte Strategie, den Mitarbeitern des Tochterunternehmens das Gefühl zu vermitteln, daß sie zur Gesamtfirma gehören?

8) Existieren Bedarfs- und Entwicklungspläne für das Tochterunternehmen? Von wem werden sie entwickelt? Sind sie anders als diejenigen für das Mutterunternehmen? Wie weit in die Zukunft reichen diese Pläne? Ist die Reichweite dieser Pläne für das Mutterunternehmen genauso lang?

9) Findet die Ausbildung bzw. die Weiterbildung der irischen Mitarbeiter ganz oder zum Teil im Mutterunternehmen statt oder erfolgt sie durch Vertreter des Mutterunternehmens, die zu diesem Zweck nach Irland gesandt werden oder lediglich durch irische Trainer/Ausbildungsanstalten? Wer trägt die Kosten für diese Aus- und Weiterbildung?

10) Gibt es Ihrer Meinung nach Unterschiede zwischen den irischen und deutschen Mitarbeitern bezüglich z.B. Ausbildung und Fertigkeiten, Motivation, Engagement usw.?

(iv) INFORMATIONSÜBERTRAGUNG/FINANZIERUNG

1) Was für Informationen verlangen Sie vom Tochterunternehmen?

Wie oft muß das Tochterunternehmen diese Informationen abliefern?

Sind diese Informationen vergangenheits- oder zukunftsbezogen?

Wozu werden sie gebraucht/benutzt?

2) Verlangt das Mutterunternehmen eine bestimmte Art und Weise der Aufzeichnung vom Tochterunternehmen? Stimmt diese mit der des Mutterunternehmens überein?

3) Wie wird das Tochterunternehmen finanziert?

(v) PREISGESTALTUNG

1) Wenn ein Produkt/eine Dienstleistung vom irischen Tochterunternehmen verkauft wird, wer entscheidet über den Preis des Endproduktes?

- Das Mutterunternehmen?

- Das Tochterunternehmen?

- Vertreter des Mutter- und Tochterunternehmens zusammen?

(vi) STRATEGIE

1) Wer entwirft die Strategie für das Tochterunternehmen?

- Dieselben Leute, die die Strategie für das Mutterunternehmen entwerfen?

- Der irische Manager bzw. das irische Managementteam in Irland?

- Der deutsche Manager bzw. die deutschen Manager beim Mutterunternehmen, der/die für das irische Tochterunternehmen zuständig ist/sind?

- Vertreter des Mutterunternehmens und des Tochterunternehmens zusammen?

(vii) SPIELRÄUME

1) Gibt es bestimmte Aktivitäten/Angelegenheiten, bei denen, Sie dem Manager vor Ort großen/wenig Freiraum einräumen? Wenn ja, welche und warum?

(viii) KULTUR

1) Hat das Mutterunternehmen eine Unternehmensphilosophie? Wenn ja, wie würden Sie diese beschreiben?

2) Hat das irische Tochterunternehmen, Ihrer Meinung nach, die gleiche Unternehmensphilosophie? Wenn, nicht, kommt es zu Konflikten zwischen Mutter- und Tochterunternehmen? Wenn ja, bei welchen Gelegenheiten? Wie werden diese gelöst?

3) Gibt es bei Ihrer täglichen Zusammenarbeit mit dem irischen Tochterunternehmen spezifische irische Charakteristika, die Sie berücksichtigen müssen und die man im Umgang mit einer deutschen Firma nicht finden würde? Wenn ja, welche Mechanismen haben Sie entwickelt, um damit umgehen zu können?

4) Was für Schwierigkeiten treten bei der Zusammenarbeit mit dem irischen Tochterunternehmen auf? Wie würden diese überwunden?

(ix) SONSTIGES

1) Unternimmt das Mutterunternehmen Aktivitäten im Bereich F & E? Wenn ja, wo werden die Ergebnisse angewandt - im Mutterunternehmen oder im Tochterunternehmen?

2) Legt das irische Tochterunternehmen Vorschläge zur Verbesserung seiner Aktivitäten vor, oder tendiert es eher dazu, auf die Initiative des Mutterunternehmens zu warten?

3) Was sind Ihrer Meinung nach die Eigenschaften eines guten Managers?

QUESTIONNAIRE 1: SUBSIDIARY (ENGLISH)

PRE-INTERVIEW QUESTIONNAIRE FOR THE MANAGER OF THE SUBSIDIARY

1) When was the subsidiary set up? _____

2) How many employees does the subsidiary have? _____

3) What is the subsidiary's turnover? _____

4) In which of the following activities is the subsidiary engaged ? (please tick the relevant boxes)

Production ☐

Research & Development ☐

Sales ☐

Marketing ☐

Services ☐

5) Which functional area do you report to in the mother company?

_____

6) What is your nationality?

_____

7) How old are you?

_____

8) What is your official job title?

_____

9) Are you the only person in the subsidiary responsible for the subsidiary?

YES ☐   NO ☐

or

are there several people?

YES   ☐   NO   ☐

If there are several, which functional areas do they work in?

_____

_____

_____

_____

Is the responsibility shared equally among these people?

YES   ☐   NO   ☐

10) How long have you been responsible for the subsidiary?

_____

11) Do you also have direct responsibilities/duties within the mother company?

YES   ☐   NO   ☐

If yes, which?

_____

_____

12) Do the various functional areas in the mother company and subsidiary communicate directly with one another?

YES   ☐   NO   ☐

or

does all communication take place via yourself/those responsible for the subsidiary?

YES   ☐   NO   ☐

If yes,

is this due to language barriers?

YES ☐   NO ☐

or

the official policy of the company?

YES ☐   NO ☐

13) Had you had dealings with Germany or German-speaking countries before taking on your present post?

YES ☐   NO ☐

If yes, did you actually live in the country concerned?

YES ☐   NO ☐

14) How long have you worked for this company?

_____

15) Have you held other positions within the company?

YES ☐   NO ☐

If yes, which?

_____

_____

_____

16) Do you receive performance-related bonuses in addition to your salary (e.g. share options etc.)

YES ☐   NO ☐

If yes, which?

_____

17) Have you worked for other companies?

YES ☐ NO ☐

If yes, please complete the following table:

Job title	Sector	Nationality of Company	Length of Service

18) Which of the following have you completed?

Apprenticeship (Area) ☐

_____

RTC/Technical School Qualification (Subject Area) ☐

_____

University Degree (Subject Area) ☐

_____

Other (please specify) ☐

_____ (Subject Area) _____

19) Do you speak German?

YES ☐ NO ☐

If yes,

has the company encouraged you to learn German?

YES ☐ NO ☐

or

400

has this been on your own initiative?

YES ☐   NO ☐

QUESTIONNAIRE 2

1) Briefly describe the operation/activities of the subsidiary?

2) How was the subsidiary set up? Which steps were undertaken at the time? Was it a greenfield site or the the takeover of an exisiting company?

3) Does the subsidiary take on and train apprentices? If yes, are these normally kept on once they have completed their training? How is the training financed?

4) Does the subsidiary have a works' council/or other forms of employee participation?

5) Are employees members of a trade union? What percentage? What role do(es) the union(s) play within the firm?

6) Under what circumstances does the company sanction overtime? Are employees paid for this or are they given time off in lieu?

7) How high is staff turnover?

8) Do subsidiary employees tend to remain within the same functional area throughout their career with the company or do they change function?

9) Does the subsidiary pursue an active/deliberate policy of growing its own management or do the majority of managers come from outside the company? Is this policy the same as for the mother company?

10) What role does the subsidiary play within the portfolio of the mother company's activities?

- Simply a production site which sends all of its output to the mother company?

- A company which operates on a more or less independent basis?

- A sales outlet?

- Other?

11) What are your typical activities with regard to the collaboration between the mother company and the subsidiary?

METHODS OF CONTROLLING THE ACTIVITIES OF THE SUBSIDIARY BY THE MOTHER COMPANY

(i) VISITS

1) How many times a year do representatives of the mother company visit the subsidiary?

2) In which functional areas do these work?

3) What are the reasons for their visits?

4) Has the number of such visits increased/decreased over time?

5) How many times a year do you or other employees of the subsidiary visit the mother company?

6) What are the reasons for such visits?

7) How often do you have contact with the mother company? What form does this take: telephone, fax, etc.? With regard to which matters do you have contact with the mother company?

(ii) PRODUCTION

1) Was the production facility imported from the mother company? If not, where did it come from?

If yes, is it configured and organized in exactly the same way as it was originally in the mother company? Was it possible to transfer the production facility holus bolus to the subsidiary or was it necessary to modify things? If so what were the modifications, on whose initiative were these carried out and why?

2) How and by whom were the first employees of the subsidiary trained?

3) Who decides as to the following for the subsidiary?

- Organization of the production facility?

- Production targets?

- Production scheduling?

- Investment in new machinery?

- The development of new products/the improvement of existing products?

4) Did the mother company actively introduce specific practices with regard to e.g. work organization into the subsidiary at the outset or did it give the management of the subsidiary a free hand? What is the situation today?

5) How is quality control carried out in the subsidiary?

Are there uniform systems of quality control in the mother company and subsidiary?

If not what are the differences and why are there differences?

(iii) SALES/PRICING

1) If the subsidiary sells products where do they come from (Germany, Ireland, other countries)?

2) Who decides on the selling price?

- The mother company?

- The subsidiary?

- Representatives of the mother company in consultation with the subsidiary?

(iv) PERSONNEL ISSUES

1) How many members of the subsidiary management team are there?

2) What is their nationality?

If Irish, why are these positions not filled by Germans? Have they always been filled by Irish people?

If German, why are these positions not filled by Irish people? Have they always been filled by Germans?

3) Are the other key positions held by Germans or Irish people?

4) Are the same recruitment criteria used in the mother company and subsidiary? If not, what are the differences?

5) Are the same criteria used in deciding promotion and salary increases in the mother company and subsidiary?

6) Does the mother company pursue an active/deliberate strategy of making the employees of the subsidiary feel part of the total organization? Or does the mother company remain more or less invisible for the majority of the workforce?

7) Have you changed your management style since working for the subsidiary? How and why?

8) Do manpower requirement and staff development plans exist for the subsidiary? Whom are these developed by? Are these different to those for the mother company? What is the time span of such plans? Is the time span the same as for the mother company?

9) Does all or part of the training and on-going development of employees of the subsidiary take place in the mother company or is it carried out by representatives of the mother company who have been seconded to Ireland/Germany for this purpose or is it carried out by local trainers/training institutions? Who bears the cost of this training and on-going development?

10) In your opinion are there differences between Irish and German workers with regard to, for example, training and skill-levels, motivation, commitment etc.?

(v) INFORMATION PROVIDED TO THE MOTHER COMPANY/FINANCING OF THE SUBSIDIARY

1) What kinds of information does the mother company require you to submit?

How often are you required to submit this?

Does this information relate to past performance or future projections?

To what use is this information put?

2) Does the mother company require the subsidiary to keep a particular form of record-keeping? Is it the same as that of the mother company?

3) How is the subsidiary financed?

(vi) STRATEGY

1) Who draws up the strategy for the subsidiary?

- The same people who draw up the strategy for the mother company?

- The manager/management team of the subsidiary?

- The manager/management team in the mother company that is responsible for the subsidiary?

- Representatives of the mother company in consultation with the subsidiary?

(vii) SCOPE

1) How does the mother company react to suggestions from the subsidiary as to how the subsidiary might improve its activities?

2) Does the mother company come up with suggestions as to how the subsidiary could improve its operations or does it leave this entirely up to the subsidiary's management?

3) For which activities/matters does the mother company given you a lot/very little leeway?

4) With regard to items of expenditure, above what amount do you need to seek the approval of the mother company?

5) How long does it usually take to get the approval of the mother company for something?

6) If a rapid reaction is required is the mother company prepared to circumvent procedures?

(viii) CULTURE

1) Does this company have an 'Irish feel' to it or do you think there are elements which you would describe as untypical?

2) Does the mother company have an organisational philosophy? If yes, how would you describe this?

3) In your opinion does the subsidiary have the same organisational philosophy? If not, do conflicts arise between mother company and subsidiary? If so, with regard to which issues? How are these solved?

4) In your day-to-day dealings with the mother company are there any specific German/Irish characteristics/traits that you have to take into account that one would not encounter when dealing with another German/Irish company? If yes, which mechanisms have you developed to deal with these?

5) Are there any difficulties that arise out of the collaboration with the mother company? How are these overcome?

ix) MISCELLANEOUS

1) Does the subsidiary engage in R & D? If so, where are the results applied - in the mother company or in the subsidiary?

2) What in your opinion are the characteristics of a good manager?

QUESTIONNAIRE 1 SUSBIDIARY (GERMAN)

FRAGEN AN DEN MANAGER DES TOCHTERUNTERNEHMENS VOR ORT VOR DEM INTERVIEW

1) Wann wurde das Tochterunternehmen gegründet? _____

2) Wie viele Mitarbeiter hat das Tochterunternehmen? _____

3) Wie hoch ist der Umsatz des Tochterunternehmens? _____

4) In welchen der folgenden Aktivitäten ist das Tochterunternehmen tätig? (bitte ankreuzen)

Herstellung ☐

Forschung und Entwicklung ☐

Verkauf ☐

Marketing ☐

Dienstleistungen ☐

5) Welchem Funktionsbereich im Mutterunternehmen sind Sie unterstellt?

_____

6) Welche Staatsangehörigkeit haben Sie?

_____

7) Wie alt sind Sie?

_____

8) Wie lautet Ihre offizielle Stellenbezeichnung?

_____

9) Sind Sie die einzige Person beim Tochterunternehmen, die für das Tochterunternehmen zuständig ist

JA ☐   NEIN ☐

oder

gibt es mehrere?

JA   □   NEIN   □

Wenn es sich um mehrere handelt, was sind ihre Funktionsbereiche?

_____

_____

_____

_____

Sind sie miteinander gleichgestellt?

JA   □   NEIN   □

10) Wie lange sind Sie schon für das Tochterunternehmen verantwortlich?

_____

11) Haben Sie auch direkte Verantwortung innerhalb des Mutterunternehmens?

JA   □   NEIN   □

Wenn ja, welche?

_____

_____

_____

12) Kommunizieren die verschiedenen Funktionsbereiche des Mutter- und Tochterunternehmens direkt miteinander?

JA   □   NEIN   □

oder

erfolgt jede Kommunikation über Sie/die zuständigen Ansprechpartner?

JA   □   NEIN   □

Wenn ja,

ist das in fremdsprachlichen Fertigkeiten begründet?

JA   ☐   NEIN   ☐

oder

die übliche Praxis in der Firma/im Unternehmen?

JA   ☐   NEIN   ☐

13) Hatten Sie schon mit irischen Firmen oder mit englischsprachigen Ländern zu tun, bevor Sie diese Stelle übernommen haben?

JA   ☐   NEIN   ☐

Wenn ja, haben Sie in dem Land auch gewohnt?

JA   ☐   NEIN   ☐

14) Wie lange arbeiten Sie schon bei dieser Firma?

_____

15) Haben Sie andere Positionen in dieser Firma innegehabt?

JA   ☐   NEIN   ☐

Wenn ja, welche?

_____

_____

16) Bekommen Sie Sonderleistungen zusätzlich zu Ihrem Gehalt? (wie z.B. Vorzugsaktien usw.)

JA   ☐   NEIN   ☐

Wenn ja, welche?

_____

17) Haben Sie bei anderen Firmen gearbeitet?

JA   □   NEIN   □

Wenn ja, bitte die folgenden Informationen angeben:

Stellenbezeichnung	Branche	Nationalität der Firma	Dauer der Tätigkeit

18) Welche Art der Ausbildung haben Sie durchlaufen?

Lehre (Fachbereich) □

_____

Fachhochschulabschluß (Fachbereich) □

_____

Universitätsabschluß (Fachbereich) □

_____

Andere (bitte angeben) □

_____(Fachbereich)_____

19) Sprechen Sie englisch?

JA   □   NEIN   □

Wenn ja,

hat die Firma Sie dazu ermutigt, es zu lernen?

JA   □   NEIN   □

oder

haben Sie das auf eigene Faust gemacht?

JA   □   NEIN   □

QUESTIONNAIRE 2

INFORMATIONEN ZUM TOCHTERUNTERNEHMEN

1) Wie sehen die Operationen/Aktivitäten des Tochterunternehmens aus?

2) Wie wurde das Tochterunternehmen gegründet? Was waren die Schritte, die damals unternommen wurden? Handelte es sich hier um eine Neugründung oder um den Aufkauf einer schon existierenden Firma?

3) Bietet das Tochterunternehmen Lehrstellen an? Wenn ja, werden Ausgebildeten im Normalfall weiterbeschäftigt? Wie wird die Ausbildung finanziert?

4) Hat das Tochterunternehmen einen Betriebsrat/ andere Arten der Mitbestimmung?

5) Sind die Mitarbeiter des Tochterunternehmens Gewerkschaftsmitglieder? (Welcher Prozentsatz?)

Was für eine Rolle spielt/spielen die Gewerkschaft(en) innerhalb der Firma?

6) Aus welchen Gründen werden Überstunden gemacht? Werden die Mitarbeiter dafür ausbezahlt oder erhalten sie zusätzliche Freizeit?

7) Wie hoch ist die Fluktionsrate der Firma?

8) Bleiben Mitarbeiter des Tochterunternehmens normalerweise innerhalb der gleichen Funktionsbereiche oder wechseln sie?

9) Verfolgt das Tochterunternehmen eine aktive/bewußte Politik, seine Manager(innen) im Hause heranzuziehen, oder kommen die meisten Manager von außerhalb der Firma? Stimmt diese Politik mit der des Mutterunternehmens überein?

10) Was für eine Rolle spielt das Tochterunternehmen innerhalb der gesamten Aktivitäten des Mutterunternehmens?

-Eine Produktionsstätte, die ihre gesamten gefertigten Produkte an das Mutterunternehmen liefert?

-Eine mehr oder weniger selbständige Firma?

-Ein Verkaufsbüro?

-Andere?

11) Was sind Ihre typischen Aufgaben bzw. Aktivitäten in bezug auf die Zusammenarbeit zwischen Mutter- und Tochterunternehmen?

DIE STEUERUNG DES TOCHTERUNTERNEHMENS DURCH DAS MUTTERUNTERNEHMEN

(i) BESUCHE

1) Wie oft im Jahr besuchen Vertreter des Mutterunternehmens das Tochterunternehmen?

2) In welchen Funktionsbereichen arbeiten diese Personen?

3) Was sind die Gründe ihrer Besuche?

4) Hat die Zahl solcher Besuche im Laufe der Zeit zugenommen oder abgenommen?

5) Wie oft im Jahr besuchen Sie oder andere Mitarbeiter des Tochterunternehmens das Mutterunternehmen?

6) Was sind die Zwecke solcher Besuche?

7) Wie oft haben Sie Kontakt zum Mutterunternehmen? In welcher Form: Telefon, Fax, usw.? In bezug auf welche Gelegenheiten?

(ii) PRODUKTION

1) Stand die Produktionseinrichtung früher beim Mutterunternehmen? Wenn nicht, woher stammte sie?

Wenn ja, sieht sie heute genauso aus wie damals beim Mutterunternehmen? War es möglich die Produktionseinrichtung samt der damit verbundenen Arbeitsorganisation in das Tochterunternehmen einzuführen oder mußte man sie modifizieren? Welche Modifikationen sind durchgeführt worden, auf wessen Initiative und warum?

2) Wie und von wem wurden die ersten Mitarbeiter des Tochterunternehmens ausgebildet?

3) Wer entscheidet für das Tochterunternehmen über

-die Organisation der Produktionseinrichtung ?

-die Ziele der Produktion?

-den zeitlichen Ablauf der Produktion - welches Produkt zur welchen Zeit hergestellt wird?

-Investitionen in neue Maschinen?
-die Entwicklung von neuen Produkten bzw. die Verbesserung von existierenden Produkten ?

4) Hat das Mutterunternehmen bewußt spezifische Praktiken bezüglich beispielsweise Arbeitsorganisation in das Tochterunternehmen eingeführt oder eher dem Management des Tochterunternehmens freie Hand gegeben? Wie ist die Situation heute?

5) Wie sieht es mit der Qualitätskontrolle im Tochterunternehmen aus?

Existieren einheitliche Systeme der Qualitätskontrolle im Mutter- und Tochterunternehmen?

Wenn nicht, was sind die Unterschiede und warum gibt es Unterschiede?

(iii) VERKAUF/PREISGESTALTUNG

1) Wenn das Tochterunternehmen Produkte verkauft, woher stammen sie (aus Deutschland, Irland, sonstigen Ländern)?

2) Wer entscheidet über den Preis des Endproduktes?

- Das Mutterunternehmen?

- Das Tochterunternehmen?

- Vertreter des Mutter- und Tochterunternehmens zusammen?

(iv) PERSONAL

1) Wie viele Personen bilden die Geschäftsführung des Tochterunternehmens?

2) Welche Staatsangehörigkeit haben sie?

Wenn irisch - warum werden diese Positionen nicht mit Deutschen besetzt? Sind diese Positionen immer mit Iren besetzt worden?

Wenn deutsch – warum werden diese Positionen nicht mit Iren besetzt? Sind diese Positionen immer mit Deutschen besetzt worden?

3) Werden die anderen Schlüsselpositionen durch Deutsche oder Iren belegt?

4) Werden dieselben Kriterien bezüglich der Rekrutierung im Mutter- und im Tochterunternehmen eingesetzt? Wenn nicht, wo liegen die Unterschiede?

5) Gelten die gleichen Kriterien für Beförderung und Lohnerhöhung beim Mutter- und Tochterunternehmen?

6) Verfolgt das Mutterunternehmen eine aktive/bewußte Strategie, den Mitarbeitern des Tochterunternehmens das Gefühl zu vermitteln, daß sie zur Gesamtfirma gehören oder bleibt das Mutterunternehmen für die meisten Angestellten des Tochterunternehmens mehr oder weniger unsichtbar?

7) Hat sich Ihr Managementstil geändert, seitdem Sie für das Tochterunternehmen arbeiten? Wie und warum?

8) Existieren Bedarfs- und Entwicklungspläne für das Tochterunternehmen? Von wem werden sie entwickelt? Sind sie anders als diejenigen für das Mutterunternehmen? Wie weit in die Zukunft reichen diese Pläne? Ist die Reichweite dieser Pläne für das Mutterunternehmen genauso lang?

9) Findet die Ausbildung bzw. die Weiterbildung der Mitarbeiter des Tochterunternehmens ganz oder zum Teil im Mutterunternehmen statt, oder erfolgt sie durch Vertreter des Mutterunternehmens, die zu diesem Zweck nach Deutschland/Irland gesandt werden, oder lediglich durch Trainer/Ausbildungsanstalten vor Ort? Wer trägt die Kosten für diese Aus- und Weiterbildung?

10) Gibt es Ihrer Meinung nach Unterschiede zwischen den irischen und deutschen Mitarbeitern bezüglich z.B. Ausbildung und Fertigkeiten, Motivation, Engagement usw.?

(v) INFORMATIONSÜBERTRAGUNG/FINANZIERUNG

1) Was für Informationen werden vom Mutterunternehmen verlangt?

Wie oft müssen Sie diese Informationen an das Mutterunternehmen abliefern?

Sind diese Informationen vergangenheits- oder zukunftsbezogen?

Wozu werden sie gebraucht/benutzt?

2) Verlangt das Mutterunternehmen eine bestimmte Art und Weise der Aufzeichnung vom Tochterunternehmen? Ist es dieselbe wie beim Mutterunternehmen?

3) Wie wird das Tochterunternehmen finanziert?

(vi) STRATEGIE

1) Wer entwirft die Strategie für das Tochterunternehmen?

- Dieselben Leute, die die Strategie für das Mutterunternehmen entwerfen?

- Der Manager bzw. das Managementteam des Tochterunternehmens?

- Der Manager bzw. das Managementteam, der/das beim Mutterunternehmen für das Tochterunternehmen zuständig ist?

- Vertreter des Mutterunternehmens und des Tochterunternehmens zusammen?

(vii) SPIELRÄUME

1) Wie reagiert das Mutterunternehmen auf Vorschläge zur Verbesserung der Aktivitäten des Tochterunternehmens?

2) Legt das Mutterunternehmen Vorschläge zur Verbesserung der Aktivitäten des Tochterunternehmens vor, oder überläßt es dieses dem Management des Tochterunternehmens?

3) Bei welchen Aktivitäten/Angelegenheiten räumt Ihnen das Mutterunternehmen großen/wenig Freiraum ein?

4) Bis zu welcher Höhe dürfen Sie Ausgaben tätigen, bevor Sie die Zustimmung des Mutterunternehmens suchen müssen?

5) Wie lange dauert es normalerweise, eine Zustimmung (egal wofür) des Mutterunternehmens zu bekommen?

6) Wenn eine schnelle Reaktion notwendig ist, ist das Mutterunternehmen bereit, das Procedere zu umgehen?

(viii) KULTUR

1) Ist diese Firma eine vollkommen deutsche Firma, oder existieren Ihrer Meinung nach Elemente, die Sie als untypisch deutsch bezeichnen würden?

2) Hat das Mutterunternehmen eine Unternehmensphilosophie? Wenn ja, wie würden Sie diese beschreiben?

3) Hat das Tochterunternehmen Ihrer Meinung nach die gleiche Unternehmensphilosophie? Wenn nicht, kommt es zu Konflikten zwischen Mutter- und Tochterunternehmen? Bei welchen Gelegenheiten? Wie werden diese gelöst?

4) Gibt es bei Ihrer täglichen Zusammenarbeit mit dem Mutterunternehmen spezifische irische/deutsche Charakteristika, die Sie berücksichtigen müssen und die man im Umgang mit einer irischen/deutschen Firma nicht finden würde? Wenn ja, welche Mechanismen haben Sie entwickelt, um damit umgehen zu können?

5) Was für Schwierigkeiten treten bei der Zusammenarbeit mit dem Mutterunternehmen auf? Wie werden diese beseitigt?

(ix) SONSTIGES

1) Unternimmt das Tochterunternehmen Aktivitäten im Bereich F & E? Wenn ja, wo werden die Ergebnisse angewandt - im Tochterunternehmen oder im Mutterunternehmen?

2) Was sind Ihrer Meinung nach die Eigenschaften eines guten Managers?

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SCHOOL OF LANGUAGES &
EUROPEAN STUDIES

Professor Anne Stevens
Head of School

Herrn X
Address.

Date 1999.

Sehr geehrter Herr X,

ich bin Dozentin an der Aston University in Birmingham, Großbritannien und bin zur Zeit in Irland in Forschungsurlaub, um meine Promotion zum Thema „Deutsch-Irische Zusammenarbeit" zu Ende zu schreiben. In dieser Arbeit möchte ich die Rolle der Kultur in deutsch-irischen Geschäftsbeziehungen anhand einer Stichprobe von deutschen Mutter- und ihren irischen Tochterunternehmen und irischen Mutter- und ihren deutschen Tochterunternehmen erfassen und analysieren.

1996, während eines vom Deutschen Akademischen Austauschdienst geförderten Forschungsaufenthaltes in Deutschland, habe ich Herrn Y [of your German mother company] interviewt, der mir einen Einblick in das Mutterunternehmen gegeben hat.

Aus wissenschaftlicher Sicht ist es wesentlich für diese interkulturelle Studie, daß sowohl die Mutter- als auch die Tochtergesellschaft analysiert wird. Nur so kann ein abgerundetes Bild entstehen. Es wäre für mich sehr hilfreich, wenn Sie mir Gelegenheit zu einem persönlichen Gespräch geben könnten.

Selbstverständlich garantiere ich absolute Verschwiegenheit über den Gesprächsinhalt. Eine Verwertung der Angaben erfolgt lediglich in anonymisierter und statistisch aggregierter Form; es interessieren nur die strukturellen Erkenntnisse aus der Befragung. Nach Abschluß der Studie würde ich Ihnen gern eine kurze Zusammenfassung der wichtigsten Ergebnisse zukommen lassen.

Ich melde mich bei Ihnen in den nächsten Tagen, in der Hoffnung, einen Termin mit Ihnen vereinbaren zu können.

Bis September erreichen Sie mich unter der folgenden Adresse: