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Unitarism, Pluralism, and Human Resource Management in Germany

Abstract

- This paper examines human resource practices in Germany. It aims to find out whether there is a convergence towards a more unitarist US type of human resource management (HRM).
- The study is based on 25 case studies of German-, British- and US-owned banks and chemical firms operating in Germany.

Key Results

- Although over the last decade many of the techniques associated with HRM have been introduced, most firms in the sample still largely comply with German labor market institutions.
- Pivotal HRM elements such as extensive training and employment security are favored by the German institutional environment. This exerts pressures to adopt a pluralist approach to HRM. Far from supporting convergence thinking, the German example supports a diversity theory.

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Introduction

This paper discusses the convergence thesis using the example of human resource management in Germany. Convergence theories dominated social sciences in the 1950s and 1960s. Arguably the most influential contribution to this discussion was Kerr et al.'s "Industrialism and Industrial Man" (1960). They suggested that technology will, over an extended period, lead to the development of similar economic, political, social and organizational aspects in all industrialized societies. It assumed that there is a link between the development stage of an economy and its dominant managerial practices. Kerr et al. saw technology as the driving force behind convergence. Today competition and globalization are more often given as the main reasons for a convergence of managerial practices (Mueller 1994).

Over the last two decades the concept of HRM (Human Resource Management) has emerged as one of the most important prescriptions for a world-wide convergence of managerial practices. Like most other management concepts it originated in the US. However, HRM (1) not only offers a range of modern management techniques in much the same way as lean production and re-engineering, but is also about values. "More than any of the other innovations, it impacts directly on culturally specific ways of doing things buttressed by national institutions and values systems" (Hendry 1991, p. 416). The values of HRM are essentially unitarist and individualistic. The philosophy underlying HRM becomes apparent, if one has a closer look at the case studies that form the empirical basis of the American HRM literature. Most of the successful and innovative companies which have been studied as HRM models in the USA are non-union and use sophisticated human resource management techniques targeting the individual employee (Foulkes 1980). They do not recognize trade unions and employee relations are determined unilaterally by management. It has been questioned whether US type HRM prescriptions should be imported to Europe, because the values of HRM run counter to European traditions of pluralism and collectivism as well as a stronger regulated environment for companies (Brewster 1995, Ferner/Hyman 1992, Guest 1994, Kirkbride 1994, Müller 1999b).

A particularly interesting case for a convergence towards HRM is Germany. In contrast to the free market US economy, companies in Germany have to operate in an elaborate institutional environment (Ebster-Grosz/Pugh 1996, Lane 1992, Warner 1998, Wever 1995). The three main German labor market institutions of co-determination, collective bargaining and initial vocational training, in particular, restrict managerial autonomy and therefore might hinder the application of a unitarist type of HRM. To be more precise, companies in Germany usually have a works council. This body has extensive co-determination rights and plays a crucial role whenever there are organizational changes affecting the workforce. In addition more than 80 per cent of German employees are still covered by multi-

employer collective bargaining. This means that their salaries and conditions of employment are standardized to a high degree (for a more detailed overview of the German system of industrial relations see Baethge/Wolf 1995, IDE 1993, Jacobi/Keller/Müller-Jentsch 1998, Müller 1997, Streeck 1993, Visser/Ruysseveldt 1996). Furthermore, about five per cent of the German workforce take part in an initial vocational training. This training is governed and regulated by a tripartite system that involves the state, employers' organizations and trade unions and therefore also reduces organizational autonomy (for recent descriptions of the German system of initial vocational training see Géhin/Méhaut 1995, Steedman 1993). Given this strong institutional environment one could imagine that it exerts pressures for a convergence of human resource practices towards a German model.

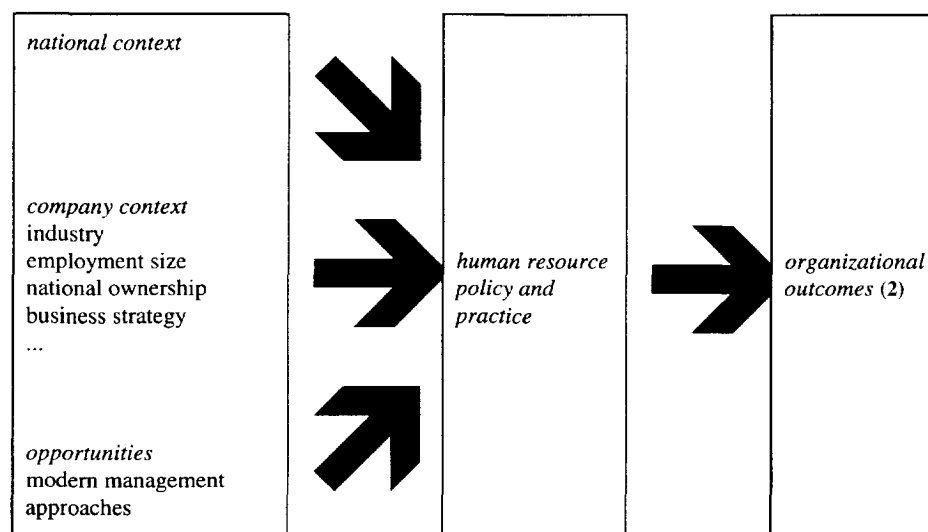
The next section will present the context of the research conducted to examine the above issues. The following two parts analyze some of the data collected. Then a typology will be introduced that helps to classify the human resource approaches of firms operating in Germany.

Research Context

The analysis so far raises the question whether there is a convergence about international forms of management such as HRM or a divergence centered around national institutions. However, human resource policies and practices at the company level are influenced not only by national institutions and opportunities offered by modern management approaches, but also by factors in the organizational context (for context factors having a potential influence on human resource management see Jackson/Schuler 1995, Sparrow/Hiltrop 1997). Consequently the conceptual framework guiding this research assumes that human resource policies and practices of individual organizations are influenced by the national context, the opportunities created by modern management approaches and the organizational context (see Figure 1).

On the basis of the conceptual framework, three hypotheses can be developed that will help to sharpen the focus of this paper. Firstly, a precondition for national labor market institutions having an influence on human resource practices is that firms comply with their requirements. Therefore one can formulate the hypothesis that *all firms operating in Germany should comply with the requirements of the three key labor market institutions of centralized collective bargaining, co-determination and initial vocational training*. A company complies fully with the German system of multi-employer collective bargaining, as long as it is a member of an employers' association and follows the rules set out by the association's agreement. If it has a company collective bargaining agreement, it only partly

Figure 1. The Conceptual Framework



complies. Similarly, a firm fully complies with initial vocational training as long as it has a significant percentage of apprentices (e.g. more than 3 per cent of the total workforce). Those with only a few apprentices are considered to partly comply. Finally, all those companies which have works councils in all major establishments and which do not avoid board level co-determination fully comply (Müller 1998).

Secondly, a related hypothesis is that *HRM is incompatible with German labor market institutions*. Thus we want to find out whether German firms use HRM techniques and if this fostered by the institutional environment. In order to do this, it is necessary to define and operationalize what we mean by HRM techniques. The classic statements by Beer et al. (1984) and Walton (1985) mention a number of HRM practices. Since then various lists of human resource practices associated with HRM have been drawn up (for recent lists by US researchers see Huselid 1995, MacDuffie 1995, Pfeffer 1998, Youndt et al. 1996; and by UK researchers see Brewster/Hegewisch 1994, pp. 247–273, Guest/Hoque 1994, Storey 1992, Wood/Albanese 1995, Wood/Menezes 1998). Although some of the indicators presented in these check lists, such as employment security, single status and high investment in training appear to be commonly accepted by most academics that have drawn up inventories of HRM practices, there is, as Guest (1997, p. 266) points out, still a lack of “a coherent theoretical basis for classifying HRM policy and practice.” HRM still appears to be an academically constructed stereotype that is a convenient shorthand for a number of practices. In the absence of a commonly agreed list of HRM techniques this research will use Guest’s (1987)

human resource policy goals of commitment, flexibility, quality and strategic integration to judge whether a particular human resource practice is a HRM technique or not. Hendry (1994) and Legge (1995) have used the same route to examine HRM in the UK. Particularly in the European context, where organizations have to operate with restricted autonomy (Brewster 1995), such a normative approach seems to be appropriate.

Thirdly, as mentioned before, HRM is not only about techniques, but also about values. There is a potential clash of culture between the unitarist ideology of HRM and the collectivist pressures exerted by German labor market institutions. If companies operating in Germany largely comply with the requirements of these institutions, then the question is what other HRM approach is or can be followed. One which may be compatible with the German system is to achieve the HRM outcomes of commitment, flexibility, quality and strategic integration with a pluralist style of management. Hence, the third hypothesis is that *the German system fosters the development of a pluralist type of HRM*. The term 'pluralist HRM' was coined by Guest (1989) to describe the combination of a high HRM priority and a high industrial relations priority. Other terms used to express that HRM and trade unionism are compatible are "the new realism" (Guest 1995, p. 119), "the motivated competence model" (Heller 1993), "pragmatic eclecticism" (Regini 1993, p. 567), or "mutuality" (Walton 1985). For the UK, survey evidence indicates that the presence of trade unions has a positive impact on the introduction of HRM techniques (Guest/Hoque 1996, Millward 1994). If this is so, one would expect this to apply even more strongly for Germany. The co-operative style of industrial relations thought to be a pivotal part of the German system makes it possible for employees in this country to have a dual commitment to both the company and the trade union. This at least was shown by a comparative study of workers in the electronics industry (Guest/Dewe 1991). Hence, the case of Germany could show that HRM and unions can coexist.

Methods and Data Collection

The research presented here is built on case studies of twelve German-owned, four British, and nine US companies operating in Germany (see Table 1). Foreign-owned firms were included as they are thought more likely than indigenous firms to challenge national labor market institutions (Ferner 1997). Therefore, their example could help to illuminate the pressures on the German system. This particularly applies for US multinationals, as they are renowned for deviating from national industrial relations and human resource practices (Chi-Ching/Keng-Choo 1995, Müller 1998, Tayeb 1998). In order to facilitate a comparison between the foreign-owned firms which have a world-wide workforce of at least five thousand employees, only large German companies were included in the sample (see

Table 1. The Firms in the Sample (Employment Size and Compliance with Key Labour Market Institutions (✓ Full Compliance, x Partly Compliant, – No Compliance))

	Approximate number of employees in Germany (in 1993)	Multi-employer bargaining	Co-determination	Initial vocational training
<i>German companies</i>				
Big Bank	60,000	✓	✓	✓
Universal Bank	40,000	✓	✓	✓
Regional Bank	15,000	✓	✓	✓
State Bank	5,000	✓	✓	x
Cooperative Bank	2,000	✓	✓	✓
Savings Bank	500	✓	✓	✓
Big Chemical	90,000	✓	✓	✓
Consumer Chemicals	20,000	✓	✓	✓
Big Pharmaceutical	10,000	✓	✓	✓
Applied Chemicals	5,000	✓	✓	✓
Oil Company	5,000	✓	✓	✓
Pharmaceutical Firm	1,500	x	✓	✓
<i>US subsidiaries</i>				
US Branch Bank	4,000	✓	✓	✓
US Merchant Bank	300	-	-	✓
US International Bank	200	-	x	-
US Investment Bank	100	-	-	-
US Commercial Bank	100	-	-	-
US Consumer Chemicals	9,000	✓	✓	x
US Chemical	3,000	-	x	x
US Oil	2,000	x	✓	✓
US Pharmaceutical	500	✓	-	x
<i>UK subsidiaries</i>				
UK Merchant Bank	1,000	✓	✓	x
UK Oil	4,000	x	✓	✓
UK Chemical	2,000	✓	✓	✓
UK Pharmaceutical	1,500	✓	✓	x

Table 1). Among these were well known firms such as Deutsche Bank, Hoechst, and Henkel. This sample selection was somewhat biased, as the US subsidiaries in particular were relatively small, and this has to be taken into account in the following analysis. Due to sectoral factors having an influence on the behavior of multinationals in their host country, only banks and chemical firms were chosen. One reason for selecting these industries was that in both of them a number of UK and US firms were operating. In the chemical industry I selected pairs of compa-

nies with similar businesses such as oil companies and pharmaceutical firms. In banking this was not possible, as German banks are usually universal banks which offer all types of banking services, whereas most foreign banks in Germany are merchant or investment banks. It is also important to acknowledge that the analysis only applies to former West Germany, as all firms visited were based there.

The company case studies are based on multiple sources of evidence. Primary and secondary evidence such as company newsletters, annual reports and works agreements were collected. Between 1991 and 1994 the sample firms were visited at least twice and more than 150 face-to-face and phone interviews were conducted. Most of the respondents were personnel managers. When possible the researcher also talked to line managers and employee representatives. The interviews were conducted in a semi-structured style. For each sample firm a case study report was written and fed back to the key informant. The respondent validation helped to find out if the understanding of particular company facts and situations was correct. The case studies contained general information such as legal form, organizational structure; data about the compliance of sample firms with German labor market institutions; and details about the use of human resource instruments such as appraisal and remuneration systems. The researcher inquired about the instruments used, what they looked like, whether they had changed and when they were implemented for the first time. The first part of the data presentation will now discuss the compliance of the sample firms with German labor market institutions.

Compliance with German Labor Market Institutions

In regard to compliance with the major German labor market institutions of collective bargaining, co-determination and initial vocational training, the sample firms can be divided into two groups. The first group consists of all German firms, the British subsidiaries and three of the US transplants (US Branch Bank, US Consumer Chemicals, and US Oil). They either fully or partly comply with the German labor market institutions studied (see Table 1).

In contrast to these firms, six of the nine US subsidiaries generally do not comply with German labor market institutions. US Pharmaceutical and US Chemical avoid at least one of them entirely. It is worth noting that US Chemical is one of the few large companies operating in Germany that has no collective bargaining at all. The non-existence of a works council in a company as big as US Pharmaceutical's German subsidiary is also worth noting. The four smallest US banks deviate even more from the majority of the sample. None of them is subject to collective bargaining. Only one deals with a works council and only one

offers initial vocational training. Employment size is clearly important. German institutions leave more choice for smaller than for large firms. Nevertheless, unlike the six US firms in the sample, the majority of firms of similar size in these industries, do comply (Müller 1998). Furthermore, although employers are dissatisfied with elements of the German system, there are so far no serious attempts by them to challenge it. For example, although the German system of multi-employer bargaining is blamed for causing inflexibility and a too high wage burden, there is no widespread trend to leave employers' associations. Adjustment and adaptation largely occurs within the institutional framework (Müller 1997). Hence, the six deviant companies in the sample do not appear to provide a model that is likely to be widely followed.

The second hypothesis, that HRM is incompatible with the requirements of German labor market institutions, is linked to the first one. Arguably companies that want to follow a unitarist HRM policy cannot at the same time comply with co-determination, collective bargaining and/or initial vocational training. German labor market institutions restrict management's right to manage. For example, in those companies that have works councils, management has to negotiate with employee representatives about the introduction or change of most human resource instruments and sometimes even has to accept that works councilors control their operation. Therefore, as the majority of companies in the sample comply with the requirements of the above institutions, they cannot follow a unitarist policy. However, six US subsidiaries appear to pursue an avoidance strategy. Nevertheless, this does not necessarily mean that they have a unitarist HRM approach, as they could be high or low users of HRM practices. Similarly, although the majority of firms in the sample comply with the requirements of the German system, they could still use some of the techniques associated with HRM. Therefore the following sections will examine the extent to which HRM is practiced by the sample firms in the key areas of human resource flow, communication and rewards.

Human Resource Practices

Human Resource Flow

We start with human resource flow. Companies that practice HRM should select new employees carefully, monitor their development with regular appraisals and also offer them extensive training and employment security to achieve the human resource outcomes of commitment, flexibility and quality.

In terms of selection and induction most sample firms put a special emphasis on the recruitment of school and university graduates. Apprentices are selected with written tests and management trainees often with an assessment center. The

initial vocational training offers apprentices a structured induction into the organization, as well as a training in occupational skills. Newly recruited graduates usually also receive some form of structured induction. In contrast to apprentices and management trainees, tests and assessment center are hardly used for other groups of employees, even for managers. This finding is confirmed by the more representative Cranet-E data (Brewster/Hegewisch 1994, Table 3.6). Only a few of the sample firms offer any form of structured induction for this group of employees.

Turning to training, most sample firms offer an initial vocational training (see table 1). Employees can then acquire further vocational training qualifications. Almost all sample firms support those who want to get this qualification financially as well as with time off. In addition to these general qualifications, technical and non-technical company specific training is usually extensively provided. In the sample firms, some change was observed not such much in the extent of training, than in its form and focus. There are attempts to integrate on-the-job and off-the-job training more closely, as there is a perception that off-the-job courses do not necessarily result in behavioral changes, especially if the environment does not facilitate this process. One example is team training for all employees working together in a department, branch or project. Whereas in the 1980s three of the sample firms offered such training, seven introduced it in the early 1990s. There also seemed to be a bigger emphasis on job rotation between functions.

Most of the sample firms regularly operate a written performance appraisal system. Whereas in the past this was usually based on a trait rating, in recent years most of the companies studied have extended their appraisal system by introducing new elements. In the 1990s, seven of the sample firms introduced goal appraisals, five regular career development talks and three management development assessment centers. The main reason for this appears to be a dissatisfaction with the traditional personality and trait rating system's ability to assess accurately performance and career development prospects. Career development talks, management development assessment centers and development schemes are also introduced to identify candidates with leadership skills and/or develop these skills. This is a break with the past where progression has depended more on technical skills than leadership qualities. Whereas the traditional rating appraisal systems tended to cover all staff, the new elements are often targeted at managers only (Müller 1999a).

The evidence presented so far indicates that most sample firms follow an internal labor market policy. This is also supported by the fact that they have a system of job posting, usually advertise all vacant positions in the establishment first and have committed themselves in written documents to a policy of internal promotion. It is also reflected in outflow policies. Starting in 1992, several of the banks and chemical firms had to reduce their workforce significantly. The reductions were achieved by a combination of halting recruitment, early retirement and voluntary redundancies. Compulsory dismissals were only used in exceptional cases.

A similar picture emerges from the data of the 1992 Cranet-E survey (Brewster/Hegewisch 1994, Table 9.6).

So far, similarities between the sample firms have been emphasized. Nevertheless, there were also differences. One was that modern human resource techniques such as assessment centers, team training and management development schemes were more widespread in some firms than in others. A probably more important difference was that a minority of the organizations, the three smallest US banks, did not follow an internal labor market policy. They offered little training, had no internal job posting system, no written commitment to internal promotion, a relatively high labor turnover and compulsory redundancies were not avoided at all costs. Their practices resembled their affiliates in London and New York, rather than those of the indigenous sample firms.

Rewards

In terms of reward, companies practicing HRM will have a systematic system of pay, will have only minimal status differentials and will reward good performance in order to achieve the outcomes of commitment and quality.

The major determinant for individual salaries in the collective bargaining firms are multi-employer or in the case of three firms company level collective bargaining agreements. These agreements prescribe certain job grades into which employees have to be fitted. To facilitate the grading they also define benchmark jobs and give an indication of the formal qualifications required. The works council usually takes an active part in the grading process. On an annual basis, wage increases and many fringe benefits are determined by collective bargaining negotiations. Others are negotiated at the company level between management and works councils and thus also apply collectively to the whole workforce. Furthermore, in banks as well as in the chemical industry there are the same wage grades for blue and white collar workers and employment conditions are also equalized. This reward system only applies for tariff employees, 'exempts' are only indirectly affected. Exempts (*Außertarifliche Angestellte*) are all those employees who earn significantly more than those in the highest wage group of the collective bargaining agreement. This group normally accounts for about 15 to 20 per cent of the total staff. Traditionally, the pay system used for tariff employees was, by extending the number of job grades, transferred to exempt positions (Müller 1999a).

All in all, the collective bargaining firms in the sample seem to have a systematic pay system which, as it is governed by management and works council, can help to foster commitment and reduce grievances about pay. The traditional dominance of job-based pay means that performance-related pay is less important in Germany. Nevertheless it appears that the ideology of performance-related pay

has had some impact on German managers. Several of the firms in the sample have attempted to link pay more to performance by introducing analytical job evaluation for exempts, by changing fixed bonuses into variable ones and by linking merit increases and bonuses to an appraisal scheme. A growing importance of performance-related pay in German firms also emerged from the 1992 and 1995 Cranfield surveys (Brewster/Hegewisch 1994, Table 4.2a, Weber/Kabst 1996, p. 32). However, the question is how much performance related pay fits into the more collectivist German culture (Trompenaars 1993) or whether it makes sense at all. This may explain why works councils are critical of performance-related pay and sometimes prevent its introduction.

Again there were only minor differences between the majority of sample firms. For example, in the 1980s and 1990s, some of the firms had introduced analytical job evaluation systems to determine exempt pay, whereas others did not have a formal system. The most important difference emerged between some of the US-owned firms and the rest. The five US subsidiaries that avoid collective bargaining appear to pay more performance related, e.g. salary increases are sometimes not paid and annual bonuses are directly linked to individual performance. This also applies to the non-works council firm US Pharmaceutical. Interestingly, US Oil has a plant agreement with its works council that assures each manager a certain minimum increase.

Communication

An important element of HRM should be intensive employee communication. The assumption is that this leads to a greater commitment of the workforce which in turn is expected to enhance motivation and performance (Guest 1987, p. 513). The following analysis will look separately at indirect and direct communication.

In the past the German-owned firms, all of which have works councils, relied mainly on indirect communication. The co-determination law assures that works councils play an important role in employee communication. It not only stipulates that management must share information with employee representatives, but also gives them several means, such as works meetings, to communicate with the workforce. This system provides an employee voice system and could explain why company journals and suggestion schemes were in many of the German-owned sample firms the only direct communication instruments used. This changed in the 1980s and 1990s. All but one of the indigenous firms started to use attitude surveys. Again with one exception all German-owned chemical companies and one of the banks introduced quality circles. A further development was that in most firms management started to organize regular employee meetings. Before, only works meetings, which are called by the works council and chaired by its leader, took place. However, this example shows that the increase in direct com-

munication has not been at the expense of indirect communication, a finding confirmed by the 1992 Cranet-E survey (Brewster/Hegewisch 1994, Tables 6.4, 6.6). The employee meetings organized by management are usually confined to organisational units that do not have their own works meetings such as small branches or departments.

Not surprisingly, direct communication instruments were more widespread in some sample firms than in others. It is worth noting that foreign-owned firms such as US Oil, UK Oil, US Chemical and US Pharmaceutical have introduced direct communication devices such as attitude surveys much earlier than the indigenous companies. Nevertheless, there were also differences among the foreign firms. Whereas the non-works council firms US Pharmaceutical and US Chemical, which has no works councils in its headquarters, extensively use direct communication methods, the four smallest US banks do not operate any sophisticated employee involvement instruments. The findings presented so far will now be summarized with the help of a typology.

A Typology of Human Resource Management Approaches

The classification presented in Figure 2 is intended to summarize the data and to show the options for human resource management in the German context. Being aware of the problems associated with the construction of typologies (for a summary of this critique see Kitay/Marchington 1996) and the small sample, this simplification does not entirely represent a more complex and less clearly defined reality. However, it helps to group otherwise unique cases for the purpose of comparison. The typology was inspired by Guest (1995, p. 118) and contrasts the sample firms compliance with German labor market institutions with their HRM priority. HRM priority is defined here as the extent to which HRM prescriptions are implemented. The classification results in four different quadrants. Each is now discussed starting with the first option 'traditional personnel management.'

Companies in the first quadrant 'traditional personnel management' largely comply with the key German labor market institutions examined, but at the same time practice little HRM. This represents the stereotypical view of human resource management in Germany in the comparative HRM literature (see for example, Begin 1997, Sparrow/Hiltrop 1994). It is mainly based on a 1982 study by Lawrence (1991) which suggests that German labor market institutions prevent German companies from using sophisticated human resource techniques. As many of the companies have only recently introduced modern human resource instruments such as attitude surveys, development assessment center and performance-related pay, Lawrence's findings may well have been valid at the time of

his research. In the early 1990s, only two of the sample firms fall into this category. However, the use of instruments may well be less important than broad human resource policies, as even they fulfil major HRM prescriptions such as providing extensive training, employment stability and offering an employee voice system.

The companies in the second quadrant, 'pluralist HRM,' practice HRM, but at the same time comply with German labor market institutions. Most British- and German-owned firms, as well as all but one of the large US subsidiaries, fit into this category. Such a human resource approach fits well with the high cost, high quality business strategy pursued by German industry (Porter 1990). It is worth noting that in the 1990s some of them have started to use human resource techniques such as goal-based appraisal, attitude surveys and performance-related pay. This development suggests that there is room for the introduction of HRM elements that are not clearly supported by the German system. Firms can apply techniques associated with HRM and at the same time comply with the requirements of the German system. As discussed in more detail later, employment size may at least partly explain whether firms pursue this option for the management of their human resources. Again it depends on the importance one attaches to the use of human resource instruments as opposed to broad policies whether one perceives the predominance of a pluralist HRM approach among the sample firms as a recent development encouraged by the opportunities created by modern management approaches or something already applied for a long time. Even in the 1950s,

Figure 2. A Typology of Human Resource Management Approaches

"Compliance" with German labour market institutions	high	Traditional Personnel Management One German company One British subsidiary	Pluralist HRM Eleven German companies Three large US subsidiaries Three UK subsidiaries
	small	Market-type Personnel Management Three small US banks	Unitarist HRM Two medium-sized and one large US subsidiary
		low	high
		HRM-Priority	

labor management in large German firms was characterized by internal labor-market type training, good promotion prospects, the existence of internal employee voice systems and job security (Gospel 1999). On similar lines, some German academics suggested that there has traditionally been an orientation in personnel management in German firms which is in line with many HRM prescriptions (Garnjost/Wächter 1996, p. 805, Staehle 1988, Streeck 1987, Wächter/Stengelhofen 1992).

Turning to the third quadrant, three of the firms in the sample, US Pharmaceutical, US Chemical and US Merchant Bank, have a 'unitarist HRM' strategy. These US subsidiaries show little compliance with the requirements of German labor market institutions and seem to follow a non-union policy. They also have a relatively high HRM priority. Their example demonstrates that a unitarist US-type HRM can be applied in Germany and thus they contradict the second hypothesis. Nevertheless, there appear to be only a few companies operating in Germany that follow such an approach. Although in the absence of more detailed empirical data one could speculate about how widespread the unitarist HRM approach is, it is interesting that neither the three US subsidiaries in this quadrant nor any other company operating in Germany with such an approach has emerged as a model for a unitarist HRM. Even the German subsidiary of Hewlett Packard, which is widely known for its excellent human resource management, is not associated with or described as a model for a unitarist management approach. For example, it is not generally known that it is one of the largest companies in Germany without collective bargaining. This is different to the UK or the US where a number of large, well known companies have been presented as successful models for a unitarist HRM. One reason for this could be that the costs of such a deviant strategy are too high in the German context. It is worth emphasizing at this point that three of the four large US subsidiaries in the sample, US Branch Bank, US Oil and US Consumer Chemical, follow a pluralist HRM strategy. This is of particular interest as their parents are known in the US as models for a unitarist HRM. Therefore, at least for large firms, the German system appears to leave little room for maneuver.

Organizations that avoid both German labor market institutions and HRM are classified in the fourth quadrant, 'market-type personnel management.' The three smallest US firms are in this category. In comparison to the other sample firms they have a more market-type employment system (Delery/Doty 1996) by extensively using external labor markets, offering little training and strongly emphasizing performance-related pay. As all three banks are big international firms, each employing at least 5,000 people world-wide, a conscious strategy rather than employment size is more likely to account for their behavior. Nevertheless, for small firms operating in Germany a market-type personnel management rather than the pluralist HRM approach may be the dominant human resource strategy. Survey evidence shows that only a minority of firms with less than 100 employees have a

works council (Mendius/Semlinger 1991, Table A3.15), many of them are not subject to collective bargaining (Kohaut/Bellmann 1997, p. 323) and they are also less likely to offer initial vocational training (Mendius/Semlinger 1991, Table A3.17). In regard to human resource policies, large firms are much more likely to offer further training, to use a written performance appraisal and to have an internal job posting system than small firms (Mendius/Semlinger 1991, Tables A3.06, 3.09, 3.18). Therefore, even in the institutionally strong German context, at least for small firms that want to follow a low cost, low quality strategy, it is possible to opt for a human resource approach that fits.

Conclusions

The research presented here examined the management of human resources in Germany. In contrast to previous research which suggested that companies operating in Germany are low users of HRM, this research found that several of the policies and techniques associated with HRM are widely used. It seems that the German system even fosters the use of some HRM practices. For example, initial vocational training contributes to a relatively high emphasis on training. Co-determination exerts pressure on German companies to guarantee employment security and offers a significant mechanism of employee involvement. Over the last decade the companies that participated in the case studies introduced HRM techniques such as development assessment centers, performance-related pay and attitude surveys that were not used in the past. Such attempts can meet with resistance by employee representatives who have the power to stop the introduction or change of human resource instruments.

This observation directly leads to the second main finding. The German system favors a pluralist approach to HRM. Medium and large sized firms operating in Germany can hardly avoid the labor market institutions of collective bargaining, co-determination and initial vocational training. Hence, their autonomy is restricted in several pivotal human resource management areas. Either decisions made by external bodies such as the collective bargaining parties, the state and the chambers of industry and commerce are imposed on them, or the introduction and operation of human resource instruments has to be negotiated with employee representatives. Therefore, although German companies can use practices associated with HRM, they can generally not adopt the unitarist values of HRM. Consequently, a unitarist type of HRM can hardly be followed in the German system. This suggests that the case of HRM in Germany does not support convergence theory. Nevertheless, the data presented indicate that German firms are relatively open to managerial ideas originating from the US. The sample firms already ap-

ply or are currently introducing many of the techniques associated with HRM. However, this is a "constrained convergence" rather than a full convergence. Far from supporting convergence thinking, the human resource management of companies in Germany remains distinctively different from US practices.

A number of HRM scholars are critical of the unitarist ideology of the HRM model. They suggest a pluralist HRM model as an alternative. The case of Germany, where at least among large firms pluralist HRM seems to be the dominant model of human resource management, illustrates that such an approach can work in practice. Despite high unemployment rates, German companies have remained competitive and the German system, which is in many respects a refined version of the European Union's Social Model, remains robust. Nevertheless, as the German model limits organizational autonomy, it might threaten rather than appeal to employers. It is not unreasonable to assume that only if there is institutional pressure on companies will they follow a pluralist HRM approach. Such a condition may well be fulfilled in Europe, as European concepts of HRM need to reflect key values such as pluralism and tolerance, a balanced stakeholder philosophy and the concept of social partnership (Brewster 1995, Guest 1994, Sparrow and Hiltrop 1997, Thurley and Wirsdenius 1991). A pluralist model of HRM may well become the preferred option for European companies that follow a market strategy based on high quality and could offer a serious alternative to the unitarist US type HRM model.

Although differences between the human resource practices of individual companies might as a result of the relatively strong institutional framework not be as marked as in other countries, this research found some diversity. Firstly, the US subsidiaries in the sample show that it is possible to transfer to Germany techniques developed and applied in their home country. Some of them even manage to follow a unitarist HRM approach. This makes them different not only from the German-, but also from the British-owned firms studied. Secondly, small firms appear to be under less pressure to comply with German labor market institutions than medium and large sized companies. They are less likely to have works councils, to be involved in collective bargaining and are under less public pressure to employ apprentices. Thirdly, in contrast to ownership and size, industrial sector seems to be less important. Hardly any differences between banks and chemical firms emerged in regard to their compliance with collective bargaining, co-determination and initial vocational training.

The study inevitably has limitations. One problem is the lack of good outcome data that would have enabled an assessment of the success of different human resource approaches in the German context. In particular, it would have been interesting to find out whether companies that comply with the requirements of German labor market institutions exhibit better outcomes than those who follow an unitarist HRM or a black hole approach. A second limitation is that on the basis of the data collected it has not been possible to distinguish between those com-

panies that merely comply with the requirements of the German system and those that are committed to it. A final weakness is that there are hardly any UK and US banks operating in Germany that from their size and the type of their business can easily be compared to indigenous banks. Hence, it was somewhat difficult to assess which differences are accounted for by national ownership and which by other factors and in particular employment size.

Emerging from this study, there appear to be four priorities for future work. Firstly, findings that at least among large firms the pluralist HRM model is predominant in Germany need to be tested by more representative survey data. Secondly, insights about the future direction of HRM in Germany could also be gained from more detailed studies of the human resource and industrial relations practices of German firms abroad. How do they behave when they are 'freed' of institutional constraints (Ferner/Quintanilla 1998)? A third valuable area of further research would be to study the human resource management of small companies in Germany, whose practices will in several ways be different from large firms. It is widely assumed that such companies are one of the main factors accounting for the success of German industry (Porter 1990). A fourth priority for research would be to collect similar data in other countries to contribute more directly to the theory of comparative HRM. To build such a theory, there is a need to study models of human resource management in different countries and to analyze how these are shaped by actors such as the state and labor as well as cultural traditions (Boxall 1995, Müller 1999b). In line with these recommendations it would be of particular interest to study the dominant options for the management of human resources in other European countries to find out if a European model of HRM is emerging.

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Notes

- 1 In the following the abbreviation HRM is only used when there is a reference to the HRM debate or a specific HRM concept. In contrast, the term human resource management is used as a modern expression for personnel management.
- 2 Originally it was aimed to include organizational outcomes as a further dependent variable to test the effectiveness of the human resource management practices identified. During the course of the study the researcher realized this was not feasible. Information about outcomes such as labour turnover, absenteeism and profits was not available in all sample firms and/or not possible to compare across them. Furthermore, there is a range of factors that influence these outcomes.

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