TRANSFER OF HUMAN RESOURCE PRACTICES FROM GERMAN MULTINATIONAL ENTERPRISES TO ASIAN SUBSIDIARIES

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ABSTRACT

The three research issues deal with firstly with human resource practice transfer, secondly with relational context affecting implementation and internalization and finally with roles of key staff that influence European human resource practices across three Southeast Asian countries. Human Resource directors and line managers were interviewed in German companies with subsidiaries in Singapore, Thailand and Indonesia. Findings indicate that firstly German MNEs because of underlying value differences, tend to transfer policies and leave the translation into practices to the local Asia Pacific HR director, whereas the subsidiaries have contrasting expectations. Secondly findings confirm the importance of the relational context and trust between HQ and subsidiaries. Finally headquarters and subsidiary managers have different perspectives and this highlights how cultural attributions affect organizational practice. The implications are that various approaches to the control of HR policies exist and the MNEs should carefully analyse the relational context and subsidiary expectations to plan their international HR transfer strategy.

INTRODUCTION

The first issue to be addressed is that of *transfer of human resource practices* from headquarters to subsidiaries and from subsidiaries to parent companies. Although there is agreement that transfer of knowledge internationally is a key requirement for successful multinational enterprises (MNEs) (Bartlett & Ghoshal 2000, Evans, Pucik & Barsoux 2002, Poedenphant 2002, Mariappanadar 2005), difference of opinion occurs about factors that influence the adaptation of Human Resource (HR) policies and practices from multinational enterprises to subsidiaries. A second discussion point within this literature is what *relational context* needs to exist between Headquarters (HQ) and their subsidiaries (Kostova & Roth 2002) and a third issue focuses on the *roles of relevant staff* in the transfer process (Taylor, Beechler & Napier 1996). The contention in this paper is that these issues have not been adequately researched in European firms, specifically German firms and their Asian subsidiaries.

In terms of the first research issue namely the *transfer of human resource practices,* Kostova and Roth (2002) formulate hypotheses about factors that influence international transfer of organisational practices and this serves as a guideline to conceptualise transfer of HR policies and practices in this study. The need or desire to transfer policies and practices to implement global human resource (HR) systems often arises from relatively basic needs, such as wanting quick access to global headcount or payroll volume (Roberts 2000). This is in contrast to the more strategic and theoretical notion that international human resource strategy (IHRM) is an integral part of business strategy (Hamel & Prahalad 1994, Bartlett & Ghoshal 2000, Rugman & Hodgetts 2000, Evans, Pucik & Barsoux 2002, Nankervis, Compton & Baird 2002, Takeuchi 2005).

In terms of the second research issue namely the debate about *relational context*, a number of researchers argue that the approach to internationalisation is more often than not to expand, and therefore impose the existing home country system or process internationally, without getting involvement of the people from the subsidiary, thus often referred to as an ethnocentric or exportive approach (Taylor et al 1996, Clark, Grant & Heijltjes 2000, Roberts 2000). Because the home country or HQ approach may be neither accepted nor appropriate, the practice at the operational level in subsidiaries often establishes itself as a sub-standard solution. This further focuses attention on *implementation and internalisation* issues.

The third research issue centres on the debate about *roles of relevant staff*. The argument is that transfers of organisational practices can occur in various directions within the MNE, including transfers from the parent company to foreign subsidiaries, from foreign subsidiaries to the parent company, or from one subsidiary to another. This study looks mainly at the transfer of HR policies and practices, not only from HQ to subsidiaries, but from subsidiaries to HQ. The assumption is that more research is necessary about the internal processes by which MNEs transfer, translate or fail to transfer their HRM approaches into subsidiaries and the circumstances in which they do so or decide not to effect such transfers.

From these themes the research issues and sections in this paper about the transfer of three German multinational corporations HRM practices to their Asia Pacific subsidiaries are derived. In summary the three research issues in this study explore firstly whether there is here a climate of trust between HQ and subsidiary in general that facilitates the *transfer of human resource practices*. Secondly the ways in which policies and practices are *implemented and internalized,* given the German MNE's approach and the established country differences, are investigated. Finally the *roles of HQ people and subsidiary staff* in the transfer process are explored.

PREVIOUS LITERATURE

Success of Practice Transfer
In terms of the first research issue on the *transfer of human resource practices,* Kostova and Roth (2002) note that in institutional theory a key perspective is that organisations sharing the same environment will employ similar practices. However, as many elements of an institutional environment, such as culture and legal systems, are often specific to a nation organisational practices can be expected to vary across countries such as Germany, Singapore, Thailand and Indonesia. Transfer success could also be affected by the degree of national cultural differences of the home country and the recipient country, with regard to the practice that is being transferred (Hofstede 1993, Taylor et al 1996, Herkenhoff 2000, Adler 2001, Gong 2003, Mariappanadar 2005). In general it is argued the success of transfer of a practice from a parent company to a subsidiary is negatively associated with the cultural distance between the countries of the parent company and the subsidiary.

Transfer success and adaptation are also impacted by a range of other factors such as the impact of the social, political, economic and strategic context, the pressures for global integration versus local responsiveness and the evolving mentality that the MNE is facing (Bartlett & Ghoshal, 2000). To respond to these challenges the MNE

needs to develop global competitiveness, multinational flexibility and the capability of worldwide learning. Transfer of practices is typically associated with organisational learning, change, and innovation at the subsidiary, that is, a cultural orientation of that unit toward learning, innovation, and change most likely results in more positive attitudes toward the transfer process and leads to its eventual success (Bartlett & Ghoshal 1998, Herkenhoff 2000, Poedenphant 2002). This effect is not practice specific, since it reflects characteristics of the subsidiary that apply to all types of activities associated with learning, innovation, and change in general. The question could be posed if the statements on multinational flexibility could be applied to German MNE approaches in IHRM namely that MNEs "exploit their exposure to diverse and dynamic environments to develop strategies in more-general or more-flexible, terms so as to be robust to different environmental scenarios" (Bartlett & Ghoshal, 2000:248). These perspectives on worldwide learning of MNEs points out that if company resources are centralised at HQ and where the subsidiaries are only required to implement centralised policies, that little learning in the company and its subsidiaries will occur. In contrast it could be explored if the local Asia Pacific subsidiary of a German MNE is allocated high levels of local resources and autonomy, whether learning about HR approaches could effectively be transferred if the subsidiary is able to analyse and synthesise knowledge and the HQ is open to accepting the expertise. The question is whether the success of transfer of a practice from the HQ (Germany) to a subsidiary (in Singapore, Thailand or Indonesia) is supported by the extent to which the organisations' culture is generally supportive of learning and change.

However, researchers have shown that there are various barriers to the successful transfer of practices, some relating to the characteristics of the practices that are being transferred or others of a cultural and organisational nature (Szulanski 1996, Poedenphant 2002, Mariappanadar 2005). Taylor et al (1996) and Takeuchi (2005) proposed that the MNC's strategic human resource management orientation is a key determinant of the level of transfer of the MNC's HRM system to its subsidiaries.

It may be difficult to establish whether a strategic organisational practice has been transferred successfully to a subsidiary. Kostova and Roth (2002) advocated taking an active agency approach namely that subsidiaries could have different attitudinal and behavioural responses to the request from their HQ to adopt a particular practice. Adapted from Kostova (1999) the following perspective is proposed to deal with the first research issue: "*The success of transfer is the degree of institutionalisation of the practice at the subsidiary. Institutionalisation is the process by which a practice achieves a taken-for-granted status at the subsidiary; a status of 'this is how we do things here'*".

Relational Context and Climate of Trust
In expanding on the first research issue, the *relational context* that links a foreign subsidiary to a parent becomes important because it influences the way such pressures from a home country are interpreted and perceived by a foreign subsidiary. Kostova and Roth (2002) define the relational context between a parent organization and a subsidiary through three characteristics--dependence, trust, and identity.

Transfer failures are possible, even when both the cultural and the organisational contexts are favourable (Bartlett & Ghoshal 1998, Poedenphant 2002). A potential

reason for such failures could reside in the specific relationships that exist between the parties involved in the transfer (Szulanski 1996). It is argued that one of the ways in which the recipient country's institutional profile will affect the adoption of the practice is through subsidiary employees (Kostova & Roth 2002).

Kostova (1999) identifies attitudinal relationships as the most important relationships with respect to transfer. They affect the motivation of the transfer coalition to engage in the transfer process and are especially important when the direct value of the knowledge that is being transferred is difficult to assess, as is the case for transfer of HR policies and practices, as opposed to technologies or new product designs.

An individual's identification with an organisation results from a strong belief in, and acceptance of, the values and goals of the organisation (O'Reilly & Chatman 1986). Furthermore, when the members of a transfer coalition identify with the parent company, they will probably prefer the subsidiary to become more similar to the parent by adopting the practices used by the parent (Kostova 1999). However Mariappanadar (2005:43) found that in contrasting perspectives about culturally alien HRM practices and culturally indigenous practices in large companies that some employees believe that if participants believe that a "company's interests motivate culturally alien HRM practices, and it did not matter whether it matched with employees value systems or not".

Trust of the transfer coalition in the parent company can be described as a shared belief among the members of the coalition that the parent company acts in good faith, is honest and does not take advantage of the subsidiary. Higher levels of trust in the parent company reduce the uncertainty regarding the value of the policy or practice for the subsidiary, as well as the motives behind the transfer. Higher trust also is associated with higher perceived reliability of the source, a factor shown to have a positive influence on transfer success (Szulanski 1996, Poedenphant 2002). Finally, trust may reduce the costs of communication, negotiation and exchange associated with a transfer between the senders, that is, the parent companies, and the recipients, that is, the subsidiaries. When units trusted the parent more and identified with it to a greater extent, they reported higher levels of implementation. Furthermore trust and identification reduce the ambiguity related to the efficiency of practices and lead to processes of mimetic and normative rather than coercive adoption (Kostova & Roth 2002).

From the discussion on the transfer of human resource policies and relational context the first research question can be formulated: Is there a *climate of trust* between HQ and subsidiary in general that facilitates *transfer of human resource policies and practices*?

Implementation and Internalisation
A perspective relating to both the first and second research issues is that home country or HQ practices may be incompatible with prevailing employee values in the subsidiary. That is, the transfer process does not end with the adoption of the formal rules describing the practice, but continues until these rules become internalised at the subsidiary. Successful adoption depends upon the degree of institutionalisation of the HRM practice at two levels (Kostova 1999, Kostova & Roth 2002). The first is at the implementation level, where employees simply follow formal rules. This is the

relatively shallow level that is often used to support the concept of HRM convergence (Rowley & Benson 2002). A second and deeper level is internalisation, which is reached when employees have commitment to, and ownership of, the practice (Kostova 1999). This is a less readily visible form of transfer and more difficult and time consuming to research. It may be easy to implement, but much more difficult to internalise certain practices. Therefore, even if these are 'best practices,' they may not bring positive results until people become fully committed to them (Rowley & Benson 2002).

Implementation and internalisation, although different, are likely to be interrelated. Implementation is a necessary condition for internalisation. However, implementation does not automatically result in internalisation. It is possible that, although a practice may be formally implemented and its rules strictly followed, the employees do not internalise it by developing positive attitudes towards it. They may disapprove of the practice or of some of its aspects, or they simply may not have had the time to develop a positive attitude towards it (Kostova 1999, Rowley & Benson 2002). However one study of MNE and their international subsidiaries found that that those subsidiaries who reported lower levels of implementation also perceived themselves to be more dependent on their parent company (Kosova & Roth 2002). The authors argued that the implementation of an organizational practice typically requires some adaptation and modification of the practice at the recipient unit. Units that are less dependent on the parent organization may have greater freedom and flexibility for making these adaptations and vice versa, and hence, the negative relationship between dependence and implementation emerges.

Closely linked to the question of transfer is the discussion of convergence versus divergence. First, if transfer without adaptation was found to be successful, HRM would converge towards HQ policies and practices. Second, if there was either little acceptance without adaptation, or a downright rejection of some elements of HQ policies and practices, a case for divergence could be argued (Rowley & Benson 2002). Third, if policies were transferable without adaptation, and practices needed significant adaptation, then attention needs to be given to the element that translates policies into practices. Finally, crossvergence, a form of convergence towards something new that is a blending of various ideas and practices, might be expected in some cases (McGaughey & De Cieri 1999, Fisher & Haertel 2003).

Change at any one level does not automatically imply change at another level. Often, people at practice levels resist guiding principles or policies, as they may be unworkable due to local customs and practices, lack of training or even ignorance. At the policy level, operational practices may be tolerated but not built into policy or philosophy due to ignorance or wider environmental constraints (Becker & Gerhart 1996, Rowley & Benson 2002). For Becker and Gerhart (1996), universal 'best practice' effects would be expected at the policy level. At the practice level, however, divergent phenomena would be more likely. Therefore, the issue of transferability and convergence of HRM systems becomes more a matter of degree, not of kind, and less about 'all or nothing' and more about 'what aspects and how much' choices (Taira 1990, Dickmann 2004). However, with an expectation of converging policies and diverging practice implementations the role of the *translator of policy into practice* becomes more crucial, because without effective translation of a policy, the risk of transfer failure, that is transferring policies that nobody pays attention to, becomes

greater. For the purpose of this study, translation, application, implementation or deployment of a policy into practice is understood to be roughly the same and the general term used is *translation of a policy into practice*. In short, there are many difficulties in examining the issue of HRM transfer. A key question is not whether particular practices are being adopted, but at what levels they are implemented and internalised and what are the limiting factors.

Taking into account the nature of strategic organisational practices, one can suggest that the *success of transfer* will be affected by the compatibility between the values implied by the particular practice and the values underlying the culture of an organisational unit. When these values are compatible, it will be easier for employees at the subsidiary to understand and internalise the practice. However, it will be difficult for them to understand, implement, and moreover internalise a practice, the underlying values of which are incompatible with the values of their unit, implying a practice-specific effect of organisational culture (Rowley & Benson 2002). Kostova and Roth (2002) define favorable institutional environments as those that contribute in a positive way to the adoption of a practice through regulations, laws, and rules supporting and/or requiring the practice; cognitive structures that help people understand and interpret the practice correctly; and social norms enforcing the practice.

From the discussion on the transfer of human resource policies and implementation of policies and practices the second research question can be formulated: How are specific HRM policies and practices *implemented and internalised*, given the MNE's approach and the established country differences?

Roles of Key Staff
The third research issue focuses on the *roles of relevant staff* in the transfer process. The set of key players typically involved in transfers are referred to as the *'transfer coalition'* (Kostova 1999). The transfer coalition serves as a bridge between the subsidiary and the parent company and has a key role in understanding and interpreting the practice and its value to the unit. The transfer coalition is responsible for selling the practice to the employees at the subsidiary, and it also determines what is communicated, how it is communicated and how it is received (Bartlett & Ghoshal 1998). Finally, the transfer coalition is important because it has control over the resources employed towards a successful transfer.

This coalition is normally composed of two groups of people: a stable 'core' and a flexible 'expert' group. The core group consists of the senior managers of the subsidiaries, who quite often have considerable discretion in making a decision as to whether to engage in the transfer or not, and if so, how much effort to put into it. In this study it is argued that the core group in the context of transfer success of HR policies and practices would mostly include the CEO and the HR director of a subsidiary. The expert group interviewed in this study include employees who are experts in the functional area of the practice. For example, if a performance evaluation practice is being transferred, the transfer coalition in the subsidiary may include professionals from the human resources department at the subsidiary, in addition to the HR director and the CEO.

Taylor et al (1996) focused on the crucial role of top management in determining both whether the MNE possesses an HR competence and whether this competence is useful outside of its home country. They advocated that research should investigate to what extent the top management (or transfer coalition) perceive an MNE's HR competence and whether this competence is context specific or can be generalized and transferred. They argued that the international experience of for example the top coalition HQs or the MNE's capacity to learn from the success and failures of attempts at transferring HR to a host country may be critical determinants of the transfer of an HRM system.

It can be argued that transfers are more likely to succeed when members of the transfer coalition hold positive attitudes and trust toward the parent company. It should be noted that the ultimate success of a transfer depends on the support of all employees at the subsidiary and that this support does not follow automatically from the support by members of the transfer coalition. However, the role of the transfer coalition is still critical because its members are in a position to provide the necessary resources, as well as to influence the employees in general.

Kostova and Roth (2002) point out that the level of dependence of a subsidiary on headquarters need to be clarified. Subsidiary managers could be questioned about the extent to which the subsidiary relies on the support of HQ to provide major resources such as expertise. The subsidiary managers would also be able to voice beliefs about their subordination or control.

From the discussion on the roles of key staff in the transfer of human resource policies the third research question was formulated: What are the *roles of HQ people and subsidiary staff* in the transfer process?

METHODOLOGY

Study Sites
Germany is the number one exporting nation in the world ahead of the United States and Japan (Financial Times Deutschland 2003). Because of the smaller domestic market compared to the US, many of the German MNEs have more business and more employees abroad than in Germany (Rugman & Hodgetts 2000). Being successful internationally, not only as an exporter but equally as an employer, is increasingly important to sustain Germany's position in the world economy (Economist 2002). Germany, German MNEs and German behaviour are found to be different or distinct from other countries and their MNEs and behaviour (Kopp 1994, Pauly & Reich 1997, Rugman & Hodgetts 2000, Brodbeck, Frese & Javidan 2002, Hunt 2002, Chew & Horwitz 2004, Dickmann 2004).

There are also several reasons for looking at German MNEs specifically in selected Asian countries. First, there is the success of many Asian economies as it is the fastest growing region in the world (Economist 2002) and still under-researched compared to Europe and the US (Chew & Horwitz 2004). Second, the economies of the countries under study are often grouped together as "Asian" and underpinned by "Asian values" on the basis of geographical and cultural proximity. Local customs, institutions, and labour forces do, however, provide for significant differences among the selected countries. Third, in view of the regional range of stages of economic development, the selection of countries also allows exploration of transfer both to advanced Asian

economies, namely Singapore, and less-developed ones, namely Thailand and Indonesia.

Participants

First, the MNEs are selected based on the criteria that MNEs participating in this study are German Fortune Global 500 industrial companies that have a substantial amount of their business outside Germany and have subsidiaries in Singapore, Thailand and Indonesia (see Table 1). All three MNEs have a history in Germany of well over 100 years with their international growth taking shape predominantly after World War II. Currently, all three MNEs have more than 50% of their employees and/or business volume outside of Germany. They have wholly foreign owned subsidiaries in more than fifty countries worldwide. The biggest market and subsidiary of all three MNEs is in the United States, while the biggest market and subsidiary in Asia of all three MNEs is in China. This leads in all cases to an implicit understanding that while Singapore, Thailand and Indonesia are important markets, these subsidiaries do not receive the attention and resources from Headquarters (HQ) in Germany that they would like to receive.

Each MNEs HQ is defined as a main case and each country subsidiary of that MNE is defined as an embedded case. Based on this definition, this study is a multiple case study, involving three main cases in Germany and nine embedded cases (three each in Singapore, Thailand and Indonesia). As the first researcher had visited numerous German MNEs and their subsidiaries in South East Asia over the last years on a professional basis, the three MNEs were easily identified and the management of these MNEs agreed to participate in the research.

Insert Table 1 here

Interviewing HR directors and line managers such as CEOs and CFOs assures that the interviewees are directly involved in and affected by the transfer of HR policies and practices from HQ to subsidiary. Two managers of each participating MNE's subsidiary in Singapore, Thailand and Indonesia, as well as two from each HQ, are selected. Interview partners from HQ and from line management in the researched countries were predominantly male (13 interviewees out of 15 respondents) and of German nationality (14 interviewees out of 15 respondents), while the HR directors in all 9 embedded cases involving Asian subsidiaries were local nationals with a majority being females (6 out of 9). Most data for this study come from the 24 interviews with non native English speakers.

Data Coding

All the data from the semi structured in-depth interviews were systematically recorded. Throughout the interview, respondents could illustrate, expand or digress from the questions in the interview protocol. Next, the result of the interviews were manually recorded in the structured interview protocol and shown to the respondents, for checking on errors and adding information as necessary. During the interview the respondents were also asked to provide appropriate documents for triangulation purpose. The interview result was then triangulated with evidence given by the interviewed managers. Subsequently the reports of the eight managers in each main case study were integrated. Finally, each completed interview report was mailed to the

managers of the participating MNE to review the case content and clarify any discrepancies or inaccuracies.

Design Procedure

The principal source of data comes from the 24 in-depth interviews with selected managers of three German MNEs at HQ and subsidiaries in Singapore, Thailand and Indonesia as well as field observations in every country by the first researcher. A case study protocol is developed in this study to control the contextual environment of the case study (Chew 2001, Yin 2003). The next operational step was to follow up with the interviewees through e-mail and fax to explain the research, assure them about confidentiality and make arrangements for the interviews.

*Interview protocol***:** The exploratory interviews, as well as discussions with and feedback from two additional academics in the field of international HR and one business practitioner not otherwise involved in the study, lead to an interview protocol with relevant questions, subsequently tested in two pilot interviews. There are two interview protocols with questions on the same content, one for HQ, one for the subsidiaries. The differences between these two protocols are minor and mostly address the different perspectives of HQ and subsidiaries.

Each interview begins with a general introduction to acquaint the respondent with the interview purpose and agenda. Part A of the interview protocol introduces the research project and outlines the ethical considerations. Part B contains the opening questions to build rapport and allows the interviewees to tell their experiences in their own words without any prompting or input from the researcher (Patton 1990, Stake 1995). The other sections deal with specific research questions and three of these research questions are addressed in this paper. The semi-structured interviews start with open, general questions and then focus more and more on the specifics of the identified research issues (Perry 1998, Zikmund 2000).

Case analysis: This study presents two forms of case analysis. First, **within-case** analysis compares data and patterns within one main case, drawing on the embedded cases (Scholz & Tietje 2002). This reveals the pattern in, or approach to, transfer of HR policies and practices inside one MNE to the different subsidiaries. The common factor is the organisational culture. Second, **cross-case** analysis, employed here mostly on the level of the embedded cases, compares data and patterns within one country across different MNEs (Scholz & Tietje 2002, Yin 2003). This reveals specific approaches in one country and the common factor is the national culture. These could be common traits of interview partners, for example educational background, position or gender. In other words, the twelve embedded cases are first analysed individually, using triangulation of data methods, and then two forms of case analysis are used to highlight patterns and themes emerging from the data.

RESULTS

In general the data in each table for each of the three research questions, is analysed firstly by discussing the results for each specific case namely Case E (Electrical company) or Case M (Mechanical) or Case C (Chemical) respectively (that is per column in the table). However in certain tables there is a general trend across all three cases (see for example Table 2, row one), but then diverse results pertaining to specific themes are contrasted either by column (by case) or by row (theme) .

Success of Transfer: Cooperation between HQ and Subsidiary

This section analyses the data collected with respect to the first research issue which examines the relational context that affects transfer success.

Research question 1: Is there a climate of trust between HQ and subsidiary in general that facilitates the transfer of human resource policies and practices?

In the first interview question related to the first research issue, the level of cooperation between HQ and the subsidiaries was probed. The general summary is presented below and is not reflected in a specific table.

In all three researched cases the interest of HQ in Asia is growing, which leads to a higher focus on business processes and cooperation. This represents a shift from the past when HQs tended to manage on the numbers alone with a low level of cooperation. Case E has a regional structure in place and a company-wide initiative for productivity gains. Case M, on the other hand, relies heavily on individual initiative and fosters this culture, being different again from case C, which is using trust and tradition to manage its subsidiaries, much like a family business. Product expertise and international management skills are thought to be centred in HQ in all three cases. This view is most expressed in case M, which has a very strong self-image as a German company producing quality products. Sales activities used to be left almost exclusively to the subsidiaries and quotes such as '*as long as the numbers were good they* (the CEOs of the subsidiaries) *could do whatever they wanted, just like kings'* (Chemical, German HR manager), typify the past. But over the last 3 years all three MNEs have taken a greater interest in the management and cooperation with the subsidiaries in areas such as consistent financial reporting.

All three cases reveals that, while these changes are regarded in HQ as an opportunity to increase transparency and save costs, they are perceived largely as additional workload in the subsidiaries, with little direct positive impact: '*HQ wants new information, is not coordinated in its request and never tells us what they do with the data'* (Electrical, Line manager). In brief, over the last three years HQs are taking a more active interest in managing their subsidiaries and believe that greater cooperation is achieved. The approaches vary, yet are usually driven by HQ and are not seen as beneficial by the subsidiaries.

Success of Transfer: Company-Wide Initiatives and Programs

In the second interview question related to the first research issue on the transfer of human resource practices, the perceptions of the respondents about what general or HR HQ initiatives or programs are designed to assist the subsidiary was included.

Insert Table 2 here

The results in Table 2 presents an overview of respondent perceptions on company-wide HR and non HR initiatives used in the cases. The general trend over all three cases (see Table 2 row 1) is that Asia is more in the focus of German management and there in more involvement from the subsidiaries in HQ programs and initiatives.

Non HR initiatives. Case E has a large initiative with a 'catchy' name, applied first in Germany and then in the US (see Case E, row 2). During the research period the initiative is being rolled out to Asia, with the effects not yet visible. This business initiative is meant to standardise, use synergies across borders and to foster growth. The perception from the interviewed CEOs is positive, possibly selling the initiative internally, whereas the perception of the HR directors from the subsidiaries is more sceptical. General (non HR) HQ initiatives and programs designed to help the subsidiary are not present in cases M and C, even though there is a keen sense of '*Asia being more and more in the focus of management*' (Chemical, HQ HR manager). Another interview partner says: '*We have very little tolerance for flavour-of-the-month projects in M, which explains why we do not have such programs and initiatives*' (Mechanical, HQ HR manager).

HR initiatives. Case M has a HQ project (see Table 2, row 3, Case M) international *HR excellence*, which has the goal to overcome '*our Southern-German focus*' (Mechanical, HQ HR manager). Similarly, case C has an initiative, *HR international*, which aims to internationalise the HQ HR approach. The strategies to improve cultural awareness of the HQ staff are components of the HR initiatives at cases M and C. Case E does not have any special HR initiatives over and above its structure and process of regional cooperation. In short, the subsidiaries are involved in a number of HQ projects, both in HR and other central functions as well as in the business, that aim to streamline reporting and processes, as well as to create synergies between the various subsidiaries.

Relational Context and Perceived Climate of Trust

In this section, further aspects of the relational context as it relates to the first research issue about the *transfer of human resource policies and practices* are explored. One of the questions in this section of the interview protocol is whether the respondents would describe the relationship between HQ and their subsidiary as trusting and why.

Insert Table 3 here

In Table 3 the results in each Country per row indicates that when it comes to the perceived climate of trust between the HQ and subsidiaries, the general perception tends to be rather positive, with the exception of the Singaporean subsidiary of case M (see row 2 column 1).

Cross-case analysis shows that especially case C, the MNE with the least control structure in place, has a very high feeling of trust, both in HQ and the subsidiaries (Table 3, column '*To a great extent*', for all countries). Case E on the other hand, the most advanced in terms of international infrastructure and procedures, tends to have a perception of 'somewhat trusting' to 'neutral' between its subsidiaries and HQ. When asked to provide examples of why this level of trust is perceived in the relationship it is very difficult to get a concrete example. The trust level seems to be a feeling based on incidental anecdotes and a general feeling about '*the way we talk to each other*' (Chemical, Thai HR manager) or '*the way the HR regional meetings are conducted*' (Electrical, Thai HR manager) or the way '*the CEO represents HQ in the subsidiary*' (Mechanical, Thai line manager).

A climate of trust and perceptions of the relational context are regarded as two separate issues. Therefore to probe the relational context, another question about respondents' perception of the climate of innovation was included and to prepare for further questions about adaptation. These results are not reflected in a table, but summarised as follows. Case C is the lowest in perceived innovation, being seen as neutral, whereas case M is the highest in perceived innovation, a spirit that runs through the company reflecting its product image: *'Everything we do is innovative, just like our products'* (Mechanical HQ German HR manager, Mechanical Thai line manager), a statement that is deeply ingrained in the company culture of case M. Despite putting innovation at the forefront of its public relations (EO), the perceived level of innovation in case E is neutral to rather innovative and the responses are markedly less enthusiastic than those of the interviewees of case M; after a thoughtful pause one subsidiary CEO says with a half smile: *'I guess we are innovative, at least that is what we say'* (Electrical Indonesian Line manager). The HQ of M is seen as *'pushing and expecting innovation; new ways, different ways'* (Mechanical HQ manager, Mechanical Singapore line manager) and according to one CEO of a subsidiary sometimes *'puts too much confidence in the individual rather than creating a process'* (Mechanical Thai line manager). During the interviews everybody at case M has an anecdote about one individual who wants to do something, just does it, and then is rewarded. So, a spirit of innovation is equated with the possibility, and positive reaction of the MNE, to try out new things on an individual level. Even the respondents from the subsidiary of case M in Singapore who are rather critical in many instances, are quick to point out that *'innovation is our strength in all areas'* (Mechanical Singapore line manager). Case C on the other hand, while very innovative on its product scale and technology, sees itself as managed *'based on trust and tradition'* (Chemical German HR manager, Chemical Thai line manager) with innovation not being a central thought when describing management.

In summary case C has a strong common feeling of trust which is manifested in positive statements about other colleagues and departments. In contrast the common denominator in the interviews of case M is the pride in being part of a very dynamic and innovative organisation, regardless of differences of opinion between HQ and subsidiaries. Case E has no such common denominator, even though it has a process and a structure for everything.

Implementation and Internalisation: Need for Adaptation
This section analyses a number of questions and the data collected with respect to research issue 2 which examines the implementation and internalisation of policies and practices.

Research question 2: How are specific HRM policies and practices *implemented and internalised*, given the MNE's approach and the established country differences?

One of the relevant questions in the interview protocol explored the need for adaptation of policies and practices when transferring from HQ to their subsidiaries. The respondents are first asked to give examples of HR issues that need adaptation to fit the subsidiary and specifically, why these modifications should occur. Another question addresses how unique a subsidiary feels in comparison to others and an third question relates to what extent HR issues ought to be standardised globally in the

MNE. In brief, respondents are asked to tell in their own words which, if any HR policies and practices needed to be adapted when applied in their country.

Insert Table 4 here

HR Issues to be Modified Specifically for Each Country. Table 4 shows the responses to whether specific HR issues such as variable compensation should be modified from the HQ rule to fit the subsidiary. In case E the subsidiary has to adhere to the globally valid guidelines, in case M the subsidiaries have to adhere to the more general 'global five' principles and in case C the CEO in the respective subsidiary can decide individually, yet has to ensure that the company culture is respected (see Table 4, row 1 relating to German HQ responses).

The subsidiaries are not very clear about their freedom to decide on modification of rules. In Case E (Table 4, column 1, Thailand - row 3) the CEO and the HR director have differing opinions: the HR director does not hesitate to point out that "*the final decision which rules to apply lies in Thailand*" and that HQ rules of course have to be modified due to the difference in size of organisation and national culture. The CEO on the other hand, is adamant that the rules that apply in Germany also apply to the employees in Thailand. For Case E in Singapore (row 2) and Indonesia (row 4) mention the local market condition as an important factor in deciding if and how HQ rules on variable income are modified. Case M subsidiaries think that HQ rules can only be modified after having tried them without success. Specifically, case M the Singapore subsidiary is adamant that "*HQ rules have to be applied*", and while they should be modified, HQ neither modifies them nor allows the subsidiary to modify those rules. Case C subsidiary interview partners wish for more guidance from HQ, having a problem with too few rules and guidelines (see one response for Singapore, Thailand and Indonesia). In brief, modification of HQ rules is possible in all three main cases. While HQs regard the process as clear, the subsidiaries have some uncertainty what and when to modify.

Perceived Uniqueness of Subsidiary. As part of the questioning about adaptation of policies for research issue 2, a second question probed the respondents' views of the need to adapt practices because of a perceived uniqueness of the subsidiary. The results are not reflected in a table but are summarised below.

In general the subsidiaries of the MNEs in cases E, M and C regard themselves as being part of a larger group of country subsidiaries in Asia. The subsidiaries did not argue that they are unique based on the nature of their business, the local market or the organisation of the subsidiary or because of legal differences between the countries. The Singapore respondents argue their uniqueness based on "*Singapore being an efficient city state*" that bridges the East and the West. These respondents are of the opinion that Singapore is more developed and more business minded than Thailand and Indonesia. The respondents from Thailand set their country apart, because of "*its lack of a colonial past*". Respondents from Indonesia cite religion, as it is the only Muslim country in the study, and geography as "*it comprises hundreds of islands and is difficult to govern centrally*", as the main reasons why Indonesia is different. In short, while the question asks for the uniqueness of the subsidiary of the MNE in the respective country, the answers from the subsidiary respondents address national cultural differences.

HQ respondents in Germany, on the other hand, view the countries as comparable countries in South East Asia and differentiate the subsidiaries in Singapore, Thailand and Indonesia based on their respective size and product range.

HR Issues to be Standardised Globally. A further probing question in this section tested the respondents' beliefs whether there are specific HR issues where they feel the HQ policies and processes should be applied in all countries. The results are not reflected in a table but are summarised below.

There is a strong belief in the German HQ of all three MNEs that some globally valid principles apply to all subsidiaries, that '*there is something to being an employee of M which is stronger than national culture*' (Mechanical German HR manager). These are principles rather than processes, for example principles of compensation, and it is left to the subsidiary to interpret these principles and apply them locally. While calling these principles mandatory, HQ of M acknowledges freely that '*there is very little control if and how these principles are applied*' (Mechanical German HR manager). On the other hand all HQ respondents unanimously state that the respective companies' leadership principles and talent identification processes are to be applied globally, something that the subsidiaries in Thailand for example see differently: '*Our leadership principles and style have to be modified here to fit the country*' (Mechanical Thai line manager), and '*The leadership principles from Germany are no good in Thailand and cannot be applied*' (Electrical Thai HR manager).

In brief, the common approach in the three main cases is that HQ sets principles on a strategic policy level and the subsidiary develops its own practice and process. Where HQ insists on standardisation to the letter, the subsidiaries resist it.

Roles of HQ People and Subsidiary Staff
This section analyses the data collected with respect to research issue 3 which examines the *roles of HQ people and subsidiary staff* in the transfer process.

Research question 3: What are the roles of HQ people and subsidiary staff in the transfer process?

In this section of the interview the respondents firstly give examples of the organisation of interaction between HQ and subsidiary as well as HQ people assigned to their subsidiary by region or issue. A second question deals with whether these people are perceived as helpful or controlling. A third question probes if they take the subsidiary's concerns into account and finally how the subsidiary ensures a feedback process to HQ is explored. In brief, respondents are asked to tell in their own words who the players are and what their roles are when HQ transfers policies and practices to the subsidiary.

Insert Table 5 here

Organisation of Interaction between HQ and Subsidiary: In Table 5 the results indicate that the organisation of the interaction between HQ and subsidiaries depends on the *product line* (on a global level in companies M and C) or the division (E – see Table 5, column 'Non HR' and all rows) and include responsibility on board levels for the Asian region. In the HR area (see Table 5, column 'HR' and all rows) there is evidence of global HR competence centres. These seem to have emerged from the previously German competence centres in fields such as compensation and benefits for example. Respondents note that there are specialists for selected topics (eg compensation) and there are different ways in which the regional experts are acknowledged or networked in the regions or at HQ.

Furthermore the support structure to transport these global HR competencies and responsibilities varies greatly from case to case (Table 5, column 'HR'). Case E has a complete system with councils, spokespersons and a regional HR competence centre in Singapore. Case M uses the HR contacts between HQ and subsidiaries, stemming from expatriate management as the interface between HQ and subsidiaries, and case C is only recently realising that something ought to be done to connect the HR from HQ with the local HR in the subsidiaries. In brief, all three cases have a central HR in HQ, yet size and organisation of this central HR varies greatly.

HQ Staff assigned to Subsidiary. All the subsidiaries agree that the function of the HR HQ staff should be and indeed is more helpful than controlling, whereas HQ staff for issues other than HR, finance for instance, at least has a strong controlling element and is therefore viewed with a certain distance. As to how helpful the HR HQ staff is, opinions and evidence vary. Often it is perceived that the HR specialists from HQ are not primarily interested in advancing the subsidiary, but in fulfilling their need to report implementation success back at HQ. Another weak point is perceived as the quality of communication to the subsidiary and subsidiary respondents point out that all HQ staff could improve their understanding of the business situation of the subsidiaries.

For example, case E has a system of reporting globally on implementation of various policies, ranging from recruiting to pension schemes, that employs colour codes, for example red for 'bad', white for 'no action yet', yellow for 'begun action' and green for 'implemented'. The subsidiaries view the specialists who are in charge of

facilitating the implementation worldwide as people '*who want to have the boxes green, regardless of the difficulty in our country*' (Electrical Singapore HR manager). This sentiment is mirrored by a CEO who has past experience of working in a corporate department: '*Sometimes the HQ specialists are prisoners of their own system, failing to see the other side*' (Mechanical Singapore Line manager).

When asked specifically whether the subsidiaries' concerns are adequately addressed by HQ staff, the uniform response from the subsidiaries is that there is much room for improvement, viewed by the subsidiaries mainly in terms of sensitising the HQ staff about ways to communicate and awareness of the business reality in the respective country. The HQ respondents of all three main cases are aware of these deficits and regard sending junior level HQ employees to Asia to gain first hand experience as the best solution. Yet they are aware of a cost factor in transferring German expatriates to Asia to be responsible for HR issues and wish for the regions to also be more willing to embrace a Western attitude, to address at least the communication problems. Of the three main cases case M has a clear strategy to conform to that ideal: '*We look inside the Thai society for talent that is open towards modern management methods and people who have been educated abroad, therefore we have fewer problems now than in the past*' (Mechanical Thai HR manager). In brief, HQ HR staff is perceived as helpful rather than controlling. Overall HQ HR staff is regarded as not very effective due to a perceived lack of local, subsidiary knowledge.

Feedback to HQ. The results in Table 6 show that the HQ view is that there is not enough feedback from the subsidiaries to HQ. More input and proactive interest in global HR issues is desired from HQ respondents, whereas the subsidiaries are ambivalent about this, as exemplified by one statement: '*It is not our culture to complain or to show off, we prefer to be quiet and do our job*' (Electrical Thai HR manager).

Insert Table 6 here

Case C HQ is aware of its lack of structure to receive and use such feedback and consequently is in the process of creating a regional HR council and a web tool for communication. The statement '*We expect people to use the platform when available*' (Chemical German HQ) reflects a level of optimism already vanished in cases E and M. The statement '*While we have all the tools and processes we receive little to no input for fear of sounding stupid or generating more work for themselves*' (Electrical German HQ HR manager) describes the current state of affairs. HQ HR managers realise that the process will take time, however there is a tension between top management and HR, with senior management '*wanting to make up for lost time in a hurry*' (Mechanical German HQ HR manager).

Meanwhile, the most used route for feedback from subsidiaries to HQ is via the CEOs. In 8 out of 9 subsidiaries under study the CEO is German with HQ working experience and a network in HQ. The CEOs travel to Germany frequently and are obviously culturally conversant in the German HQ ways. Case E has recognised the importance of the CEO with respect to the international HR network and invites one CEO from the region to its regional HR meetings on a rotational basis. While that increases effectiveness of HR in the region it does in a way undermine the effort to

establish HR communication paths, so that HQ views this CEO participation with *'mixed feelings'* (Electrical German HQ HR manager).

DISCUSSION

The discussion concentrates on the *climate of trust and relational context* between HQ and subsidiary in general that facilitates the transfer of human resource practices. Secondly the ways in which policies and practices need to be *adapted* during the *implementation process* given the German MNE's approach and the Asian country differences are discussed. Finally the form of *control* exercised by HQ staff is explored as well as the impact of language affecting *roles of key staff* in the transfer process.

Transfer of human resource policies and relational context

The first research issue proposed that a climate of trust between HQ and subsidiary in general could facilitate the transfer of human resource policies and practices. The findings of this study confirm that a climate of trust facilitates the success of transfer of human resource practices.

Relational Context. Relations on an individual level, for example whether an individual regards himself or herself to be working in a trustworthy, benevolent organisation are found to influence transfer procedures and success (O'Reilly & Chatman 1986, Szulanski 1996, Kostova 1999, Kostova & Roth 2002, Mariappanadar 2005). The findings of this study confirm the related literature. Comparison across cases shows that case C is more trusting and relies less on checks and controls, while case E, lower on trust, has or needs more procedures and still achieves less cooperation between HQ and subsidiaries on HR issues. This finding suggests that both theory and practice can benefit greatly by focusing more on attitudinal relationships, again reinforcing the proposals of Kostova 1999 and Kostova and Roth 2002. It is acknowledged in the literature and in this study that cooperation between HQ and subsidiaries is of paramount importance to successful business and that there is no one best way to manage growth, tradition or local customer focus (Bartlett & Ghoshal 1998).

Perceived Level of Trust. The literature on attitudinal relationships emphasises the need for trusting relationships (Kostova 1999; Kostova & Roth 2002), on both individual and organisational levels for successful transfer of processes and practices. Bartlett and Ghoshal (2000) described the need for openness towards learning, change and innovation. In particular the transfer coalition (Kostova 1999), members of which are interview partners for this study, needs trust in the approach and previous positive experience towards change. This study does not find a case where a climate of trust or innovation emerge strongly between HQ and subsidiaries, neither do the findings highlight one MNE's approach in building trust as more successful than the other.

Implementation and Internalisation: Need for Adaptation

The second research question proposed that given the German MNE's HR approach and the Asian country differences, that specific German HRM policies and practices would need to be adapted in order to be implemented and internalised in the Asian subsidiaries. There was consensus among the investigated MNEs that *policies and*

guidelines should be standardised, while processes and *practices need to be locally adapted*.

HR Issues to be Modified Specifically for Each Country.   The findings support the notion that on a practice level almost all HR issues seem local (Herkenhoff 2000, Nankervis, Compton & Baird 2002). The Asian subsidiaries claim and reserve the right to adapt any policy and guideline to their local needs. This assertion has as much to do with real differences between the countries as with the power dynamics in the MNEs (Szulanski 1996, Kostova & Roth 2002). For example, in one case the opinion whether a specific practice of variable income payout should be adapted locally or be universally applied, a difference of opinion between HR director and CEO emerges. Further investigation brings to light that while adaptation is positive and a sign of independence for the HR director, the CEO, the only non German CEO in the sample, has the underlying belief that adaptation of this issue is equal to denying his subsidiary the same rights as the employees in HQ have. Thus, differences of opinion exist when it comes to defining in detail whether the adaptation of a practice is a sign of independence and power, or whether it is a disguised attempt to create a multiple class system of employees, whereby the HQ employees would get a benefit that the subsidiary does not get. This finding also reinforces the need for trust in the relationship between HQ and subsidiary on an individual level (Kostova 1999).

Perceived Uniqueness of Subsidiary. National culture and history are posed to be stronger factors for differentiation between subsidiaries than business factors (Hofstede 1993; Herkenhoff 2000). Such studies support the notion that German HR policies to be transferred need not be differentiated between the Asian countries under study, given that subsidiary size is comparable, and that local translation into practice is to be carried out by the subsidiaries themselves, based on cultural and legal differences in each country. In addition Takeuchi (2005) proposed that subsidiaries with specific business practices tend to adopt integrative strategic human resource practices. However that study also cast doubt on the effectiveness of using excessive localisation practices when the subsidiary does not have well planned marketing strategies to move into a particular market.

HR Issues Standardised Globally. The opposite of the question which HR issues are to be adapted locally, is which HR issues should be standardised globally. There was consensus among the investigated MNEs that *policies and guidelines should be standardised*, while processes and *practices need to be locally adapted*. The findings confirm the literature such as Briscoe 1995, Nankervis, Compton and Baird 2002 as well as Takeuchi 2005. In day to day operations, however, this study finds a grey zone of various interpretations of exactly what constitutes a policy, a guideline, a process or a practice. This grey zone leads to differences of opinion regarding whether a certain issue needs to be adapted because it constitutes a practice, or needs to be standardised because it constitutes a guideline. Of course, the balance of power between HQ and subsidiaries is directly affected when designing systems with the aim of standardisation (Bartlett & Ghoshal 1998, Kostova & Roth 2002).

One example is the increased concern of the three MNEs to manage international talents. While HQ insists on standardisation, the subsidiaries want to follow local practice. The main reason for the insistence of HQ on standardisation may be the trend towards looking at the talent pool on a global basis, rather than a purely national

one, which requires the MNEs to develop some standards to have a common language on competency and leadership capabilities (Schuler, Dowling & De Cieri 1993, Brodbeck, Frese & Javidan 2002). Indeed, if the transnational or global company is the next step of development, then staffing procedures need to change from ethnocentric and relationship driven, towards geocentric driven by objective criteria (Adler 2001, Briscoe 1995, Bartlett & Ghoshal 1998, Dowling, Schuler & Welch 1999, Schuler, Budhwar & Florkowski 2002). Hence a need for standardisation of the talent management globally is in line with the literature. The Asian subsidiaries in this study, however, regard this drive towards standardisation as not necessarily advantageous for themselves, especially if they feel this is a bureaucratic exercise or worse, an attempt to steal their talented staff. It is now the task of HQ and senior management to make the subsidiaries accept standardised talent management as an opportunity rather than a threat. To achieve this, outstanding talent management examples should be used as pilot cases, rather than HQ directives.

Roles of Key HQ and Subsidiary Staff
The third research question proposed that the roles of the HQ and subsidiary staff differ during the transfer process and that the level of perceived HQ control and subsidiary feedback influence the interaction between the parties. The findings confirm that the German MNEs chose a more formal approach to control and coordination in finance and business planning, and a more informal approach in HR matters. Furthermore the lack of international experience of staff can negatively influence the exchange of information between subsidiary and HQ.

Organisation of Interaction between HQ and Subsidiary. MNEs have a need to control and coordinate their subsidiaries either formally, that is through reporting systems and targets, or informally through relationships or the bonds of corporate culture (Bartlett & Ghoshal 1998, Dowling, Schuler & Welch 1999). With both forms of control, more so with the informal control, trust between the parties involved is a key element (Bartlett & Ghoshal 1998). The German MNEs under study chose a more formal approach to control and coordination in finance and business planning, and a more informal approach in HR matters. Differences between the three MNEs exist, that is case E generally has a more formal approach and case C a more informal approach to HR matters. The informal approach to control and coordination is most likely the best choice with respect to HR matters, because HR is viewed as a soft issue and as being of secondary importance with respect to business target achievement (Dowling, Schuler & Welch 1999, Evans, Pucik & Barsoux 2002). For the informal control and coordination to work effectively, strong interpersonal relationships and managers with international experience are essential. A regional approach with an outpost of HQ to form a regional HR competence centre, as in case E, increases the possibility of forming trusting interpersonal relationships or regional clusters.

HQ Staff assigned to Subsidiary. In this study being helpful rather than controlling, that is the HQ following an informal approach, is generally regarded as positive. However, assigning specialists in specific HR issues with global responsibility, such as a compensation specialist or a training specialist, as occurs in all three cases, undermines the opportunity of the assigned specialist to develop personal relationships or a deep understanding, of a country or region (see Dowling, Schuler & Welch 1999, Adler 2001). Consequently, the Asian subsidiaries regard the assigned HQ specialist as not very effective, which suggests that the informal control

mechanism does not work well. This renders the HR HQ staff assigned to the subsidiary virtually powerless and without impact. Rather than having topic specialists with a global scope, the informal approach calls for *regional partners* in HQ who can then in turn get their expertise from HQ specialists, if needed (see Dowling, Schuler & Welch 1999, Evans, Pucik & Barsoux 2002).

Feedback from Subsidiary to HQ. Bartlett and Ghoshal (1992) define the 'transnational' manager as a manager who is well versed in many languages and cultures and with an ability to transcend national culture. While this study finds no such individual, it emerges quite clearly that the CEOs and CFOs of the MNEs' subsidiaries have working experience from many countries, as well as a strong network in the HQ, and therefore they form the backbone of the formal and informal feedback routes from subsidiaries to HQ and vice versa. Both the HQ staff assigned to the subsidiaries and the subsidiaries' HR directors lack the international experience and the network in the MNE, which unnecessarily inflates the role of the CEO in the feedback process. This finding confirms the literature which states that personal relationships and international experience are critical in international business (Bartlett & Ghoshal 1998, Evans, Pucik & Barsoux 2002).

CONCLUSIONS

In this study the expectation from German HQ is that the Asian subsidiaries adapt HR standards that are passed on from HQ in the form of policies, principles and guidelines and translate them into practices, or state clearly where no practices can be derived from the policies. The possibility of this very expectation being culturally biased is acknowledged, yet the need for clear communication is regarded as overriding such a concern. There is a shared understanding by German HQs and Asian subsidiaries that company values, principles and *policies* are to be standardised globally, but that the form of actual implementation of rules or processes, for example for variable compensation, rests to a large extent with the subsidiary. That is, in this study the German headquarters and subsidiaries agree that almost all *practices* need to be adapted individually. Furthermore, the subsidiaries regard themselves as unique in their MNE because of general national differences, not because of hard business reasons such as market size or the legal situation. Where HQ sees a need, not only to set a principle, but to define the practice down to the detail of the language used and the date of review for example, there is a feeling in the subsidiaries that the German HQ system cannot be applied and needs to be modified.

The relational climate and perceptions of trust vary considerably between the German firms and their Asian subsidiaries. Each of the three German MNEs choose a different approach to become more global and integrate their subsidiaries in Singapore, Thailand and Indonesia. These approaches range from company-wide initiative of streamlining to individual actions and specific projects. However in two of the three cases job rotation, other than expatriates from HQ managing the subsidiaries, is regarded as important and still underdeveloped.

In terms of the implications of the results of this study, it can be argued that process and structure should not come before trust between HQ and subsidiary staff. General company policies and principles are welcome, whereas the possibility of adapting the process locally is regarded as a necessary right in the subsidiaries. This again

reinforces the need for trust in the relationship between HQ and subsidiary on an individual and interpersonal level.

The findings indicate that HQ staff with global or regional HR responsibilities are perceived as helpful, rather than controlling or threatening. However, in this study the HQ staff are seen as not very effective, basically lacking the skill to adapt to local ways of doing things, with examples of focusing on selecting new staff in the subsidiaries based on their readiness to accept Western ways. Regional partners in HQ are working in parallel to the global specialists, adding to confusion rather than clarity in all three MNEs. It also highlights again that the MNEs under study need to increase the HQ network and international experience of their HR directors, to have a more direct feedback route of HR issues from the subsidiaries to HQ. The results further suggest that CEOs of the subsidiaries have a role in giving feedback to HQ on HR matters, due both to their position and their extensive network and cultural fit in HQ. Another insight gained from the study is that the preparation of subsidiaries to accept and adapt HQ practices should be carefully planned. The implication is that such preparation should be carried out by and through the HR director, who has a key role in the transfer process. A further implication is that MNEs should ensure international experience, for both the HR staff in the subsidiaries, and the HQ HR staff assigned to the subsidiary.

Further in terms of the role of relevant staff and for the informal control and coordination to work effectively, strong interpersonal relationships and managers with international experience are essential. A regional approach with an outpost of HQ to form a regional HR competence centre, increases the possibility of forming interpersonal relationships, also of forming a regional cluster that combines its weight when interacting with HQ, as well as providing opportunities for HQ staff to gain international experience when transferred to the regional competence centre.

A final insight that emerged during the study is about the role of language in the relationship between HQ and subsidiaries. The business language of most MNEs at least on an international level is English, and often language training is not considered vital for international business. However, it is often the lack of language skill that makes true exchanges between HQ and subsidiaries difficult (Adler 2001, Marschan, Welch & Welch 1997, Evans, Pucik & Barsoux 2002). None of the interviewed people in this study are native English speakers, and for many Asians and Germans, conversing in English is an additional challenge. None of the HR directors of the subsidiaries are fluent in German, which keeps them effectively out of the inner circle of communication, again unnecessarily inflating the role of the CEO as the messenger to HQ. In situations where trust is required and an informal form of control is exercised, a thorough knowledge of the 'insider' language of a company is particularly necessary. The MNEs under study have a disadvantage against US companies, where English language skills are by definition not a problem in HQ. Overcoming this deficit and ensuring that HQ staff have more than a working level of English would be a first step towards deeper communication between subsidiaries and HQ.

Limitations

The limitations of the study need to be noted. By researching only German MNEs in Asia it is difficult to generalise the findings to MNEs with headquarters in different countries. It is partially this lack of generalisability of other research studying international transfer of HR policies and practices from an Anglo-Saxon perspective that led to this study (Adler 2001; Briscoe 1995). The HR function is embedded in the business environment and as such, is subject to influences from the market or political situation that cannot be controlled for. Care is taken in the selection of the MNEs under study that they have a stable presence in the respective Asian countries. To minimise the influence of macroeconomic differences between the MNEs, all the interviews in one country are conducted in the same timeframe. In terms or repeatability, internationalisation of HR is an ongoing process. It is not possible to turn the clock back and 'repeat' the transfer of HR policies and practices under the same circumstances as would occur in a controlled experiment.

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Table 1: Research Design of Main Cases

MNE Country	MNE Electrical	MNE Mechanical	MNE Chemical
Germany	**2 HQ HR managers**	**2 HQ HR managers**	**2 HQ HR managers**
Singapore	**1 HR,1 Line manager**	**1 HR,1 Line manager**	**1 HR,1 Line manager**
Thailand	**1 HR,1 Line manager**	**1 HR,1 Line manager**	**1 HR,1 Line manager**
Indonesia	**1 HR,1 Line manager**	**1 HR,1 Line manager**	**1 HR,1 Line manager**
Total	**5 HR, 3 Line** **1 main case** **4 embedded cases** **8 interviews**	**5 HR, 3 line** **1 main case** **4 embedded cases** **8 interviews**	**5HR, 3 Line** **1 main case** **4 embedded cases** **8 interviews**

Notes: MNE= Multi National Enterprise
Note: Stehle 2004.

Table 2: Company-Wide Initiatives and Programmes

	Case E	Case M	Case C
General trend over the last 3 years	Asia more in the focus of management, more involvement in HQ programs and initiatives.		
Non HR	Company-wide project with a distinct name, rolled out first in Germany, then US, then Asia. The goal is standardisation, synergy and growth.	Individual projects, country specific and/or product specific, e.g. a sales initiative for product line x in country y or a process improvement project in one country.	
HR	Regional cooperation, using the regional HR structure, no specific initiatives.	HQ *HR excellence* initiative to internationalise HR in case M.	HQ initiative *HR international*, initiative to internationalise HR in case C.

Note: Stehle 2004.

Table 3: Perceived Trust Between HQ and Subsidiary

	not at all	*somewhat*	*neutral*	*To some extent*	*To a great extent*
Germany			M, E		C
Singapore	M		E		C
Thailand		E		M	C
Indonesia			E	M	C

Note: Stehle 2004.

Table 4: Local Adaptation of Variable Income (example)

	Case E	Case M	Case C
Germany	Yes, depending on local need, subsidiary has to decide but still adhere to the guidelines.	Yes, depending on local need, subsidiary has to decide but still adhere to the Big Five Principles and keep the culture of M.	Yes, depending on local need, subsidiary has to decide, CEO ensures that company culture is respected.

Singapore	Yes, rules are modified depending on local market conditions.	Yes, rules SHOULD change, but subsidiary cannot change the rules.	Not applicable, subsidiary makes own system and wishes for more guidance from HQ.
Thailand	L: No, the rules are applied to everybody in the MNE. H: Yes, because Thailand is different.	Maybe, but only after a set of HQ rules has been applied and failed.	
Indonesia	Yes, rules are modified depending on local market conditions and national culture.		

Note: Stehle 2004
Notes:
  a.   L= line manager
  b.   H= HR Manager

Table 5: MNE Organisation of Interaction Between HQ and Subsidiary

	Non HR	HR
Case E	Responsibility for Asia on board level, with business divisions being organised individually. At HQ a corporate department to determine business development per country and to monitor progress.	Specialists in HQ for selected topics like leadership or compensation with a global scope and regional experts both in HQ and in Singapore. One HR director from Asia is the spokesperson for concerns regarding HQ.
Case M	Responsibility along the *product lines* globally. At HQ a corporate department to determine business development per sales region and to monitor progress.	Specialists in HQ for selected topics like development or compensation with a global scope. Regional interface by the operational HR who takes care of the German expatriates in the subsidiary.
Case C	Responsibility for Asia on board level; below board level along the *product lines* globally.	Specialists in HQ for selected topics like training or compensation with a global scope and, in the process of being established, regional experts in HQ.

Note: Stehle 2004.

Table 6: Feedback on HR issues from subsidiary to HQ

	Case E	Case M	Case C
HQ perception	Platform and processes are in place, subsidiary people need to use these more proactively.		Platform and process is being created, expectation is that platform will be used.
Subsidiary perception	Formal feedback procedures are seen as either complaining or showing off and usually create more work for the subsidiary.		
Feedback route taken	CEOs formally part of the regional HR structure.	Informally via CEOs.	

Note: Stehle 2004

Semi – structured interviews: Questions related to the 3 research questions

Research Question 1: Is there a *climate of trust* between HQ and subsidiary in general that facilitates *transfer of human resource policies and practices*?

1.1 How does your subsidiary cooperate with HQ in areas other than HR? Please give examples.

1.2 Please tell me about general (non-HR) HQ initiatives/programs designed to help the subsidiary. Do they help in your view? Why or why not?

1.3 Could these initiatives/programs be improved? How?

1.4 Would you describe the relationship between HQ and your subsidiary as trusting?

not at all   somewhat   neutral   rather   very

Why is that, do you have examples?

1.5 Would you describe the practices of HQ and your subsidiary as innovative?

not at all   somewhat   neutral   rather   very

Why is that, do you have examples?

Research Question 2: How are specific HRM policies and practices *implemented and internalised*, given the MNE's approach and the established country differences?

2.1 Are there specific HR-issues *(if prompted interviewer gives examples, i.e. variable compensation)* where you feel the HQ rules should be modified to fit the subsidiary? Please give examples.

2.2 Why do you think these processes or policies ought to be modified?

National culture?   Size of organisation? Complexity of operation?

2.3 In your opinion, is your situation unique to your country or do similar conditions exist in many countries in the region / worldwide?

2.4 Are there specific HR-issues *(if prompted interviewer gives examples, i.e. leadership principles)* where you feel the HQ policies and processes should be applied in all countries? Please give examples.

Research Question 3: What are the roles of HQ people and subsidiary staff in the transfer process?

3.1 Are there HQ people assigned/responsible for your subsidiary. Are they clustered by region or by issue?

3.2 Do you see these HQ-people as being more helpful to or more controlling of your subsidiary staff?

3. 3 Do you feel that your subsidiary's' concerns are adequately addressed by the HQ staff?

3.4 How do you ensure that your concerns are being fed back to HQ?