Cultural Differences Influencing German HR Policies in Asia

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ABSTRACT

Researchers still debate the relevance of using cultural frameworks and socio-economic differences between countries versus focussing on institutional differences when analysing issues affecting the transfer of Human Resource policies between countries. This paper first compares four countries from Europe and Asia on a macroeconomic level as well as on cultural dimensions. It then investigates perceived cultural differences between managers on the transfer of human resource policies by contrasting the perceptions of German headquarters managers with those of their subsidiary managers in Singapore, Thailand and Indonesia. This exploratory study uses qualitative methodology to analyse twenty four in-depth interviews with Human Resource directors and line managers in German electrical, mechanical and chemical companies. The study confirms the importance of perceived cultural differences between managers at headquarters and in the subsidiaries and highlights the presence of misperceptions based on overgeneralisations emanating from the German headquarters as well as local subsidiaries. Convergence is confirmed on a HR policy level with crossvergence taking place on a process level via regional platforms. The growing role of the subsidiary HR director as a cultural translator and regional team player is found to be a key element in the transfer process.

Keywords: Cultural Differences, German Multinational Companies, Asian HR Practices

INTRODUCTION

The first issue to be addressed is that of *contextual differences between countries* that could affect the transfer of policies or practices from headquarters to subsidiaries and from subsidiaries to parent companies. Although Kostova and Roth (2002) note that as many elements in the institutional environment of a multinational corporation (MNC) such as culture and legal systems are specific to nations, organisational practices do differ. They acknowledge the tension for MNCs between global integration and local adaptation. The analysis on contextual difference will be guided by the theoretical model of Verma, Cochan and Lansbury (1995).

A second discussion point within the relevant literature is the impact of *cultural differences* and their influence on the perceptions of managers. If human resource management (HRM) policies and practices reflect managers" assumptions about managing people, then the cultural diversity of management conceptions about HRM can be explored (Laurent in Pucik, Tichy and Barnett, 1993). At the time that this study was planned the selected companies still used the Hofstede model to understand the national cultural differences between the countries that they are operating in and this will be used to structure the discussion. A third issue focuses on how perceptions about cultural differences *influence human resource policies and practices*. It supplements studies on German human resource management abroad (see Dickman 2003). The paper focuses on how do social, economic and especially cultural factors affect the transfer and adaptation of German HR policies in three Asian countries.

CONTEXTUAL DIFFERENCES

The paper explores how HR practices can be influenced by societal differences and reflects data from a larger study. To view contextual differences the conceptual framework of Verma, Kochan and Lansbury (1995) is used to tabulate firstly the country information at a macro economic level and proposes that these factors as well as national cultural differences provide some explanation for the contextual differences in HRM practices between the countries.

CULTURAL DIFFERENCES AND PERCEPTIONS

Comparative research shows that managers from different cultures hold diverse assumptions and value systems about the nature of management and organisation. HRM approaches can be viewed as "cultural artefacts reflecting the basic assumptions and values of national culture in which most organisations are embedded..." (Laurent 1993, p.180). For Nankervis, Compton and McCarthy (1999, p.644) culture consists of "*language, religion, values and attitudes, education, social organisation, technology, politics and law*" of a country. Most definitions seem to anchor around values and attitudes being the core of culture (Nankervis, Compton and Baird 2002) and lead to three general assumptions in the context of this study. First, the assumption in this study is that national cultural differences do exist; second, that these differences are associated with a certain number of shared values, and third, that shared value systems influence people"s attitudes and behaviour in their working lives (see Harvey and Novacik 2004; Herkenhoff 2000). In this exploratory case study research

neither the Hofstede survey nor the GLOBE survey were used, but semi-structured interviews were used to gather data.

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. The first research question of this study is therefore *"What are the key societal, cultural and human resource practice differences between the countries Germany, Singapore, Thailand and Indonesia"* and the second research question is *"How do perceptions about cultural differences influence human resource policies and practices?"*

In the first section of the paper, the first research question is addressed by providing country information on a macro economic level to highlight basic contextual differences between Germany, Singapore, Thailand and Indonesia. Furthermore the Verma, Kochan and Lansbury (1995) conceptual framework is selected to focus on not only contextual factors but also to note HRM issues on five dimensions. In the second section of the paper, the Hofstede model of cultural differences between the countries is applied. The third section contains the methodology followed in this study and the fourth section presents the results of the interviews in German companies and their Asian subsidiaries about perceptions of cultural difference and their impact. The final section includes the discussion of results, conclusions as well as limitations of the study.

JUSTIFICATION FOR SELECTING THE COUNTRIES

The contention in this paper is that these issues have not been adequately researched in European firms, specifically German firms and their Asian subsidiaries. Germany is a significant exporting nation and has been 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 (Pauly & Reich 1997, Rugman & Hodgetts 2000, Brodbeck, Frese & Javidan 2002, Chew & Horwitz 2004, Dickmann 2003).

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.

The decision on selecting the countries was not merely driven by convenience as the three German companies had a range of subsidiaries internationally. There have been substantial analyses and case studies of European and American companies in Japan for more than a decade and the focus in many recent studies have been on companies moving into China or India. It was argued that a focus in this study on selected Asian countries that the German Fortune 500 wish to expand as markets, would contribute more to theory building and as a basis to enhance the knowledge of their human resource directors. It was further decided to select countries that were different from Germany and each other in terms of population size, gross domestic product, income per person, size of workforce and diversity of in the composition of the population (see Table 1). On this basis, subsidiaries in Singapore, Thailand and Indonesia were selected. The selection of companies and subsidiaries are discussed in the methodology section.

COUNTRY INFORMATION AT MACRO ECONOMIC LEVEL

In order to gain insight into the first research question on *societal differences* between Germany, Singapore, Thailand and Indonesia, a basic macro-economic comparison is noted in Table 1. It needs to be noted that the basis for analysis was the objective data in the World Fact Book and not the perceptions of the study participants.

The analysis confirms that Germany and Singapore are well-developed economies, with GDP figures per head among the highest in the world (World Factbook 2003). Thailand is more developed than Indonesia but not as developed as Singapore or Germany (Rowley and Benson 2002). Indonesia, with its vast population and low GDP per head, is a developing country trying to make use of its cheap labour force (Kamoche 2000) – see table 1.

Table 1: Basic facts about Germany, Singapore, Thailand and Indonesia

Comparison	Germany	Singapore	Thailand	Indonesia
Population (millions)	82.4	4.6	64.3	234.9
GDP (billion US$)*	2160	112.4	445.8	714.2
GDP per head (US$)*	26200	25200	7000	3100
Workforce (millions)	41.9	2.19	33.4	99
Workforce (%)	50.8%	47.6%	51.9%	42.2%
Unemployment	9.8%	4.6%	2.9%	10.6%
Main religion	68% Christian	76% Buddhist	95% Buddhist	88% Muslim
Population composition	German, European, foreign workers	Chinese, Indian, Malay	Thai, indigenous groups	Indonesian

(Source: World Fact Book 2003) * = based on purchasing power parity

Singapore is as much a city as a nation, and is not comparable to the area and population of the other three countries in question. Political implications, the EU"s role in the case of Germany or ASEAN"s role and the stability of the South East Asian neighbours for Singapore, Thailand and Indonesia are important factors in addition to the macro economic environment (Rugman and Hodgetts 2000). The population and workforce composition indicate the cultural diversity within each country with Singapore recognising three major ethnic groups, whereas the other countries highlight indigenous groups or foreign workers. Even such a general analysis confirms that there are very significant differences in socioeconomic context among the four countries and some of these differences, especially in the field of Human Resource Management (HRM), require a comparative approach which considers more than macro-economic data.

## FRAMEWORKS FOR COMPARATIVE STUDIES

There is an ongoing debate as to whether national institutional differences are better suited than societal factors such as national cultural differences to compare outcomes in HRM practices (Rowley and Benson 2002). Kostova (1999) and Mariappanadar (2005) for example note the limits of many cultural explanations. The inclusion of firm strategies such as competitive objectives and technological development, links to the debate about to what extent national institutions and national culture each influence human resource management practices (Verma, Kochan and Lansbury 1995). Related debates in this field about multinational institutions would be on the impact of strategic context such as the pressures for global integration versus local responsiveness, the role of the subsidiary in the multinational corporation and the ease of transfer of HRM practices (Taylor, Beechler and Napier 1996). The institutional profiles of host countries affect the adoption of practices in a subsidiary (Kostova and Roth 2002). In this study the focus is also on German multinational enterprises and the way in which they transfer their HRM policies to Asian subsidiaries.

There are a number of frameworks for comparing the national contexts and societal differences between Germany, Singapore, Thailand and Indonesia in managing human resources and some sources focus on HRM in the Asia Pacific (Patrickson and O"Brien 2001). As Verma, Kochan and Lansbury (1995) provide comprehensive coverage of HRM and Industrial relations practices in Singapore, Thailand and Indonesia this framework was used in this analysis to compare the four countries under study, considering HRM issues on five dimensions. Outcome factors are economic and social performance, with the input factors being role of government, including institutional and legal frameworks, firm strategies, including competition and technology, and finally, other factors, including historical, political and cultural factors. The five dimensions of HRM practices for country comparison are work organisation, skill formation, compensation systems, employment security and staffing and finally, corporate governance (Verma et al 1995).

In this section of the paper the differences between the four countries on the five *dimensions of HRM practices* namely work

organisation, skill formation, compensation, employment security and corporate governance are summarised to further expand on the first research question.

Figure 1: Framework for comparative study of countries
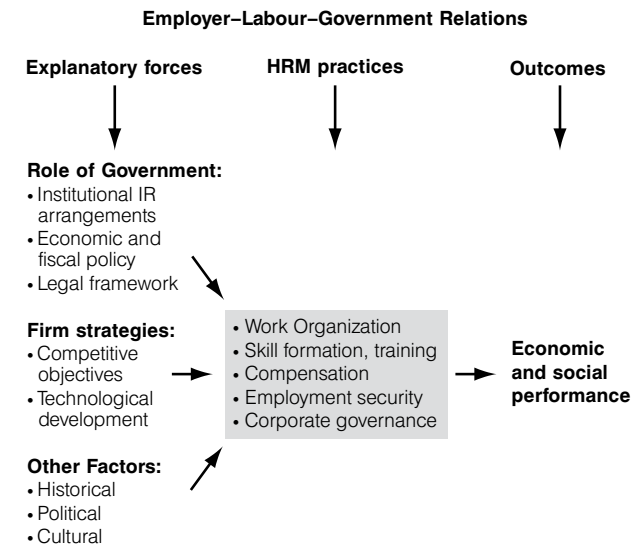
Source: Verma, Kochan and Lansbury 1995:6

Comparative studies on national levels face the problem of contradicting trends and data (Rowley and Benson 2002). For example, within one single country differences in tradition, present economic activity and HR management may be encountered. It may be argued that historical, political and cultural factors are the most dominant factors in enduring national differences (Adler 2001; Briscoe 1995; Herkenhoff 2000; Hofstede 2001; Nankervis, Compton and Baird 2002; Patrickson and O"Brien 2001; Pauly and Reich 1997) and they do indeed contribute largely to the formation of government roles and firm strategy, thus necessitating a more detailed discussion of cultural differences between Germany, Singapore, Thailand and Indonesia in another section.

First, the five HRM practices in the Verma et al (1995) framework are compared among the four countries in table 2 and thereafter a summary of the authors" perspectives are provided. This analysis also relates to part of the issue about *differences in human resource policies and practices.*

Work organisation. Germany uses technology to increase flexibility and productivity of the workforce, Singapore is strongly influenced by American MNCs having their Asia HQ in Singapore. Thailand is influenced in its work organisation by Buddhism and the strong presence of the monarchy and Indonesia, being rather inflexible, uses its abundant workforce without much effort to increase productivity.

Skill formation. Thailand and Indonesia have an abundance of unskilled labour, with shortages in training and skilled labour, while in Singapore the government actively pushes for high levels of education and training. In Germany the emphasis is on practical education, deeply embedded in

Table 2: Framework applied for comparative study of Germany, Singapore, Thailand and Indonesia's HRM practices

	Germany	Singapore	Thailand	Indonesia
work organisation	Extensive use of technology to increase flexibility and productivity of workforce.	Largely influenced by presence of American MNCs" regional HQ.	Largely influenced by Buddhism and the Monarchy.	Inflexible, extensive use of labour, little effort to increase productivity.
skill formation	Well trained workforce with emphasis on vocational training and practical education.	Government pushes high levels of education. Very limited effort from the private sector.	Abundance of unskilled labour. Shortage of training and skilled labour.	Abundance of cheap, unskilled labour. Shortage of training and skilled labour.
compensation systems	Though a high wage country, real wages have been in decline for years. Relatively evenly distributed pay scales among industries and professions.	Salaries have been constantly raising in real terms with high multiples of pay scales the norm. Singapore is not a cheap labour location anymore.	Salaries have been constantly raising in real terms with high multiples of pay scales the norm. Since 1997 struggling with high wages and low skill base.	Extremely high differences in pay between skilled and unskilled labour. Wages declined in real terms since 1997.
employment security	High employment security and workforce loyalty with legal protection of the workforce in downturns that makes investors careful to expand in upturns.	Very dynamic labour market with no obligation on employer to provide permanent employment or job security. US system serves as role model.	Very dynamic labour market. At times of growth little loyalty of the workforce. Legal protection to prevent layoffs makes it costly for MNCs to downsize.	Very dynamic labour market. At times of growth little loyalty of th e workforce.
corporate governance	Collective bargaining and strong positions of the unions who are also represented on the boards of directors (co-determination). Socially very stable.	Corporatist system where the state pushes labour in a role subordinate to government economic policy. Socially stable.	Very little unionisation. Firms are like families. Socially stable due to calming influence of Buddhism.	High unionisation. Frequent clashes between labour force and employers. Socially unstable

(Sources: Briscoe 1995; Kamoche 2000; Verma et al 1995; Stehle 2004)

the system through vocational training.

Compensation system. Germany and Singapore are high wage countries with Indonesia being a cheap labour country and Thailand struggling with wages too high for the low skill base. While salaries and wages are distributed relatively evenly in Germany, making it very expensive for low skilled labour, Singapore as well as Thailand and Indonesia are more used to high multiples of pay scales.

Employment security. While the three Asian countries under study have dynamic labour markets and little worker loyalty, the US being the role model for Singapore, the German labour market is highly regulated and protected, thus not dynamic, with high worker loyalty. Thailand and Germany protect their workforce legally against layoffs, resulting in more careful expansions during economic upturns.

Corporate governance. Germany, Singapore and Thailand are socially stable, yet for different reasons. While in Thailand social stability stems from the family values and calming influence of Buddhism, social stability in Singapore is engineered by the government corporatist system and in Germany social stability is owed to the collective bargaining and relative power of the unions, who are also represented on the boards of directors. Indonesia, on the other hand, is socially unstable with frequent clashes between workforce and employers.

CONVERGENCE OR DIVERGENCE IN HRM POLICIES

In comparative studies such as presented above, the question of convergence or divergence in HRM polices is often de-

bated. This analysis also relates to the issue about *differences in human resource policies and practices*. Convergence models can be argued from two perspectives (Erwee, 2005). The one perspective is that as societies become more alike, businesses will become more alike. The proposition is that there is a global tendency for technological and market forces associated with industrialization to push HR systems towards uniformity. Under the integration process the notion of for example a "European" or "Asia-Pacific" HR system seems more attractive, but most studies conclude that considerable diversity exists among the different national HR systems in Europe as well as Asia - which are the product of specific national, historical, cultural and political circumstances. A MNC cannot attempt to initiate changes by trying to transplant a series of HR practices from one country to another as for example, the relationships between government, labor and employers are not similar between different countries. The counterpoint to the convergence argument is that convergence at the global level in terms of economic forces and production technologies, may result in divergence at the national and intra-national level as such forces are mediated by different institutions with their own traditions and cultures. Others argue that deep-seated cultural differences between societies are not susceptible to rapid change. Mariappannadar (2005, p 32) did not argue for either convergence or divergence but questioned whether "unscrupulous transfer of Western management practices" to another country through globalization is effective or not.

Rowley, Benson and Warner (2004) proposed that there would be convergence in HR practices in China, Japan and

Korea and that an Asian HRM model will emerge. They concluded that some convergence of HRM structures has occurred but the pace of this change between the countries differs. They did not find that an Asian model of HRM is emerging but that a Western HRM model is becoming more prevalent with forms of enterprise unionism, flexible resourcing and performance-based remuneration that occur. Although globalization has created substantial economic pressure for reform in the three countries, their cultural and geographical closeness only have some secondary influence on the development of HRM practices. More arguments for "modified convergence" i.e. that certain aspects of societies tend to converge while others diverge, depending on time and circumstances, are being voiced as can be seen in the next section.

In line with certain literature (see Bartlett and Ghoshal 1998; Briscoe 1995; Herkenhoff 2000; Hofstede 1991; 1993; 2001), the assumption in this study is that national cultural differences are a significant factor in shaping institutions as well as in shaping HRM polices. Therefore the emphasis of research in this section is on national cultural differences rather than institutional differences, with differences in managers" perceptions of the companies" HRM policies being noted in a following section.

DIFFERENCES IN NATIONAL CULTURES

In order to address the second research question about the *influence of cultural differences* on the transfer of human resource practices between Germany and the Asian countries, national cultural differences are explored. This section contains an analysis of the academic frameworks used to analyse culture, but the managers" subjective perceptions of differences in culture will be presented later.

A number of frameworks to describe cultural differences among nations exist for example Kluckhohn and Strodtbeck (1961) distinguish value orientations such as beliefs about time or the importance of relationships in business. Hofstede (1980, 1991, 1993) claims that national cultures can be categorised into five dimensions which are power distance, individualism versus collectivism, masculinity versus femininity and uncertainty avoidance and long-term orientation (the latter based on a study of Chinese scholars). Hofstede"s work has been criticised for generalising findings from one company only, IBM (see Nankervis, Compton and Baird 2002; Mariappannadar 2005). The relevance of the Hofstede framework is based on the largest and most comprehensive data bank collected to date and its validity and rigour makes it an acceptable framework for this study (Herkenhoff 2000). Trompenaars (1993) builds on and refines Hofstede"s work by highlighting cultural differences along the dimensions of particularism versus universalism, individualism versus collectivism, affective-neutral, specific-diffuse and achievement-ascription. Brake and Walker (1995) define ten cultural dimensions including beliefs about the environment, time, action, communication, space, power, individualism and competition, as well as structure and thinking pattern.

In presenting these summaries one must take into account

that each country includes many cultural subgroups (see table 1 regarding population composition; see Patrickson and O"Brien 2001). Furthermore there have been extensive methodological critiques of country comparisons (Ashkanasy 2004; Sivakumar and Nakata 2001) and these raise issues such as the concept of culture is a group-based concept implying that cultural values held by a group should not be projected onto an individual who is a member of the group.

COUNTRY COMPARISON BASED ON NATIONAL CULTURE

While exact rankings are neither available nor stable over time, a general comparison between the four countries in question can be made with the framework of Hofstede.

Table 3: Hofstede's cultural differences between Germany, Singapore, Thailand and Indonesia

Dimensions	Germany	Singapore	Thailand	Indonesia
Power distance	low*	high	high	high
Individualism vs. collectivism	high	Low	low	low
Masculinity vs. femininity	high	low	low	low
Uncertainty avoidance	high	Low	high	low
Long-term orientation	low	high	high	low

(Source: Hofstede 1983b, * indicates a segment as indicative of a position on a range)

Power distance. The greater power distance in Singapore, Thailand and Indonesia compared to Germany implies a greater acceptance of unequal power distribution and hierarchical differences, manifested also in vast differences in pay. Subordinates in low power distance cultures like Germany appreciate being asked for their input in decision making, and they often expect to be consulted about decisions that affect them. Such participative management might be seen as inappropriate, or at worst as incompetence, by Asian employees (Wright University 2002; see Herkenhof 2000).

Individualism versus collectivism. The lower individualism in Singapore, Thailand and Indonesia compared to Germany, implies that measures tending to emphasise or reward the individual, such as individual appraisal systems, performance-related pay, "employee of the month" or best practice sharing, does not find fertile ground or at least may be less successful than in Germany (Herkenhoff 2000; Kamoche 2000).

Masculinity versus Femininity. The lower masculinity in Singapore, Indonesia and specifically in Thailand compared to Germany implies that the tendency of the Germans to want to get the job done, regardless of the emotional or relationship cost that may be involved, makes the Germans appear rude and too direct, while the higher femininity approach of the Asian partners seems to the Germans like avoiding the

issue (Brodbeck, Frese and Javidan 2002).

Uncertainty avoidance. Uncertainty avoidance is high in both Germany and Thailand. However, one has to be careful with the interpretation. While the Germans have developed elaborate formal systems in a system of rules, laws or quality standards to control their environment objectively (Brodbeck et al 2002), the Thais have an elaborate informal system based on religion and behavioural norms to control their environment (Lawler and Siengthai 1998). The very low uncertainty avoidance of Singapore can be explained by the fact that the responsibility to worry about the future of Singaporeans has been assumed by the government, and therefore the individual feels with certainty that the government will take care of all important matters (Baker 1999). Especially during the time of Hofstede"s study the latter view may have prevailed, whereas the Asian crisis of 1997 and the more recent crises of SARS and economic decline have shattered this confidence in the Singaporean government (Economist 2004).

Long term orientation. Valuing tradition and past social obligations is considered a short term orientation, while saving and planning for the future and persistence is considered a long term orientation. This dimension is generally found to be strong in Asian cultures and weak in Western cultures (Wright University 2002; Patrickson and O"Brien 2001), though the data in table 3 appear not to confirm that notion. For example, long-term orientation in Singapore is certainly to be observed in terms of vision and endurance, yet it does not translate on an individual level to seeking long term, that is guaranteed, employment or offering long-term loyalty to the employer. Such behaviour is more observed in Germany, stemming however, from the desire to avoid uncertainty concerning one"s future, rather than from a long-term orientation. Indonesia, with its strong traditions and fatalistic future outlook, scores low on long term orientation.

At this point critique about the weaknesses in reified and ascribed definitions of culture and the pervasiveness of multiple sub-cultural perspectives in each country need to be emphasised. For example male and female American and German managers as well as American and German employees in insurance companies were questioned about their intercultural competencies such as intercultural sensitivity and communication as well as interpersonal competence (Graf 2004). Their conclusion is *that inter-cultural competencies may be required not only when interacting with an individual from a different national culture but, also when interacting with an individual from a different organizational culture. However they cautioned that an individual possessing excellent communications skills, interpersonal skills, inter-cultural sensitivity has the potential to interact successfully with both Americans and Germans and that this individual might also be successful in further Western nations.*

In conclusion, the differences between Singapore, Thailand and Indonesia seem small compared to the differences between the Asian countries and Germany. Whether this seeming similarity of the three Asian countries under study is objectively true or is due to the fact that most of the research has been conducted from a Western point of view is an ongoing debate (Nankervis et al 2002; Patrickson and O"Brien, 2001). Nonetheless, it is tempting to group the three Asian countries together – despite the caution by Rowley and Lewis (1996,

p.11): "*National cultures are uniquely configured systemic structures and this makes the isolation and comparison of specific cultural attributes a hazardous enterprise*".

The discussion has focused especially on the first research question "*What are the key societal, cultural and human resource practice differences between the countries Germany, Singapore, Thailand and Indonesia*". Issues relating to the second research question namely the effect of these differences on HR policies and practices are explored further.

EFFECTS ON TRANSFER OF HR POLICIES AND PRACTICES

In the Verma et al framework one of the propositions is that national culture is one of the factors influencing HRM practices in organisations. Differences in national culture have been demonstrated to impact the dynamics and outcomes of for example cross-border knowledge transfer (Javidan, Stahl, Brodbeck, and Wilderom 2005).

Multinational corporations tend to strive for consistency in their HRM policies, yet to be effective locally they have to adapt those policies to the cultural requirements of different societies (Laurent 1993). In the last few decades human resource management in developed countries like Germany and Singapore has become much more complex than the purely administrative role of paying salaries (Kamoche 2000; Nankervis, Compton and Baird 2002). The flexibility of choice of benefits, the responsibility of the employer to improve the skill base of the workforce, and the increased pressure for the human resources (HR) department to prove its value to management, have changed the profession and the impact the HR department has on the individual employee (Nankervis et al 2002). While most of this should be true for Thailand and Indonesia as well, the fact is that HR practice is lagging behind the economic development of these countries (Fisher and Haertel 2003; Kamoche 2000; Lawler and Siengthai 1998).

While it has been postulated that these national, cultural and societal differences between Germany, Singapore, Thailand and Indonesia have a strong influence on respective local HR practices, and that these local HR practices do indeed differ significantly, the question remains what impact these differences have on the transfer of policies and practices in the MNC. This leads to the second question "*How do perceptions about cultural differences influence human resource policies and practices?*". This study attempts to contribute to insight about the internal processes by which MNCs transfer or translate or fail to transfer their approaches into subsidiaries (Taylor et al 1996) and the managerial assumptions underlying these processes. Kostova and Roth (2002) note that there are two factors influencing the adoption of a practice, namely the institutional profile and the relational context of within a MNC. A favourable institutional environment is firstly one that contributes to the adoption of a practice by regulations, laws and rules supporting the practice, secondly has cognitive structures that help employees understand and interpret the practice correctly and thirdly has social norms enforcing the practice. A positive relational context is firstly influenced by the extent of perceived dependence of the subsidiary on the

MNC, secondly by the level of trust between the subsidiary and MNC and the degree of identification between the subsidiary and MNC. Due to a mismatch between coercive pressures and cognitive-cultural mindsets, internalisation of such practices may not be achieved.

METHOD

STUDY SITES

The German companies were specifically selected due to: a) their size - they are large international operators namely Fortune Global 500 industrial companies that have a major impact not only in Germany but globally, b) the scope of their international operations - all three have more than 50% of their employees and/or business volume outside of Germany, c) the scope of their international subsidiaries - they have wholly foreign owned subsidiaries in more than fifty countries worldwide, d) development of their Asian subsidiaries - while the biggest market and subsidiary in Asia of all three MNCs is in China, they share a commitment to develop Singapore, Thailand and Indonesia as important markets e) the longevity of the companies - they have a history in Germany of over 100 years, f) type of industry - the focus was on electrical, mechanical and chemical industries as these industries represent core industries with country subsidiaries in Singapore, Thailand and Indonesia.

PARTICIPANTS

The selection of countries and companies were justified in the introduction and under study sites. The participants within the companies were further selected due to the accessibility of the individuals as part of the human resources practitioners" networks in Germany and in the respective countries. Each MNCs HQ is defined as a main case and each country subsidiary of that MNC 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).

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 MNC"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).

DATA CODING

All the data from the semi structured in-depth interviews were systematically manually recorded on the interview protocol. Throughout the interview, respondents could illustrate, expand or digress from the questions in the interview protocol. Next, the result of the interviews were recorded in reports 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 purposes. 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.

To preserve confidentiality and to maximise ease of reading, the main cases are coded as cases "E" for electrical, "M" for mechanical and "C" for chemical, based on the industries in which the main case MNCs are active. The embedded cases are numbered so that each main case has four distinct numbers, for example "E", the main case, consists of case "E1" (Headquarters in Germany), "E2" (Singapore), "E3" (Thailand) and "E4" (Indonesia). Interview partners are grouped by their function, working as a line manager, including the Chief Executive Officer (CEO) or the Chief Financial Officer (CFO) as "L" or in HR, "H". Information obtained from other sources are coded as "O".

DESIGN PROCEDURE

At the time of data gathering, the German companies were

Table 4: 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.

familiar with the Hofstede model and had used that in their expatriate training programs. As the participants were more familiar with the Hofstede framework this was used as a starting point in the discussion. However it needs to be recognised that the Hofstede *survey* was not used in the qualitative study, but semi-structured interviews were used to gather data. Using the GLOBE *survey* would not have been appropriate in this study"s research design.

The principal source of data comes from the 24 in-depth interviews with selected managers of three German MNCs at HQ and subsidiaries in Singapore, Thailand and Indonesia as well as field observations in every country by the first researcher. The analysis of relevant documents, handed to this researcher by the interview partners, further augments triangulation (see Miles and Huberman 1994; Stake 1995; Yin 2003). 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 is 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 resea rch 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 two of these research questions are addressed in this paper. The respondents from subsidiaries are asked to comment on perceived cultural, legal or societal differences between their country and Germany, while the respondents from HQ are asked the same question from a German perspective, that is perceived cultural, legal or societal differences between Germany and the three Asian countries under study. In another section the respondents are asked to give examples of HR issues that need adaptation to fit the subsidiary and specifically, why these modifications should occur. A further question addresses how unique a subsidiary feels in comparison to others and to what extent HR issues ought to be standardised globally in the MNC.

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 and Tietje 2002). This reveals the pattern in, or approach to, transfer of HR policies and practices inside one MNC 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 MNCs (Scholz and Tietje 2002; Yin 2003). This reveals specific approaches in one country. The common factor is the national culture. Finally, **cross-cluster** analysis compares data and patterns among clusters that have a common trait regardless of the case (Miles and Huberman 1994). These could be common traits of interview partners, for example educational background, position or gender. In this study the most valuable analysis comes from within-case analysis and cross-case analysis, with cross-cluster analysis being integrated, where appropriate, in the reporting of data analysis along the lines of the research issues. 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

The results in each section will be presented in different ways in each table to accommodate the actual results obtained in the study. In general the data in each table is analysed firstly by discussing the results for each specific case namely Case E or Case M or Case C 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 5, row one), but in other tables for example Table 6 diverse results pertaining to specific themes are contrasted either by column (by case) or by row (theme) .

PERCEIVED DIFFERENCES BETWEEN GERMANY AND THE ASIAN COUNTRIES

In the first section results of interview items relating to the first research question "*What are the key cultural, legal and societal differences between the countries Germany, Singapore, Thailand and Indonesia*" are presented. These relate to the *perceptions* of the German HQ managers and the respondents from subsidiaries.

Culture and society. Table 5 shows that the HQ respondents of the MNCs (see row 1) perceive that "*Asia is different*" (M1), even though their specific local knowledge of Singapore, Thailand and Indonesia is rather limited: "*German people are very direct*" (E3H) and "*The Asian people are quiet and never say what they mean*" (M1H). Such statements only describe some issues on a relatively generic level and reduce the differences to a communication issue (Table 5).

Table 5: Statements about cultural differences between Germany and Singapore/Thailand/Indonesia

	Case E	Case M	Case C
HQ Germany	Asia is different from Germany Germans are more structured, more result oriented Asians are not proactive, need to be pushed Asians are quiet and do not say what they mean		
Singapore Thailand Indonesia	Asians are more polite Germans are direct and rude, have little understanding of the Asian way of avoiding conflict Germany is part of the West		

(Stehle 2004)

Thailand views itself as the "*most different from Germany*" (Table 5, all three subsidiaries in row 2, E3H, M3L). The differences in culture mentioned by all interviewed Thai and Indonesian nationals are different styles of communication, with Germans being seen as direct and rude and Thais and Indonesians as indirect and polite. The concept of face saving and of never saying no to a superior is seen to cause many difficulties between Germans and Thais and Indonesians, whereas Singaporeans do not have a big problem with face saving. Conflict resolution, dealt with in Germany by addressing the conflict openly and "fighting it out" is considered the biggest difference and the biggest problem between German managers and local managers of the subsidiaries.

In the same way that HQ respondents assume Singapore, Thailand and Indonesia to be part of Asia without the need to approach individual countries differently, the subsidiaries regard Germany by and large as "part of the West", rather than an individual country distinct from the US, for example. Only the subsidiaries in Singapore differentiate between the German directness and the British way of avoiding direct statements.

Cross-case analysis: Further data analysis shows that while respondents in cases E and M are quite content with their generic acceptance of differences between Asia and Germany, case C, is systematically mapping cultural differences in the MNC, using Hofstede"s framework of cultural dimensions. This systematic approach is facilitated by the fact that the HR manager in HQ of case C responsible for Asia, as well as the HR directors in the two subsidiaries in Singapore and Thailand are academically qualified in the field of international HR and have experience as lecturers in universities. While having no conclusive result at the time of this study, case C is the only case under study that is attempting to map cultural differences and plans to adapt its approach in a country specific way.

Differences in the legal system between Germany and Singapore, Thailand and Indonesia are not perceived as being an issue in international HR in any interview. The common understanding of subsidiaries and HQ is that the subsidiaries must ensure legal compliance in the relevant country and that HQ in Germany accepts this as given, if the respective legal practice is explained. All respondents are well aware of sizeable differences in legal systems, being relevant to HR overall. These would include payroll administration or compulsory compensation for a 13th month; the role of the unions in collective bargaining of work time and salary reviews, and recruitment, separation and retrenchment regulations amongst others. However, those HR issues that are directly affected by the legal environment are regarded by all interviewed parties unanimously as *local issues,* not being part of the discussion of internationalisation of HR. In brief, cultural differences between Germany and South East Asia are viewed as relevant for HR mainly in terms of communication style. Legal differences between the countries are acknowledged and the subsidiaries must ensure local legal compliance.

PERCEIVED DIFFERENCES AMONG THE ASIAN COUNTRIES

In this section results of interview items relating to the second research question "*How do perceptions about cultural differences influence human resource policies and practices?*" with a focus on perceptions about cultural differences are presented. The results are discussed in general and are not summarised in a table.

In the HQ of the MNCs of cases E, M and C the underlying belief is that there are differences between Singapore, Thailand and Indonesia in culture, society and legal systems, yet they are unknown in HQ and not regarded as relevant when designing or transferring HR policies and practices. While it is seen that "*it is somehow easier to talk to the guys in Singapore*" (C1H), this fact is attributed to individuals rather than a difference in national culture between Singapore and Thailand or Indonesia, which might lead to a strategically different approach from one country to another. The one exception, is the attempt of case C to map cultural differences along Hofstede"s model and to formulate a different approach towards each country in the future.

The subsidiaries are aligned in their views along national lines. Thailand is the only country of the three Asian countries under study that has never lost its independence to a colonial power, a fact stated in 5 out of 6 interviews in Thailand, and used to explain why there is less alignment with the West than in Singapore and Indonesia, less English spoken and generally, a greater cultural distance between Thailand and Germany, than between Singapore and Germany. Also, the geography of having not many significant sea ports is a reason given when explaining why Thais often "*struggle with the English language and the Western ways of doing things*" (M3H). While Thai and Indonesian interview partners make a point that their respective cultures are similar with the exception of religion, the perception of Singapore is that of being "*efficient, rude and more like Westerners*" (C4H). The Singaporean interview partners note the similarity between Thailand and Indonesia; their self image is that of being business minded and at ease with both worlds, the East and the West.

All interview partners make a point of saying that professionally they are not concerned with the differences between the countries under study, and that their answers represent a general perception based on experiences from travel and reading. It must be stressed again that cultural, societal and legal differences between the countries under study are considered so significant by the German HQ that a local HR department is a necessity in every subsidiary. Given this fact, the interview partners are not concerned professionally with the differences from other countries. Other, smaller firms, who attempt to have one HR department running the HR in different country subsidiaries report nearly insurmountable difficulties. In brief, there is a perception that Singapore, Thailand and Indonesia are different, yet there is little specific real knowledge and the underlying belief is that the study or knowledge of differences between the countries is professionally unimportant for international HR in a German MNC.

CULTURAL AWARENESS OF HQ AND SUBSIDIARY STAFF

A further interview item relating to the second research question regarding perceptions of cultural differences, inves-

tigates the level of cultural awareness of staff. Table 6 shows there is a low level of cultural awareness among HQ staff in all three cases (see row 1). A culturally insensitive example is found in one MNC"s internal promotional material which states: "*We want a culture of open dialogue and commitment!*" (EO). Lack of international experience among the HQ staff is cited in all HQ interviews as the main reason for the lack of cultural awareness, as outlined in table 6.

Table 6: Levels of cultural awareness of HQ staff and strategies employed by the MNC to improve

	Case E	Case M	Case C
Level of cultural awareness of HQ staff	Limited cultural awareness of HQ staff.		
Strategies to improve	Increase international experience and exposure of HQ staff.		
Practices employed	Create international positions and promote to senior level only people with international experience.	Hire outside people with international experience.	
Challenges	Costly, takes time.	Lack of company experience.	

(Stehle 2004)

In terms of practices employed (Table 6, row 3), the HQ in cases M and C employs outside HR specialists with international experience, though still German nationals, to overcome the lack of cultural awareness in their HQ staff (MO, CO). Case E takes the approach of providing international positions for HQ HR staff and when promoting from within, international experience plays a significant role: "*We only appoint staff to senior management positions in central HR who have international experience, which is defined as having lived and worked outside Germany for at least 18 months.*" (E1H). This approach takes time and the commitment and money to provide international positions. Whereas recruiting new staff with relevant international experience is fast, the new staff may lack the necessary company experience.

While HQ and the subsidiaries agree that the cultural awareness and intercultural competence of HQ staff needs to improve, and the way to do this is through gaining international experience, only case M is also concerned with increasing the intercultural competence of its local staff: "*We train our people specifically in workshops to work with foreigners and learn how to deal with their more direct style and culture of dialogue and commitment*" (M3H).

In brief, cultural awareness of HQ staff is perceived as limited. Gaining international experience is the preferred way to address this limitation. Increasing cultural awareness of subsidiary staff is systematically handled in one case and not addressed in the two other cases.

In the following sections results of interview items relating to the second research question with a focus on uniqueness of subsidiaries and perceptions about standardisation of HR policies are presented.

PERCEIVED UNIQUENESS OF SUBSIDIARY

Another interview item relating to the second research question regarding the impact of cultural differences, related to the perceived uniqueness of the subsidiary and its impact on policies. Table 7 shows that the subsidiaries of the MNCs in cases E, M and C regard themselves as being part of a larger group of country subsidiaries in Asia (row 2). The uniqueness of the subsidiary is not argued based on the nature of the business, the local market, the organisation of the subsidiary or legal differences. Rather, the different national situations leading to different *national cultures* are used to explain why the subsidiary is unique in the respective MNC. HQ respondents, 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 (see table 7, row 3).

Table 7: Perceived uniqueness of subsidiaries

	Singapore	Thailand	Indonesia
HQ Germany	HQ differentiates its respective subsidiaries based on subsidiary size and product portfolio.		
Subsidiaries general	Subsidiaries see themselves as part of a group in Asia and differentiate themselves along national boundaries.		
Subsidiaries individual	Unique because Singapore is an efficient and business minded city state that bridges East and West.	Unique because Thailand has no colonial past, no significant sea ports and is therefore more secluded from the West.	Unique because Indonesia is the only Muslim country under study and the fragmented island structure makes it hard to govern.

(Stehle 2004; Stehle and Erwee 2005)

The Singapore respondents argue their uniqueness based on Singapore being an efficient city state that bridges the East and the West. The 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 colonial past. Respondents from Indonesia cite religion, Indonesia is the only Muslim country in the study, and geography, Indonesia 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 MNC in the respective country, the answers from the subsidiary respondents address national cultural differences.

HR ISSUES TO BE STANDARDISED GLOBALLY

A final interview item relates to the uniqueness of the subsidiary on the transfer of HR policies. There is a strong

belief in the HQ of all three MNCs 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"* (M1H). 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"* (M1H). 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"* (M3L). *"The leadership principles from Germany are no good in Thailand and cannot be applied"* (E3H).

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 (Stehle and Erwee, 2005).

DISCUSSION

DIFFERENCE BETWEEN GERMANY AND SUBSIDIARY, OR HOST COUNTRIES

Even though there are recognised differences between Singapore, Thailand and Indonesia, the findings confirm that compared to Germany, the three countries can be clustered as the Asian cluster (see also Ashkanasy 2004; Javidan et al 2005), with Singapore being somewhat distanced from Thailand and Indonesia and closer to the German, that is, Western culture. The results of this study can be subjected to further analysis using the frameworks about national cultures in the literature. Specifically, applying the criteria of the models of Hofstede (2001) can help to understand the observed behaviour better. For example, a low power distance and extensive use of technology in Germany lead to a regional communication platform designed by HQ and the expectation from HQ that regional HR directors, regardless of rank and seniority, will contribute knowledge. German respondents, high on individualism, call for contribution from the subsidiaries in the form of best practice, assuming that participants would like to show their individual achievements. Asian respondents on the other hand, high on power distance and low on individualism, need a more social network and prefer collective practice discussions, rather than individual best practice listings.

The findings are somewhat inconclusive with respect to the question whether Germany is part of a Western cultural cluster, or whether it is distinctly different from the US, that is, the Anglo-Saxon culture (Hofstede 2001; Javidan et al 2005). While the previous discussion of research issue 1, "IHRM approach", finds significant differences in the ways of US versus German MNCs operating in Singapore, Thailand and Indonesia, the questions aiming at cultural differences directly, mostly understood and answered on a level referring to individuals, find little differentiation among the respondents between German and "other western" cultures. Germans are perceived to be as Western as Americans, yet operate their respective companies differently. One possible explanation can be the inverse of why it is possible to cluster the Asian countries together when comparing to Germany; the cultural distance between the Asian countries on the one hand and Germany and the US on the other hand is so large from the Asian perspective, that differences between Germany and the US seem small in comparison (Nankervis, Compton and Baird 2002).

Difference between subsidiary countries. While it is possible to cluster Singapore, Thailand and Indonesia, there are still significant differences among the three countries" cultural and legal norms. These differences are based on history, religion and geography, confirming the literature (Hofstede 2001; Rowley and Benson 2002) that national differences outweigh industry or organisational issues. The first researcher is a founding member of the HR chapter of the German Business Association in Singapore. All represented German MNCs in that association share the view that, because of the legal and cultural differences between countries, a local HR manager is essential in each country, which in turn means that for the issue of internationalisation over and above the local issues, legal differences do not play a significant role, again confirming the point that the local HR director is the key in translating HQ policies into subsidiary practices.

Sivakumar and Nakata (2001) critique the country selection and sample design in many of the studies using Hofstede"s model. They caution that differences in HR practices should not be merely ascribed to cultural factors as the two countries may not have been sufficiently distant on the cultural factor such as individualism to cause the observed differences in a particular HR practice. Furthermore Gerhart and Fang (2005) point out that some research indicates that organisational differences are larger than cultural values and this implies the researchers should balance the focus on national differences with differences in organisational culture and practices.

IMPACT OF CULTURAL DIFFERENCES

In the discussion about cultural differences the literature is almost unanimous in stating that organisations accept the existence of cultural differences and the need to take them into account in international business (Adler 2001; Bartlett and Ghoshal 1998; Briscoe 1995; Hofstede 2001). When researching the transfer of HR policies and practices, cultural differences between the countries have a two-fold impact. The first impact is well documented in the IHRM literature (Briscoe 1995; Dowling, Schuler, Welch 1999; Nankervis, Compton and Baird 2002) and deals with the differences of culture, values, attitudes and behaviour of the employees to whom the respective policies are meant to apply. The second impact comes from the cultural differences of managers involved in the transfer of knowledge, policies and procedures, and this impact is addressed in the literature of knowledge management and organisational behaviour (Adler 2001; Kostova and Roth 2002; Poedenphant 2002). This is confirmed by results for case studies in the GLOBE research namely "..the transfer of knowledge from and to geographically dispersed units within the organization (e.g. from headquarters to a foreign subsidiary) and between organizations (e.g. from an acquirer

to the acquired company) is likely to be influenced by differences in national cultures" (Javidan, Stahl, Brodbeck and Wilderom, 2005). It is the combination of these two impacts that constitutes the discussion of research issue 2 on cultural differences.

The findings seem to confirm the literature which states that most societies, managers and employees are parochial or **ethnocentric** and that acknowledged differences between national cultures focus predominantly on communication styles, whereas value differences have to be observed or deducted (Adler 2001). Furthermore, the findings contrast with the literature (Dowling, Schuler and Welch 1999; Nankervis, Compton and Baird 2002) which states that cultural differences and sensibility are at the forefront of IHRM. Rather, the managers in the HQ and in subsidiaries of the German MNCs of this study have little awareness or in-depth knowledge of cultural differences between the four countries in the study. They assume that their local HR departments, fulfilling all HR functions, absolve them from the need for a more in-depth investigation and knowledge gathering or sharing about cultural differences. Transfer of HR policies and practices is routed via these local HR departments and it is the responsibility of the local HR director to adapt the proposed policies to obtain a locally legal and applicable practice solution. It is this reliance on the intercultural sensitivity of the local HR director that for a number of reasons influences the outcomes, that is the quality, of IHRM at the studied MNCs in a negative way. First, a continuation with the traditional German ways might bring substandard solutions to the subsidiaries (Adler 2001; Dickmann 2004), resulting in substandard performance. Second, with the German workforce being a minority in the MNCs, more integrative ways have to be sought (Chew and Horwitz 2004; Rugman and Hodgetts 2000). Third, in times of economic upswings the workforce will choose more culturally attuned employers, thus leaving the MNCs under study at an economic disadvantage (Briscoe 1995). Finally and most significantly, German HQs only assume that the local HR director adapts the global policies in a culturally sensitive way; this assumption is neither followed up by the HQs, nor do the findings of this study justify this assumption.

CONVERGENCE OR DIVERGENCE OF HR PRACTICES

Relating to the concepts of convergence or divergence, the findings confirm the literature that macro-level variables, policies, global strategies and principles seem to converge (Adler 2001), the "five principles of HR of case M" being one example, while practices continue to be shaped by the local, national circumstances and as such may even diverge between countries (Chew and Horwitz 2004; Pauly and Reich 1997; Rowley and Benson 2002). The interface between converging policies and diverging practices is the local HR director whose role consequently grows in importance. By establishing regional platforms and exchange of practices between the local subsidiaries, a blend towards crossvergence (McGaughey and De Cieri 1999) can take place on a process level, such as in the case of compensation across Asia (Herkenhoff 2000). The regional platforms, exchange of practices and the helping of new subsidiaries by others that are a few years old, create an "Asia HR" community and spirit in all three MNCs, which fosters the development of an Asian way of processing reports, or integrating line management in HR reporting, for example. Rather than seeing a development towards a truly global company, where resources and practices are shared globally, an intermediate step towards the Asian company, where resources and practices are shared in the region, takes place. At this point it is too early to tell if that development will prove a positive first step or an obstacle on the road towards the global or transnational company (Adler 2001; Bartlett and Ghoshal 1998).

CONCLUSIONS

There is widespread agreement among the respondents that cultural, societal and legal differences between Germany, Singapore, Thailand and Indonesia do exist. What these differences are specifically, and how they influence HR, is not very much at the forefront of thinking in either HQ or subsidiary respondents. While the existence of differences such as different styles of communication is acknowledged, they are not being closely examined and are seen as a responsibility of the local HR staff to manage. Only one company is mapping cultural differences systematically and plans to formulate a different approach towards each country in the future. The practical implication is that the level of sophistication of the HR strategy, policies and practices of each of the MNCs is not on an acceptable level, because the local HR directors lack the international experience and intercultural ability to manage these differences well.

To conclude, referring to the two impacts from cultural differences addressed above, it is the second, that is, the cultural differences of the managers involved in international transfer of HR policies and practices, rather than the cultural differences of the workforces at large, that sometimes pose a challenge for the MNCs. Cultural challenges in the transfer of HR policies are rarely attributable to content and more often to the cultural values of the people involved in the transfer itself.

A local HR manager as HR director is preferred over an expatriate by all respondents; in Indonesia this is actually a legal requirement. Another practical implication is that to be culturally more aware is desirable both in HQ and subsidiaries and the most common solution applied to overcome the lack of cultural awareness is to exchange expatriate managers within the MNC, or employ people who have previously gathered international experience.

Two other conclusions are first, it is positive that HQ takes the initiative and creates platforms for the individual country HR directors to create a network, because eventually it will help the MNC to have less isolated subsidiary HR systems (Bartlett and Ghoshal 1998; Poedenphant 2002). Second, however, the impact could be much more significant and faster if HQ paid more attention to analysing cultural differences, and were to design systems and processes accordingly (Adler 2001; Dowling, Schuler and Welch 1999; Evans, Pucik and Barsoux 2002). In practice such adapted systems need neither be more complex nor more expensive. For example, changing the approach or concepts from *best practice* to *good*

practice or encouraging group input over individual input are no-cost adaptations that would make a system more readily accepted. The MNCs under study could map cultural distances and differences between HQ and subsidiaries, when designing policies or platforms in HQ to be applied in the subsidiaries. A further implementation strategy would be to have such designs developed and tested by international teams.

LIMITATIONS

By researching only German MNCs it is difficult to generalise the findings to MNCs 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 MNCs under study that they have a stable presence in the respective countries. To minimise the influence of macroeconomic differences between the MNCs, all the interviews in one country are conducted in the same timeframe. Internationalisation of HR is an ongoing process and it is not possible to "repeat" the transfer of HR policies and practices under the same circumstances as would occur in a controlled experiment. This also justifies the choice of case studies over an experiment or surveys.

It was beyond the scope of this exploratory case study research to test certain hypotheses. Future researchers may design a quantitative study to explore a) the link between HR perceptions which are derived on the basis of societal cultural differences, b) differences and similarities on social cultural values and particular HR practices and c) the link between the effectiveness of HR practices and differences in cultural values and institutional practices. Future studies investigating the societal and organisational cultural differences between in Germany, Thailand, Singapore and Indonesia would probably use the GLOBE methodology (House, Hanges, Javidan, Dorfman, Gupta & Globe Associates 2004; Javidan et al 2005).

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