Human resource management practices and diversity management in German and
Indian companies   - A comparative analysis

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ABSTRACT

To sustain global growth and competitiveness, large corporations as well as medium sized manufacturing companies from the Western world expand their operations to emerging industrial economies in Asia and elsewhere. India, although geographically far and culturally complex, is becoming more and more a fulcrum of business expansion for German enterprises because of the abundance of skilled and qualified human resources in the sub continent. The contributions of the people in the German and Indian organisations are certainly determinant factors for successful entrepreneurship. Hence understanding the impacts of cultural affiliations of people working in these different environments and human resource management become important to adapt existing or develop future oriented HRM models to foster increasing multiculturalism. Moreover, the fact that cross-cultural research studies involving German and Indian organisations are rare makes this research a meaningful endeavour.

With this background, the research focuses on the HRM practices and diversity climate in Indian and German organisations in the manufacturing industries. The purpose of this study is to explore the differences of HRM and diversity management concepts in these organisations and understand their implications. As a result, the research question formulated was:

What are the HRM practices and diversity management practices in German and Indian manufacturing companies and how do they differ?

This research question poses a number of research issues to be investigated. In summary, besides demographic differences, research issues concerning four HRM practices (*Hiring, performance appraisals, pay or compensation and training and development*), cultural differences that could have impact on these HRM practices, the respective diversity climates and the eventual relationship between HRM practices and diversity climates in the sampled companies were examined. Both quantitative and qualitative research techniques were adopted for examining these research issues while the study as such was conducted under the post positivism paradigm, a methodology widely used in management research.

Perceptions regarding the aforementioned research issues of 64 German managers and 77 Indian managers employed in manufacturing companies, most of them in the automobile industry were sought using two questionnaires adapted for this study and tested in previous research studies. Although, *a priori,* India and Germany are two distinct nations in terms of cultural and several macro economic dimensions, this research formulates a null hypothesis in terms of the perceptual differences among German and Indian managers. Conclusions and interpretations are based on both quantitative and descriptive analysis of mean scores whereas hypothesis testing was undertaken using Chi-Square calculations within the cross-tab functions of the SPSS. For understanding the relationship between HRM practices and diversity climates non parametric test of correlation using Kendall's tau –b was conducted.

The results of the quantitative analysis show no significant differences of perceptions among the two manager clusters and thus suggest, in general, the acceptance of the null hypothesis concerning all four HRM practices. Even in case of cultural

dimensions, the differences found by other researchers such as Hofstede (1991) could not be confirmed with the method used in the study. In addition, the correlation analysis establishes links between HRM practices and diversity climates and suggests the rejection of null hypothesis. However, several trends implying perceptual differences could be found and these are described in the respective sections.

The research contributes to the body of knowledge in many ways. While it confirms certain debates in contemporary research, it highlights some contradicting aspects in a multicultural business context. The results also highlight emerging issues in international HRM and diversity management and thus stimulate future research. Finally, some strategic recommendations are presented to support German and Indian organisations to consolidate their growth and prosperity on their transitional path to true multicultural global organisations. The extended knowledge about HRM practices and diversity climates in German and Indian companies is useful for further studies on the **relationship between HRM and diversity management and the performance levels** of these companies.

CERTIFICATION OF DISSERTATION

I certify that the ideas, experimental work, results, analyses, software, and conclusions reported in this dissertation are entirely my own effort, except where otherwise acknowledged. I also certify that the work is original and has not been previously submitted for any other award, except where otherwise acknowledged.

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Chapter 1: Overview

1.0 Introduction.

Development of information and telecommunication technology and its accessibility paired with economic affordability are major driving forces for emerging economies to expand their business operations to various parts of the world. In fact, these emerging economies such as India are already challenging the developed economies of the West such as Germany (Bergesen & Sonnet 2001) at a fast pace, and changes are visible in diverse sectors. For example, Sheshabalaya (2004, p.1 in Yale Global Online) notes "as Bangalore overshadows Silicon Valley, the West must adjust accordingly for a chance to shine" referring to the IT sector. The dynamic of globalisation has now encompassed the larger domains of the business processes of international organisations such as manufacturing and human resource management (HRM). In the past, organisations from industrialised countries were more involved in primary activities such as marketing and sales within their generic value chain (Porter 1985) in foreign markets. Under the growing impacts of globalisation on the overall cost structures, myriad of firms now endeavour to establish manufacturing plants and facilities in emerging economies to leverage cost-effectiveness. Not only the large multinational companies encounter competitive power of the new industrialised economies in Asia (Verma, Kochan & Lansbury 1995), so also are many medium sized enterprises in the industrial market economies in the West prompted to develop new strategies to shield them from adverse effects of globalisation on their businesses. These companies use several endogenous changes implemented to wield competition, as well as exogenous measures like establishing joint ventures, collaborations, subsidiaries and partnerships with foreign companies as strategic imperatives for sustaining competitiveness and growth. Success of any such venture invariably depends on the people involved at the core of the processes (Pattanayak 2003), implying human resources in the home and host countries. Consequently, effective management and development of human resources become a critical success factor for globally operating firms in diverse cultural environment thus emphasising the significance of strategic human resource management (SHRM)

and diversity management. Given this assessment, it is necessary to understand the needs and approaches of globally growing companies in terms of SHRM and diversity management practices. The following section provides an overview of the links between SHRM and diversity management in the context of global expansion.

SHRM and diversity management in the context of global expansion

When organisations grow beyond their national borders, be this organic or through mergers and acquisitions, their businesses are often exposed to diverse cultural, social, political and economic environments. These factors are not always conducive and favourable, sometimes even hostile to their business objectives. Business strategies, therefore, should be designed to accommodate and be adaptive to the needs of diverse country profiles for successful functioning of the organisations. SHRM is about ensuring an alignment between business or organisational strategies and its HRM strategies (Nankervis, Compton & Baird 2002).

Next, the strategic intension of manufacturing organisations for global expansion is based on two concomitant factors. The most common one is their business strategy to exploit new market opportunities for their products in order to improve the organisation's *revenue stream*. This practice is particularly relevant and evident as the population of the middle class in emerging economies increases. By large, this objective is accomplished by setting up sales branches and subsidiaries in foreign locations deploying expatriate as well as local employees (Phatak 1992). The second factor emerges from the competitive environment in the context of globalisation forcing organisations to optimise their *cost stream*. To achieve cost-effectiveness, companies not only outsource non-value adding processes but also resort to install full fledged production plants in low-cost locations worldwide, using local workforces. The abundance of affordable and adequately qualified people and the improving infrastructures in such locations function as catalysing components while implementing this strategy. Whether an organisation focuses on its *revenue stream* or its *cost stream*, there is a distinct and decisive role for SHRM practices to ensure success.

HRM policies and practices that are successful in one country may not render the required results in another. While wide consensus among scholars about the need for alignment between business strategy and HR strategy exists, experts disagree about the existence of one set of "best HRM practices" that work always and everywhere. Many HR strategists advocate a "contingency approach" that takes company specific attributes into account whereas the findings from a multinational longitudinal study reveals that there *are* international HRM best practices, however they are not as universal as the research team anticipated (Von Glinow, Drost & Teagarden 2002). DeNisi and Griffin state that the "truth lies somewhere between the two extremes" of the best practices approach and contingency approach (DeNisi & Griffin 2006, p. 43). Nevertheless, the ultimate goal of both approaches is to detect, develop and utilise the skills and potential of *all* people in the organisation.

Managing people is a complex and sensitive process. It is about understanding the commonalities or similarities and the uniqueness of individuals and groups and using them for the achievement of organisational objectives, that is to manage diversity. SHRM incorporates diversity management as a core HR function. Particularly, in the context of expansion of organisations to culturally and socially differing destinations, effective diversity management can make substantial contributions to overall performance. Effective diversity management is not merely an exercise of recognising and addressing the diversity dimensions of humans such as age, gender, race or cultural differences. In reality, it is a holistic approach or strategy to create opportunities to attract, develop and retain the brightest talent from the entire workforce (Nankervis et al. 2002).

In Europe, after United Kingdom, German companies were the second to expand their business operations to countries with distinct cultural and organisational diversities such as India (Indo German Chamber of Commerce, IGCC 2004). Being in a traditional export oriented economy with high employee costs, German companies pursue strategic global expansion policies to sustain revenue growth as well as to control operating costs. Through manufacturing plants in India for instance, several German companies, e.g. Siemens, DaimlerChrysler and Bosch, serve domestic consumer demands. Concurrently, Indian organisations, though less in number, e.g. Bharat Forge, Mahindra & Mahindra, and Tata, produce abroad to serve

global demand. In the given context, it is of scientific value to study the various forms and implications of the business practices of organisations in Germany and India. However, such research into expansion between diverse countries can be too complex to complete within time and resource constraints. Hence the focus was on convergences and differences of human resource management (HRM) and diversity practices between German and Indian companies.

This research contributes to enhance the knowledge base about contemporary HRM and diversity management practices in German and Indian companies. Though several cross cultural studies as well as country-focused research exist, explicit literature about a HRM related comparative study incorporating a developed economy and an emerging economy is scarce. Section 1.2 provides few more arguments those justify the purpose of this research. Further, the study aims to develop a framework of HRM policies and practices for German and Indian manufacturing companies to attain greater competitive advantage and help these to transform mono-cultural organisations to future oriented multicultural companies (Cox 1991). Mono-cultural organisations ignore diversity, pursue cultural assimilation policies and foster employee homogeneity. In contrast, multicultural companies value diversity and promote cultural pluralism. Diversity is managed to minimise inter-group conflicts and eliminate institutional bias in their HR systems (Cox 1993) and "Multicultural refers to those companies that achieve the objective of managing diversity" (Erwee & Innes 1998, p. 5)

Though workforce diversity is an omnipresent factor in German and Indian organisations, this remains an inadequately researched area. Particularly in the post-war Germany, the lack of academic studies about workforce diversity and concepts of diversity management literally leads to a vacuum in terms of debates and analyses on this subject. The situation is not much different in the Indian context and is discussed more in following section.

1. 1 Background and significance of the study

During the last decade, there is a notable increase in German organisations expanding their business operations to the Indian sub-continent. Part of these

expansions stem from the urge of industries and organisations to become globally operational. The other factor was the liberalisation policy of the Indian government launched in the early nineties eliciting foreign direct investment in India and to promote mutual trade. Since then, collaborations sanctioned by the Indian government have increased significantly (IGCC 2004). In reality, however, in terms of foreign direct investment (FDI) and mutual trade, Germany is still far behind Japan and until 2003 also behind UK, in investment in the Indian economy. According to the Indian spokesman of German economy, Gerhard Jooss, there was a conspicuous decline of direct investments in 2003 (OAV e.V 2003) whereas the annual Indian economic growth was around six percent. Nevertheless, this trend was reversed in 2004, but need to be sustained.

Germany now is India's fourth ranked trade partner falling from the second rank in 1994. In direct comparison with China, Indian trade share is a meagre 6,2 billion Euro (IGCC 2004). Chinese trade with Germany reached over 50 billion Euro in 2004. Considering the cultural uniqueness, rigid state politics and protective trade legislation still prevalent in China, even after becoming a World Trade Organisation (WTO) member, and contrasting these features with a comparatively liberal Indian system consisting of well qualified and skilled human resources, the vast trade gap points to untapped business opportunities that need to be investigated. So, how do HRM and diversity management practices of German and Indian companies influence and contribute to exploit those opportunities?

HR practices could contribute "to create value by increasing intellectual capital within the firm" (Ulrich 1997, p.18), specifically in manufacturing enterprises. Unlike in the past, contemporary HRM is more business focussed than administering workforce welfare. Its core functions such as employee selection, compensation and development are streamlined to support organisational strategy by providing a pool of knowledge workers. A flexible knowledge workforce represents competitive advantage for organisations focussing on strategic expansion. Being responsible and accountable for the most important and appreciable asset of every organisation, namely its people (Maxwell 2000; Stone 2005), HRM can provide a constant flow of qualified human resources required to fulfil business strategy. To know how well HRM practices of German and Indian companies influence the expansion strategy, it

is necessary to understand the existing HR practices and their conceptual convergences and differences.

While contemplating people as the most important asset of every organisation, it is equally important for HR strategists to recognise human inequalities, in other words workforce diversity and manage these effectively. Beyond the primary diversity dimensions (e.g. age, gender, race, or physical ability), secondary dimensions such as education, family status, work experience and even religious beliefs of employees are influential factors of organisational outcomes. Particularly, in the context of expansion where interactions among socially and culturally differing people is desired and also inevitable, HR managers could increase individual and group commitment to organisational goals (Cox 1993) by creating conducive diversity climate. Though diversity management is an overarching discipline, HR departments have specific roles in formulating and implementing diversity management practices. Hence the perceptions of HR managers who are accountable are deemed as a reliable source of study to understand and describe diversity management in German and Indian companies. As strategic partners, HR managers translate the business strategy into action (Ulrich 1997). Diversity management is an integral component of SHRM and SHRM is linked to performance management system (Millett 1999). So it is also reasonable to infer that effective HRM and diversity management practices contribute to improve the overall organisational performance which in turn is pivotal for sustaining competitive strength. In a global context, competitiveness is linked to leadership in terms of people management, product and processes and HRM activities are determining factors in creating these leadership roles.

Limitations of previous studies

Though many studies about HRM practices in Germany and India can be found, most of these are country focussed and explain past, current or future HRM practices and perspectives in respective countries. The vast bulk of existing research on HRM practices remain micro, focussed within countries (Geringer, Frayne & Millimann 2002). Similarly, despite existence of various cross-country research relating to HRM practices, comparative studies concerning these two culturally different countries observing the context free, meaning universally applicable, similarities and

differences are few (Von Glinow et al. 2002). In case of diversity management practices, research studies are rare. In fact there is no standardised term yet for "workforce diversity" in German language. The concepts and perceptions of diversity management in German companies remain under-researched, leading to lack of a knowledge base. This situation can also be found in regard to such research in Indian companies, however, for different reasons. While diversity seems to be an omnipresent self-explanatory phenomenon in India, the perceptions of race and ethnocentric attitudes of pre-war Germany as well the complicity of many industries with the racial regime appears to stigmatise and suffocate scientific discussions and research regarding organisational diversity in post-war Germany.

Why study perceptual differences

Having the roles and contributions of SHRM and the lack of previous studies discussed above, this section explains the need for studying the differences of HRM and diversity management practices in German and Indian companies. One driving factor was to identify "overlapping practices" that work across both cultures namely "etic" practices (Teagarden & Von Glinow 1997). Knowledge of such practices could be helpful for currently collaborating companies as well as for organisations aspiring to expand. It helps to standardise and rationalise HRM processes. For instance, if employment tests are part of the selection process for specific jobs in both countries, then the content and execution procedures can be standardised. Likewise, training and development programmes can be designed to upgrade employee skills for similar tasks. To quote an example, in manufacturing firms training systems for employees operating the same equipment and machines in both countries can be synchronised. Another example could be, given the use of standard software, common training procedures can be developed also for administrative tasks such as pay and salary administration.

Another reason to study the differences was to gain knowledge about the perceptions of HR managers about current and future HRM and diversity climate, those primarily responsible for the HR functions. This approach was aimed to assess how far these perceptions align with or are compatible with the organisational strategies. For an objective assessment, the perceptions of other general managers not solely

accountable for HR outcomes are also required. The degree of perceptual differences or congruence among HR managers and general managers, within and among the companies indicate the quantum of strategic alignment of HRM and diversity management practices. The HRM questionnaire used in this study is designed to collect perceptions of managers relating to current (*is now*) and future (*should be)* HRM practices of these manufacturing companies associated with the automobile industry.   Having the background explained, the next section presents points those additionally justify the focus of this research.

1.2 Justification for the focus of this research

As global competitive pressures escalate, business boundaries keep contracting and this compels organisations to broaden their operation bases to secure more competitive advantage. German companies thus would seek more global presence. Since India offers a stable and prospective platform with huge potentials for business growth, presumably more German enterprises are bound to establish subsidiaries or widen their collaboration, joint ventures and partnerships. To be successful in this endeavour, knowledge and proficiency relating to effective utilisation of diverse human resources represent indispensable management competency. Particularly managing and valuing cultural and organisational diversity becomes a core competence to be mastered by managers (Erwee 2003). Furthermore, the researcher is acquainted and has experience with employees and managers in Asia, Europe and United States.

This research study would primarily focus on the aspects of human resource management in the context of organisational and cultural diversity between German and Indian manufacturing organisations. The aims are to investigate HRM policies in these countries and investigate diversity awareness so that the companies can be assisted to move from a monolithic to a multicultural organisational form (Cox 1991).

Companies operating in multicultural environments need to have strategic international HRM (SIHRM) to perform well. Better performance can be achieved through better HRM practices (Hamel & Prahalad 1994; Pfeffer 1998). Under SIHRM perspective, diversity management is strongly linked to performance

management systems (Millett 1999). Erwee (2003) emphasises that diversity management must fit into performance management systems to achieve organisational goals. Therefore, the focus in this research is on examining the HRM policies and practices of German and Indian companies, and to what extent diversity management is practiced. The research also adds to the knowledge base of cross country research studies such as the "best international HRM practices project"- BIHRMP (Von Glinow et al. 2002). It is an under-researched concept aiming to align international HRM strategies to international business objectives. SIHRM involves in designing similar or divergent HRM strategies in diverse socio-cultural environments (Nankervis et al. 2002).

1.3 Gaps in literatures

Preliminary investigation reveals that although various government authorities and industrial organisations monitor, communicate and control trade related data and information, research studies conducted to analyse causes and impacts are not plentiful. Though trade figures and economic data of Germany and India are not primary focus of this study, they do reflect the performance efficiencies of their industries, government and other institutions and therefore, performances of individual organisations in these countries become relevant factors of trade and economic development. Performance outcome is a product of strategy formulation and resource utilisation, thus linking HRM practices of companies and overall country performances. Existing literatures explain little about this relationship.

As mentioned earlier, most of the HRM research in Germany and India are conducted within the cultural context (Beardwell & Holden 1996). The relationships between SIHRM practices and organisational performance, in the context of these two countries, are scarcely researched. Zheng's attempt to study SIHRM practices and organisational performance in the Chinese context delivers a good pattern for examining Indian environment (Zheng 2001). Zheng's work refers to the key elements of SIHRM practices in Chinese small and medium sized enterprises (SME) and establishes relationship between HRM practices and organisational performances. Both China and India being a transitional and export oriented economy, the context and to a reasonable extent the questions of Zheng's research are comparable.

Cultural attributes are predictive of the practices of organisations of that culture (House et al. 1999). Hence management practices and leadership styles vary in differing cultures or culture clusters, so also HRM practices. In a Globe study to understand Asian societal culture and leadership models, Ashkanasy presents three culture clusters- *Anglo, Southern Asian and Confucian* – based on Gupta, Hanges and Dorfman's (2002) work and measures and compares various cultural dimensions of countries grouped (Ashkanasy 2002). While Germany was not viewed as *Anglo* culture and subsequently not included in the study, clustering India with Thailand, Malaysia, Indonesia, Philippines and Iran is questionable at least in terms of religious disparity. Eighty five percent of Indians are Hindus while almost the same percentage of population in the rest of the countries investigated have Islamic orientation.

Literature search for a comparative scientific study about HRM practices and diversity dimensions focussing specifically on Indian and German organisations proves to be futile. In fact, to date, relatively few systematic empirical studies of IHRM practices exist in many countries (Milliman, Nason, Gallagher, Huo, Von Glinow & Lowe 1998). Although there do exist myriad of references to these dimensions in individual countries, a comparative research has not yet been conducted. The literature review explains the form and depth of investigation conducted in the past, however, it can be inferred that these studies do not lead to any valid theory construction or testing. Hence the role of previous research for this study is limited. However, the importance and relevance of writings of Trompanaars (1993), Hofstede (1991) on cultural dimensions along with the diversity studies of Patrickson and OBrien (2001) need to be mentioned. Beyond these, works of several Indian authors as well as German scholars complement the research framework. Further, the diversity studies and publications of Erwee and Innes (1998) in the Australian context and comprehensive analysis of HRM policies and practices Western Europe and North America by Muller (1999) are useful links to understand various facets of HRM and diversity management perceptions. Therefore the literature lacks to provide a comprehensive and comparative study pertaining Indian and German HRM practices. In a research work examining the HRM practices of large companies in Germany, Muller (1999) advocates future research to build

models of comparative HRM and refers to knowledge gaps about how companies abroad behave in terms of HRM and Industrial relations. However, the probability of private institutions or consultants carrying similar research can not be totally excluded.

1.4 Problem definition – Research question and objectives

The research problem can be broadly described as follows. Despite abundant availability of qualified and skilled low cost labour in India, superior innovative German technology and modern management techniques, large potential for mutual growth and profit is left untapped.

Although several factors may contribute to this development, the role of strategic international human resource management (SIHRM) is presumed to be critical to business success of multinational companies. SIHRM is application of strategic HRM (SHRM) in global or international context (Nankervis et al. 2002; Schuler, Dowling & De Cieri 1993). Since there is a relationship between effective HRM practices and performance levels of workforce (Carroll 1995; Dessler 2002; Nankervis et al. 2002) it can be deduced that improving the effectiveness of HRM practices can significantly contribute to fulfil organisational objectives (Phatak 1992). Examining this proposition calls for in-depth knowledge about to what extent there are differences about HRM practices of companies operating in Germany and India and what are the perceptions about cultural and organisational diversity. So the research question that emerges from the above contemplation could be formulated as:

What are the HRM practices and diversity management practices in German and Indian manufacturing companies and how do they differ?

The above question raises number of research issues and the following are relevant to this study in German and Indian manufacturing companies.

1. What is the demographic diversity in the selected Indian and German companies?
2. What are the major cultural differences between these companies that could have impact on the HRM practices and policies?

3. What are the HRM practices and policies of these companies in terms of hiring, performance appraisals, pay, and training and development?

4. What are the managers' perceptions of the diversity climate in German and Indian firms?

5. What are the differences in the perceptions of the diversity climate among German and Indian managers?

6. What are the differences in perceptions of HRM practices between HR managers and general managers?

7. What are the relationships between HRM practices and diversity climate in German and Indian organisations?

1.5 Methodology

This research is an exploratory study and attempts to find out what HRM and diversity related policies and practices are applied in Indian and Germany companies. The research is conducted under positivism paradigm which is considered appropriate for a quantitative study (Guba & Lincoln 1994). A convenience sample was used as data and information was collected from 64 German and 77 Indian senior as well as middle managers of organisations operating in Germany and India.

Primarily quantitative techniques were used to investigate existing HRM practices in selected organisations and also to assess the degree of diversity awareness in these organisations. Two reliable survey instruments were used to gather research relevant data. For HRM part, the questionnaire designed for the "best international HRM practices" (Van Glinow et al. 2002) and a diversity survey tool deployed in an Australian diversity study (Erwee & Innes 1998) was used. Items in both instruments were adapted to suit the relevant German and Indian sample profiles. Besides demographic data, perceptions of respondents regarding four HR practices- *hiring, performance appraisals, pay, and training and development practices* - and diversity climate was collected using numerically coded 5-point category scales. Category scale is an attitude scale consisting of several response categories to provide alternative ratings (Zikmund 2002). Descriptive and frequency analysis techniques were used to identify and explain different variables and their contextual behaviours.

1.6 Limitations to research

Despite taking care of reliability and validity issues in terms of quantitative surveys, this research still may be exposed to certain limitations. One could be the language used in the surveys. The management cadre in Germany is expected to have good English language proficiency. However, in some cases their professional English can not be taken for granted. Hence the questionnaires needed to be translated in German. The technique of back translation (Zikmund 2000) was applied to preserve meanings of the original.

A second source of limitation could be the multi-functions of certain managers. For example, managers who are held accountable exclusively for personnel may have different perspectives than those who are accountable for both production and personnel functions. Though the issue of bias among managers was examined, there may still be some intangible influences that could not be investigated.

Another constraint refers to the type of convenience sample in each country. Though all firms in Germany were operating in private sector, about 10 percent of the respondents in India were working in public sector. It also needs to be denoted that the results apply only to manufacturing entities of the researched companies and their service sectors are not included.

Cultural differences can give quite differing approaches to differing data. This can affect interpretation and meaning (Beardwell & Holden 1996). The researcher's work experience and affiliation to German and Indian cultures helped to dilute the negative impacts on content validity since major part of the data collection was conducted in personal meetings.

1.7 Summary

The introductory chapter outlines the research framework. In brief, it highlights the research problems and issues while providing some basic information about the background of this study. Studying HRM strategies and diversity management practices of organisations in two diametrically different cultural and social

environments represents a challenge for any researcher. India and Germany form such a concurrent pair. Besides this, other factors that justify this research were also outlined along with the methodology and also to certain extent the limitations and constraints associated were mentioned.

This dissertation has a *unified* structure (Esterby-Smith, Thorpe & Lowe 1991) and comprises of five chapters, a thesis form generally suggested and justified for business research. Chapter 1 introduces the research context providing a comprehensive overview of the research problem and the issues to be investigated. In chapter 2 the body of existing knowledge in literatures is outlined and it contrasts the societal, institutional and national factors of German and Indian environment. Chapter 3 describes the research design and explains various elements of the selected methodology and also justifies the research paradigm. The fourth chapter refers to how the methodology is applied in the data collection and analysis procedures while the fifth and final chapter presents the outcomes and conclusions that could be drawn in terms of the research problem.

This exploratory study explains "what" current HR practices and diversity climates exist and "how" these could be in the future. It also documents areas for further studies that would investigate HR practices and their impacts on organisational performances, unveiling tangible benefits to the companies. The next chapter reviews contemporary research on HRM and diversity management in Germany and India and the institutional factors that could influence these practices.

Chapter 2: Literature Review

2.0 Introduction

The previous chapter provides the background of the research and highlights the research problem and issues while justifying the importance and scope of this study. This chapter addresses the current state of research and existing knowledge pertaining to human resource management and diversity perceptions and practices in Indian and German organisations.

In a competitive and rapidly transforming business world, many of the problems in an organisation are dynamic and complex. Organisations have understood from experience over the past decades through the processes of liberalisation, privatisation and globalisation that people are at the core of all systems (Pattanayak 2003). People are the most appreciable assets of organisations (Maxwell 2000), and Duerr concurred "Virtually any type of international problem, in final analysis, is either by people or must be solved by people" (Duerr 1986, p. 43). In the 21st century, as the businesses often expand beyond domestic borders, not only multinational corporations (MNCs) and International entities but even small and medium sized enterprises (SMEs) endeavour to gain and sustain competitive advantage by addressing the issue of "people and their potential" with much vigour. In this context, strategic importance of managing and developing human resources effectively for future prosperity of organisations can be emphasised.

While people constitute the most appreciable asset, they could also become a burden if their abilities and attitudes are not aligned with organisational needs. Hence, in an environment of fierce competition, in global as well as local markets, finding and nurturing appropriate human resources for implementing company strategy is a significant success factor. "Effective human resource management -HRM - is essential, especially for SMEs when international expansion places additional stress on their limited resources, particularly people" (Dowling et al. 2002, p.1).

Human assets form the fulcrum of every organisation striving to prosper in the forthcoming decades. Organisations will have to focus on identifying and selecting

the most suitable people, improving their sphere of skills through training, elevating their knowledge horizon by educating and enhancing their flexibility and adaptability through permanent development programmes (Saiyadain 2003). This implies that the processes of recruitment, training, educating and development of employees are critical determinants of organisational success and its sustainability. The role of yesterday's personnel department has changed to today's strategic partner (Dessler 2002). Organisations in developed countries adopt modern HRM policies and practices to achieve performance excellence. Increasingly, emerging economies seem to have recognised the need for efficient HRM practices and learned to implement HRM systems to become world class organisations.

The main body of this chapter composes of seven sections. Beginning with *HRM concepts and issues* (2.1), the second section refers to the *societal and external environment factors* (2.2) that influence HRM, industrial relations and diversity practices in the two countries. The third section addresses *contemporary practices in terms of HRM* (2.3) in the two countries while the fourth reflects upon *conceptual frameworks and debates on workforce diversity* (2.4). Further in fifth section, the chapter presents discussions on *strategic HRM and diversity practices* (2.5) in the context of cultural diversity and cross cultural management in multicultural organisations. Section 2.6 provides a comparative analysis of current *diversity management practices* in Indian and German organisations and in the seventh section the *theoretical framework* (2.7) of the researchers of the "BIHRMP" whose instrument was used in this survey is outlined. Finally, before concluding the chapter the research problem and its relevance along with the research question and associated issues are noted.

2.1 Human Resource Management - Concepts and issues

Human research management (HRM) is that part of management dealing directly with people (Stone 2005). A modified concept of HRM was proposed by the Michigan School explaining the human resource cycle consisting of four generic processes or functions (Fomburn, Tichy & Devanna 1984 cited in Stone 1998), namely *Selection, Appraisal, Rewards* and *Development*. It suggests that the HR function should be linked to the line organisation by providing business with good

data bases and ensuring that senior managers give HR issues as much importance as they give to other functions (Pattanayak 2003).

The Harvard HRM framework, first presented by Beer, Spector, Lawrence & Mills (1985) and adapted by Nankervis et al. (2002), indicates that the principles on which HRM theories are based are generally broader and more managerial in their emphasis than personnel management. The principal aim is to utilise the employee's abilities as a whole to the benefit of the organisation. This implies the tapping of the "entire resource" (Nankervis et al. 2002, p.14) of the employee - physical, creative, productive and interpersonal components - to assure achievement of organisational goals. Figure **2.1** illustrates the various components of HRM in an organisation.

Basically, this model presents HRM as a "broad set of policy choices" (Nankervis et al. 2002 p.13) of an organisation to respond to the changing demands of organisational characteristics. The characteristics compose of a variety of stakeholders having different interests. Stakeholders could be shareholders, management, employees, unions or it can also be the community. The model recognises the legitimate interests of these groups and suggests that HRM policies should be created to address these interests. It refers to four HRM policy areas or choices those shape the four "C" outcomes – commitment, competence, congruence and cost effectiveness. Employee influence means the delegated level of authority, responsibility and power of employees in the organisation (Price 2004). HR flow, reward systems and work systems refer to traditional HR functions such as recruitment and selection, training and development, performance management, remuneration and job and work design.

HRM policies should evolve taking account of the situational factors of an organisation as well. Situational factors could be internal (e.g. workforce characteristics, business strategy, management philosophy and task technology) as well as external (e.g. market conditions, labour market, law and societal values) and are subjected to continuous changes. HRM policies need to accommodate these changes to achieve better organisational outcomes. Outcomes such as higher commitment and competence to company needs, greater congruence of interests and

cost effectiveness will ultimately lead to long term consequences like individual and societal well-being besides organisational effectiveness.

The Harvard model is considered as "neo-pluralist" and more "amenable to export" since different legal employment structures, managerial styles and cultural differences can be more easily accommodated within it and is recognised as useful in comparative studies (Poole 1990 in Beardwell & Holden 2002). Notwithstanding, some academics still criticise the Harvard model as too "unitarist" while accepting its basic premise (Guest 1990; Hendry & Pettigrew 1990) and have modified this taking different approaches (Beardwell & Holden 2002). Guest concentrates on the prescriptive components of HRM whereas Hendry and Pettigrew focus on the analytical elements of HRM (Boxall 1992).

Figure 2.1 Harvard Analytical Framework of HRM

Source: Nankervis et al. 2002- adapted from Beer et al. 1985
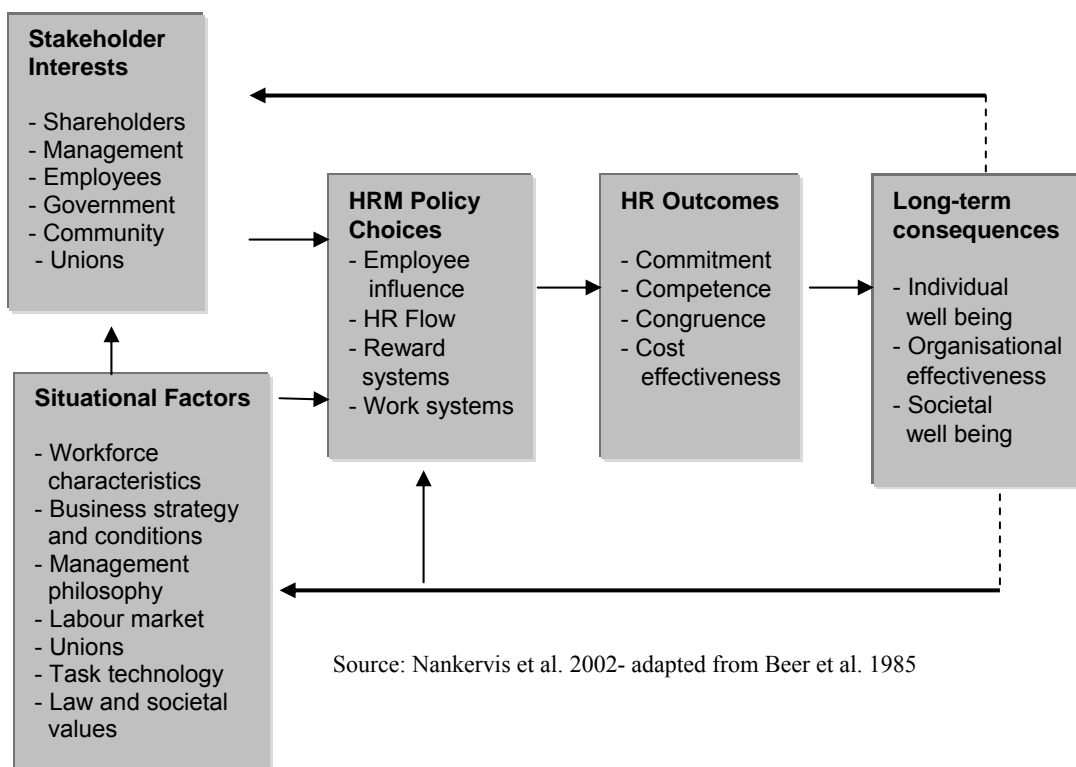
Guest proposes strategic integration, high commitment, high quality and flexibility as four prescriptive components of HRM and highlights the need for their comparative measurements. For Guest (1990), the usefulness of a HRM model is its applicability and testability in the field of research. Drawing on its analytical aspects, Hendry and Pettigrew (1990) view HRM as "a theoretical integrative framework encompassing

all styles and modes of HRM making allowances for economic, technical, and social-political influences in society on the organisational strategy" (Hendry & Pettigrew 1990, p.25). Their HRM model is characterised by its close alignment to the business strategy.

Since Harvard model, HRM concepts have been expanded and complemented by number of scholars. Storey (1989) distinguished "hard" and "soft" approaches of HRM. While the hard approach emphasises the strategic aspects of managing human resource in a rational way, such as any other economic factors, the soft model focuses at communication, motivation and leadership. It considers people as a valued and appreciable asset, a source of competitive advantage. Sadri and Roy (1993), in Indian context, describe HRM as the relationship between policy towards labour and business policy towards capital. According to Armstrong (1999) HRM is conceived as a strategic and coherent approach to the management of an organisation's most valued asset - the people working there who individually and collectively contribute to the achievement of its goals.

Researchers in the past have presented other modified HRM frameworks taking different approaches alongside the Harvard model while acknowledging the difficulty of creating a universally applicable HRM model. The concept of HRM is subjected to continuous transformation. Even though the process of managing workforces has undergone distinct changes, from labour management to personnel management to contemporary human resource management, the fast changing socio-economic and political conditions along with the spread of new technologies calls for further adaptation of HRM disciplines. Evidently, in the context of intense globalisation processes of businesses in the 21st century, the integration of HRM policies with the strategic business planning has become an imperative to strategic management. Strategic management aims to co-ordinate and align company resources, including human resources to fulfil organisational goals (Hubbard 2000; Kramar 2001). Thus, alignment of HR issues, HR strategies and HR policies with business mission, vision, values and strategies represent the core of strategic human resource management - SHRM (Nankervis et al. 2002).

SHRM, however, is more than the mere alignment of business needs and human resource capabilities. A future oriented SHRM incorporates a wider spectrum of human attributes. Besides the traditional HRM functions such as selection, training, remuneration, and employee relations, SHRM for instance, encompasses diversity and performance management systems. SHRM integrates diversity management as a key component (Erwee 2003). Strategic human resource policies that support diversity have evolved as critical success factors that ensure viability and adaptability against organisational internal inertia and external competitive forces. Diversity is strongly linked with performance management systems (Millett 1999). To achieve organisational goals, diversity management must fit in the performance management system (Erwee 2000) of the company.

The concept of SHRM theory was described by many researchers in different country contexts. For example, Schuler, Martell and Carroll researched SHRM in United States and studies of Dowling and De Cieri, Purcell, Storey and Legge focus on United Kingdom, Australia and Asia. However, its application to organisational HR practices has been studied scantly and most of them are relatively small and unrepresentative (Nankervis et al. 2002). Based on different theoretical concepts and their practical experience, Nankervis, Compton and Baird have developed a comprehensive SHRM model incorporating contemporary issues of SHRM (Nankervis et al. 2002). Figure 2.2 illustrates their model.

Figure 2.2 Strategic HRM model
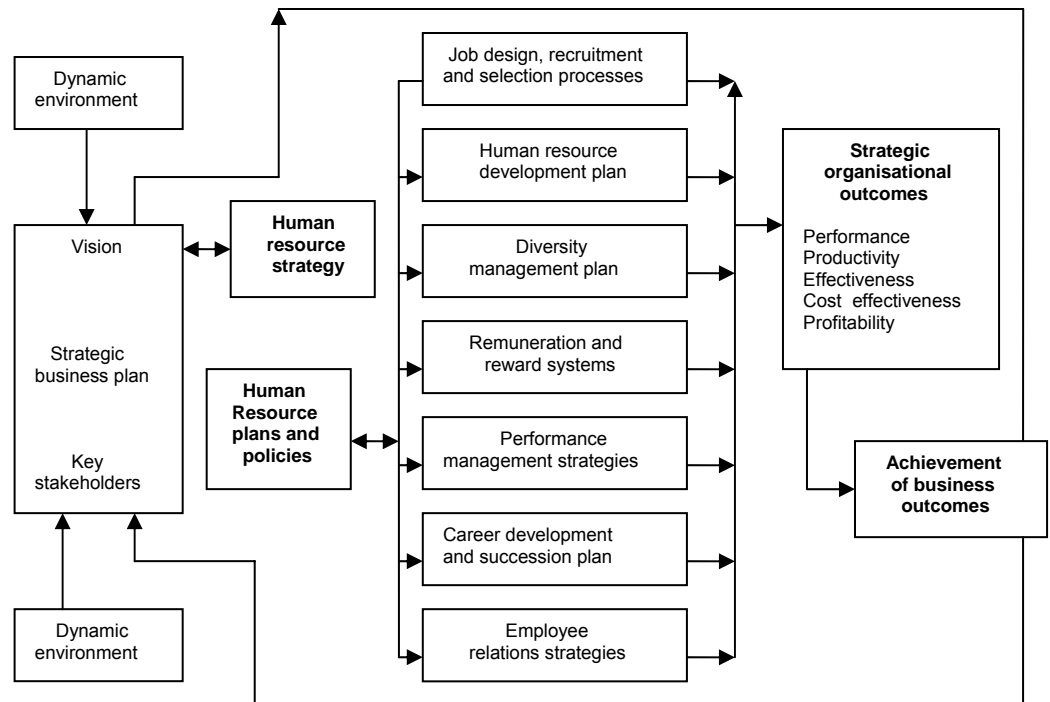
Source: Nankervis et al. 2002

This SHRM model highlights the responsiveness of the organisations to the dynamic external and internal environment while emphasising the structural link between HR strategy and strategic business plan. Depending on the strategic requirements of the business, HR strategy shapes the HR plans and policies which in turn represent the guiding framework of HR practices and functions of the organisations. Beyond the traditional HR functions (job design, recruitment and selection, development, remuneration and reward, performance management, career development and employee relations), this model places diversity management as an integral part of HR functions thus addressing the societal and cultural attributes of human resources to a greater extent than earlier SHRM models. The overall business outcomes result from the effectiveness of the HR functions in terms of performance, productivity, profitability and cost effectiveness of the organisations.

The model is construed to be flexible permitting "directional changes of HR strategy according to changes in organisational strategies and/or dynamic external environments" (Nankervis et al. 2002, p.51). Given the increase of global expansions of businesses and their consequent exposure to cultural incongruousness of interacting people within and outside the organisations, the perspective of embedding

diversity management as an integral component of HR strategy strengthens the competitiveness of organisations.

The role of diversity management is still undervalued in many organisations. Diversity management practices evidently influence HR plans and policies. HR plans and policies are outcomes of HR strategy which in turn is matched to the business strategy. So there are logical and reciprocal links between SHRM and diversity management. Acknowledging the significant role of diversity management this SHRM model was adapted to include a feedback loop depicting the influences of diversity management on HR plans, HR strategy or the business strategy (Erwee in Wiesner & Millett 2003). Particularly, in the context of increasing internationalism of businesses, diversity orientation emerges as a core managerial perspective.

Internationalism or geographic expansion of organisations adds new HR dimensions those need to be considered while formulating HR strategies and plans. Given the difficulties of developing domestic HRM models, creating a convincing functional international HRM model addressing the influences of unfamiliar socio-economic and cultural factors seem to be an insurmountable exercise. In spite of this, many researchers and HR scholars have attempted to develop theoretical international HRM (IHRM) frameworks.

As in the case of the domestic HRM models, establishing a universally applicable IHRM framework still remains "a challenge faced by infant field of IHRM to solve a multi dimensional puzzle located at the crossroad of national and organisational cultures" (Laurent 1986, p.101). Researchers in the past have taken different approaches to suggest similar as well as differing models. The field of IHRM can be characterised by three broad approaches (De Cieri & Dowling 1999),

- comparative analysis approach,
- cross cultural management and human behaviour approach
- approach focussing on HRM in multinational firms.

Brewster and Hegewich (1994) provide, for example, a literature based comparative analysis of HRM systems in different countries. Adler (1997) and Phatak (1997)

emphasise cross cultural aspects and examine organisational behaviour from an international perspective. Drawing from the work of Schuler, Dowling and De Cieri (1993), a revised model of strategic IHRM was developed by De Cieri and Dowling (1999) incorporating factors those influence and have impact on processes of multinational enterprises. Though these approaches have converging as well diverging elements, the revised model of strategic IHRM (SIHRM) in multinational firms is acknowledged as a more influential framework.

In general, IHRM is an extension of domestic HRM activities paying attention to country based differences (Morgan 1986; Nankervis et al. 2002). In an earlier study, Morgan (1986) describes IHRM as interaction of three dimensions, the HR activities *(procurement, allocation, and utilisation),* the types of employees *(parent, host and other)* and the countries of operation *(home, host and other).* In the 21st century, however, as new market opportunities emerge and trade barriers fall, more and more organisations become multi-national thus raising the significance of SIHRM. SIHRM has emerged as a mature subset of SHRM in theory and practice (Caligiuri 1999) for multinational enterprises (MNE). SIHRM is defined as "human resource management issues, functions, policies and practices that result from the strategic activities on multinational enterprises and that impact the international concerns and goals of those enterprises" (Schuler, Dowling & De Cieri 1993, p. 422). Figure 2.3 depicts the SIHRM framework developed by De Cieri and Dowling (1999) that incorporates various business factors those are of concern for strategic HRM functions and practices as well as the strategic goals of the organisations.

Figure 2.3 Strategic IHRM in multinational enterprises
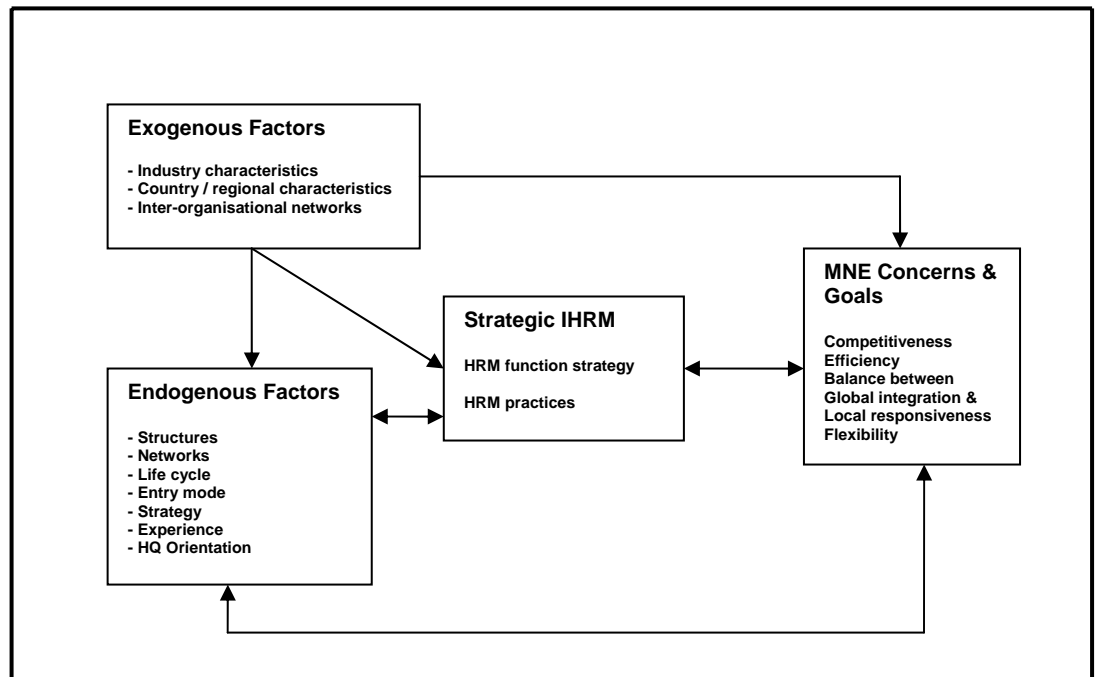
Source: Adapted from De Cieri & Dowling (1999)

The model highlights three exogenous factors - *industry characteristics, country / region characteristics* and *inter-organisational networks* - those influence SIHRM. The influences of the industry characteristics on HRM functions and practices of MNEs could substantially vary, depending on the industry in which the MNE operates. For instance, the strategic goals and HR strategies resulting from the concerns of organisations in automobile and banking sector are different. In the real business world, this means for example, General Motors and Citi Bank have to accommodate different industry conditions at different locations while formulating and implementing their business and HR strategies. On the other hand, the country / regional characteristics may not differ though they exert influence on business as well as HRM strategy. Further, organisations form alliances to attain and sustain competitive strengths (e.g. the airline groups such as Star Alliance or Sky team). Alliances or such relationships are built through partnerships, joint ventures or similar mutually beneficial agreements and these inter-organisational networks also influence SIHRM.

Apart from the external factors, De Cieri and Dowling identify seven internal or endogenous dimensions - *structure, networks, life cycle, entry mode, strategy, experience and head quarter orientation* - those influence SIHRM of MNEs. MNE structure refers to structure of its international operations and the intra-organisational networks as well as the mechanisms of co-ordination (De Cieri & Dowling 1999). The life cycle stage (e.g. growth, mature) of the firm and industry and international entry modes (e.g. agency, partnership, JV or stand-alone entity) along with the business strategy (e.g. corporate or business level, cost, quality or innovation focus) and depth of experience in international management practices represent other internal influencing factors. Finally, the degree of autonomy or the dependency on parent organisations, though these are in practice intangible to measure, also have impacts on SIHRM of MNEs. Based on the previous research studies on relationship between business strategy and HRM strategy and practices (Taylor, Beechler & Napier 1996; Kamoche 1997), the model suggests that there are reciprocal relationships between these endogenous factors and SIHRM and the concerns and goals of MNEs. International competitiveness, operational and functional efficiency as well as organisational flexibility and the balance of global integration and local responsiveness are viewed as the prime concerns and goals of MNEs. More discussion on SHRM practices and their implications on organisational success are presented in section 2. 5.

2.2 Comparative Analysis – Factors influencing HRM and diversity management in Indian and German organisations

Bamber and Lansbury (1998) designed a framework for comparative studies relating to international HRM practices. Comparative studies of employment relations in different societies, they infer, give a better insight into ones own country's employment practices and contribute to understanding the relative significance of factors such as economic policies, technology deployment, country culture and laws in terms of employment relations. While it is easier to analyse countries with similar societal and economic structures, scientific comparisons of countries with conspicuous cultural distinctions and significant imbalances in the degree of industrialisation becomes a complex task. Comparing German and Indian employment relations and practices, *ipso facto* is a challenging endeavour.

Despite the complexity associated, the framework of Bamber and Lansbury (1998) remains a suitable model to determine the factors influencing HRM practices in international organisations. Essentially, this model addresses four HRM/IR disciplines and their outcomes in various industrialised market economies (IMEs) as well as newly industrialised economies (NIEs) in Asia (Verma et al. 1995) whilst identifying and explaining the contextual factors leading to varying patterns of HRM practices. Organisations in India and Germany, the former as an emerging new economy and the latter as an established IME fit well within this framework.

Four firm level HRM practices are at the fulcrum of this framework. They represent employment /staffing, compensation / remuneration, skill formation and work organisation (Bamber & Lansbury 1998). Numerous external and internal forces influence and contribute to shape HRM strategies and policies of firms. Effective translation of these strategies into HRM practices and their consequent application is decisive to the economic and social performance of the organisations. The four aforementioned HRM disciplines are subjected to continuous adaptation. Cyclical and structural changes demand adjustment of workforce and recruitment policies. Employees' compensation and remuneration systems need revisions and reformation according to labour supply and competition. Development of new technologies and the competitive thrust to induce them into existing work processes precipitate redesigning of work organisation and upgrading of training and skill acquisition methods to match the needs of the firm.

Figure 2.4   Framework for comparative analysis of Indian and German HRM practices


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                        ┌───────────────────────────────┐
                        │  Employers-Unions-Government   │
                        └───────────────────────────────┘
                                        │
                                        ▼
  ┌──────────────────┐      ┌──────────────────┐      ┌──────────────────┐
  │ Influencing forces│     │  IR/HR practices │      │     Outcomes     │
  └──────────────────┘      └──────────────────┘      └──────────────────┘

  ┌──────────────────────────┐
  │  Institutional factors   │
  │                          │
  │  - National framework    │
  │  - Business structures   │
  │  - Financial systems     │       ┌──────────────────────┐     ┌──────────────────┐
  │  - Education and training│       │ - Employment /       │     │ Economic and     │
  │  - Bureaucracy           │──────▶│   staffing           │────▶│ social performance│
  │  - Labour legislation    │       │ - Compensation /     │     │                  │
  │  - Social welfare        │       │   remuneration       │     └──────────────────┘
  │  - Corporate governance  │       │ - Skill formation    │
  └──────────────────────────┘       │ - Work organisation  │
                                     └──────────────────────┘
  ┌──────────────────────────┐
  │     Firm Strategies      │
  │                          │
  │  - Innovation            │
  │  - Quality leadership    │
  │  - Cost reduction        │
  └──────────────────────────┘

  ┌──────────────────────────┐
  │      Other factors       │
  │                          │
  │  - National culture      │
  │  - Organisational and    │
  │    societal diversities  │
  └──────────────────────────┘
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Source: Adapted from Bamber & Lansbury 1998

According to Bamber and Lansbury (1998) industrial relations and HRM practices are dependent variables of institutional factors and strategies of firms. Institutional factors can be at national, industry and firm levels where as strategic orientation may be product innovation or market and cost leadership or quality superiority (Storey & Sisson 1990). The third set of critical determinants of HRM practices is the national culture (Brewster & Hegewisch 1993) and organisational and societal diversities. The following sections identify, explain and highlight convergence and divergences of relevant institutional, strategic and cultural aspects encompassing Indian and German organisations. These aspects are assumed to be the contextual determinants of HRM practices in respective countries. Figure **2.4** illustrates an adapted model of Bamber and Lansbury's (1998) framework for comparison of international HRM practices.

2. 2. 1 Institutional factors

Before delving into the specifics of institutional divergences, certain demographic dimensions and economic metrics of Germany and India are presented. Table **2.1** displays twelve dimensions depicting the obvious dichotomy of the two economies.

Table 2.1 Key geographic, economic and societal metrics of Germany and India

Demographic factors	India	Germany
Geographic Area (Tkm²)	3287	357
Total Population (Million)	1027	82.4
Working Population (Million)	363.75 *	40.6
Unemployed Population (Million)	7.32 *	4.1
Rate of literacy (%)	65.4	94.7
Gross Domestic Product (Bill. Euro)	528.6	2108.2
Per Capita Income (Euro)	487	25500
Economic Growth (%)	5.6	0.2
Exports (Bill.Euro)	48.2	648.3
F D I - inflow (Bill. Euro)	4.2	44.5
National language	15 +	1
Religion	5	1

(*) - Figures based on 2000

Sources: Indian Economic Survey 2002-2003; Statistisches Jahrbuch 2003
Federation of Indian chambers of commerce and industry 2003

Table 2.1 gives a general overview of the mutually contrasting economic and geographic dimensions of the two countries. The intention of the table is to highlight the demographic discrepancies in terms of their magnitudes and not to underscore the absolute figures for each dimension. Hence the figures, though not the most recent, are considered as adequate to summarise the major contrasting factors.

India is both a country with larger landmass and proportionally larger population with higher unemployment rate than Germany. It is about ten times the size of Germany while its population exceeds over twelve times that of the German

population. In contrast, though the Indian economy grew and still grows at faster rate than that of Germany in the past decade, German GDP, per Capita income and exports are much higher than Indian economic indicators. Similarly, German literacy rate is much higher than the Indian although the literacy gap is narrowing faster in recent years. The same development can be observed in terms of flow of foreign direct investment. Notwithstanding, the complexity of the demographics is obviously embedded in the religious and linguistic dimensions. Germany, by large, is mostly a mono-linguistic and mono-religious country where as the Indian society is a melting pot of multiple religious and linguistic orientation.

HRM practices often evolve around several institutional factors (Sparrow & Hiltrop 1994). In Indian and German contexts, five clusters of institutional factors, the national business systems, governing labour legislation and industrial relations, social security and welfare provisions as well as corporate form and responsibility play dominant roles in the evolutionary process of HRM practices.

National frameworks

German organisations operate in a decentralised policy making economic environment. The state relies on the self regulating strengths of its industries and the influencing competence of intermediate organisations (Lane 1992). Within a stable economic framework, the federal government limits its engagement as a legislating body and refrains from risk sharing activities. Although not fully committed to the US form of free market economy, the German social market economy - *soziale Marktwirtschaft* - followed after the fall of the Nazi regime in 1945 still serves as a building block integrating several social dimensions in employee relations (Waechter & Metz 1993). Notwithstanding, the sustaining economic stagnation since the middle of nineties shows a negative effect on existing social structures, calling for a thorough reformation of the social security systems to reinforce and improve the global competitiveness of German enterprises and warrant long-term affordability of prevailing security networks.

Whilst the institutional factors for workers in Germany look exceptionally fair and employee friendly, their Indian counterparts are evidently under-privileged. Since

independence in1947, Indian industries operated for long in a planned and state controlled economy. The national planning commission, whose constituents are nominated by the government, is entrusted the task of developing strategies, plans and targets for a period of every five years. Objectives of the five-year plans reflect some popular "socialist agenda" of removing ubiquitous poverty by achieving full employment and eliminating inequality of incomes (Datt & Sundharam 2004). None of these objectives were met. Since the launch of the LPG model (liberalisation, privatisation and globalisation) in 1991, there is a conspicuous on-going transition leading to a mixed market economy leaving both private and public organisations more entrepreneurial freedom (Datt & Sundharam 2004). This transition, consequently has impacts on business strategies, thus also on HRM and employee relations.

Business structures and supporting systems

The major contribution to the German GDP comes from the *"Mittelstand"*. This segment covers about 90 per cent of SMEs providing 70 per cent of the overall jobs and accommodates about 80 per cent of the apprenticeship training (IfM 2000), thus strongly influencing the human resource development. As world's largest export oriented economy (Statistisches Bundesamt 2004), the business structures of most of the enterprises are aligned to meet foreign competition, especially from countries within the European Union. In contrast, contemporary Indian business structure does not project any established or organised pattern. Government owned public sector enterprises, private organisations and a huge mass of unorganised family businesses in the small and cottage industries represent the industrial landscape of India. Unlike in Germany, government controlled public sector enterprises have strong presence and contribute about 25 per cent of the total Indian GDP (CSO 2002). Most of the infrastructure industries are state-owned and accommodate 20 per cent of the workforce in the organised sector. However, with the new divestiture and disinvestment policy, the share of private businesses is increasing in terms of employment as well as national output.

Financial systems

Even though the participation of financial institutions in German industries is high, banks have restrictive practices in terms of venture capitalism. On the other hand their degree of pressure on enterprises for high short-term returns on investments in the context of industrialised economies is low (Sparrow & Hiltrop 1994). Banks have significant equity stake in companies and use a long term strategy (Johnson & Scholes 1999). German monetary and fiscal policies, in conjunction with policies of the European Union offer enterprises a stable and reliable business climate. These practices are not followed in Indian financial support systems. Due to the burden of non performing assets (NPA) of the banks and the volatility of financial markets, the lending and investment policies of Indian banks and venture capitalists were cautious and restrictive. Again here, the LPG process has brought in amelioration giving enterprises easier access to financial resources (Datt & Sundharam, 2004).

Education and training systems

Education and vocational training have been both historically and traditionally one of Germany's competencies. Strong emphasis on theory and practice is exemplified in its *duales System der Berufsausbildung* (Locke 1984 cited in Muller 1999), which combines practical knowledge and early integration of working process with theoretical subjects of school (Lane 1992). This system still prevails as supplier of skilled human resources for the economic landscape. Further, there is a high degree of co-operation between academic institutions such as universities (*Universitäten und Fachhochschulen*) and industries to develop technical and management competencies as well as to promote scientific research, consequently leading to a reservoir of qualified human assets (Muller 1999). Similar assessment can be made about Indian urban educational and training systems too, albeit at a far lower cost. In spite of the large rate of illiteracy, about 35 per cent (Government of India 2005) among the rural population, the sheer number of urban schools, universities, management academies and polytechnics produce a large pool of qualified people. The priority given to education and training of the children by middle class families further substantiate the supply of skilled and knowledgeable workforce. In addition,

apprenticeship programmes in Indian industrial organisations, although not mandatory as in Germany, upgrade vocational skills of the human resources.

Bureaucracy

The German government overtly fosters entrepreneurs with various supporting programmes. Even then, the myriad of rules and regulations to be observed at the inception of business become a source of suffocation to potential beginners. The impacts of German institutional bureaucracy on entrepreneurial autonomy and innovations seem to be contra-productive. Neither are the German tax and revenue rules easy to understand and administer and thus contribute to constrict creative entrepreneurial ideas. Indian bureaucracy and administrative apparatus on the whole, compared to German situations, is far more complicated and certainly a constraining factor for business development. Lack of rules or regulatory mechanisms are not the obvious cause for bureaucratic inefficiency in India. Instead, the reason lies in the indifferent attitudes of people and the improper implementation practices of existing procedures and rules. Bureaucratic corruption, for example, is still evident in several sectors and far from eradicated (Venkataraman 2002).

Labour legislation and industrial relations

Contrary to the complex structure of the Indian labour market that evolved around the superiority complex of the employers, exploitative nature of the owners and heterogeneity of the workforce, German companies operate in an elaborate institutional environment (Warner 1998). In Germany, three fundamental principles still dominate the labour market. Co-determination, collective bargaining and vocational training constitute to be the founding pillars of labour legislation. The Works Constitution Act – *Betriebsverfassungsgesetz* – is the legal framework that governs employee and management rights (Clark & Pugh 2000). Collectivism and Pluralism are traditionally strong in European countries as against the widespread unitary principles in the United States from where the concepts of HRM emerged. Values of HRM are essentially unitarist and individualistic (Muller, 1999). The unitary approach emphasises employees and management as parts of the same team

having converging organisational goals and recognises managerial prerogative, particularly in Germany.

Co-determination offers right of co-decision to employees or their representations when organisational changes relating to workplaces and employee concerns are initiated. Externally organised trade unions as well as the work councils within the German firms have rights to address such issues. Collective bargaining is a standard practice in German industries. About 80 per cent of German employees are covered by multi-employer collective bargaining (Muller 1999). This implies that the wages and working conditions of employees are stringently regulated leading to high standardisation while often fostering attitudes of indifference among the workforce. The third institutional element, namely the vocational training can be assessed as a human resource development (HRD) domain by law. Most of German companies offer initial vocational training to enable youth to acquire basic trade skills.

Given the advantages of German labour legislation and its contribution to industrial harmony and performance, it has to be nevertheless noted that these institutional settings have become too rigid in the era of global competition. Signs of relaxation in enforcement of these legislation as well as application of more unitarist type of HRM practices are increasingly being embraced by German organisations (Putzhammer 2002).

The Indian legislative framework of labour is strong and established. Although there is no equivalent regulation such as a Works Constitution Act as in Germany, the Indian labour legislation covers every aspect of employee relations. Most of the Acts were passed during pre-independence era and have undergone several amendments to fit changing working conditions. Collective bargaining, for example dates back to the colonial times (Pattanayak 2003) and became popular first at plant level and subsequently in industries such as steel, sugar, cement textile and mining and is a common agreement practice both in private and public sector industries.

Several facets of employee participation and involvement provisions exist in Indian organisations giving employees a certain degree co-determining powers. These could be at board levels, in staff councils, joint management councils, or even in worker's

ownership (Perumal 1991). Semi-autonomous groups, quality circles and participative management schemes are other forms of quasi co-determination. For instance, the Participation of Workers in Management Bill passed in May 1990 gives a statutory basis for the concept of co-determination of employees (Dwivedi 2002).

Training and development of employees, the third comparative dimension besides collective bargaining and co-determination, has received the maximum attention in India during the last decade. As Indian enterprises increasingly enter the global markets, the strategic need of human resource development becomes transparent. Both private and public sector organisations, irrespective of the legislative framework, invest more in education, training and career development.

Social security and welfare

Within the European Union, Germany still offers the highest social standards to its citizens. This results from the generous social legislation - *soziale Gesetzgebung* - which has salient binding implications on employment practices. It is mandatory for employers to bear half of the employee contribution to health, unemployment and superannuation funds. The comparatively stringent termination and dismissal rules – *Kündigungsschutz* – give workers greater job security. Wage and salary structures, working hours and other contractual benefits are at levels those facilitate better living styles. The burden of fringe benefit costs – *Lohnnebenkosten* – of firms have reached a dimension that is now detrimental to workers and organisations leading to circumvention of contractual employment – *Schwarzarbeit* (Wächter & Metz 1993). As a belated correction measure, existing unemployment and retirement legislation were amended in 2003 and expected to impede the further rise of unemployment.

The overall social security standard in India is very low. This also applies to the employed, however, a differentiation between organised and unorganised sectors need to be made. Where as in the organised sector, employees' rights and benefits are protected and enforced by respective workers representation the much larger section of the unorganised employed are susceptible to goodwill and benevolence of the employer. Two causes can be identified for this relative insecurity. Although various welfare and employment related legislation prevail, the effectiveness of

enforcement is limited. Secondly, even in case of full application, the benefits from these legislations are insufficient to compensate basic needs of the beneficiaries. Thus there is a wide gap between the social provisions and existence minimum, at least for a major part of the working population.

Corporate form and responsibility

"Organised capitalism in Germany has always included a social dimension" (Brunstein 1995, p.90). The employee relationship is participatory and collegial in Germany (Arkin 1992b). The dual corporate structure in German organisations consisting of the management board – *Vorstand* – and the supervisory board – *Aufsichtsrat* – accommodates to large extent the upholding of employee interests since representatives of workers have strong binding voice in the supervisory board. Avoiding redundancy in the workforce is considered as important as protecting stakeholder values and viewed as equal corporate responsibilities. Even under global competitive pressure, the recruitment pattern of "hiring and firing", as practised by many Western companies in Britain and France is rarely adopted by German corporations. The slow rate of downsizing in Germany compared to other western economies substantiates this co-operative corporate style. On the other hand, the expansion of European Union and the exposure to cheaper labour market has precipitated many MNCs as well as *Mittelstand* to move manufacturing to low cost East European countries.

The current situation in India is significantly different to Germany. Not only are private-owned corporations in their quest for flexibility and global competitiveness prepared to sacrifice the social dimensions of corporate responsibility, but also the government controlled public enterprises readily compromise on employee retention. The large scale staff reduction strategies of Indian public banks underscore this trend. The myth of permanent life long jobs in government owned institutions is uprooted. Voluntary retirement schemes, offered to employees in their mid forties are symptomatic of the situation. The overall decline of the growth rate of employment in the organised sector from 1.44 per cent in 1991 to minus 0.17 per cent in 2000 (Government of India 2002) further indicates the wide spread practice of downsizing

and productivity improvement although the national economy achieved exceptional repetitive growth rates.

There is a strong shift of corporate responsibility of Indian companies from employee welfare towards shareholder values. With increasing number of joint ventures, co-operations and mergers with foreign companies, corporate structures are modified to match international forms and focus on the interests of institutional investors. The traditionally deep-rooted people orientation in personnel management is gradually losing priority resulting in raising unemployment among the lower and uneducated section of the population. The periphery of unskilled and semi-skilled is worsening (Narayan 2004).

2.2.2 Influences of strategic choices in companies

Whether a company chooses to be innovative, cost efficient or quality conscious to sustain competitiveness, all three strategies have specific influences on their HRM practices (Bamber & Lansbury 1998). Innovative strategy expects employees to be highly creative, more risk taking, co-operative and interdependent with long-term focus. This implies that HRM policies should be constructed to accommodate and foster such staff behaviours. For example jobs with exposure to new technologies, freedom of improvisation, reward systems for risk taking and enhanced training are supporting elements of an innovative strategy. This strategy also requires stronger focus on product development activities leading to higher research and development expenditures. Concurrently, quality focus calls for process standardisation and high concern for quality from employees. HRM practices, in this case, should facilitate innovation by establishing continuous job training programmes and setting platforms for intensive employee participation like quality circles and process management groups to improve quality consciousness. To achieve cost efficiency or cost leadership, HRM practices should enable higher specialisation of employee skills. Companies embracing cost reduction strategies, in general, make ample use of external sources, offer lower job security and narrow career paths to their employees (Dowling & Schuler 1990).

Two assessments can be made about the strategic orientations of German and India organisations. While German products are recognised for their quality and technology standards world wide, their cost competitiveness is in question. New entrants from low wage Eastern Europe and Asia are emerging challenges forcing German organisations to innovate and develop cost effective and productive processes to sustain profitability and competitiveness. Alternatively, collaborations and partnerships with organisations in lost cost locations enable German companies to maintain market power. German organisations deem India as a strategic business partner in Asia.

The second observation is, contrary to the German market saturation, domestic demand dictates Indian economy. Innovative approaches are visible in IT, bio-tech and some knowledge based sectors. However, Indian organisations concentrate on mass production of quality goods primarily to serve domestic markets. Given the large pool of cheap and qualified labour and the accessibility to modern technology through joint ventures and co-operation, Indian organisations are posed to expand their global presence.

2.2.3 National culture

Organizational cultures, according to Hofstede (1980), manifest the national cultures of their operating countries. Through an intensive international study covering more than 60 countries, Hofstede initially established four cultural dimensions termed as *power distance, individualism, uncertainty avoidance and masculinity* which he later complemented with the fifth dimension *long term orientation* after a second study in 23 countries. These dimensions, now and then critically viewed by some researchers, are still valid and widely acknowledged by researchers of social sciences. India and Germany being part of this study, their respective scores of these dimensions build a suitable framework for comparison. However, exploring this issue necessitates unravelling of the links between Hofstede's theoretical cultural framework and their practical implications on HR activities. In chapter 4 respondents reactions to questions from BIHRMP and Diversity questionnaires that the researcher regarded as relevant to national culture are presented.

Table 2.2 Hofstede's national culture scores for Germany and India

Hofstede`s Culture Dimensions	Germany	India
Power Distance	35	77
Uncertainty Avoidance	65	40
Individualism-Collectivism	67	48
Masculinity-Femininity	66	56
Long term Orientation	31	61

Source: Hofstede 1991

Table 2.2 highlights disparities rather than substantiate similarities, reflecting the cultural distinctions of the two countries. These differences shape their organisational culture to a large extent, in the process influencing their HR practices. However, it is denoted that other studies suggest Germany and India to be closer in terms of corporate culture. For example, Trompenaars` (1993) exhibit in "Riding the waves of culture" about the national patterns of corporate cultures plots Germany and India closer in the lower left quadrant (Trompenaars & Hampden-Turner 1993, p. 179). Such studies do not necessarily contradict or challenge Hofstede`s findings, at the best refines it. The focus is on what cultural differences prevail and how they influence the HRM practices. Hence, the responses of managers to eleven variables implicitly or explicitly related to culture are contrasted referred to the four conspicuously differing cultural dimensions.

Differences in terms of "power distance"

The concept of *power distance* is conceived as the level of accepting or not accepting inequalities among people of a nation. At micro levels it prevails in families where members recognize and reinforce the power of one or a few among them, usually elderly persons, perceived as virtual leader or leaders. At macro level, *power distance* is manifested in the societal attitudes towards individuals or groups exercising power and influence on others in various forms. *A priori*, behaviours of people at workplaces are governed by their attitudes to *power distance.* So, how is this being articulated in organisational context and what does this relationship imply to HRM practices?

Organisations in countries with high *power distance* have a propensity to pursue an authoritarian management style. Decision making remains a managerial prerogative and employee participation or power sharing HR practices are underdeveloped. Subordinates respect roles and authority of superiors and adapt to situational needs while feeling relatively complacent being followers. Communication process is often top-down and of imposing nature. Indian managers concede the persistence of power consciousness in work environment. In an earlier study (Braasch, 2000) Indian employees were found to be comparatively conformist often lacking independence and innovativeness.

Contrarily, German culture, like the Anglo-American culture (Hunt 2001) is low on *power distance*. Power is shared more and executed less. Although workplace democracy can not be termed as norm in German companies, their HRM concepts accommodate more employee participation thus giving workers more say in matters concerning their rights and duties. Managerial power and authority in organisational context is relatively lesser than in Indian surrounding, though strategic decision making still remains a management right. Employees are subjected to lesser control and expected to be more autonomous in job execution. Several studies on organisational culture associate workplace autonomy in German organisations with its cultural identity. "Skilled and responsible German workers do not necessarily need a manager to motivate them" (Hofstede 1993, pp.81-94).

Differences in terms of "long-term orientation"

Often quoted in literatures as *long-term versus short-term orientation,* these refer to two different perspectives of life. Values oriented towards the future versus those focusing the past and present. Indian and German scores for this dimension considerably differ. Higher scores mean higher awareness and concern for traditions. While it stands for organisational stability and consistency, it could also turn out to be barriers for organisational change and development. In contrast, low scores imply lesser concern for traditions but concurrently being more flexible and dynamic to needs of the organisation. The higher Indian score (61) proposes that the HRM practices of Indian companies must mirror their *long-term orientation* to a larger extent than the German entities.

Differences in terms of "uncertainty avoidance"

Change awareness can be construed as behavioural flexibility to varying circumstances and is correlated to cultural predispositions of people. Cultural predispositions of leaders and managers permeate the frontiers of the strategy formulation and implementation processes and as business environments become more complex, changing strategies, systems, processes and too often people become inevitable to sustain. HRM policies and practices play a significant role in inducing such organisational changes.

German organisations and institutions are known to operate in a well defined and structured political and socio-economic environment (Muller 1999). The society prefers to be guarded and governed by rules and regulations and obviously enjoys the privilege of relatively high social security and stability. In contrast, the Indian political and socio-economic landscape, although rapidly transforming, is still fractured, more volatile and full of uncertainties. Causes for this situation, by large, can be found in the different cultural facets of India. Consequently, Indian companies are destined to tolerate and cope up with ambiguities and uncertainties more than German firms. Thus the Indian lower score (40) becomes comprehensible.

Differences in terms of "individualism vs. collectivism"

Hofstede (1991) classifies Indian society as more collectivism-oriented than the German culture. Indian individuals identify themselves with core and extended families, collectives or groups with common cultural and linguistic profiles. Some researchers call this as in-group collectivism (Braasch 2000).This profile is, however, double edged. It can be a constricting source to organisational internal cohesion or a facilitating force to improve organisational efficiency, depending on the effectiveness of its HRM practices. For instance, if HRM practices over-emphasise on improving competences such as creativity and innovative traits of individuals in a collectivism focused country, it could be counter-productive towards overall goal achievement leaving employees with other potentials isolated and disengaged. On the other hand, HR policies fostering team work and focussing on group performances could cultivate collaborative characteristics and diversity awareness, ultimately

leading to higher organisational efficiency and employee satisfaction. How far the HR practices of Indian companies align with its collectivist culture identity can be verified by interpreting the responses of managers to four statements addressing performances of groups and individuals.

The section concludes the discussion on the <u>societal</u> influencing forces in the Bamber and Lansbury (1998) model.

2. 3   Comparison of HRM practices in Indian and German organisations

This section outlines current HR / IR practices and the influences of the institutional and strategic forces in Indian and German organisations, focusing on four HR dimensions, namely employment, compensation, skill formation and work organisation (Bamber & Lansbury 1998).

Employment and staffing

Employment practices in various industries and countries are evidently changing. Employment strategies are designed to provide a continuous match of employee potentials to the needs of organisational strategy. For example, the Indian government's liberalisation policy in early nineties has elicited strategic changes in organisations which in turn influenced their recruitment and staffing policies (Sadri & Roy 1993). The business competition stimulates companies to seek knowledge workers depriving companies of their attempts to hire new graduates and teaching them the needed skills. In recruitment and selection processes, strong emphasis is placed on abilities of applicants to accomplish organisational tasks. Similarly, the degree of convergence of the company's values and personal beliefs and attitudes of the candidates draws more attention. Huo, Huang and Napier (2002) provide some evidence to this aspect in the context of the "best international HRM practices survey" and explain further that their study in over 40 Western and Asian countries confirms the importance of the abilities of applicants to perform technical job requirements as well as the attitudes of jobseekers towards the values and beliefs of the company. These two factors are among the three most preferred and practiced selection criteria. Gopal (2003) from Gallup – Asia, to some extent contrasts this notion and alleges that HR managers in India mainly refer to educational background

as a selection criterion. Campus selection and attraction of people with multi-dimensional experiences and skills (Business Today 1996) are widespread HR practices to select new graduates for managerial functions.

Employment practices in Germany are radically changing. Declining union influence and concomitant relaxation of rigid labour legislation due to surging competitive pressures compel HR departments to review their employment policies and procedures. For the lower levels of employment, short term stipulated contracts and flexible and enhanced working hours are replacing the prior practices of permanent employment. The recent reform initiative called "Agenda 2010" launched by the federal government foresees various clauses to liberalise employment and staffing regulations giving employers larger discretionary powers (German government 2003). This measure emphasises the emergence of enterprises as the locus of employment relations (Bamber & Lansbury 1998) and marks the gradual withdrawal of state influences in employment relations. Agenda 2010 contains, besides realignment of social legislation, revision of employment terms. For instance, the terms of termination, duration of unemployment benefits, statutory retirement age and similar features are modified to match contemporary needs.

The discussion above summarises theoretical concepts of various practices in terms of employment and staffing in German and Indian companies in existing literatures. One of the research issues therefore is - *what are the differences in hiring practices between Indian and German companies?*

Remuneration and compensation systems

Compensation and reward systems are designed to encourage and motivate employees. These can be of monetary or non-monetary nature that fulfil employee needs, and conform to external and internal organisational factors and individual's perceptions of equity (Willaims 1998). Increasingly, Indian companies view compensation systems in a holistic manner. Salary and wages alone are extrinsic compensation and easy to imitate. Infosys Ltd., an Indian software establishment for example, offers remuneration packages including stock options to create personal wealth while sharing organisational growth and success. Besides statutory benefits

such as a provident fund, pension and gratuity, a number of services similar to housing loans, health care for family and social nurturing that supplement employee compensation schemes are also offered.

Individual and group performances, personal skills and efforts, seniority and discretionary abilities are basic determinants of reward systems in Indian organisations. The role of seniority in pay decisions was researched in the "best international HRM project" (Von Glinow et al. 2002). The outcomes show increasing emphasis as well as reducing influences of employee seniority in compensation policies. Seniority is a bona-fide occupational qualification in the US and is valued in much of Asian culture. Collectivist cultures emphasise seniority in HR decisions (Milliman et al. 1998). Seniority, in recent times, is observed to lose its importance in India and is valued mostly only in government organisations. The HR policies of Indian private sector organisations increasingly use monetary payments as remuneration. Companies consider non-monetary recognition as a major driving force to seek value and commitment. Companies like Colgate India and Xerox India, among many, are examples that provide social acknowledgements, company treats and awards and tokens as effective motivational elements of compensation system.

As more Indian enterprises build their global networks, the importance of cross-functional and cross-cultural teams in organisations emerge. As a result, new compensation systems are developed to evaluate and reward team performances without curbing individual creativity and innovative spirit. Further, given the declining density of union (ratio of membership to workforce) and the associated dilution of collective bargaining principles, employees are inclined to accept attractive compensation packages negotiated at enterprise level (Dwivedi 2002). Only 14 percent of the trade unions have been submitting returns for the members (Dwivedi 2002).

Under unitatry HRM theory, individuals are rewarded for good performance, commitment and quality (Muller 1999). Germany, nevertheless, still embraces pluralism and has the constraint of collective bargaining and compliance to labour regulation. Most of the firms have to abide by the outcomes of collective bargaining thus leaving them with very little flexibility to implement performance based pay.

The appropriateness of introducing performance related pay in a collective bargaining surrounding is certainly questionable. Jobs in German companies are well defined in terms of job requirements and pay levels. Benchmarks are set by teams of job experts, management and workers councils. Terms and conditions for increments, bonuses or incentives are also determined by the wage council. However, these apply only to members organised in unions whose interests are looked after by the respective unions or their work councils.

The comparatively high German wage structure shows signs of weakening. Exposed to the free movements of skilled and cheaper workers from East European countries, the companies in the unorganised sectors evidently undermine contractual terms and offer lower standards. In the wake of increasing unemployment and stagnating economic growth, all stake holders, except for the employees, suggest adjustments of wages and working conditions to avoid further increase in domestic job losses. In general, this applies to blue-collared jobs and the middle management (Agentur für Arbeit 2004).

Systems exist to compensate German managers and other so called "exempts" *(aussertarifliche Angestellte)* for their performance. They form about 15 to 20 percent of the staff and earn significantly more than the highest wage group (Muller 1999). Also, there is a general consensus about the importance of performance based pay systems and it is probable that more companies may implement similar reward systems as many firms ostensibly state their readiness to relieve themselves from the clutches of the contra-productive collective bargaining. Beyond this, in a collectivist culture (Trompenaars & Hampden -Turner 1993) it can be inferred that job based pay would sustain over performance related pay as this practice stabilises the existing egalitarian model and contributes to organisational harmony though other studies note growing importance of performance related pay in German organisations (Weber & Kabst 1996)

Having explained the various aspects of pay and performances found in literature, the issues to be examined in this study is: What are the differences in pay and performance appraisal practices between Indian and German companies?

Skill formation

As India moves from an agriculture-based country to current industrial and knowledge economy, organisations more often recognise the indispensability of continuous training and development of employee skills and competencies. A substantial amount of US$ 50 billion is spent every year on training (Pattanayak 2003). The Indian Apprentices Act, similar to Germany's vocational training legislation, obliges employers to provide basic training in 217 specific industries and in 134 designated trades (Dwivedi 2002).

The basic objective of training is to improve employee effectiveness to accomplish the assigned jobs for organisational efficiency. The current and prospective business environment demands from individuals and groups, knowledge and capabilities of adaptive learning. Flexible, multi-dimensional and cross-cultural skills are decisive factors for future employability. Indian companies focus on competency development programmes to ensure adequacy of qualitative and quantitative personnel as technology and business processes become sophisticated. Training and development schemes address employees of all levels. In the changing economic climate, besides induction and technical training, particularly management and leadership developments draw more attention (Saiyadain 2003).

A specific example is Siemens India Ltd (www.siemens.com). Corporate HRD evaluates the training needs of executives, staff and workers and training programmes are tailored to match HR strategy. Depending upon their business strategy, such as quality focus, cost leadership or innovative competence and global market expansion, companies adopt training methods to reinforce and maintain quality superiority, creativity and lateral thinking, cross-cultural competence and team working abilities of their employees (Parameswaran 2003). The quality training at Ranbaxy Laboratories Ltda global pharmaceutical concern and Eicher Group's (www.ranbaxy.com ; www.eicherinternational.com) leadership development programmes are other examples to cite. Further, enhancement of management competencies through partnerships of corporate HR with distinguished professional institutions is a common practice. This in turn leads to establishment of more business management institutes in all major industrial cities.

Occupational education in Germany is governed by the law for occupational promotion, AFG - *Ausbildungs Förderungs Gesetz* (www.bmwa.bund.de). The Work Constitution Act – *Betriebsverfasungsgesetz* (www.bmwa.bund.de) is the other legal framework that regulates training and development of employee in companies. German firms offer initial vocational training and support these with additional technical and non-technical company specific programmes. These programmes are both on-job training as well off-site courses. In a comparative study, Mueller (1999) observed greater integration of these two forms based on the perception that the latter not necessarily leads to behavioural change and stronger emphasis on job rotation and team building.

Germany's trans-national approach (largest exporter in EU) has increased the need for integration of cross-cultural awareness in training and development systems. This particularly refers to management training. Sparrow and Hiltrop (1994), note that the perspectives of training and education in transnational organisations have changed due to cultural diversity and competitive pressures. Flexibility of skills, customer orientation, quality consciousness, cultural awareness and sensitivity of skills have become paramount to HR policies.

The German apprenticeships model attracts as much attention as Japanese informal on-the-job training and skill development through job rotation of technical and managerial employees (Verma, Kochan & Lansbury 1995). Skill formation is the key for implementation of technological and process changes. Work councils and unions still have considerable influence in employee development issues. Notwithstanding, within the reunified Germany, there are visible divergences in the level of employee skills in same trades or professions because of the different standards in the two parts of post-war Germany. HR strategies of several organisations take this uneven status into account and promote additional training programmes to enhance individual skills, teamwork and cohesiveness.

The "best international HRM practices project" to a large extent highlights theoretical and practical convergences in the training and development practices across several nations (Drost, Frayne, Lowe & Geringer 2002). Preceding discussions based on literatures outline the framework of skill development practices

in German and Indian environment. For verifying and generalising the differences and similarities, the research is extended alongside the "best international HRM practices project" to describe what differences exist in of Indian and German companies. Having explained the various aspects of training and development found in literature, the issue to be examined in his study is: *What are the differences in training and development between Indian and German companies?*

Work organisation

Flexibility of work organisation is a key source of competitive advantage (Verma et al. 1995). Indian enterprises have been experimenting with a variety of work place systems such as team work, employee involvement in decision making, quality circles, total quality management and similar forms in the past. However, diffusions of these practices have been different in varying business environments (Bamber & Lansbury 1998). Industries in the established and organised sector of India are moving from hierarchical work relations to team-based work organisations. Employee participation in problem solving and productivity improvements processes are becoming integral HR practices. The concept of QWL - quality of working life-seems to have broader impacts on work organisation than other labour legislation (Saiyadain 2003).

As the economic liberalisation consolidates, organisational flexibility becomes an inevitable success factor for Indian enterprises facing stiffer global competition. To encounter competition, HR strategies of corporate India seem to leverage the large pool of the qualified workforce. In several industries, organisations keep experimenting with various work designs to achieve greater level of flexibility. Extended temporary employment, flexible work hours and wage adjustments increase numerical flexibility while job rotation, job enlargement, teamwork and intensive training and multi-skills building practices improve functional flexibility (Bamber & Lansbury 1998).

Strategies on work organisation until the early eighties in Germany evolved around the Taylorist principles of maximum decomposition of work tasks (Sparrow & Hiltrop 1994). Particularly in car, metal and chemical industries, jobs were designed

for low skilled labourers. Since middle of the eighties, however, the emphasis on Taylorist notions of productivity and efficiency and division of labour was replaced by principles of motivation and job satisfaction. Work organisations are structured to allow growth and advancement of employees with specialised skills giving them greater accountability, discretionary freedom and more opportunities for personal achievements.

Indeed, the declining union influence in Europe helps employers to remodel HR strategies to match organisational requirements. The situation somewhat resembles a resurgence of managerial authority. Against this trend, German organisations still are successful in maintaining the consultative structure of the work organisation. Apparently, the existing legal framework, namely the right of consultation, information and co-determination, facilitates employee empowerment. It is the trust, belief and confidence of the employers in the power of employee motivation and satisfaction that renders viability to this arrangement. The low number of strikes and associated loss of working hours further reinforce the nature of German work organisation (Torrington 1994). German unions lack the offensive approaches as in France or Spain and avoid frequent strikes (Birnbaum 2004).

Extensive corporate communication and enterprise bargaining is gaining grounds in Germany. For example, pay differentiation based on productivity levels, especially in Eastern states of Germany is an accepted practice to provide employment stability (Smonly & Kirbach 2004). In competitive environments, work councils realise the need for rationalisation and productivity growth and collaborate with employers to design and implement flexible work systems. Enterprise based agreements further allow flexible working hours, fixed-term work contracts, temporary employment, reduced retrenchment or dismissal notices, work-load based leave and outsourcing of non value adding operations. Birnbaum (2004) identifies the social partnership between unions and employers as the basis for this appeasing behaviour. Then, the technological innovations and increased deployment of robotics and computer controlled machines have transformed manufacturing lines into specialised or customised work organisations.

The discussions above provide a comprehensive overview of the HRM dimensions in the context of German and Indian environment. The framework of Bamber and Lansbury, used as basis for this comparative study, nevertheless, does not address the issues related to organisational diversity explicitly. Since diversity management is an integral discipline of SHRM (Nankervis et al. 2002), particularly in a cross cultural study, workforce diversities in Indian and German organisations and their implications of these dimensions need to be analysed.

Before beginning the discussions about workforce diversities in German and Indian organisations, it is emphasised that this research work does not address aspects of industrial relations (IR) in depth since the specific focus of this dissertation is on the HRM practices in the Indian and German manufacturing companies. However, it is acknowledged that there are fundamental differences relating to IR in India and Germany and therefore is viewed and recommended as an adequate complementing research field for future students.

2.4 Workforce diversity – Conceptual framework and debates

Organisations all around the world experience forms of workforce diversity. Diversity presents both a challenge and an opportunity to future oriented organisations. Managing diversity is a broad concept that values and recognises differences between people and is directed to achieve organisational goals (Erwee, Palamara & Maguire 2000). While more about integrative diversity management in the context of SHRM is provided in section **2.5**, this section deals with the fundamentals of workforce diversity, some theories and generic concepts about diversity management.

Conceptual framework

The concept of diversity management incorporates four notions. Kramar (1998) identifies these as - *managing differences and similarities of individuals - managing differences and similarities of a collective - the process of managing "inclusion" rather than assimilation of differences in a dominant culture – and specifying the dimensions of diversity*. Inherent unchangeable human features such as race, gender

and age are defined as primary dimensions of diversity. Secondary dimensions refer to human factors that can be influenced for example, religious belief or educational level.

Diversity need not derive only from differences in ethnicity and gender. It can also be "based on differences in function, nationality, language, ability, religion, lifestyle, or tenure" (Kossek & Lobel 2001, p. 2). According to Kossek and Lobel (2001) too much organisational similarity will be detrimental to the company's long-term growth, renewal, its ability to respond to environmental changes like dynamic market conditions, new technologies and ideas, social shifts, or changing expectations of the workforce. Workforce diversity or a diverse labour market can be defined along the primary dimensions regarded as immutable (Kramar, 1999) namely clearly identifiable features of people (e.g. race, gender, age or physical disabilities) which represent targets of bias and discriminatory actions (Arvey, Azevedo, Ostgaard & Raghuram 2001). Such definitions include social and cultural characteristics such as religion, language and ethnicity of workforce. A broader conceptualisation of diversity, embraced by Triandis (1995) contemplates secondary dimensions such as individual attributes like value differences or political affiliation and similar features as causes of segregation. Secondary dimensions according to Kramar (1999) are characteristics (e.g. education, parental or marital status) those can be changed. Based on the aforementioned discussions, workforce diversity can be described to include visible and invisible characteristics of employees and managing diversity implies managing of "certain invisible features of individuals which may or may not stem from visible characteristics traditionally considered" (Kossek & Lobel 2001, p. 52).

Controversies in diversity management

According to Kramar (2001) diversity is managed at three levels in organisations, at strategic, managerial and operational levels. Building the desired organisational culture, improving management systems and developing leadership competences are described as actions taken at strategic level. At managerial levels it involves designing HR policies those support values and the desired culture and at operational level it involves implementing the policies and process developed (Kramar 2001).

Many authors debate issues in diversity management. For example whether diversity management consists of specific programmes or whether it is a series of stages in a company's evolution (Erwee 2003 in Wiesner and Millett). Specific programmes, it is argued, could be providing training to value and manage diversity, leadership commitments to support diversity, establishing cultural audits and diversity enlargement programmes. Others contend that organisations, in the process of transformation towards greater diversity pass through three stages of diversity status described as mono-cultural, plural and multicultural (Cox 1993 in Abrecht 2001).

Human resource policies that support diversity have evolved as critical success factors that ensure viability and adaptability against organisational internal inertia and external competitive forces. Taking this in account, organisations plan and implement efficient HR systems to constructively exploit advantages of diverse workforce for organisational benefits. At the very outset it can be said that predominantly these systems were designed for a more homogeneous workforce (Jackson 1992b). They promote homogeneity and not diversity (Schneider & Rentsch 1988). Jackson's assertion may be justified by reflecting on practices of personnel management of the past. Managers in the past tended to hire, promote, and evaluate people in terms of the degree to which they are like their own image (Ferris, Fink & Galang 1994). Kanter (1977) called this approach as "homo-social reproduction".

The perspective on "homo-social reproduction", however, has lost its relevance in contemporary business environment. In the current era of globalisation, where boundary free market structures and cross-cultural management competencies have emerged as standard business requirement, employee structures of companies have become more of a heterogeneous model (Kossek & Lobel 2001). Hence organisations are compelled to accommodate diverse workforces without compromising on competitiveness and in the process have realised the significance of managing diversity. People from different cultures and with varying characteristics are employed by companies to execute their business strategy. Subsequently human resource systems should be designed to address human divergences in terms of social, cultural, religious as well as physical needs of the employees. Some examples to quote are providing prayer rooms and breaks, religion

based holidays, flexible work begin for young mothers, child care facilities, specific food and catering or special seating for disabled and similar systems. Such practices can be observed in diversity conscious organisations.

With the general overview of HRM and Diversity management presented above, in the following sections, this paper identifies contemporary issues relating to HRM and diversity management in companies in highly developed Germany and culturally different Indian subcontinent and synthesises the findings of previous research studies in the field of HRM and diversity management.

2.5 Strategic human resource management and diversity management

Strategic management refers to formulation, implementation and evaluation of cross-functional decisions that enable organisations to achieve its objectives (Erwee 2003). Strategic human resource management – SHRM - concerns HRM activities designed to ensure an alignment of HR strategy with business strategy. "Business strategy" explains the processes and the outcomes of chosen long-term directions (Nankervis et al. 2002). Organisational outcomes depend on the degree of alignment between business strategy and HR strategy, implying strong links between the two.

Links between SHRM and diversity management

One view acknowledges people as strategic resources and confirms that objectives of SHRM are governed by the business strategy. This approach argues that corporate strategy is the driver of HR strategy (Erwee 2003). In practice, this could mean that any change of organisational strategy would conjure adaptation of HRM policies to ensure optimal interaction and co-ordination of knowledge and skills of people. Nankervis et al. (1999) describe this as an "accommodative" linkage (Nankervis et al. 1999, p.43). A second perception is that SHRM has a strong say in shaping organisational strategy. HRM specialists can contribute vital information, for example about availability of skills and competencies or abundance and redundancy of human resources and other labour market data which are of critical value in the process of strategy formulation. This approach is called an "interactive" linkage (Nankervis et al. 1999, p.48). The third set of views appears in the multinational context. Managing a multinational organisation is, compared to homogeneous

national enterprises, more complex. To be successful and to sustain competitiveness, multinational organisations have to gain strategic control over their dispersed operations. Effective strategic international human resource management – SIHRM – can support the strategy implementation process. SIHRM focuses on cross-cultural and diversity management issues in continuously changing conditions. Multinational firms need to integrate their strategic activities and SIHRM policies and practices. Schuler, Dowling and De Cieri (1993) emphasise the necessity of integrating the SIHRM framework and strategic focus since these have reciprocal influences on the goals and concerns of multinational organisations. This perspective is referred as a "fully integrated" linkage (Nankervis et al. 1999, p.43).

A fully integrated linkage suggests that multinational organisations will have to consider the specific environmental features of the varying locations while formulating and implementing their business strategy. This means that diversities in terms of demographics, national culture, labour skills and legal settings of different countries and their effects on business operations are the determinants of the corporate strategy development process. Therefore efficient capitalising of diverse human capabilities and attitudes is a prerequisite for putting the formulated strategy into action.

Acknowledging and attributing diversity

Managing diversity means valuing differences of people and identities as strength and is directed to achieve organisational outcomes (Kramar in Wiesner & Millett 2001). It is a strategic human resource domain and the HR department has the prime responsibility for formulating diversity related management policies, also inducting line mangers to ensure effective implementation. However, without any conviction and commitment of senior management and in the absence of leadership and organisational policy (D'Netto, Smith & Da Gama Pinto 2000), standalone strategies and programs of HR managers are destined to futility. For diversity management to transcend organisational objectives, it has to be placed high on the organisational and SHRM agenda. Acknowledging the advantages of human diversity, creating and upholding diversity awareness among the workforce through various interventions are critical success factors for multicultural organisations of the 21st century.

Organisations can develop various strategies and programmes to value and manage diversity. Such strategies pursue to modify their mental programming, defined as the collective pattern of thinking, feeling and acting (Hofstede 1991) and the attitudes of its people towards the organisational diversity. If individuals or groups are guided by principles of human egalitarianism, tolerance and esteem for heterogeneity and conciliatory attitudes towards ethnocentrism, organisations can then establish diversity awareness and materialise benefits from a multicultural workforce.

Diversity awareness and skill-building training can create understanding of the importance and meaning of diversity and increase awareness about cross-cultural insensitivity (Erwee 2003). Diversity enlargement programmes aimed to increase representations of minorities and groups based on personal characteristics coupled with strict adherence to diversity legislation, such as EEO and Affirmative Actions help the process of transformation from monocultural to multicultural entities (Cox 1991). Employees and employers need to be informed about the cost and consequences of non-compliance of anti-discrimination rules, simultaneously avoiding threats and repercussion to elicit voluntary compliance. Visible involvement, dedicated commitment and strong support of leaders and senior management pertaining to diversity issues could impart credibility to diversity policies and actions. Finally, as globalisation forces and facilitates blending of people from distinct cultures, organisations will have to more intensively address the impacts of national and organisational culture. Thus internal research and auditing of the beliefs, behaviours, attitudes and actions of their employees and evaluating the outcomes to set competitive diversity benchmarks could become management processes for future oriented multinational organisations.

2.6 Diversity management in German and Indian organisations

Diversity management is still an emerging discipline within the framework of HRM in German and Indian organisations. Managing workforce diversity is as essential as maintaining and developing marketing competence for companies operating on global terrain, especially for collaborating partners in two distinct cultural environments like in Germany and India. HR systems and policies in charge should

facilitate effective management of diversity to transform these into prospering multicultural organisations (Cox 1991). The major section of this discussion is devoted to diversity dimensions in each society.

2.6.1 Diversity in cultural context

Cultural diversity is no longer experienced as radical differences, as separation, as superiority over others in Europe. It is not a source of fragmentation and partitioning (Shenton 1992). Diversity has to be contemplated in cultural context since patterns of thinking, feeling and acting of individuals and groups derive from their cultural background. Hofstede describes this as "software of minds" (Hofstede 1991, p. 4). It is a socially constructed concept and needs to be studied in cultural-historical context (Erwee 2003). National cultures influence work habits and attitudes of people and when it comes to working in teams, it becomes a significant influencing factor. While scholars like Levitt (1983) have established theory of homogenisation of national cultures (Barlett & Ghoshal 1991), more recent studies of Hofstede (1991) and Trompenaars and Hampden-Turner (1993) emphasise the pervasiveness of national cultural diversity within and between countries. The national or societal cultures of employees are factors that shape the organisational culture. In other words, organisational culture is a product of the diversity factors prevalent in that particular organisation in a specific society. An unbiased and diversity-valuing leadership can both cultivate new and change organisational cultures. This discussion leads to the research issue:

"What are the perceptions of the diversity climate among Indian and German managers?

2.6.2 Diversity dimensions in the Indian context

Patrickson and O'Brien's (2001) deliver an insight of diversity dimensions in India. Based on their work and other research, subsequent paragraphs outline and explain unique features of diversity factors in Indian context.

Languages and Literacy

In India, the secondary dimensions of diversity have decisive influences on organisational cohesion. Affiliation of individuals to specific religion or caste, their marital and parental status or language play a significant role in the process of developing relationships with superiors as well as subordinates. The Indian workforce consists of over 400 million employees originating from 32 different states (Kapila 2003). Most of these states are culturally and linguistically unique. Compared to the two languages, Hindi and English used for official communication, about 2150 news papers in 92 languages (Gopinath 1998) depict the complexity of Indian linguistic landscape. Contrary to the belief of many outsiders that these languages are often differing dialects, most of these have unique script and grammar. A glance at the Indian national currency notes (Indian Rupee) exhibits the distinctive nature of 15 languages.

At the beginning of this section it is noted that demographic figures provided here may vary slightly from other sources. The level of education of people from different states vary significantly, as for example the states from peninsular India produce more skilled and qualified workforce than other regions. The aggregate rate of literacy in these states is above 70 per cent (Government of India 2005) as against the national average of 65.4 per cent (Census 2001). This factor also explains the higher density of foreign firms expanding their operations to southern part of India. According to Datt (2003), 54.2 per cent of the women are considered as literate which contrasts another assessment of less than 30 per cent in two most populous states (Bennington & Mariappanadar 2001). This disparity is further substantiated by the figure of mere one per cent of college educated women in India (Velkoff 1998). In societal terms, male education is regarded as a parental investment. Thus parental discrimination and a gender biased labour market are possible reasons for the indisputable gender based education gap in India (Kingdon 1998).

Religious orientations

Religion and its practice in various forms and facets is another distinct diversity dimension that has some impacts on organisational performance. The Indian

population is composed of 82 per cent Hindus, 12 per cent Muslims, Christians and the Sikhs about two per cent each and Buddhists about one per cent (Bishop & McNamara 1998). Within the Hindu religious framework, there are four main castes - *brahmins, kshatriyas, vaishyas and sudras* - and several sub-castes, whose members inherit the set of values, system of symbols, beliefs and behaviour pattern through the process of socialisation, emerged over generation which further compound the diversity dimension (Braasch 2000). As a secular state, freedom of practising religion is guaranteed by constitutional rights and companies need to observe these rights as well as facilitate this. While this may explain the comparatively high number of holidays, it also forces firms to accommodate the religious orientation of its employees in their HR policies. So for instance, the food and beverages provided in cafeteria should be differentiated, often an expensive cost factor for the company.

Culture

Like in many oriental cultures, family orientation has a strong influence on social behaviour of employees. This feature correctly fits into the Indian culture that can be basically characterised as collectivist society. However, "this typically Indian collectivism is directed overwhelmingly towards the family and to a very little degree toward other groups (Braasch 2000, p. 18). Indian family structure continues to represent the first of the four pillars of social security with society, employer and the state institutions being the other three.

Braasch's statement about Indian collectivism is supported by Hofstede's earlier assessment referring India as high on power distance, low on uncertainty avoidance, more masculine with strong affiliation to collectivism (Hofstede 1991). Contrary to the general belief in the western world, there is no one type of culture that can be called as Indian national culture, and at the best one can detect different corporate cultures emerging. Unlike in Australia and United States which are exposed to cultural complexity through foreign immigrants, Federal India was formed out of fifteen autonomous and culturally diverse states. Human resources in Indian organisation attempt to cope with diverse people with various backgrounds in relation to their culture, language, working skills and attitudes to job and employer.

With all this, companies in India have been successful in establishing distinguishable corporate cultures, incorporating the values and traits of their workforce. The study of Trompenaars and Hampden-Turner (1993) substantiates this theory depicting Indian corporate culture as personal and hierarchical.

Equal opportunity for women

Women in contemporary India are having more access to basic and higher education and gender factors in organisations thus become more relevant. Particularly, there is a significant increase of women workforce in urban cities (Datt & Sundharam 2004). The surge of knowledge based enterprises in service and manufacturing sectors creates more job opportunities to women. Concurrently, the mechanisation of industrial (Breman 1999 in Patrickson and O'Brien 2001) and agricultural work tends to marginalise women. Despite Equal Employment Opportunity being deemed as a fundamental policy, enforcement practices deviate from full compliance to notorious negligence.

A large portion of the Indian women occupy an inferior position in Indian society (Mayer 1999 in Patrickson and O'Brien 2001). By and large, their behavioural styles and attitudes at workplaces are perceived to be more emotional and often subservient. Causes for this are embedded in the socialisation process of girls in the India. In stark contrast to boys, the majority of Indian girls are brought up under several parental protective measures as well as suppressive societal and religious beliefs. Discrepancies relating to wages and salaries are ubiquitous issues. The Equal Remuneration Act (1976), applicable to all work sectors and supposed to create pay equality does not serve the purpose because of weak and corrupt labour inspection machinery (Heggade 1998). Consequently, significant gaps in the earnings of men and women still exist (Kingdon 1998) and can amount to 24 per cent less in private sector (Patrickson and O'Brien 2001).

Child labour and older workers

The malpractice of child labour is widespread in rural India. Although the ILO convention No. 138 is officially recognised, the illegal deployment of children below

15 years exists in several sectors. Yet, considering the impoverished social structure in rural areas and the poor employment opportunities for the adults, the issue of permitting or prohibiting child labour appears to be a bone of contention. Children working in family undertakings or state funded institutions are not covered by the Child labour Prohibition and Regulation Act (Bennington & Mariappanadar 2001) as these acts apply only to hazardous industries (Ganesan 1997). Child labour in non-hazardous sectors is widely tolerated and as many as 14 major legislations aimed to protect working children are flouted with the connivance of local bureaucracy.

Like in many Western countries, the population structure of India shows a raise of old age population (Datt & Sundharam 2004). Specially, the age group of 50 to 60 years is a concern in the context of work place diversity. Even with their comparatively large repertoire of acquired skills and work experience, their relative inertia to absorb and master new technologies make them vulnerable to organisational transformation. Employers prefer induction and retention of younger generation because of their greater flexibility, mobility and adaptability when changes are planned and in the process are often prepared to sacrifice elderly employees. Above this, the statutory retirement age of 55 years in private sector and 60 years in public sector is also a catalysing factor for employers to sell voluntary retirement packages to employees above 50 years. In contemporary global oriented organisations, the virtues such as seniority of service and company loyalty are superseded by dynamic adaptability to change, team cohesiveness, and profit and performance consciousness (Sudarshan 2002).

Having some of the research relevant diversity issues of India explained above, the following section summarises the diversity dimensions in the German context.

2.6.3 Diversity dimensions in the German context

Culture and Language

Diversity issues in Germany and India are dissimilar and some emerging dimensions such as influx of workers from Eastern Europe in Germany are non-existent in India. Even after 40 years of separation and reunification, German society is still homogeneous. Employees as well as employers believe in the pluralistic form of

societal existence. Trompenaars (1993) classifies German industrial culture as hierarchical and highly task oriented. Hofstede's study of national culture indicates Germany as low on *power distance* which contrasts a high score for India on this dimension (Hofstede 1991). In terms of *uncertainty avoidance,* the German organisations operate in relatively stable and low risk conditions and the German society is classified as more *individualistic* than the Indian culture. The conspicuous score gaps in Hofstede's culture dimensions for Germany and India underpin this assessment.

German society has a common language and standardised education and training systems. Through institutionalised practices of collective bargaining, comparative wages and salary equivalence exist at all levels. However, the extensive use of English in business as well as in various societal contexts is increasingly emerging as discriminating issue for older and non professional employees. Permeability of English has already prompted antagonistic actions among indigenous German scholars. Another emerging linguistic contention is the introduction of Turkish language in primary schools and as a medium of instruction for adult education. Turkish immigrants and guest workers constitute the largest group of foreign population in Germany (Statistisches Bundesamt 2004). Considering the higher Turkish birth rate and the declining demographic of the German domestic population, the relevance of this issue becomes more evident.

Religion

Even though Christianity is proclaimed as the state religion and Christian institutions such as Churches and schools are supported by public tax money, the presence and influence of religion in organisations are minimal. The almost equal numbers of 26.6 million Roman Catholics and 26.4 million Protestants indicate the balance of their societal influences (Statisches Bundesamt 2003). Nevertheless, religious affiliation is still considered as an important recruitment and selection criterion in a number of Christian charitable, medical and educational organisations.

The constant influx of immigrants in the post war decades has, however, changed the homogeneous religious profile of Germany. A vast majority of the foreign population

is Muslim workers from Turkey and other Arabic countries so that in future Islam can be conceived as the third religious force. Contrary to the low influence of Christianity in organisations, the unique and rigid principles of Islam will have more effects on HRM and work environment.

Foreign population

The complexity of diversity issues in Germany depends on the density of the foreign population. Workforce diversity issues of post-war Germany are largely embedded in the slow but steady inflow of migrant workers from east European and oriental countries. Roughly nine per cent (7.3 million) of the German population (82.3 million.) are from foreign countries (Government Press 2000). About 1.75 million come from European neighbourhood, the most dominant group originating from Turkey (2.1 million) which has strong Islamic orientation and considerable linguistic problems (Government Press 2000). For example, in the state capital Berlin and in the federal state of North-Rhein Westfalia (NRW) alone live about the half of immigrant population in Germany. Around 2.4 million people in NRW are non-Germans from 53 countries and 17 – 20 per cent of this population are unemployed (Government Press 2000). Interestingly, some 26 per cent of this foreign population is below 18 years as of 19 per cent among native Germans (Government Press 2000). These figures highlight the diversity dimensions confronting German organisations.

The issue of immigrant workers has been further compounded by the expansion of European Union in 2004. With ten more new entrants, the influx of job seekers from these low income countries is expected to increase the implications on various HRM functions. For example the abundance of skilled labour has impacts on pay and compensation systems. Training and development programmes need new evaluation and adaptation to changing labour configuration and skills. Downsizing and deployment of temporary work force on flexible working hours, often up to eight in the evening require redesigning of jobs and operations. Hence the prevailing HRM policies and work force planning processes in German organisations need to be modified for cultural as well as social integration of the minorities to gain their commitment to organisational goals and improved productivity.

Equal representation of women and minorities

Women constitute about 44.3 percent of the working class, 55 per cent completing high schools and 47 per cent ending up with academic degrees (Statisches Jahrbuch 2003). The unemployment rate of women is above about 10.4 percent, higher than that of men's at 9.4 per cent (Statisches Jahrbuch 2003). Women's low proportion in management and leadership positions are signs of unwarranted gender based discrimination and substantiates the theory of glass ceiling. Promotions of women to higher management levels are used as examples of egalitarian practices (Brunstein 1996). Only 36 per cent of women in NRW, a state with higher density of foreign nationals, work while the national average is 44 per cent. Behind these statistical figures unveiling gender based injustice, there is also an accompanying reality. As in all European Union countries, there is a common tendency of increasing rates of employed women in Germany, presumably because of the overarching influence of knowledge and information based work processes.

Besides promoting women employment, endorsing EEO commitments to minorities and foreign youth need to be more seriously addressed by organisations. Unemployment rate among foreigners is particularly a matter of concern as more than 12.5 per cent of immigrant workers are jobless (Statisches Jahrbuch 2003). Comparing this rate with the aforementioned rates of German men and women leads one to assume discrimination against foreign workforce. Providing dual citizenship to second and third generation of immigrants, facilitating freedom of religion and belief, enhancing media access to minorities and sponsoring of multicultural events can be viewed as appropriate steps to deal with organisational diversity.

The preceding discussions about diversity in India and Germany leads to the research issues:

a) *What is the demographic diversity of employee profiles in Indian and German companies?*

b) *What are the major cultural differences that could impact HRM policies and practices in Indian and German companies?*

Emerging diversities

A nascent form of diversity is the emergence of highly qualified specialists from Asian countries. A national dilemma is, although unemployment surges and bans on recruitment of alien workers are sustained and new restrictions introduced, green cards are offered to thousands of immigrants in specific industries. This specially relates to the information and bio-technology sector, a practice preferred by the employers. Experts are invited into the country owing to the shortfall of professionals in these domains and are given the responsibility of leading teams comprising of native German. This state of reciprocal leadership, i.e. people from developing countries leading teams of highly developed nation, is causing resentment among German employees.

Beyond these diversities associated with foreign population, Germany now has to deal with three classes of domestic majority. The prosperous and affluent post-war West Germans, the 16 million reunified East Germans who were isolated for four decades under Soviet indoctrination and the 2.7 million expatriates from former Eastern European countries are now flooding German employment sectors. All three classes are by constitutional rights German citizens. Even so, the political and economic evolution in the post war period has wedged wide differences in the life styles, habits, beliefs, values and attitudes of these groups. One example can be noted in the overt dissatisfaction of the insecure non government employees over the treatment government employees, *die Beamten*, who enjoy the privilege of job security and receive early retirement options with 75 per cent of their last pay without obligatory pension contribution. Unless HRM policies of German organisations sufficiently address and efficiently manage this form of inherent diversity, the social drift among these groups could intensify leading to overall detriment of organisational performances.

Changes in HRM policies and practices

Even within the of HRM research, some issues stemming up from shifts in the business strategies and technology developments, not fully documented, need to be highlighted. The first issue pertains to the growing need of HRM people to handle the socially sensitive subject of company downsizing and its effect on employees. As

thrust of market economy surges, subsidies and tax relaxation diminish making staff reduction a cost-effective survival strategy (De Meuse, Bergmann, Vanderheiden & Roraff 2004) This has evolved as very pertinent issue. Not only multinational corporations (MNCs) and small and medium enterprises (SMEs) in private sectors are affected but also organisations in public sectors and government enterprises are experience this syndrome. HRM managers will have dual responsibility to shoulder in future. While HRM practices primarily promote and fulfil organisational objectives, they must also contribute to support both employee and societal welfare. Voluntary retirement schemes are popular but insufficient and render only short term benefits. To cope up with loss of jobs due to constant productivity and technology improvements, HRM must endeavour to focus more on people retention and job sharing rather than adopting insensitive retrenchment and retirement practices. Complementing research could help to fill some gaps in literature.

The next concern refers to the spreading of call centres and similar services in developing countries (www.callcenterindia.com), particularly in the financial sector. For organisations in the developed world, it is an irresistible opportunity to suppress cost by outsourcing non value adding operations to locations with low cost labour. Technology based reliability and speed of information and data transmission permits this practice. India for instance, because of the English language proficiency and qualified low cost workforce, has emerged as an attractive alternative for back office services. Several Indians are increasingly being appointed to work round the clock and in many companies these employees are exclusively women. Purely from a business perspective, this strategy sounds appropriate, but it raises some critical questions about the deployment of women beyond the usual business hours. Contemplating the stringent legislation in force in Western countries when it comes to women's night work, it necessitates HRM specialists to design new models or systems those take similar developments into account.

Another area to reengineer HRM policies relates to expatriates. The flow pattern and functions of expatriate employees has changed. Unlike in the past decades in which managers and specialists from developed economies were sent to developing countries, expatriates from emerging economies in Europe and America are increasing. A Chinese doctor managing a Dutch hospital, an engineer from India

leading a German software team or Japanese as a chief micro chip designer in Britain or even a Korean basketball trainer in the United States are becoming common scenarios. Such a development poses new dimensions of diversity for which new HRM policies and systems need to be established. In a comparative study of cultural influences of Asians (Chinese, Indian and Indonesian) and Germans, (Geissbauer & Siemsen 1996) the researchers identify arrogance, pedantry, ignorance of Asian culture as characteristics of expatriate Germans from Asians' perspectives. Conversely, the Germans view low creativity, inefficiency, unreliability, lack of responsibility and dishonesty as inherent habits of Asian workers. These findings emphasise the need for strategic adaptation of prevailing HRM concepts for functional efficiency.

There are many more reasons for constant adaptation of HRM concepts and diversity management. A contemporary issue is the latent wide spread antipathy to the members of the Muslim community after the terror attack on World Trade Centre. In Germany for example, courts are engaged in deciding on the implication of Muslim women wearing headscarves in schools. A law prohibiting Muslim women teachers wearing headscarves in class rooms was confirmed by the Bavarian constitutional court in 2007. Recent reports from Europe and US covering harassment and work place mobbing as well as tacit approval of persecuting practices of the security authorities further substantiate the need for new HRM thoughts to preserve and protect rights of minorities (Davenport, Schwartz & Elliot 1999). HRM has a significant role to play in this concern. This, however, does not constitute any trading-off or act of appeasement on the efforts to curb terror.

A final concern in this research context is the strategic HRM function to support and foster organisational knowledge management. Creating knowledge systems and managing human capital effectively should be a generic HRM domain. To transcend competition, organisations should create, communicate and apply knowledge. Knowledge is power and it is a product of information and its application. Specially in the digital age it is instrumental to enhance core competencies. Effective knowledge management enables appreciation of human assets. By developing HRM systems that consolidate tactic and explicit knowledge in organisations, it contributes to create greater value (Tiwana 2000). Tactic knowledge is embedded in the personal experiences of human where as explicit knowledge is packaged as information

(Pattanayak 2003). With all this, very few firms have fully implemented knowledge management systems. Attempts of many firms are more or less in the seminal stage without significant impact on their performances in spite of the widely attributed strategic importance by several management scholars and practitioners.

Why is knowledge management a critical factor? Knowledge management is coupled with organisational learning. Learning organisations exercise organisational learning which implies that an organisation transforms the experiences of its people into retrievable and sharable knowledge. Senge (1990) illustrates the real relevance and purpose of organisational learning. People and structured knowledge are determinants of competitiveness and commitment. Knowledge management is not an IT domain, but HRM should be the leading stakeholder and deploy IT systems to create and disseminate knowledge. Unfortunately, existing research studies lack depth in linking knowledge management and HRM policies and practices.

2.7 Theoretical framework of the "Best International HRM practices project"

The "Best International HRM practices project" (BIHRMP) project was an interdisciplinary research conducted by a consortium of multinational researchers in multicultural context. This research aimed to identify universally adopted best HRM practices taking contextual, cultural and organisational variables into account (Von Glinow et al. 2002) and examined HRM practices of ten countries in Asia, Europe and the Americas.

The basic assumption underlying this research was that there was no unifying context free international HRM theory or model. The project intended to discover converging characteristics of HRM practices that function in different cultures and organisational forms. In practice, the researchers sought to compare HRM practices existing in North America under the *emic* perspectives with HRM practices in nine other countries (Australia, Canada, China, Indonesia, Japan, Korea, Latin America, Mexico and Taiwan) and expected to find overlaps what they called as derived *etic* or best IHRM practices (Von Glinow et al. 2002).

The neologisms *emic* and *etic* are derived from the analogy with the terms "phonemic" and "phonetic". The *emic* perspective focuses on the intrinsic cultural distinctions that are meaningful to the members of the given society while the *etic* perspective relies upon the extrinsic concepts that have meaning for the scientific observers (Lett 2006).

The theoretical framework of the BIHRMP is based on three international HRM related factors, namely

- *the existence of similar IHRM practices in different countries*
- *the understanding of the cultural context in which they are practised*
- *and if these practices are effective.*

Substantial knowledge about these three factors is fundamental requirement to derive at context-free and universally applicable international HRM practices called "derived etic" or "best practices" (Von Glinow et al. 2002, p.148). A visual model to better understand the HR practices within a culture based on the emic and the etic perspectives is illustrated in Figure 2.5.

To extend the existing knowledge regarding the three factors noted above, the research framework formulates appropriate research questions to be answered. In core, these questions address, besides the current and future HRM practices of organisations in the ten countries, also HRM issues such as overall organisational effectiveness, employee performance levels and job satisfaction. Purposefully, the BIHRMP project uses an elaborate survey questionnaire that composes of, beyond the four -*hiring, performance appraisals, pay and training and development*- HR practices, a wider range of HRM domains such as leadership and communication, not examined in this study.

Figure 2.5 Visual model of understanding of HR practices within culture

1. Begin research in one's own culture	(EMIC A)
2. Transport to another culture	[IMPOSED ETIC]
3. Discover other culture	(EMIC B)
4. Compare the two cultures	(EMIC A) **vs** (EMIC B)
5. Comparisons not possible	(EMIC A) ≠ (EMIC B)
6. Comparisons possible	(EMIC A (EMIC B) ⇧ [DERIVED ETIC]
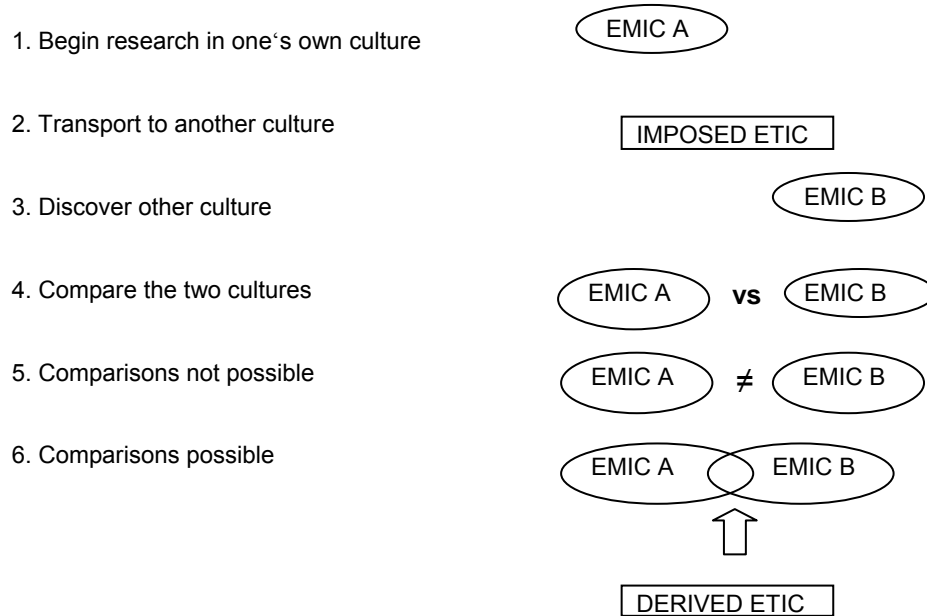
Source: adapted from Berry (1990) in Von Glinow et al. 2002

2.8 Research problem, relevance, questions and issues

Within the body of this chapter factors influencing HRM practices and country specific diversities were identified and contemporary HRM theories and practices were described in general terms. The existing research studies highlight the relevance of HRM and diversity management and emphasise the significance of strategic alignment of business and HRM strategy for multinational organisations. With this background knowledge, the study explores and explains the practices of manufacturing companies operating in Germany and India, two demographically and culturally distinct countries.

The research problem can be broadly described as follows. Given the abundance of qualified and skilled low cost labour in India, superior German technology and modern management techniques, large potential for mutual growth and profit is left untapped. Why is it so?

Besides other factors the role of SIHRM is presumed to be critical to business success of multinational companies. SIHRM is application of strategic HRM (SHRM)

in global or international context (Nankervis et al. 2002). Since there is a correlation between effective HRM practices and performance levels of workforce, it can be deduced that improving the effectiveness of SIHRM practices can significantly contribute to fulfil organisational objectives (Phatak 1992). Examining this proposition calls for in-depth knowledge about how far are the current HRM diversity management practices of collaborating companies appropriate to enable faster growth and be supportive to business needs. So discovering *what HRM practices and diversity practices exist in German and Indian firms and how they differ* becomes the question to be researched.

Moreover, very few studies have been conducted on either SHRM or diversity management or the link between the two issues in these two countries. Whereas national cultural differences were researched by Hofstede (1980), Hunt (2001) and Trompenaars (1993), comparative studies of Indian and German organisations concerning HRM and diversity management have not yet been identified. A study carried out by Zheng (2001) on Sino-foreign joint venture in SMEs delivers some interrelationship between HRM practices and organisational performance. The "Globe project" and "Best practices international HRM survey" are two comparable extensive studies, however, without explicit references to Indian and German companies.

The research question raises a number of research issues which are systematically explored.

1. What is the demographic diversity in employee profiles of the selected Indian and German companies?
2. What are the major cultural differences between these companies that could impact the HRM practices and policies?
3. What are the HRM practices and policies of these companies in terms of hiring, training and development and performance and pay?
4. What are the perceptions of the diversity climate of managers in German and Indian firms?
5. What are the differences in the perceptions of the diversity climate among German and Indian managers?

6. What are the differences in perceptions of HRM practices between HR managers and general managers?

7. What are the relationships between the diversity climate and HRM practices in German and Indian organisations?

To examine the above issues, there is a need to narrow the focus of this study and therefore this research focuses mainly on four HRM dimensions and diversity perceptions at managerial levels. The HRM practices in terms of *recruitment and staffing, training and development, performance appraisals and compensation systems* are studied as well as the demographic and cultural differences between German and Indian companies and their perceived influences on HRM and diversity practices.

2.9 Conclusion

Current literatures emphasise the inevitable need for organisational ability to adapt to the business and societal dynamism. The traditional concept of administering people has turned to be isolated practices and often obsolete. The role of contemporary and future HRM in established and emerging economies is to appreciate the valuable contribution of staff and thus contribute to business value creation process. SHRM is an integral part of organisational strategy. HRM functions have a strong human development orientation. Identifying talents of individuals and strengths of teams and developing organisational and decision making competencies are appropriate HRM practices to strengthen competitiveness and commitment to fulfil company objectives.

Globalisation is not confined to companies of all sizes anymore only. The progress of information and communication technologies accompanied by economic liberalisation policies in several countries has broadened the scopes and spheres of business for smaller enterprises too. Subsequently more companies in India and Germany are confronted with organisational and cultural diversities. HRM of the 21st century is responsible for creating more diversity sensitive work cultures and promote diversity awareness among staff. HRM and diversity management concepts are to be designed to conceive divergences of people as strengths that can be deployed to reinforce global competitive advantage.

Chapter 3: Research Methodology

3.0 Introduction

Previous chapters provide a broad picture of the current state of research in contemporary HRM, diversity management practices, and the existing cultural distinctions and their implication to business processes in Germany and India. In this chapter the research methodology, its appropriateness, validity and reliability issues, and the particular research paradigm will be discussed and its suitability are described.

The research question,

What are the HRM practices and diversity management practices in German and Indian manufacturing companies and how do they differ?

raises a number of research issues to be investigated such as HRM policies and the cross-cultural awareness of HRM staff and management.

The primary data source was German and Indian managers' responses to two questionnaires, a HRM questionnaire and a diversity questionnaire, compiled for this research. The HRM questionnaire is part of the "Best International Human Resource Practices Survey" (BIHRMPS) (Von Glinow et al. 2002) conducted by a consortium of international researchers whereas the diversity questionnaire is an adapted survey instrument that incorporates various specific features of Indian and German employment environment. The latter was modified from a diversity survey conducted by Erwee and Innes (1998) in the Australian context. Using these two questionnaires, data was collected from HR managers and general managers of German (27 HR managers; 37 general managers) and Indian (37 HR managers; 40 general managers) companies. Both questionnaires were developed by experienced researchers and used in international research projects and hence can be deemed as tested instruments. Secondary sources such as prior research reports, archival evidences and company bulletins and publications were also considered to reinforce the data reliability.

In following sections, the different steps of the research process are briefly outlined. Beginning from the justification of the used research paradigm, the sections explain the research methodology and design while providing a reasonable overview about the sampling and data collecting and evaluating methods followed. Further, the ethical aspects and the presumed limitations of the methodology adopted are also explained.

3.1 Justification of the scientific research paradigm

Realism, also called post positivism is the conceptual research framework under which this study was conducted. This paradigm, among the four scientific enquiry paradigms – *positivism, critical theory, constructivism and realism* – is often adopted in the context of business management and marketing research issues. Paradigms are regarded as "the basic belief systems or worldview that guides the investigator" (Guba & Lincoln 1994, p. 105). Realism research discovers knowledge of the real world by naming and describing broad, generative mechanisms that operate in the world (Healy & Perry 1998). The questions to be answered are *how* and *why* do variables related to HRM and diversity manifest in one or other form. Organisational diversities are complex phenomena raising complex situations. To explain such phenomenon realism or post positivism is suitable research paradigm (Yin 1994).

Literatures suggest positivism as a suitable and most used alternative paradigm in survey methodology (Guba & Lincoln 1994; Neumann 1994). Hence it could be argued that a positivism approach would be more appropriate than the realism approach. This is debatable but also refutable in the research context. Positivism paradigm expects the researcher to deliberately keep distance from the sample and be fully uninvolved (Perry, Riege & Brown 1999; Yin 2003). This perspective is valid when the sampled population has common characteristics. For instance, studying consumer preferences of one category of people in one country using anonymous survey documents under positivism paradigm would be an appropriate methodology. But studying perceptions of people in differing societal, cultural and geographic environments needs objective interaction of the researcher with the samples. Such an approach comply more with realism paradigm. Managers in Indian and German companies are considered to be culturally different.

The research process also provided evidence to the suitability of the realism paradigm. The initial attempt to collect data by mailing the survey questionnaires turned to be ineffective. Very few managers mailed back the questionnaires. Consequently appointments were arranged with company managers and during these personal meetings the survey questionnaires were handed out to the managers and were requested to complete the survey. From the majority of the managers (97) the completed questionnaires were collected personally at end of the meetings while a few of them returned their responses a few days later.

Further, the "best international HRM" study also delivers additional justification to the realism paradigm. The involvement of researchers in the respective countries and their acquaintances with the country is noted as a contributing factor (Geringer et al. 2002). Realism and positivism could also be seen as complementing paradigms. Being involved in the research process and using quantitative data need not necessarily contradict each other as Miles and Huberman (1994) point out. "Practical research at the working level" tends towards one paradigm while including elements of the others (Miles & Huberman 1994, p.4).

This research attempts to understand the perceptions of people about HRM practices and diversity climate in Indian and German enterprises. Perceptions are based on personal convictions and need not be reality. In realism context, reality is imperfectly apprehensible (Guba & Lincoln 1994). The Realism paradigm allows researchers to extract a picture of reality from expressed perceptions. "Realism relies on multiple perceptions that involve triangulation of several data sources, and of several peer researcher's interpretations of those triangulation" (Erwee 1999, p.6). Since in this study, the perceptions of managers are used to explore and explain concept of HRM and diversity in German and Indian firms, the realism paradigm can be justified as appropriate.

The realism framework also helps to understand the common reality of an economic system in which many people independently operate (Perry, Riege & Brown 1999). German and Indian organisations for this research represent such economic systems wherein people, their perceptions, actions and behaviours constitute the core

components of HRM in manufacturing organisations. Thus, investigating the research questions of *what* and *how* the HRM practices and diversity management differ in these organisations involves *exploring* and *explaining* the differing perceptions of people in these organisations. However, "perception is *not* reality as constructivists and critical theorists view, instead for realists it is a *window on to* reality through which a picture of reality can be triangulated with other perceptions" (Perry et al. 1999, pp. 18).

Triangulation is a combination of different methodological techniques to overcome weaknesses of any one specific technique (McPhail 2003). The research design uses a survey and in-depth interviewing techniques for data collection implying use of quantitative and qualitative methods. Realism better accommodates both approaches and is more appropriate than the other scientific paradigms facilitating the researchers to collect information and perceptions of people without having control over the behavioural aspects of the sample (Yin 1994). As the purpose of this research being to explore perception of HR practices and diversity management of people as well as to explain the differences, the quantitative and qualitative methodologies are relevant.

Next, in Germany as well as in India HRM and diversity management is a contemporary issue. Many observed changes in the structure of the human resources caused by impacts of globalisation and other country specific developments in both countries call for scientific investigation. Discovering the observable and non-observable structures and mechanisms that underlie events and experiences is the goal of realism research (Tsoukas 1989).

Finally, to conclude this section, some points are highlighted to emphasise the practical and contextual relevance of the realism paradigm to this research, that substantiate the theory based justification of the research paradigm.

Firstly, HRM and diversity management are business processes and there is a general consensus among researchers about the suitability of the realism paradigm to explain and describe business constructs. It is remembered that this study aims to explain *what* and *how* the HRM practices and diversity management practices in Indian and

German organisations differ. Secondly, research on international HR issues, such as this, when conducted within or under realism paradigm is often most promising (Rowley & Benson 2002). Most of the German and Indian sample companies are engaged in international business. Thirdly, though a remote mode of data collection using survey questionnaires was foreseen, in practice, the objective involvement of the researcher was required. Research within the realism paradigm calls for the objective participation of the researcher (Guba & Lincoln 1994). Most of the responses were obtained in personal meetings which helped to avoid misinterpretation of meanings.

Finally, realism or critical realism paradigm is most accommodative to quantitative and qualitative approaches. While being different from positivism and constructivism, it has some elements of both (Perry et al. 1999). The fact that the survey instruments, the HRM and diversity questionnaires, generally defined as research tools in quantitative techniques substituted interview protocols, usually used in qualitative research, further underpins the practical relevance of the realism paradigm to this study. This research incorporates triangulation and interpretation of research issues by quantitative and qualitative methods. Of late, this combining approach is debated as "mixed methods of research" and many investigators help advance this concept by its regular practice (Burke Johnson & Onwuegbuzie 2005, p.14).

3.2 Research methodology

Even under the best circumstances, cross cultural research represents a challenging undertaking. Existing research regarding HRM practices remain on a micro level of analysis, focussed within countries and are not generalisable (Geringer, Frayne & Milliman 2002). In cross cultural research, the methodology adopted needs to accommodate contextual differences (Graham & Gronhaug 1998). Accordingly, for this research, the tested and reliable methodology used by the research team of the "Best International Human Resource Practices Survey" guided by Von Glinow et al. (2002) from the Florida International University as well as Erwee and Innes (1998) was considered appropriate. In following sections various elements of the selected research methodology is explained. Beginning from the research design, in sub sections, the research approach to determine samples and data collection and criteria

for selecting the survey instruments and questionnaire design is briefly described. Additionally, measures to minimise errors are also mentioned.

Within the research community there is a consensus about the unavailability of **one** best research methodology for investigating all phenomena. Both quantitative and qualitative methods have their superiority and drawbacks and Attewell and Rule (1991, p. 367) state that, "Each is incomplete without the other". Danziger and Kraemer (1991) point out that survey research and fieldwork are alternatives and not competing methods. In business research generally, any given research objective may require multiple research approaches (Gable 1994). Quantitative research supports generalisation of outcomes while qualitative research helps to understand the underlying reasons for the persistence of certain perceptions (Malhotra 1996). Considering the above criteria, this research was designed adopting both qualitative and quantitative strategies.

3.3 Research design

This research uses predominantly quantitative survey method, but also integrates qualitative information gathered in personal meetings. The initial approach to collect data from managers *and* staff and also depth-interviewing selected senior HR managers was modified for practical reasons. Instead, the research focuses *only* on the perceptions of *HR managers and general managers* of the sampled companies.

Primary data was collected using two survey questionnaires, one for the HRM practices **(BIHRMPS)** and the second for the diversity climate (Diversity questionnaire).

Though the research was designed to collect data through conventional mailing, in practice the data collection was executed in personal interviews by getting the managers to complete the survey questionnaires during the interviews. In following sections other research elements such as sampling, questionnaire design, method of analysis and reliability issues will be described.

3.3.1 Advantages of survey method

One of the major strengths of survey methodology, in contrast to qualitative methods, is the generalisability of results (Gable 1994). "Generalisability refers to the scope of applicability of the research findings in one organisational setting to the other settings" (Sekaran 2000, p.24). In a study where the sample size is comparatively small, (the population of manufacturers in the auto industry is also small) attaining representative results is particularly vital to broaden the scope of applicability of the research. Next, surveys are relatively cost effective and can be executed in planned and structured manner. They permit accurate statistical and speedy analysis, given the survey design consists of carefully formulated questions to elicit non biased unambiguous answers. Since this research deals with companies in different continents and cultural influences, the survey method is justifiable in terms of cost and geographic application, unfortunately, only to a limited extent in this study. In general, mail surveys give the respondents a greater feeling of confidentiality due to anonymity and could be easy to complete. On the other hand, the survey technique also has some problems such as controllability and repeatability. For instance, once the survey instrument is underway, little can be done about issues such as omission of crucial items or discovery of ambiguity or questions being misinterpreted and misunderstood (Gable 1994). More over, the responses may be a snap shot of a certain situation not reflecting the complexities or yielding little information about the underlying meaning of the data collected (Gable 1994).

3.3.2 Questionnaire design - Quantitative data

In the research context, quantitative techniques are used to investigate existing HRM practices and to assess the degree of diversity awareness in the selected organisations. However, the validity of any research outcome from such techniques invariably depends on the quality of the data received and processed. Again, the quality of the responses, in verbal or documented form, is proportional to the probabilities of misinterpretation and ambivalence associated with the questions asked (Zikmund 2002). Therefore, questionnaires need to be meticulously designed to ameliorate any possible misconstruing of questions to substantiate validity and reliability of the results.

Two important criteria that judge the compliance of the questionnaires to the research needs are the accuracy and relevance of the questions (Zikmund 2002). Relevance is ensured when unwanted information is avoided and only the necessary information is obtained. Accuracy, on the other hand, is achieved by formulating simple, understandable, unbiased, unambiguous, and non-irritating questions (Zikmund 2002). The initial approach of creating new questionnaires specifically for this research prompted the issue of using instruments that were not tested in prior research and thus attracted critical comments of peer researchers and some scholars in this field. Consequently, it was decided to use tested questionnaires in cross-cultural research and adapt them to the specific framework of this research. Thus the **BIHRMPS questionnaire** was created out of the sections from the "Best International HRM Practices Project". This project was initially conceived by an eight member core team of North American international researchers (Von Glinow 1993), with the goal to "determine whether and under what conditions there might be some identifiable set of best international HRM practices within certain organisational and societal contextual conditions which might be applied across different national settings" (Geringer et al. 2002, p.12).

The "best practices project" was an international research project involving 40 nations from all continents and attempted to benchmark HRM practices globally and test empirically if these practices were context free, context specific or context dependent (Geringer et al. 2002). Consequently, the questionnaire designed and used covered a broad range HRM related issues such as communication, leadership, management styles and job satisfaction etc. However for this research dealing only with Indian and German work environment, the HRM survey questionnaire focuses primarily on core HRM practices. The HRM questionnaire composes of two parts. Part **A** refers to *demographic factors* while Part **B,** the more extensive part contains questions about major HRM functions, fragmented in five sections – *hiring practices, training and development, performance appraisal, pay practices,* and *HR department.* The four sections covering HR disciplines in Part B contain 13 to 14 questions whereas the HR department section has seven items. For each question referring to the HR practices respondents were requested to make two separate assessments on a 5-point category scale. One assessment for their perception about the current

practices as they are practiced now in the organisation (*"is now"*) and a second assessment of how the respondent thinks the practices should be applied (*"should be"*). Category scale is an attitude scale consisting of several response categories to provide alternative ratings (Zikmund 2002). Five numerically coded boxes using a simple 5-point category scale (Likert) for each assessment was provided. The range of 1 to 5 indicated the level of compliance of the respondents for a given question, for instance, "1" for (not at all) to "5" for (to a very great extent). **Appendix A** shows the design of the HRM questionnaire.

For investigating the diversity climate, a **diversity questionnaire** (Erwee and Innes 1998; adapted from Gardenswartz & Rowe 1993) was used to extract data relating to diversity awareness and diversity management. Sections of this questionnaire were adapted to align with the Indian and German business environment. For example, the issue of skin colour becomes irrelevant in the Indian context while religious orientation and linguistic factors are more influential and hence deserve more attention. **Appendix B** exhibits the diversity questionnaire design.

The diversity questionnaire used in this study is a modified version of a survey instrument, originally designed by Gardenswartz and Rowe (1993) and later adapted by Erwee and Innes (1998) to measure the perceptions of managers relating to organisational diversity in Australian companies and consists of three main sections and a section for demographics. The first refers to the *symptoms of diversity related problems*, the second section focuses on the *openness of companies towards change* while the third deals with *diversity management status of the companies*. In the first and second section fifteen specific statements are provided for respondents to express their opinions along a 5-point Likert category scale. The third section contains eleven boxes, each consisting of a set of three statements relating to various aspects of organisational diversity, among others, individual and management attitudes and barriers to diversity. Respondents are requested to provide a single answer that they perceive as "true" regarding their companies.

3.3.3 Reliability and validity

Reliability of a study depends on the measures of constructs or concepts developed for the investigation (Churchill 1979). Measurements can be single-item or multi-

item measures. Single-item measures (single questions) of constructs of multiple characteristics are prone to measurement errors. For concepts having a number of similar and dissimilar features such as HR and diversity constructs, the focus of this research, multi-item measures serve better to understand these concepts. Both questionnaires (**BIHRMPS** and Diversity) are designed taking this into account. Although the major HR functions are categorised in the **BIHRMPS**, each of these have sub sets of questions. In other words, the number of items to measure a single phenomenon is increased to build a stronger measure leading to better reliability. Reliability tends to increase as number of items in a combination increases (McPhail 2003). Similarly, the **BIHRMPS** questionnaire is referred to experienced specialists for evaluating the accuracy of the measurement. This procedure is intended to purify the measures as Churchill (1979) denotes and subsequently renders greater face validity to the study. Finally, to improve the sensitivity of the measurements, the scale for responses will be a five score measure giving the respondents a wider range of possibilities to express their attitudes and opinions. Sensitivity refers to accurate measurement of variability in responses (McPhail 2003). The Cronbach Alpha values of the **BIHRMPS** for this study are provided in Table 4.1 (*Hiring practices –0,728; Performance appraisal – 0,864; Pay practices – 0,835; Training and development – 0,861*).

Reliability of Diversity questionnaire: Further, the diversity questionnaire used is an already well tested instrument in other research contexts (Erwee & Innes 1998; Erwee et al. 2002) and thus contributes to increase the face validity of the measures. Face validity is termed as judgement of professional experts that the measure captures the concepts (McPhail 2003). The relatively high Cronbach Alpha values for each of the three sections reinforce the reliability of this instrument. The Cronbach Alpha values for the three sections discussed above in the previous study are 0.87, 0.79 and 0.73 respectively (Erwee & Innes 1998) and for *this study the values are 0,781, 0,861 and 0,693* to the Parts A, B and C respectively (see Table 4.1).

Both questionnaires are tested survey tools employed in prior international and cross-cultural research studies and can be deemed as reliable instruments. Beyond this, using tested instruments offer a few more advantages. It allows easier detection of

similarities and differences of the results of the studies and thus contributes to broader scientific understanding of the research question. The research processes, such as sampling, data collection and analysis can be constructed around a valid and tested methodology. The difficulties and problems while conducting cross-cultural studies can be countered more effectively. This, however, depends on the accessibility to previous researches and the consent from the researchers to use the outcomes of their study. In this context, it needs to be mentioned that the permissions to use the HRM questionnaire and diversity questionnaire from the authorised persons were sought before using these instruments.

3.3.4 Minimising survey errors

Survey research is basically a primary data collection method from a sample population using questionnaires and is susceptible to various forms of errors. If not avoided, these would diminish the validity and reliability of the research. Survey errors are classified as random sampling and systematic errors. Since the sample companies are part of a larger population, random sampling error may arise. Systematic errors emerge when the research design is imperfect or executed improperly (McPhail 2003). These are based on respondent's indifference (non-response) and bias or researcher's administrative flaws. To prevent non-responsiveness, all participants were informed about the purpose, procedure and the possible benefits of the research to their organisations in form of an introductory letter prior to questionnaire mailing. A letter of endorsement obtained from industry and commerce department of Indian state government was added to encourage respondents.

At this point, it is denoted that despite taking the aforementioned measures, the initial response rate was low and *it was decided to interview managers personally and getting the managers to fill the survey questionnaires during the interview*. Though the cost impact was considerable, the method ultimately contributed to minimise survey errors. Further, the researcher's language proficiency (four Indian languages and German) is a factor that also reduces the impact of misinterpretation of questions. Beyond this, measures such as second contacts, incentives and respondent friendliness (McDaniel & Gates 1999) which encourage the sample to respond, was also practised. Finally, to ensure the error free and complete direct data entry to the

computer, some randomly selected entries from the SPSS master file were visually cross-checked against the corresponding ratings in the HRM and diversity questionnaires.

The design of the questionnaire is a major determinant factor for error free measurement. Self administered questionnaires are often used by HRM consultants and managers to understand employee perceptions (Zikmund 2002). Many aspects of the questionnaire can be shaped to create trust and influence respondents (Dillmann 2000). Using two well tested survey instruments and face to face interaction with managers helped to create trust and contributed to minimise survey errors.

And finally, a strategy used to increase accuracy and relevance of questionnaires was pre-testing. Pre-testing is a process to reduce problems relating to the content of the questionnaire (McPhail 2003). Although tested instruments, the drafts of the questionnaires were presented to a research professional, two experienced HR managers and a peer student of DBA for initial screening. Observing the above mentioned measures contributed to enhance the validity and reliability of this research.

3.4 Data collection

The process of collecting primary data was the most difficult part of the research process. As briefly mentioned in the research design section, the mode of collection was modified because of low response. Although the recipients were pre-informed before posting or in several cases e-mailing the questionnaires, for various reasons just around 10 percent responded. Consequently, in follow-up contacts, the consents of managers for personal meeting were sought to collect structured data using the same questionnaires. This method was cost and time intensive, particularly because of geographic locations of the companies. Quite often rescheduling of meetings was required because of the unavailability of managers and international travel constraints thus stretching the time frame to over a year for executing all personal interviews.

Prior to distribution of the questionnaires, in formal meetings and remote correspondence, all concerned people were informed about the academic as well as economic value of the research, observance of anonymity and the confidentiality of acquired company data will be warranted in written form. The prospect of receiving a free copy of the research report was used as a leveraging and motivating tactic to increase the response rate.

While the responses of managers to the two questionnaires were the main source of primary data for quantitative analysis, research relevant qualitative information of HR experts were also triangulated for drawing conclusions. Apart from these, secondary data was obtained literatures, electronic media, prior research projects and similar academic publications.

3.5 Population and sampling

Once the research design is determined, the process of sampling follows (Zikmund 2000). The original plan was to sample 72 managers from each country, composing of 24 human resources managers and 48 general managers from 24 different Indian and German manufacturing companies in the automobile industry. The focus was mainly on companies in India and Germany those have or had business relations such as collaborations, joint ventures, partnerships or similar arrangement.

Selecting the sample population primarily amongst the Indian and German companies involved in manufacturing processes and not including organisations in the service sector was considered as an appropriate approach in the research context for two reasons. First, such an approach ensures better comparability of the results obtained. Organisational structures, strategies, hierarchies and processes of manufacturing entities, particularly in the automobile industry, have more converging characteristics and could differ significantly from that existing in service providing organisations such as the IT or telecommunication sectors. Hence collecting and using data and information from manufacturing companies was deemed as a suitable methodology for this study.

The second reason is embedded in the practicability of the data collection process. Unlike the service providing companies, manufacturing organisations usually have a concentration of managers and employees working at limited manufacturing locations. In contrast, service providers, by the nature of their business have a large number of offices with lesser number of employees at different locations. There is a larger spread or scattering of employees in the service organisations that makes the data collection process time-consuming and travel-intensive, especially in cross-country research. In other words, it is comparatively easier and cost-effective to collect research relevant data from the manufacturing companies, particularly when it involves personal meetings between the researcher and the samples in different countries.

Furthermore, focussing only on the manufacturing companies also contributes to enhance the overall reliability and validity of the study since the outcomes are more specific to manufacturing industries. Simultaneously, this approach offers additional opportunity for further research on HRM practices of Indian and German organisations in the service sector. The rapid growth of IT and telecommunication sector in India provides adequate justification for similar research studies.

To identify the firms, information from corresponding chambers of commerce as well as internet home pages were referred. As the research objective is to investigate HR practices and diversity climate in manufacturing companies, only such firms were classified as relevant and to ensure comparability, only companies with autonomous HR department and an overall employee strength of 200 and above considered.

From the population of about 600 registered firms (IGCC 2003), 48 were selected as the sample and questionnaires mailed requesting for responses. Table 3.1 below shows the distribution pattern. Experiencing a very low response rate, as mentioned before, adjustments had to be made to the original sampling plan. As in the "BIHRMP" project (Von Glinow et al. 2002) convenience sampling and personal contacts was favoured instead of random sampling. The alternate strategy of personal interviewing using the two questionnaires as interview protocols, though associated

with additional travel time and cost, lead to substantial increase of the response rate. Table 3.1 shows the actual numbers of valid responses returned.

Among the 47 questionnaires received back through e-mails as well as by normal mails, three were discarded for incompleteness (97 during personal interviewing) and as a result 77 Indian responses and 64 German responses were considered for analysis. It also needs to be acknowledged that some managers had overlapping functions. Most of the sampled companies (92%) are from automobile or associated sectors.

Table 3.1 Distributed and received questionnaires

	German HR Managers	German Gen. Managers	Indian HR Managers	Indian Gen. Managers
Surveys distributed	48	72	48	72
Responses received*	27	37	37	40

Source: developed for this study   * excludes incomplete responses

3.6 Data preparation and analysis

Before entering the collected responses for computing, the raw data needs to be prepared in a form and order to increase the usability and completeness. In following sections the process of editing, coding and analysis in the research context is explained.

Editing

First, the returned questionnaires were visually verified for completeness. In a few cases clarification of ambiguous answers was needed and undertaken while in three cases, due to anonymity of the respondents this was not possible. The data was then subjected to in-house editing in order to convert raw data into computable information (McPhail 2003). Editing is "adjusting data for omissions, legibility and consistency" (Zikmund 2002, p. 454). Given the predictable and manageable number of questionnaires, an editor's manual was viewed as dispensable, though fixed rules were defined and observed.

Coding

Coding is a process of assigning numerical values or character symbols, generally to answers of the survey questions for subsequent computer based analysis. Particularly, in quantitative studies, it facilitates researchers to analyse and interpret meanings fast since computers can more efficiently manipulate numeric codes than alphanumeric language (Davis 1996). The questionnaires contain fixed alternative questions and the respondents are provided five response categories coded "one" to "five" for each question based on an attitude measurement scale. In addition, the coding procedures required for Statistical Package for Social Science (SPSS) was observed to conduct descriptive, frequency and correlation analysis as well as Chi-Square tests for significant differences. The variables of HR practices were coded as **HP1...HP10** for hiring practices, **PA1...PA11** for performance appraisals, **PP1...P10** for pay practices and **TD1...TD10** for training practices. Likewise, the diversity variables were coded as **DP1...DP15**, diversity problems, **DS1...DS11** for diversity management status and **OC1...OC15** for openness to change.

Data analysis

Analysis process begins with entering of completed questionnaires containing "usable" data into SPSS. Descriptive analysis refers to the transformation of raw data into understandable and descriptive information and helps to understand *how* the sample population behaves and *what* its characteristics are. The intent of this study being to explore the differences across the two countries in terms of HRM practices and diversity climate, descriptive analysis techniques were used to determine differences within as well as between the two countries.

The mean values for the respective items were compared to interpret differences for research issues one to six. However, in cross-country studies caution is recommended while drawing conclusions based on mean differences alone, because respondents in different cultures may incorporate different frames of reference in assessing their work experience (Cox, Lobel & McLeod 1991). For this reason, the t-tests are not included instead the frequencies of ratings are evaluated to draw general conclusions. This procedure was also observed in the "BIHRMP" study. Furthermore, to test significant differences of perceptions between the managers, Chi-Square tests

within the cross-tab functions of SPSS were conducted using quantitative data. Chi-Square tests were undertaken for four research issues (RI 2, RI 3, RI 5 & RI 6).

This study followed a new strategy to analyse the potential impact of cultural differences on HR practice as noted in **Research issue 2**. The researcher evaluated the content and intent of items in the BIHRMP survey and compared it to the Hofstede categories of *power distance, long term orientation, uncertainty avoidance and individualism vs collectivism.* It was postulated that certain HR practices and diversity factors could reflect an underlying cultural orientation (see De Cieri & Dowling 1999; Nankervis et al. 2002). The following assumptions were made about the cultural orientations that could be reflected by the BIHRMP and Diversity survey (Part B) items.

Table 3.2 Cultural orientations that could be reflected by selected BIHRMP and Diversity survey (Part B) items

HRM variables relevant to cultural differences	HRM variables relevant to cultural differences	Diversity variables relevant to cultural differences (Part B)
HP5 – company's belief that new entrants stay long (long term orientation)	**PP8** – pay systems have futuristic orientation (long term orientation)	**OC1** – view change as challenge and opportunity (uncertainty avoidance)
PA7 – discuss subordinate's views (power distance)	**PP10** – large pay spread between high and low performers (individualism vs. collectivism)	**OC5** – openness to suggestions from all people (uncertainty avoidance)
PA10 – allow subordinate to express feelings (power distance)	**TD3** – improve interpersonal abilities of employees (individualism vs. collectivism)	**OC7** – respond positively to new ideas (uncertainty avoidance)
PP3 – contingency of employees earning with group performance (individualism vs. collectivism)	**TD6** – building teamwork within the company (individualism vs. collectivism)	**OC10** – superiors value new ideas (power distance)
PP4 – pay practices recognize log term results more than short term results (long term orientation)		**OC12** – managers are visionary and approachable (power distance)
		OC13 – bring in changes easily (uncertainty avoidance)

Source: developed for this study

To understand the relationship between HRM practices and diversity climates (RI 7), besides descriptive analysis, Kendall's correlation test was used (Kendall's *tau-b*). Purposefully, responses of managers to five HRM variables (HP4 - *having right connections*, HP9 - *how well a person fits in then company's values and working ways*, TD3 – *improve interpersonal abilities of employees,* TD6 – *build teamwork within the company* and TD7 – *provide substantial training while joining the company*) postulated to have influences on the diversity related problems were selected and compared with their responses to five diversity variables (DP3 -

resistance of staff to work with other groups, DP7 – *complaints about promotion or pay related discrimination*, DP10 – *difficulties in recruiting and retaining members from diverse groups*, DP11 – *open conflicts between diverse groups or individuals* and DP13 – *exclusion of people who are different from others*). To verify the relationship, Kendall's correlation coefficient values were calculated. In Chapter 4 the results are analysed and the interpretations and conclusions are described in Chapter 5.

The selection of these variables underlies the common notion that HRM practices can contribute to shape organisational diversity (Nankervis et al. 2002; Kossek & Lobel 2001). For example, hiring only people with right connections and who fit in the values of the company implies exclusion of people who are different. Or, laying low emphasis on team building and training interpersonal abilities of employees could possibly lead to conflicts within groups and create resistance of people to work together. Likewise, new entrants, particularly from diverse groups, if not given appropriate induction training, can not be retained. Causes and effects of these types can be found more while examining these variables further and this explains the appropriateness of methodology used to test this research issue.

3.7 Ethical considerations

At the very out set of this section it need to be noted that this study, although business research, was carried out primarily to fulfil academic requirements. Consequently, it can be assessed that among the three participants, namely the researcher, respondents (subjects) and the non sponsoring Indo–German business firms (potential beneficiaries), the latter two are free of duress and compulsion to pledge compliance. As the main stakeholder, the researcher was extremely concerned to observe all ethical codes of behaviour in personal interest, lest the outcome for the researcher will be detrimental. Even otherwise, the research methodology addresses caution to maintain privacy of the research subjects, protect confidentiality of the collected data and sources and exclude every possibility of psychological, physical and social risks to respondents. It also needs to be mentioned that this research has been granted the ethical clearance from the Ethics Committee of the University of

Southern Queensland which is a basic requirement for recognition of doctoral research.

The researcher comprehends privacy as a basic right of every subject. No form of contacts with the respondents using obtrusive methods or tactics was exercised to coerce co-operation or participation. The methodology is based on willing consent wherein the individual is expected to provide truthful answers without relinquishing confidentiality and anonymity (Zikmund 2003). Respondents' rights to retreat at any time of the study without any form of adverse consequences to them is deemed as irrevocable and accordingly manifested. To warrant confidentiality, the researcher's commitment in written form not to disseminate survey results to third parties was included in the questionnaires. Similar declaration was made also to the interviewed persons. In addition, the questionnaires contained neither names of persons nor respondent codes for observing principle of anonymity. This measure, though, was a constraint to follow up the recollection of questionnaires and needed clarification of respondents' opinions. As counter measures to this limitation, detailed briefing about the questionnaire contents and the purpose of the research was provided to all participants.

And finally, the purpose of this research was explained without tactics of deception and concealment prior to data collection. The obligation of the researcher to be objective, unbiased and ethical in every step and at every stage of the research was contemplated as key to elicit co-operation and trust of the respondents.

3.8 Limitations of the research methodology

As in all cross-country studies, the language used is critical for reliable results. The management cadre in Germany have good English language proficiency but there were exceptions. This limitation also occurs in the Indian context, though the working population has sound English language skills. Such situations where the English language appeared to be an impediment, questionnaires in German language were provided using the method of back translation to eliminate misinterpretation of meanings.

Second, cultural divergences may also conjure differing attitudes and opinions to same subject of inquiry. Such occurrences can affect researcher's interpretation of answers (Beardwell & Holden 1996) leading to discrepancies in the deductive reasoning of results. The researcher's work experience and affiliation to German and Indian cultures helped to ameliorate the negative impacts on content validity. Further, utilising the quasi-standardised HRM questionnaire of the "BIHRMP" helped to increase the functional item equivalence while simultaneously addressing country specificity. The third limitation was the low number of specific studies or comparative analysis conducted until now. This situation implies that it is difficult to compare the current study's results with appropriate comparison research. As assumed in the "best practices project", collecting data solely from managers is expected to improve comparability (Geringer et al. 2002).

3.9 Conclusion

The research methodology chapter explains the important elements and activities of this study to a reasonable length. Beginning with references to the "BIHRMPS" and diversity study whose instruments were used in this study, it provides the justification to the realism paradigm adopted and outlines the methodology. In sub-sections of the research design, deliberations relating to reliability and validity issues and advantages of the survey methodology are provided. It also discusses the questionnaire design and substantiates the relevance of the two questionnaires while explaining the measures followed to minimise survey errors.

The chapter further describes the sampling procedure and the additional fieldwork that was necessary to obtain sufficient responses. Various in-house preparatory steps such as editing and coding of the data as well as the methods of analysis used are briefly noted. Finally, the ethical aspects in business research and impeding factors those confine the scope of this research were highlighted. The following chapter refers to the data analysis process and outcomes, based on which the perceptions of managers relating to HR practices and diversity climates are determined and discussed.

Chapter 4:   Data collection and analysis

4.0 Introduction

Chapter 3 explained different aspects of the research methodology including the proposed method of data collection. In practice the data collection needed some tactical modifications, however, without diminishing the reliability of the collected information. One such adjustment concerns the difference in the sample size. The scheduled number of 24 HR managers and 48 general managers from each country required to be altered. Downsizing of middle managers in German companies was one reason. In some cases managers who had consented to participate and received pre-briefings were unavailable without providing alternative sources at the time of data collection. In India, the situation was opposite. Its flourishing economy gives qualified managers myriad of career development opportunities and subsequently turnover of managers also emerged as an inhibiting factor in several cases.

Another modification relates to the mode of data collection. The initial methodology to collect data by mailing questionnaires and through E-mail proved to be ineffective. Sporadic and sometimes incomplete responses required a tactical change of data collection methodology. So a more promising pattern of collecting data through personal meetings was envisaged and exercised. This method, although associated with more cost, time and travel, helped to collect quantitative as well as quantitative data from 64 German and 77 Indian managers. In a convenient sampling research design, this change of methodology extends more validity and reliability to the research data since most of the respondents were able to clarify doubts during the visit and interview on site. The relatively long data collection phase, more than twelve months, represented the negative consequence of this tactical change.

The objective of this chapter is to present, examine and interpret data and patterns obtained from the two surveys completed in the Indian and German companies. This chapter consists of nine sections. Starting with an introductory section, in sections 4.1 to 4.7 the chapter presents data obtained along the lines of the identified issues. In section 4.1 the demographic diversity in the Indian and German samples is described, whereas section 4.2 deals with cultural differences that could have an

impact on HRM practices and policies of theses sample companies. The section 4.3 explains the HRM practices and identifies the most and least preferred practices while section 4.4 refers to the perceptions of diversity climate of managers in the sampled companies and their perceptual differences are then analysed in section 4.5. In following section 4.6, the perceptual differences relating to HRM practices of HR managers as one group and general managers as the other group are addressed and in section 4.7 the relationship between HRM practices and diversity climate of the sampled companies are examined. Before concluding the chapter, a summary section 4.8 on the findings of the research issues provides an overview. The implications of the results and the comparison to the literature are then discussed in chapter 5.

The quantitative analysis of the survey responses was conducted using SPSS, (Statistical Package for Social Sciences). Depending on the research issues, different statistical tests considered as scientifically appropriate were used to ensure validity and reliability of the study. Besides the fact that pre-tested survey questionnaires contribute to establish reliability, the BIHRMP and diversity survey questionnaires used for this research prove to have acceptable levels of reliability. The table 4.1 below depicts the calculated Cronbach Alpha reliability values for both questionnaires used. The Cronbach Alpha scores for both the BIHRMP and the diversity survey range from 0,693 to 0,864 and are within the acceptable range (Cavanna, Delahaye & Sekaran 2001).

Chi square tests within the cross tabulation functions such as Pearson's Chi square as well as non parametric tests for measures of association such as Kendal's tau-b were additional procedures followed to identify relationships among variables in order to reject or accept underlying hypothesis for various research issues.

Table 4.1 Cronbach Alpha values of the survey instruments in this study

	Cronbach Alpha
Sections of BIHRMP Survey	
Hiring Practices	**0,728**
Performance Appraisal Practices	**0,864**
Pay Practices	**0,835**
Training and Development Practices	**0,861**
Sections of Diversity Survey	
Diversity Related Problems	**0,781**
Openness to Change	**0,861**
Diversity Management Status	**0,693**

Source: developed for this study

4.1 Research Issue 1: Demographic diversity in German and Indian companies

The analysis is based on the characteristics of the sampled managers and the data provided by them. It reveals both similarities and some clearly contrasting features. The relevant findings are summarised at the end of each research issue.

Gender: Responses to gender are very specific and predictable for these industries. Eighty seven percent of Indian and 73,4 percent German respondents are male. The fact that female German managers account for 26,6 percent of the German sample as against 13,0 percent of their Indian counterparts is understandable while considering the general social, societal and educational environments in both countries. Reliable demographic statistics quote German employment ratio as 1:1,24 (Statistisches Bundesamt 2004). The corresponding Indian figure, probably subjected to certain degree of inaccuracy, is recorded as 1:2,85 (Government of India 2005)

Age groups: The analysis shows some unexpected outcomes. The general notion that Indian managers will be younger than German managers is not reflected in the frequency Table 4.2.

Table 4.2 Age structure of sampled German and Indian companies

Age groups	German managers N=64 f (%)	Indian managers N=77 f (%)
< 25 years	X	1 (1,3)
25 - 30 years	7 (10,9)	11 (14,3)
31 - 40 years	22 (34,4)	8 (10,4)
41 - 50 years	23 (35,9)	33 (42,9)
51 - 60 years	12 (18,8)	22 (28,6)
> 60 years	X	2 (2,6)

Source: developed for this study

Only 26 percent of Indian managers were 40 years and below, the corresponding figure for German managers is 45,3 percent. Also the perception that more elderly managers (> 51years) would be working in German companies based on the prevailing higher age of retirement in Germany could not be substantiated. Contrarily, 31,2 percent of the Indian mangers were above 51 years where as only 18,8 percent of the German mangers were above 51 years. Similarity in percentages appears in the category of 41-50 years which is the largest group in both countries. The frequency table displays the respective values.

Education levels: The levels of education display more similarities than disparities. In general, education levels seem to be high in German as well as Indian companies. Table 4.3 below shows more than 90 percent of the sample possessing an academic degree or equivalent qualification in both groups.

Table 4.3 Education levels in the sampled German and Indian companies

Education	German managers N=64 f (%)	Indian managers N=77 f (%)
Secondary	1 (1,6)	1 (1,3)
High school	3 (4,7)	X
Bachelors	31 (48,4)	21 (27,3)
Masters	24 (37,5)	53 (68,8)
Doctoral	3 (4,7)	1 (1,3)
Others	2 (3,1)	1 (1,3)

Source: developed for this study

The German percentages for secondary level and high school level education (1,6 and 4,7) may seem at a level that is too low for managerial tasks. But it must be

acknowledged that German education systems provide several avenues, many of them government subsidised, for acquiring professional skills outside the college campuses. Evidently, such affordable alternative educational avenues are comparatively rare in India.

Apart from the above three generic diversity dimensions, certain company specific data was also obtained and analysed. These dimensions are considered as of secondary importance to this study.

Years of employment: The mean values for the years worked for the same employer are relatively close between the two groups (3,91 India ; 4,03 Germany). For a better understanding the frequency Table 4.4 is shown below. Though the table appears to be self-explanatory, highlighting some figures and associated features is worthwhile. Almost 40 percent of all managers have worked for more than 10 years. Also comparable are the ratios of the managers having worked for more than 20 years.

Table 4.4 Employment periods of the sampled managers

Employed for	German managers N=64 f (%)	Indian managers N=77 f (%)
< one year	4 (6,3)	7 (9,1)
2 - 3 years	5 (7,8)	16 (20,8)
4 - 5 years	14 (21,9)	3 (3,9)
6 - 10 years	15 (23,4)	20 (26,0)
11 - 20 years	14 (21,9)	13 (16,9)
> 20 years	12 (18,8)	18 (23,4)

Source: developed for this study

Further, the cumulative percentages of Indian (33,8) and German (36,0) managers working for 5 years or lesser is similar. The categories 2-3 years and 4-5 years, however, are strongly contrasting. An explanation for this could be the creation of new jobs and better employability of the Indian workforce while the stagnation in the German employment market, exacerbated by the inflexibility of German employees may be another reason.

Work area: About 45 percent of managers interviewed were exclusively Human Resource (HR) managers. Finance, production, marketing and sales and general

management functions constitute the rest of the sample. Among them, people from production had the largest representation. This distribution pattern is acceptable as the research objective was also to understand perceptions of persons not directly responsible or accountable for HRM practices in their companies. Roughly 15 percent of the Indians and 8 percent of the Germans belonged to senior management bestowed with strategic functions. Incorporating their views supports the reliability of the study since strategic perspectives usually overarch current needs and practices and focus on long term organisational goals.

Work sector: The data relating to this demographic variable indicated that over 91 percent of Indian companies and all German companies operate in the private sector. This is an expected outcome as the research was directed to private companies.

Employee strength: Table 4.5 displays the classification and distribution of the size of the workforce. About 85 percent of the sampled companies employed more than 500 employees. While the category of 1501- 2500 employees has a weak representation in both countries, it is significant that 31,3 percent of the German companies have more than 5000 employees.

Table 4.5 Size of the workforce of the sampled companies

Employee size	German managers N=64 f (%)	Indian managers N=77 f (%)
< 250	3 (4,7)	X
251 – 500	8 (12,5)	13 (16,9)
501 – 1000	19 (29,7)	25 (32,5)
1001 – 1500	4 (6,3)	9 (11,7)
1501 – 2500	3 (4,7)	5 (6,5)
2501 – 5000	7 (10,9)	11 (14,3)
> 5000	20 (31,3)	14 (18,2)

Source: developed for this study

Beyond the diversity dimensions discussed above, the presence of other forms of diversity such as culture and language are acknowledged in other sections. Many of these are outlined in the issues relating diversity climate.

4.1.1 Summary of the key findings

1. In both countries female under-representation in employment persists.

2. German managers are younger than their Indian counterparts, contrary to belief.

3. Literacy profiles of the countries do not reflect education profiles of the employed. Education levels seem to be high in German as well as Indian companies.

4.2 Research Issue 2: Cultural differences that could have an impact on HRM practices and policies.

To identify the cultural differences in the context of HRM practices, the perceptions of managers were analysed alongside the established cultural theory of Hofstede (see Chapter 2 section 2.2.3) and the outcomes were used to confirm known differences and to outline new cultural perspectives. In this section only a limited range of selected items from both the BIHRMP questionnaire and the *Organisational change* section (Part B) of the Diversity survey are used.

Though several cross cultural business research are conducted and documented, there is a lack of research studies relating to impacts of cultural differences on HRM practices and diversity management practices in the context of German and Indian companies in existing literatures. Hence in this section the assumption is that of a null hypothesis, that is there is no difference between German and Indian samples on Hofstede and the following null hypothesis is formulated.

H_{10} There are no significant cultural differences in HRM practices and diversity practices of German and Indian companies.

Testing this hypothesis was undertaken by comparing the mean scores of the ratings of respondents to specific variables as well as Chi-square test within the cross tab function of the SPSS package. Table 4.6 displays the mean scores of 15 variables from BIHRMP and Diversity questionnaires those regarded as relevant to this section. The table also shows the links of these variables to Hofstede's cultural dimensions, mentioned in the parentheses.

Table 4.6 Mean scores of variables relevant to cultural differences

HRM and Diversity variables relevant to cultural differences	German respondents (N=64) Mean score (SD)	Indian respondents (N=77) Mean score (SD)	Mean score difference
HP5 – company's belief that new entrants stay long (long term orientation)	3,11 (0,879)	3,35 (0,911)	0,24
PA7 – discuss subordinate's views (power distance)	2,59 (0,904)	2,95 (0,999)	0,36
PA10 – allow subordinate to express feelings (power distance)	2,53 (0,942)	2,95 (0,985)	0,42
PP3 – contingency of employees earning with group performance (individualism vs. collectivism)	2,86 (1,021)	2,84 (1,052)	0,02
PP4 – pay practices recognize log term results more than short term results (long term orientation)	2,63 (0,951)	2,88 (0,986)	0,25
PP8 – pay systems have futuristic orientation (long term orientation)	2,56 (0,941)	2,66 (0,982)	0,10
PP10 – large pay spread between high and low performers (individualism vs. collectivism)	2,63 (0,826)	2,97 (0,903)	0,34
TD3 – improve interpersonal abilities of employees (individualism vs. collectivism)	3,28 (1,026)	3,14 (0,838)	0,14
TD6 – building teamwork within the company (individualism vs. collectivism)	3,27 (0,963)	3,12 (0,986)	0,15
OC1 – view change as challenge and opportunity (uncertainty avoidance)	2,20 (0,858)	2,23 (1,002)	0,03
OC5 – openness to suggestions from all people (uncertainty avoidance)	1,86 (0,774)	2,18 (0,983)	0,32
OC7 – respond positively to new ideas (uncertainty avoidance)	3,58 (0,905)	2,87 (1,030)	**0,71**
OC10 – superiors value new ideas (power distance)	2,41 (0,684)	2,25 (0,920)	0,16
OC12 – managers are visionary and approachable (power distance)	2,55 (0,754)	2,19 (0,932)	0,36
OC13 – bring in changes easily (uncertainty avoidance)	2,98 (0,807)	2,57 (0,909)	0,41

Source: developed for this study

Except for the diversity variable OC7 – *respond positively to new ideas* – the mean scores for German and the Indian samples are very close. The mean score differences of the fourteen other variables are well below 0,5, indicating the use of similar HRM and diversity management practices in these companies. This implies that there are no significant cultural differences in terms of HRM and diversity practices. Notwithstanding, to prove the reliability of this assessment as well as to test the

goodness of fit, Chi-square tests within the SPSS cross tab function for each of these variables were conducted. The results reflecting the actual level of significance and the range of rejection level of significance are displayed in table 4.7.

While the mean scores are derived from the responses to all five rating categories, the rating frequencies in Table 4.7 are grouped into four categories. Group A and B relate to BIHRMP responses and their values are sums of the rating categories. The categories *"to moderate, large* and *very large extent"* are combined as Group A and Group B sums up the categories *"not at all* and *to small extent"*. The groups C and D refer to diversity survey covering the categories *"almost always and to large extent"* and *"seldom and almost never"* respectively. The purpose of combining or "collapsing" the categories is to ensure proper use of Chi-square tests in cases where the sample size is small (Zikmund 2002).

In further steps the outcomes of Chi-square calculations for the German responses (Group A + B) and Indian responses (Group A + B) of the nine BIHRMP variables were compared. The same procedure was repeated for comparing the responses of to the six diversity variables. In other words, the values of German responses (Group C+D) were contrasted with values of Indian responses (Group C+D). This analysis of results supplements the discussion and application of theory that was included in Chapter 2.

Based on the mean scores and Chi-square values of the variables relevant to Hofstede's cultural dimensions, in following four sub-sections the differences and similarities in terms of *power distance, long term orientation, individualism vs. collectivism* and *uncertainty avoidance* are noted. Most of these chi-square values are not significant on either the 5% or 1% level of significance. The only one that is significant on the 0,01 level is pay practices recognize log term results more than short term results *(long term orientation).* The variables that are significant on the 0,05 level seem to be OC1 view change as challenge and opportunity *(uncertainty avoidance)*, OC5 – openness to suggestions from all people *(uncertainty avoidance)* and OC 13 – bring in changes easily *(uncertainty avoidance).*

Table 4.7 Frequencies and Chi-square values of variables relevant to cultural differences

HRM and Diversity Variables relevant to cultural differences	German samples (N=64)		Indian samples (N=77)		Chi - Square	Significance level
BIHRMP Variables	**Group A** f (%)	**Group B** f (%)	**Group A** f (%)	**Group B** f (%)	X^2 (df)	
HP5 – company's belief that new entrants stay long (*long term orientation*)	48 (75)	16 (25)	67 (87)	10 (13)	19,742 (16)	0,232
PA7 – discuss subordinate's views (*power distance*)	34 (53,1)	30 (46,9)	49 (63,6)	28 (36,4)	11,191 (12)	0,513
PA10 – allow subordinate to express feelings (*power distance*)	33 (51,6)	31 (48,4)	49 (63,6)	28 (36,4)	17,982 (16)	0,325
PP3 – contingency of employees earning with group performance (*individualism vs. collectivism*)	35 (54,7)	29 (45,3)	49 (63,6)	28 (36,4)	13,806 (16)	0,613
PP4 – pay practices recognize log term results more than short term results *(long term orientation)*	34 (53,1)	30 (46,9)	48 (64,9)	27 (35,1)	***33,959 (16)***	***0,006***
PP8 – pay systems have futuristic orientation *(long term orientation)*	33 (51,6)	31 (48,4)	46 (59,7)	31 (40,3)	22,491 (16)	0,128
PP10 – large pay spread between high and low performers *(individualism vs. collectivism)*	34 (53,1)	30 (46,9)	59 (76,6)	18 (23,4)	12,827 (12)	0,382
TD3 – improve interpersonal abilities of employees *(individualism vs. collectivism)*	48 (75,0)	16 (25,0)	60 (77,9)	17 (22,0)	7,966 (16)	0,950
TD6 – building teamwork within the company *(individualism vs. collectivism)*	52 (81,2)	12 (18,8)	57 (74,0)	20 (26,0)	20,268 (16)	0,208
Diversity Variables	**Group C** f (%)	**Group D** f (%)	**Group C** f (%)	**Group D** f (%)		
OC1 – view change as challenge and opportunity *(uncertainty avoidance)*	46 (71,9)	5 (7,9)	51 (66,3)	12 (15,6)	***22,053 (12)***	***0,037****
OC5 – openness to suggestions from all people *(uncertainty avoidance)*	51 (79,7)	1 (1,6)	46 (59,9)	7 (9,1)	***19,765 (9)***	***0,019****
OC7 – respond positively to new ideas *(uncertainty avoidance)*	7 (10,9)	33 (51,6)	29 (37,7)	26 (33,8)	6,061 (9)	0,734
OC10 – superiors value new ideas (*power distance*)	39 (60,9)	4 (6,3)	53 (68,9)	10 (13,0)	2,731 (9)	0,974
OC12 – managers are visionary and approachable (*power distance*)	33 (51,6)	7 (10,9)	56 (72,7)	9 (11,7)	6,061 (12)	0,913
OC13 – bring in changes easily *(uncertainty avoidance)*	17 (26,6)	15 (23,4)	39 (50,7)	14 (18,2)	***24,973 (12)***	***0,015****

*p ≤ 0,05   **p ≤ 0,01

Rating group **A** = "moderate to very large extent"; Rating group **B** = "not at all to small extent"

Rating group **C** = "almost always to large extent"; Rating group **D** = "seldom to almost never"

Source: developed for this study

4.2.1 Differences in terms of "power distance"

Quantitative analysis of responses to four relevant variables was undertaken to identify the significance of differences in terms of *power distance*. The ratings of the variables *"discuss subordinate's views"* (PA7), *"allow subordinates to express feelings"* (PA10), *"my superior values new ideas"* (OC10) and *"our managers are visionary and approachable"* (OC12) are considered as indicators of behavioural patterns and perceptions of supervisors and managers against subordinates and vice versa.

The corresponding mean scores of these variables (see table 4.6) do not show significant differences while the computed cross-tab Chi-Square values (see table 4.7) are well below the critical values implying the acceptance of the formulated null hypothesis. Based on this quantitative analysis, there are no significant perceptual differences among German and Indian managers in terms of *power distance.*

However, a qualitative analysis of trends in the data in tables 4.6 and 4.7 indicates that Indian employees were found to be comparatively conformist often lacking independence and innovativeness. This qualitative assessment is partially based on the discussions with managers but also seems to substantiate the findings of an earlier study (Braasch 2000). Certainly, this deliberation needs to be differentiated in relation to size, structure, management culture and similar influencing factors. HRM architectures of medium and larger organisations, for instance, lean towards contemporary HR practices whereas smaller family run companies, found in abundance in India, have more informal hierarchic enterprise focused relationships. In many Indian companies HRM concepts like employee participation or workplace democracy are still theoretical textbook constructs.

Unlike the predominant authoritarian management styles in Indian companies, German employees are used to a collaborative management form and fluid communication process.

4.2.2 Differences in terms of "long-term orientation"

Quantitative analysis of responses to three relevant variables was undertaken to identify the significance of differences in terms of *long-term orientation*. The higher Indian score for *long-term orientation* (India 61 vs. Germany 31, Hofstede 1991) proposes that the HRM practices of Indian companies must mirror their *long-term orientation* to a greater extent than the German firms. This proposition can be tested by contrasting the responses of managers to three selected culture related variables HP5 - *new entrants would stay long*, PP4 - *pay practices recognize long-term results more than short-term results* and PP8 - *pay systems have futuristic orientation* in both questionnaires. The mean scores and Chi-Square values along with the respective levels of significance of these variables are shown in Table 4.6 and Table 4.7 respectively.

The mean score differences of all three variables are insignificant (p ≤ 0,25) to propose perceptual differences among German and Indian managers related to this cultural dimension. However, the Chi-square calculations do indicate some significant differences relating to PP4. For instance, the Chi-square value of 33,959 for this variable at a significance level of 0,006 (see Table 4.7) suggests that the pay practices of sampled German and Indian companies are not similar in terms of recognizing long more than short term results. Moreover, the calculated value of 33,959 at the degree of freedom 16 is considerably higher than the critical value of 26,296 for Chi-square distribution for null hypothesis at significance level of 0,05. This would suggest the rejection of null hypothesis. Nevertheless, since the calculated Chi-square values for the other two variables HP5 (19,742) and PP8 (22,491) are below their critical values and the mean score difference for PP4 is negligible 0,10, an outright rejection of null hypothesis is questionable.

However, from a qualitative analysis of trends in the data in tables 4.6 and 4.7 about 87 percent of the Indian managers indicate that their hiring decisions are influenced by the belief that *new entrants would stay long* (HP5). Only 75 percent of the German peers believe so. Likewise, the long-term orientation in pay practices of German companies is lesser than in Indian companies. While almost 65 percent of the Indian managers identify themselves with *pay practices recognize long-term*

results more than short-term results (PP4), just 53 percent of the German managers concede this. Further, German resonance to the variable *pay systems have futuristic orientation* (PP8) is also proportionally lower (51 percent versus 59 percent for Indian respondents) thus illustrating their lower long-term orientation.

The higher frequencies of the Indian respondents confirm the Indian long-term orientation and show perceptual differences among Indian and German managers in terms of hiring and pay practices.

Hence there seems to be, to certain extent, disparity of outcomes from quantitative and qualitative analysis. Similar disparities based partially on cultural incompatibility can also be discovered in terms of performance appraisal and training practices. This leads to discussion about the next cultural dimension, uncertainty avoidance.

4.2.3 Differences in terms of "uncertainty avoidance"

The responses of the managers to the four change related variables, OC1 - *view change as a challenge and opportunity,* OC5 - *openness to suggestions from all people*, OC7 - *respond positively to new ideas* and OC13 - *bringing changes easily* helps to explain differences in terms of uncertainty avoidance. The comparative values of these variables are also displayed in Table 4.6 and Table 4.7 discussed before.

Though the mean scores only marginally differ, three of the four Chi-square values are higher than the critical values at a significance level of 0,05 indicating significant differences (see Table 4.7 OC1=*22,053*; OC5=*19,765*; OC13=*24,973*). In general, German managers *view change as a challenge and opportunity* (OC1) to a greater extent than their Indian counterparts.

A further qualitative analysis indicates that approximately 72 percent of the German managers "almost always" or "to a large extent" feel so whilst just around eight percent have an opposing opinion. At the same time, 15,6 percent of the Indian managers think that change is "seldom" or "almost never" perceived as an opportunity. When asked about their *openness to suggestions from all people* (OC5),

almost 80 percent of the German managers confirm openness compared to about 59 percent of Indian managers. Further, more than half of the German managers (51,6 percent) reflect that their companies *respond positively to new ideas* (OC7). Conversely, nearly 40 percent of the Indian managers indicate that their companies are change averse and indifferent to new ideas, thus emphasising their traditional "we have always done this way" attitude. With these findings, it is justifiable to infer that German companies are more change conscious. Then, this inference becomes paradoxical to certain extent when we consider statement about *bringing changes easily* (OC13). Only 26,6 percent of the German managers acknowledge this as "always" or "to large extent" relevant to their companies whereas twice as many of the Indian managers (50,7 percent) support the statement. German culture seems to have features that influence attitudes and awareness of people to change, but lack expediency in the implementation and accomplishment of organisational change. Referring to the next cultural dimensions may help us to explain this anomaly.

4.2.4 Differences in terms of "individualism vs. collectivism"

For quantitative analysis of this cultural dimension, the same procedure used for analysing the preceding three Hofstede's cultural dimensions was undertaken. Four variables – (TD3) *improving employee interpersonal abilities,* (TD6) *building teamwork within the company,* (PP3) *contingency of employees earning with group performance* and (PP10) *large pay spread between high and low performers* associated to either "individualism" or "collectivism" were identified and their mean scores, rating frequencies and Chi-square values at 0,05 significance level were calculated. Table 4.6 and 4.7 exhibit the respective values.

The computed values of the mean scores of these variables do not show significant mean score differences. Likewise, the Chi-square values at the specified significance level are all below the critical values of Chi-square distribution. This leads to the assessment that based on quantitative analysis there are no significant differences among German and Indian managers in terms of this cultural dimension.

On a qualitative level, contrasting the responses to *improving employee interpersonal abilities* (TD3) and *building teamwork within the company* (TD6) in Table 4.6,

considered as pro-collectivism, against *contingency of employees earning with group performance* (PP3) and *large pay spread between high and low performers* (PP10), representing a more individualistic approach, provides little evidence to the theoretical concept that a low individualistic culture score and collectivistic HRM practices are concomitant phenomenon. In comparison, the current HR practices in terms of *improving employee interpersonal abilities* (TD3) and *building teamwork within the company* (TD6) of Indian companies are not more collectivism oriented than the German companies. The Indian "*is now*" means for TD3 (x = 3,14 versus x = 3,28) and TD6 (x = 3,12 versus x = 3,27) were lesser whereas their PP10 score (x = 2,97 versus x = 2,63) noticeably higher and the PP3 (x = 2,84 versus x = 2,86) score almost equal. The scores should have an inverted pattern to confirm correlation between collectivist culture and collectivistic HR practices. The situation turns out to be more diffused when we refer to the "*should be*" scores. In both cases Indian managers have higher scores implying a more collectivistic attitude towards training practices, simultaneously preferring stronger differentiation based on individualism in terms of their pay practices. Hence this research results do not confirm a consistent link between collectivist culture and collectivism oriented HRM practices. Nevertheless, to generalise this proposition, further research with larger samples is required.

4.2.5 Summary of the key findings

1. There are no significant perceptual differences among German and Indian managers in terms of *power distance.*

3. Relating to *long term orientation,* only the Chi-square value of PP4 (33,959 at 0,05 significance level) shows significant differences whereas HP5 (19,742) and PP8 (22,491) are well below critical values implying no significant differences.

4. Though the mean scores only marginally differ, three of the four Chi-square values are higher than the critical values at a significance level of 0,05 indicating significant differences (see Table 4.7 OC1=*22,053*; OC5=*19,765*; OC13=*24,973*).

5. No significant differences between Indian and German managers in terms of individualism or collectivism.

While the application of Hofstede's cultural theory to compare the cultural differences is appropriate, to some readers the results of the empirical tests may be disappointing and unexpected. However, the cause for these unpredicted outcomes possibly lies in the method used to calculate and compare the scores for the four cultural dimensions. In this context one needs to reflect that only a few selected variables of the two questionnaires that were considered as culture-relevant were used as basic data and computed. This methodology is also adequately documented in the relevant section. Also it needs to be acknowledged that Hofstede's theory, although highly recognised but also critically questioned by some researchers, is based on a large scale longitudinal study comprising of over 3000 samples while the results of this study are derived from the responses of 77 Indian and 64 German managers.

4.3 Research Issue 3: What are the HRM practices and policies of these companies in terms of hiring, performance appraisal, pay and training and development?

The analysis is based on the responses to the *"is now"* columns of the BIHRMP questionnaire. Responses of managers to all four HRM disciplines were statistically analysed to identify and understand what practices are established in their companies and the patterns of their usage as well as the most and least used HRM practices are explained in following sections.

In this section the assumption is of a null hypothesis that:

H_{20} *There is no difference between the German and Indian samples in terms of hiring, performance appraisal, pay and training and development practices.*

To examine the four HRM practices the data of the two samples were analysed comparing the mean scores as well as using non-parametric Chi Square tests.

4.3.1 Hiring practices

The respective Chi-square values and the level of significance for the variables of the hiring practices are shown in Table 4.8. Table 4.9 gives an overview of the *"is now"* mean scores for the hiring practices.

4.3.1.1 Level of significant differences between Indian and German managers

Contemplating the data in Table 4.8 regarding the Chi-square values of all variables for hiring practices being well below the critical values for the respective degrees of freedom, it can be stated that the differences between the German and Indian samples are insignificant.

Table 4.8 Frequencies and Chi-square values for hiring practices

BIHRMP Variables	German samples (N=64)		Indian samples (N=77)		Chi Square*	Significance Level
Hiring Practices – "is now"	**Group A** f (%)	**Group B** f (%)	**Group A** f (%)	**Group B** f (%)	X^2 (df)	
HP1 – ability to perform the technical requirements of the job	58 (90,6)	6 (9,4)	74 (86,1)	3 (3,9)	12,954 (12)	0,399
HP2 – personal interviewing	64 (100,0)	x	73 (94,8)	4 (5,2)	7,984 (6)	0,246
HP3 – ability to get along well with others	56 (87,5)	8 (12,5)	59 (76,6)	18 (23,4)	10,778 (16)	0,823
HP4 – having right connections	20 (31,2)	44 (68,8)	50 (64,9)	27 (35,1)	8,082 (12)	0,779
HP5 – belief that a person will stay with the company	48 (75,0)	16 (25,0)	67 (87,0)	10 (13,0)	19,742 (16)	0,232
HP6 – employment tests to demonstrate skills	23 (35,9)	4 (64,1)	46 (59,7)	31 (40,3)	20,530 (12)	0,058
HP7 – work experience in similar job	61 (95,3)	3 (4,7)	69 (89,6)	8 (10,4)	7,993 (9)	0,535
HP8 – potential to perform well in future though not good at start	49 (76,6)	15 (23,4)	61 (79,2)	16 (20,8)	9,876 (16)	0,873
HP9 – how well a person fits in the company's values and working ways	55 (85,9)	9 (14,1)	62 (80,5)	15 (19,5)	13,533 (16)	0,633
HP10 – co-workers opinion whether the person should be hired	14 (21,9)	50 (78,1)	20 (26,0)	57 (74,0)	7,227 (12)	0,842

$*p \leq 0,05$ $**p \leq 0,01$ none of the Chi square values are significant, hence no * or **

 Group **A** = "moderate to very large extent"; Group **B** = "not at all to small extent"

Source: developed for this study

4.3.1.2 Patterns of usage of hiring practices

In terms of the patterns of usage of particular hiring practices, specific trends emerge. Seven of the ten practices appear to be common in both countries, all having the means above 3,0 (see table 4.9).

Table 4.9 Mean scores of hiring practices –"is now"

HRM Variables Hiring Practices –"is now"	German respondents (N=64) Mean score (SD)	Indian respondents (N=77) Mean score (SD)	Mean score Difference
HP1 – ability to perform the technical requirements of the job	4,03 (0,814)	3,91 (0,925)	0,12
HP2 – personal interviewing	4,05 (0,858)	4,00 (0,744)	0,05
HP3 – ability to get along well with others	3,58 (0,891)	3,09 (0,973)	0,49
HP4 – having right connections	2,25 (0,951)	2,83 (0,943)	0,58
HP5 – belief that a person will stay with the company	3,11 (0,879)	3,35 (0,911)	0,24
HP6 – employment tests to demonstrate skills	2,23 (1,008)	2,73 (1,020)	0,50
HP7 – work experience in similar job	3,70 (0,818)	3,74 (0,749)	0,04
HP8 – potential to perform well in future though not good at start	3,13 (0,814)	3,09 (0,900)	0,04
HP9 – how well a person fits in the company's values and working ways	3,38 (0,951)	3,26 (0,917)	0,12
HP10 – co-workers opinion whether the person should be hired	2,02 (0,904)	1,81 (0,951)	0,21

Source: developed for this study

Specifically, the first two variables, *ability to perform technical requirement of the job* (HP1) and *personal interviewing* (HP2)*,* seem to be practices that are commonly used. Over 75 percent of the managers in German as well Indian companies consider these as practices deployed to a large extent (see table 4.8), personal interviews being the most preferred and effective selection method for all managers. The approval rate for using personal interviews as the most influential hiring tool surges further (more than 85 percent) while considering the opinions of the HR managers in isolated form.

 From a moderate to large extent managers prefer to hire people with experience. *Proven job experience* (HP7) is found to be the third selection criterion, almost unanimously accepted by a large part of the respondents. Convergences of practices can also be interpreted for two other variables in Table 4.9. Both German and Indian

managers agree that they select people who have *potential to learn* (HP8) and those who *fit well in company's values* (HP9). The *abilities of the job contender to get along well with others* (HP3), is another important personal trait that managers consider in hiring decisions, although German and Indian managers are not so close in their preferences. German managers seem to be more critical about this factor. To a moderate extent managers also expect to retain new entrants for longer time (HP5) and Indian managers are more used to this practice. Nevertheless, what HR systems or procedures they use to derive at useful but also credible information about the applicant's intentions remains an enigma.

Another interesting observation relates to variables *having right connections* (HP4), and *employment test to demonstrate skills* (HP6). Though not extensively practiced and the Chi Square values of these variables being well below the respective critical values for significant differences, almost two third of the Indian managers consider HP4 as a relevant hiring factor whereas more than 68 percent of the German managers negate this. Similar divergence was observed in the use of employment tests. About 64 percent of German managers indicate that employment tests do not play any distinct role in the recruiting process of their companies while about 60 percent of the Indian managers regard these tests as an adequate recruitment tool.

And finally, o*pinions of future co-workers* (HP10) are considered as an irrelevant practice by both German and Indian managers. Seventy five percent of all managers do not regard this as important and postulate this variable as not existent. Probable reasons for this attitude could be linked with the ambiguity of practicability involved in such practices.

4.3.2 Performance appraisals

Performance appraisals, as proposed by myriad of scholars in several studies, are essential practices to develop and maintain an effective human resource pool. Yet, there are some inherent problems associated with them due to varying cultural and organizational features. It may lead, for example, to distractions or frustrations of employees (Thomas & Bretz 1994). Or local unions in certain social and political

environment may reject bench marking of employee performances and thus restrict managers from implementing effective performance appraisal systems.

Table 4.10 shows the calculated Chi-square values for these variables and Table 4.11 exhibits the mean scores of the eleven variables.

4.3.2.1 Level of significant differences between Indian and German managers

Referring to the mean scores and to the computed Chi Square values of the eleven variables shown in Table 4.10, all below the critical values, it can be proposed that the differences of performance appraisal practices between the two samples are insignificant.

Table 4.10 Frequencies and Chi-square values for performance appraisals

BIHRMP Variables	German samples (N=64)		Indian samples (N=77)		Chi Square*	Significance level
Performance Appraisals – "is now"	Group A f (%)	Group B f (%)	Group A f (%)	Group B f (%)	X^2 (df)	
PA1 – to determine appropriate pay level	56 (87,2)	8 (12,5)	55 (71,4)	22 (28,6)	7,960 (12)	0,809
PA2 – to document subordinate's performance	57 (89,1)	7 (10,9)	64 (83,1)	13 (16,9)	8,203 (12)	0,769
PA3 – to plan development activities for subordinate	56 (87,2)	8 (12,5)	56 (72,7)	21 (27,3)	7,717 (12)	0,807
PA4 – for salary administration	44 (68,7)	20 (31,3)	57 (74,0)	20 (26,0)	11,795 (16)	0,758
PA5 – to recognize subordinate's performance	57 (89,1)	7 (10,9)	68 (88,3)	9 (11,7)	10,294 (12)	0,590
PA6 – to improve subordinate's performances	46 (71,9)	18 (28,1)	55 (71,4)	22 (28,6)	3,897 (12)	0,985
PA7 – to discuss subordinate's views	34 (53,1)	30 (46,9)	51 (63,6)	26 (36,4)	11,191 (12)	0,513
PA8 – to evaluate subordinate's goal achievement	55 (85,9)	9 (14,1)	62 (80,5)	15 (19,6)	12,414 (16)	0,715
PA9 – to identify subordinate's strengths and weaknesses	57 (89,1)	7 (10,9)	61 (79,2)	16 (20,8)	9,466 (12)	0,633
PA10 – to allow subordinate's to express feelings	33 (51,6)	31 (48,4)	49 (63,6)	28 (36,4)	17,982 (16)	0,325
PA11 – to determine subordinate's promotability	51 (79,7)	13 (20,3)	68 (88,3)	9 (11,7)	19,466 (16)	0,245

*p ≤ 0,05   **p ≤ 0,01   none of the Chi square values are significant, hence no * or **

Group **A** = "moderate to very large extent"; Group **B** = "not at all to small extent"

Source: developed for this study

4.3.2.2 Patterns of usage of performance appraisals

Despite the cultural diversities between India and Germany discussed afore, the analysis in Table 4.11 unveils a good amount of consistency and similarities of practices in terms of performance appraisals.

Table 4.11 Mean scores of performance appraisal practices –"is now"

HRM Variables Performance Appraisals –"is now"	German respondents (N=64) Mean score (SD)	Indian respondents (N=77) Mean score (SD)	Mean score difference
PA1 – to determine appropriate pay level	3,47 (0,890)	3,01 (0,966)	0,46
PA2 – to document subordinate's performance	3,50 (0,836)	3,32 (0,993)	0,18
PA3 – to plan development activities for subordinate	3,42 (0,851)	3,13 (1,018)	0,29
PA4 – for salary administration	3,06 (1,022)	3,13 (1,068)	0,07
PA5 – to recognize subordinate's performance	3,55 (0,890)	3,43 (0,893)	0,12
PA6 – to improve subordinate's performances	2,95 (0,916)	3,04 (0,834)	0,09
PA7 – to discuss subordinate's views	2,59 (0,904)	2,95 (0,999)	0,36
PA8 – to evaluate subordinate's goal achievement	3,41 (0,886)	3,32 (0,952)	0,09
PA9 – to identify subordinate's strengths and weaknesses	3,44 (0,852)	3,23 (0,916)	0,21
PA10 – to allow subordinate's to express feelings	2,53 (0,942)	2,95 (0,985)	0,42
PA11 – to determine subordinate's promotability	3,14 (0,852)	3,32 (0,785)	0,18

Source: developed for this study

Table 4.11 summarizes the outcomes of the descriptive analysis of the eleven performance appraisal variables. With the exceptions of the variables (PA7) *discuss subordinate's views* and (PA10) *allow subordinate's to express feelings* in German case, the mean scores for all other variables are close to or higher than 3,0, making evident that all surveyed companies implement one or the other form of performance appraisal systems from moderate to large extent.

Descriptive analysis suggests *documentation* (PA2) and *recognition* (PA5) of employee performances as two of its primary purposes. More than 83 percent (see table 4.10) of all respondents endorse widespread usage of these practices in both

countries. Likewise about 80 percent of Indian managers and over 85 percent of German managers use performance appraisals as tools to *identify strengths and weaknesses* (PA9) and to *evaluate goal achievements* (PA8) of employees in both countries. The analysis also confirms moderate relevance of performance appraisals in terms of *salary administration* (PA4) and *laying specific ways to improve performances* (PA6). Further, it is being used as an instrument to *plan development activities* (PA3), apparently more in Indian context.

Similarity also seems to exist when it relates to PA7-*discuss workers views* and PA10 - *allow workers to express feelings*. The relatively low scores of these variables permit the assumption that both practices are not as established as the other nine. However, this similarity is contestable and may be superficial.

Finally, in the research context, the relationships of the variables - *determine pay* (PA1) and - *determine promotability* (PA11) are of concurrent nature. While German managers use performance appraisals more often to fix pay levels of employees, their Indian peers consider these as more relevant to assess promotability and development of their subordinates. Nevertheless, it is denoted that the comparatively high scores are indicative of these variables being integral elements of HRM practices in both countries.

4.3.3 Pay practices

The mean values of pay practices are noticeably lower than the other three domains in both countries. Table 4.12 displays the ratings frequencies and Chi square values for the individual variables and Table 4.13 exhibits the mean scores.

4.3.3.1 Level of significant differences between Indian and German managers

Based on the computed Chi-square value 33,959 at 0,01 significant level (see table 4.12) for the variable PP4- *recognition for long term result,* it can be stated that there are significant differences between Indian and German managers in terms of this pay practice.

Table 4.12 Frequencies and Chi-square values for pay practices

BIHRMP Variables	German samples (N=64)		Indian samples (N=77)		Chi Square*	Significance level
Pay Practices – "is now"	**Group A** f (%)	**Group B** f (%)	**Group A** f (%)	**Group B** f (%)	X^2 (df)	
PP1 – pay incentives are important part of compensation strategy of this organisation	45 (70,3)	19 (29,7)	49 (63,6)	28 (36,4)	14,353 (16)	0,572
PP2 – benefits are important part of total pay package	47 (73,4)	17 (26,6)	56 (72,7)	21 (27,3)	12,718 (16)	0,693
PP3 – employee earnings are contingent to group or organisation's goal achievement	33 (51,6)	31 (48,4)	49 (63,6)	28 (36,4)	13,806 (16)	0,613
PP4 – pay policies recognize long term results more than short term results	34 (53,1)	30 (46,9)	50 (64,9)	27 (35,1)	*33,959 (16)*	*0,006****
PP5 – employee seniority enter pay decisions	28 (43,7)	36 (56,3)	57 (74,0)	20 (26,0)	13,719 (16)	0,620
PP6 – pay incentives are designed to provide a significant amount of employee earnings	34 (53,1)	30 (46,9)	47 (61,0)	30 (39,0)	19,908 (16)	0,224
PP7 – benefit packages are very generous	42 (65,6)	22 (34,4)	53 (68,8)	24 (31,2)	20,466 (16)	0,200
PP8 – pay systems have futuristic orientation	33 (51,6)	31 (48,4)	46 (59,7)	31 (40,3)	22,490 (16)	0,128
PP9 – pay raises are mainly determined by job performance	42 (65,6)	22 (34,4)	58 (75,3)	19 (24,7)	11,075 (16)	0,805
PP10 – there is large pay spread between low and high performers	34 (53,1)	30 (46,9)	59 (76,6)	18 (23,4)	12,827 (12)	0,382

*p ≤ 0,05   **p ≤ 0,01   Group **A** = "moderate to very large extent"; Group **B** = "not at all to small extent"

Source: developed for this study

4.3.3.2 Patterns of usage of pay practices

In fact, the mean scores are too close to permit plausible deductions of differences in pay practices. Except for *pay incentives being part of compensation strategy* (PP1), the values are at moderate level (below 3,0 see table 4.13) for all pay related activities in German companies. This can also be interpreted in Indian case, although some practices seem to be adopted more often. Most significant mismatch is visible in *seniority based pay decisions* (PP5).

Table 4.13 Mean scores of pay practices –"is now"

HRM Variables Pay Practices –"is now"	German respondents (N=64) Mean score (SD)	Indian respondents (N=77) Mean score (SD)	Mean score difference
PP1 – pay incentives are important part of compensation strategy of this organisation	3,14 (1,067)	2,91 (1,161)	0,23
PP2 – benefits are important part of total pay package	2,94 (0,833)	3,19 (1,077)	0,25
PP3 – employee earnings are contingent to group or organisation's goal achievement	2,86 (1,021)	2,84 (1,052)	0,02
PP4 – pay policies recognize long term results more than short term results	2,63 (0,951)	2,88 (0,986)	0,25
PP5 – employee seniority enter pay decisions	2,41 (1,003)	3,14 (0,996)	**0,73**
PP6 – pay incentives are designed to provide a significant amount of employee earnings	2,69 (1,002)	2,74 (1,031)	0,05
PP7 – benefit packages are very generous	2,89 (1,010)	2,81 (0,960)	0,08
PP8 – pay systems have futuristic orientation	2,56 (0,941)	2,66 (0,982)	0,10
PP9 – pay raises are mainly determined by job performance	2,97 (0,992)	3,23 (1,012)	0,26
PP10 – there is large pay spread between low and high performers	2,63 (0,826)	2,97 (0,903)	0,34

Source: developed for this study

While 74 percent of the Indian managers confirm the relevance of seniority, roughly 56,3 percent of the German managers propose that seniority plays only a marginal role in pay decisions (see table 4.12). Based on this outcome, one may theorise that German companies are more performance focused. But then, the lower German score for *pay raises determined by job performance* (PP9) and *pay spread between low and high performers* (PP10) do not seem to prove or substantiate this theory. Nearly half of the German managers (46,9 percent) marked that the pay practices differentiate high and low performances from "not at all" to "to a small extent" and more than a third (34,4 percent) of them do not or only to a small extent co-relate pay raises with job performances. This ambivalence does not emerge in Indian companies. The responses of Indian managers underscore the consistency of performance oriented HR practices, however, only to a moderate extent.

The mean values of the remaining variables reflect congruence of pay practices, though from moderate to low extents. The scores for *earnings contingent to group performance* (PP3), *recognition for long term results* (PP4) and *futuristic orientation*

of pay systems (PP8) lead to the interpretation that in neither countries HR practices explicitly focus on promoting group performances and long term results.

Consistency of perceptions can also be observed for *generous benefit packages* (PP7). Two third of all managers in both countries tend to feel that their companies offer more to their employees than they are contractually obliged to. This is a questionable finding. Because, in booming Indian economy, companies may be under pressure to enhance their benefit packages to attract and maintain skilled workforce. But in a slow growing economy as in Germany, where chronic unemployment cascades through all levels of jobs and professions, this phenomenon is dubious. Generalization of this would need deeper research.

4.3.4 Training and development

In Chapter 2 the theoretical framework of the three pillars of German labour legislation was outlined. *Vocational training,* among the other two *co-determination and collective bargaining,* is systematically and ubiquitously practiced in German industries. Commitments of organisations to HR development are at an exemplary status.

As in the cases of the previous three HRM practices, the analysis is based on Chi-square calculations at a significant level of 0,05 and the mean scores. The values are presented in Table 4.14 and 4.15 respectively.

4.3.4.1 Level of significant differences between Indian and German managers

Again here, the Chi Square values of the variables for training and development practices, all below the critical values, indicate that there are no significant differences between Indian and German managers (see Table 4.14).

Table 4.14 Frequencies and Chi-square values for training and development practices

BIHRMP Variables	German samples (N=64)		Indian samples (N=77)		Chi Square*	Significance level
Training and Development Practices – "is now"	**Group A** f (%)	**Group B** f (%)	**Group A** f (%)	**Group B** f (%)	X^2 (df)	
TD1 – to reward employees	31 (48,4)	33 (51,6)	36 (46,8)	41 (51,2)	20,398 (16)	0,203
TD2 – to improve technical job abilities	60 (93,7)	4 (6,3)	63 (81,8)	14 (18,2)	4,594 (9)	0,868
TD3 – to improve employees interpersonal abilities	48 (75,0)	16 (25,0)	60 (77,9)	17 (22,1)	7,966 (16)	0,950
TD4 – to remedy employee's poor performance	57 (89,1)	7 (10,9)	47 (61,0)	30 (39,0)	18,766 (12)	0,094
TD5 – to prepare employees for future assignments	58 (90,6)	6 (9,4)	49 (63,6)	28 (36,4)	2,876 (12)	0,996
TD6 – to build teamwork within the company	52 (81,2)	12 (18,8)	57 (74,0)	20 (26,0)	20,268 (16)	0,208
TD7 – to provide substantial training while joining the company	52 (81,2)	12 (18,8)	51 (66,2)	26 (33,8)	12,587 (16)	0,703
TD8 – to help employees to understand business	48 (75,0)	16 (25,0)	48 (62,3)	29 (37,7)	7,479 (16)	0,963
TD9 – to provide employees multi-tasking skills and abilities	52 (81,2)	12 (18,8)	54 (70,1)	23 (29,9)	14,794 (16)	0,540
TD10 – to teach company's values and ways of doing things	44 (68,7)	20 (31,3)	55 (71,4)	22 (28,6)	8,099 (16)	0,946

*p ≤ 0,05   **p ≤ 0,01   none of the Chi square values are significant, hence no * or **

Group **A** = "moderate to very large extent"; Group **B** = "not at all to small extent"

Source: developed for this study

So, having the responses of the two samples to the four HRM practices analysed and the results displayed in the respective Chi-square tables (4.8, 4.10, 4.12 & 4.14), the null hypothesis that there is no significant differences between the two samples in terms of HRM practices can be accepted.

4.3.4.2 Patterns of usage of training and development practices

The survey responses of the German managers provide evidence of their practical implementation of training and development practices. Responses to eight of the ten variables describe these practices as consistent and purposeful measures. Table 4.15 exhibits the respective mean values.

Table 4.15 Mean scores of training and development practices –"is now"

HRM Variables Training and Development Practices –"is now"	German respondents (N=64) Mean score (SD)	Indian respondents (N=77) Mean score (SD)	Mean score difference
TD1 – to reward employees	2,58 (0,887)	2,52 (0,868)	0,06
TD2 – to improve technical job abilities	3,84 (0,877)	3,38 (0,889)	0,46
TD3 – to improve employees interpersonal abilities	3,28 (1,026)	3,14 (0,838)	0,14
TD4 – to remedy employee's poor performance	3,78 (0,899)	2,94 (0,961)	**0,84**
TD5 – to prepare employees for future assignments	3,77 (0,938)	2,95 (0,985)	**0,82**
TD6 – to build teamwork within the company	3,27 (0,963)	3,12 (0,986)	0,15
TD7 – to provide substantial training while joining the company	3,33 (0,977)	3,01 (1,019)	0,32
TD8 – to help employees to understand business	3,08 (1,028)	2,84 (0,961)	0,24
TD9 – to provide employees multi-tasking skills and abilities	3,44 (0,941)	2,95 (0,958)	0,49
TD10 – to teach company's values and ways of doing things	2,89 (0,893)	2,86 (1,014)	0,03

Source: developed for this study

Except for the first - *providing training as reward* (TD1) and the last - *train to teach company values* (TD10) variables, the German values are in the range of moderate to large extent. These higher mean scores are empirical evidences of the alignment between theory and practice in terms of training and development in the German context while reinforcing the general recognition of the training standards deployed in German industries.

The Indian overall scores are comparatively lower. Then, a closer look at the table 4.14 brings the proximity of Indian and German scores for three variables to light, thus establishing some similarities of training practices. For instance, as in German firms, Indian companies seem to conceive training not as a reward system. More than this, the degree to which training programs are intended or utilized by both to *teach company values and ways of doing things* (TD10) as well as to *improve interpersonal abilities* (TD3) appears to be analogous.

4.3.5 Most and least preferred HRM practices

An analysis was done to identify some of the most and least preferred HRM practices of the sampled companies. These practices along with their respective mean scores and standard deviations are highlighted in table 4.16. The mean scores are indicative of the order of preferences of the sampled companies.

The table 4.16 reveals a great deal of similarities in terms of most preferred and least used HR practices among the two samples. For example, the three most commonly applied hiring practices are HP 1 - *ability to perform technical requirement of the job*, HP 2 - *personal interviews* and HP 7 - *proven work experience*, though the order of preference slightly differ. And interestingly, both sampled groups use HP 10 – *considering co-workers opinion* and HP 6 – *conducting employment tests* to a very low extent. Such similarities of low usage can also be observed in case of performance appraisals and training and development practices.

Table 4.16 Most preferred and least used HRM practices

HRM Practices	*Most Preferred* German HRM practices (mean score / SD)	*Most Preferred* Indian HRM practices (mean score / SD)	*Least Used* German HRM practices (mean score / SD)	*Least Used* Indian HRM practices (mean score / SD)
Hiring practices	**HP 2** (4,05 / 0,858) **HP 1** (4,03 / 0,814) **HP 7** (3,70 / 0,818)	**HP 1** (4,00 / 0,744) **HP 2** (3,91 /0,925) **HP 7** (3,74 / 0,749)	**HP 10** (2,02 / 0,904) **HP 6** (2,23 /1,008)	**HP 10** (1,81 / 0,951) **HP 6** (2,73 /1,020)
Performance Appraisals	**PA 5** (3,55 / 0,890) **PA 2** (3,50 / 0,886) **PA 1** (3,47 / 0,890) **PA 8** (3,41 / 0,886)	**PA 5** (3,43 / 0,895) **PA 2** (3,32 / 0,993) **PA 11** (3,32 / 0,785) **PA 8** (3,32 / 0,952)	**PA 10** (2,53 / 0,942) **PA 7** (2,59 / 0,904)	**PA 10** (2,95 / 0,985) **PA 7** (2,95 / 0,999)
Pay practices	**PP 1** (4,03 / 0,814)	**PP 9** (3,23 / 1,012)	**PP 5** (2,41 / 1,003) **PP 8** (2,56 / 0,941)	**PP 8** (2,66 / 0,982) **PP 6** (2,74 / 1,013)
Training and Development	**TD 2** (3,84 / 0,877) **TD 4** (3,78 / 0,899) **TD 5** (3,77 / 0,938)	**TD 2** (3,38 / 0,889) **TD 3** (3,14 / 0,838) **TD 6** (3,12 / 0,986)	**TD 1** (2,58 / 0,887) **TD 10** (2,89 / 0,893)	**TD 1** (2,52 / 0,868) **TD 10** (2,86 / 1,014)

Source: developed for this study

Some differences of preferences appear to exist in pay practices and training and development. Though both groups focus on *improving technical job abilities* – TD 2, Indian companies prefer to build social competence of employees such *as interpersonal abilities* - TD 3 and *team working capability* – TD 6 whereas German training practices appear to be more job and career oriented. While the most preferred and least used pay practices of the two sampled groups clearly differ, their preferences overlap to a great extent regarding the performance appraisal practices.

4.3.6 Summary of the key findings

1. Hiring practices: the results indicate that there are no significant differences between German and Indian managers. Key areas of use indicate that personal interviews are used to a large extent in the hiring process by both groups. Having good technical skills and work experience are the next preferred hiring practices. Consulting potential co-workers opinion is seldom followed in both groups.

2. Performance appraisals: the results indicate that there are no significant differences between German and Indian managers. Key areas of use indicate that performance appraisals in one or the other form are used to a moderate extent. Key purposes are recognition and documentation of performances.

3. In terms of pay practices, results indicate that there are no significant differences between German and Indian managers. In key areas of use the overall ratings of pay practices are low, but comparable. Significant difference is observed in the role of seniority in pay decision. Contrary to belief, pay practices of Indian companies are more performance focussed.

4. In terms of training and development practices the results indicate that there are no significant differences between German and Indian managers. The analysis confirms the awareness of German companies to training needs. Training is mainly conceived to improve job skills, is extensively practised and the least meant to reward employees. To some extent these findings apply to Indian companies also.

4.4 Research Issue 4: **What are the perceptions of diversity climate of managers in German and Indian companies?**

To understand of the perceptions of the responses of both samples to Part A of the Diversity questionnaire - *diversity related problems* (DP1-DP15) were examined. The table 4.17 presents the SPSS summary data for further interpretation and comparisons.

Table 4.17 Mean scores of diversity related problems

Diversity Variables Diversity related problems	German respondents (N=64) Mean score (SD)	Indian respondents (N=77) Mean score (SD)	Mean score difference
DP1 – diversity in the staff composition	1,48 (0,713)	1,77 (1,025)	0,29
DP2 – complaints about other languages	3,94 (1,067)	4,06 (0,959)	0,12
DP3 – resistance of staff to work with other groups	4,08 (0,948)	4,27 (0,805)	0,19
DP4 – communicating difficulties due to use of accented foreign language	3,73 (0,996)	4,42 (0,848)	0,69
DP5 – communicating difficulties due to use of accented local language	4,14 (0,870)	4,36 (0,872)	0,22
DP6 – ethnic, racial or gender related slurs and jokes	3,81 (0,990)	4,13 (0,951)	0,32
DP7 – complaints about promotion or pay related discrimination	4,22 (0,826)	3,34 (1,269)	**0,88**
DP8 – lack of social interactions between diverse groups	3,63 (1,000)	3,58 (1,068)	0,05
DP9 – increase of grievances from members of non mainstream groups	4,31 (0,889)	3,77 (1,111)	0,54
DP10 – difficulties in recruiting and retaining members of diverse groups	4,00 (0,836)	3,95 (0,902)	0,05
DP11 – open conflicts between diverse groups or individuals	4,38 (0,845)	4,14 (1,022)	0,24
DP12 – productivity problems due to misunderstanding of directions	3,72 (0,951)	3,79 (1,004)	0,07
DP13 – exclusion of people who are different from others	4,42 (0,851)	4,22 (0,821)	0,20
DP14 – barriers in promotions for diverse employees	4,39 (0,809)	4,16 (0,947)	0,23
DP15 – frustrations resulting from cultural differences	4,02 (0,951)	4,22 (0,821)	0,20
Aggregate means of all variables	**3,88**	**3,88**	

Source: developed for this study

A central question to be clarified before delving into diversity perceptions was to determine if organisational diversity is acknowledged (DP1) by the managers. The analysis offers an affirmative "yes" to this question. About 85 percent of the Indian managers and 94 percent of the German managers concede diversity to be present in their companies. In this context, it needs to be denoted that the definition of diversity was constructed to cover a wide range of differences rather than address a few

specific varying human features. Possibly, this could have prompted the abundance of positive responses to this question.

4.4.1 Perceptions of Indian managers

In table 4.17, the Indian managers state that languages spoken or used at workplaces do not lead to difficulties in the communication process. The high means of all language related questions DP2, DP4 and DP5 (x > 4,0) is somewhat remarkable considering the linguistic multitude existing in the subcontinent while it also projects the linguistic versatility of the Indian workforce. Probably, as a logical consequence, about 72 percent of them indicate that *productivity problems* (DP12) based on language deficiency do not arise, rendering additional support to their notion about the language proficiency of their employees.

Majority of the Indian managers (83 percent) do not experience *resistance of staff to work in or with other groups* (DP3: x = 4,27) and a vast proportion of them (79 percent) consider *open conflicts between individuals or groups from diverse groups* (DP11: x = 4,14) as non existent. Likewise, they are convinced about their company's principles of treating people equally and strongly negate *exclusions of diverse people* (DP13: x = 4,22) and existence of any *barriers for their promotions* (DP14: x = 4,16). Their high mean scores for these variables underscore this assumption. Yet, this can be contested to some extent. Because, logically, their ratings to complaints about *discrimination in promotion* practices (DP7) and *grievances of non-mainstream groups* (DP9) should be equally high. Instead they are much lower (DP7: x = 3,34; DP9: x = 3,77).

Managers are also not often confronted with complaints about *ethnic or gender related jokes* (DP6). Further, diversity does not appear to be a constraint when it comes to *recruitment and retention of employees* (DP10) and differences in culture seem not to conjure any form of *frustrations among employees* (DP15). In all three cases the presence of these phenomena is overwhelmingly rejected.

4.4.2 Perceptions of German managers

While almost all (94 percent) German managers recognize workforce diversity, they do seem to realise some language based constraints. Their relatively low score for DP12 relating to productivity problems due to misunderstanding of instructions, to certain extent confirms this. However, generalizing this finding requires caution because of the inherent propensity of the respondents to refer primarily to the blue collared or shop floor workers. In this context it has to be remembered that most of the migrant workers in Germany are blue-collared.

Bantering or joking over ethnicity, race or gender is not fully denied but are not perceived as problems. So also, a vast majority (81 percent) construes that composition of working groups containing people of different origin and gender does not provoke resistance or reservations of the group members. Subsequently, they tend to believe that differing cultural backgrounds neither cause frustrations nor call forth exclusion of minorities from the mainstream (see high scores for the variables DP13- *exclusions of diverse people*, x = 4,42, and DP15 - *frustrations among employees from cultural differences* x = 4,02). Their responses to the variable DP9 - *grievances of non-mainstream groups* (x = 4,31 ; 84 percent) deliver some practical evidence to this theoretical construct. This construct is further reinforced by almost 90 percent of respondents who note that *open conflicts among diverse groups* (DP11 x = 4,38) at not really present or present at all.

German managers recognise that their company practices are governed by egalitarian principles of fairness and equal opportunities to all employees. They express this recognition in their responses to *complaints concerning pay and promotion related discrimination* (DP7; x = 4,22) and *promotion barriers* (DP14; x = 4,39) built in their HR systems and policies especially those that hinder career progression of diverse employees. Nearly 86 percent of the managers mention that career development is open for all whereas 84 percent of them refer to unbiased pay and promotion practices to all employees in the organisation. It is likely that these managerial perceptions align with real-life HR practices, lest an overwhelming majority (75 percent) of the managers may not have endorsed the ease of *recruiting and maintaining members* (DP10; x = 4,0) of diverse countries.

4.4.3 Summary of key findings

1. Workforce diversity is acknowledged by all companies and not viewed as major problem.
2. The impact of linguistic diversity is lesser in Indian companies than in monolingual German organisations.
3. Both Indian and German samples display consensus about workplace cohesiveness but note the limited social interactions between diverse groups.
4. There are differences of opinion among all managers about the existence of integrative HR practices based on principles of equality.
5. There are contradictory perceptions about complaints and grievances between Indian and German managers.

4.5 Research Issue: 5 What are the differences of perceptions of the diversity climate among German and Indian managers?

To understand the perceptual differences between the two samples regarding the diversity climate, the rating frequencies of the three possible options in Part C of the Diversity questionnaire - *diversity management status* – were analysed.

In this section the assumption is that of a null hypothesis, that is there is no difference between German and Indian samples on the Diversity survey (RI 5) and following null hypothesis is formulated.

H_{30} *There is no significant difference of perceptions of diversity climate among German and Indian managers.*

It is likely, that the preceding discussions convey a coherence of perceptions among German and Indian managers. Several means values and frequency scores of the responses to problems related to diversity (Part A) fall within a narrow bandwidth. Also the Chi Square values for all variables (in diversity questionnaires Part A and C) are below the critical values for the given degrees of freedom indicating that there are no significant differences in perceptions of diversity climate. An extract of the Chi square values for the variables discussed below is presented in table 4.18.

Table 4.18 Extract of the results of computed Chi-Square test

Diversity Variables	Chi-square -computed- X^2	Chi-square -critical- X^2	df	Asymp.Sig 2-sided
Diversity related problems				
DP4 – communicating difficulties due to use of accented foreign language	13,917	16,919	9	0,125
DP7 – complaints about promotion or pay related discrimination	12,899	21,026	12	0,376
DP9 – increase of grievances from members of non mainstream groups	6,638	21,026	12	0,881
DP12 – productivity problems due to misunderstanding of directions	7,017	16,919	9	0,635
Diversity management status				
DS1 – dress codes	1,654	9,488	4	0,799
DS3 – flexibility of company norms	8,355	9,488	4	0,079
DS10 – accountability of managers	4,945	9,488	4	0,293

*p ≤ 0,05 p ≤ 0,01 none of the computed values are significant, hence no * or **

Source: developed for this study

Even with this, the study detects some trends which need to be understood and explained. For example, in previous section it was outlined to what extent managers acknowledge complaints and grievances (DP7) from diverse groups. Although majority of both groups mention complaints about discrimination are *"not really present"* or *"not at all present"*, there is some variation in terms of their degree of acceptance (German 84 percent vs. Indian 53 percent, see table 4.20). This perceptual disparity is confirmed when noting the perceptions of the *"present everywhere"* or *"present to certain extent"* scores of the respective groups. About five percent of the German managers seem to register such complaints while more than 35 percent on the Indian side encounter cases of discrimination. Perceptual differences can also be noted while reviewing the scores for grievances from non-mainstream members (DP9) in Part A. The responses to diversity management status in Part C help to identify more discrepancies.

4.5.1   Trends in perceptions relating to diversity management status

Part C of the Diversity questionnaire pertains to diversity management status of the companies and uses a nominal scale. Comparing only the means of the responses will

be inappropriate to identify differences. The respondents merely mark their best choice and do not express their degree of consent as in the previous sections. The three statements are numbered in an order that the highest number also depicts the highest diversity awareness. Or, a respondent marking the third statement for all the 11 frames recognizes the management practices of his or her company as most pertinent to diversity awareness. In other words, a specific relationship between the choices and diversity management status is designed in the questionnaire. So referring to the distribution pattern was a more reliable approach to figure out differences of perceptions. Table 4.19 displays the distribution pattern of eleven variables (DS1 – DS11) related to diversity management status.

Table 4.19 Frequencies of diversity management status

Diversity Variables	German respondents (N=64)			Indian respondents (N=77)		
Diversity Management Status	Option 1 (%)	Option 2 (%)	Option 3 (%)	Option 1 (%)	Option 2 (%)	Option 3 (%)
DS1 – dress codes	14,1	54,7	31,3	49,4	40,3	10,4
DS2 – family and parental issues	10,9	57,8	3,3	22,1	51,9	26,0
DS3 – flexibility of company norms	23,4	32,8	43,8	46,8	33,8	19,5
DS4 – meeting EEO guidelines	4,7	59,4	35,9	7,8	64,9	27,0
DS5 – management priority	23,4	12,5	64,1	28,6	16,9	54,5
DS6 – people's attitude to diversity	7,8	79,7	12,5	28,6	37,7	33,8
DS7 – diversity in all staff levels	9,4	29,7	60,9	14,3	23,4	62,3
DS8 – diversity training programmes	25,0	67,2	7,8	42,9	44,2	13,0
DS9 – accountability of managers	75,0	x	25,0	67,5	7,8	24,7
DS10 – accountability of managers	12,5	25,0	62,5	22,1	31,2	46,8
DS11 – religious affiliation, conservatism and uniqueness	X	9,4	90,6	1,3	14,3	84,4

Source: developed for this study

In table 4.19 almost half of the Indian respondents (49,4 percent) confirm that there is a standard way of dressing in their company (*dress codes* - DS1) whereas just 14,1 percent of German managers think so. Nearly a third of German managers (31,3 percent) feels that people are free to wear varieties of dress at work while very few (10,4 percent) Indian counterparts observe this. Despite these differences, caution need to be exercised as the questionnaire does not differentiate between office staff and shop floor workers. This limitation was discussed before.

Responses to the *flexibility of the company norms* (DS3) to accommodate diversity needs also differ considerably. Effective diversity management means keeping company norms flexible. For 43,8 percent of the German managers their norms are flexible enough to address all employee concerns. Indian managers do not endorse

this and 46,8 percent regard norms as rigid and believe that their companies demand newcomers to adapt to the existing norms.

An overall consensus over upholding and fulfilling the EEO guidelines exists among all managers (DS4). When it turns to the responsibility of managing diversity (DS5), the majority of managers recognize this as a part of every manager's tasks and duties. Under this precondition, there is a propensity to predict that people in both countries value and cultivate diversity. However, only 12,5 percent of the German managers associate the aforementioned status with a highly developed diversity awareness of their people, namely value and cultivate diversity (DS6). Most of the German managers (79,7 percent) attribute this situation to the willingness of their people merely to tolerate differences, a feature which is certainly embedded in the lower echelons of diversity awareness rather than the elevated diversity dimension of valuing human inequalities.

Indian managers, (see table 4.19) seem to perceive their status more pragmatically. The distribution pattern of their perception is conspicuously different. Over a third of all managers (33,8 percent) express their belief that diversity is valued and cultivated in their organisations. A slightly larger segment of 37,7 percent believe that this is due to the efforts of the people to tolerate and accommodate needs of diverse groups. The remaining 28,6 percent overtly concede that people deliberately downplay and ignore human heterogeneity. In comparison, a marginal 7,8 percent of the German respondents agree that people deliberately downplay and ignore human heterogeneity.

Turning to the training programs (DS8), its purpose is also perceived differently by the two groups. Indian companies seem to have an ethnocentric orientation. As about 43 percent of the managers feel that their training programs are designed to teach company culture and values. This conservative approach, however, is shared only by 25 percent of the German managers. Also there is large perceptual gap among Indian and German managers (44,7 percent vs. 67,2percent – see table 4.19) who feel that their training programs focus on building competence of diverse staff. Another striking finding is to what extent training helps effective communication across gender and cultural barriers.

Only 7,8 percent of the German managers and 13 percent of the Indian managers attribute effective communication across gender and cultural barriers as the purpose of their training programs. The importance of communication in organisational context seems to be underestimated by majority of the respondents. And finally, there seems to be differences in the perception about accountabilities of managers. Though both groups identify building productive teams with diverse staff as core responsibility of managers, their degree of recognition differs strongly.

Another perceptual trend can be seen in the accountabilities of managers for diversity related practices (DS10). Even though the discrepancy is not as large as in the previous issue, almost two third of the Germans surveyed express that their company expects them to build productive work teams with diverse staff (Option 3). Concurrently, far less than half of the Indian managers feel that they are held accountable for such diversity promoting practice.

4.5.2 Trends in perceptions about diversity related problems

In many cases, the frequencies of the five rating categories vary considerably between the two groups and referring to these figures disclose some subtle perceptual differences those do not surface while contemplating the statistical means alone. A good example is DP12 – *productivity problems*. About 30 percent of the German managers have a *"neutral"* opinion while 11 percent of the Indian managers choose neutral option. And while 72 percent of the Indian managers mark productivity problems as *"not really present"* or *"not at all present",* roughly 59 percent of German managers rate so. Hence, to identify actual differences, besides the mean scores, the frequencies of ratings were also considered. Table 4.20 highlights the differences of rating frequencies while indicating no significant differences based on Chi-square values.

As in the case of HRM issues, the responses of each country are clustered into two groups (Group A = *"present everywhere"* to *"present to certain extent"* and Group B = *"not really present"* to *"not at all present"*) to ensure proper use of Chi square test (Zikmund 2002).

Table 4.20 Extract of rating frequencies and Chi-square values of diversity related problems

Diversity Variables	German samples (N = 64)		Indian samples (N=77)		Chi Square	Asymp. Sig. 2-sided
Diversity related problems	**Group A** f (%)	**Group B** f (%)	**Group A** f (%)	**Group B** f (%)	X^2 (df)	
DP4 – communicating difficulties due to use of accented foreign language	15,6	65,6	5,2	87,1	13,917 (9)	0,125
DP7 – complaints about promotion or pay related discrimination	4,7	84,4	35,1	53,3	12,899(12)	0,376
DP9 – increase of grievances from members of non mainstream groups	6,3	84,4	19,5	67,6	6,638(12)	0,881
DP12 – productivity problems due to misunderstanding of directions	10,9	59,3	16,9	79,3	7,017 (9)	0,635

$*p \leq 0,05$ $**p \leq 0,01$ - none of the Chi square values are significant, hence no * or **

Group **A** = "present everywhere" to "present to certain extent"

Group **B** = "not really present" to "not at all present"

Source: developed for this study

The productivity problems (DP12) may have various causes. Lack of proficiency in spoken and written language at workplaces is one personal factor. Indian and German managers perceive impacts of linguistic diversity (DP4) differently. They also have difference of opinion on complaints of discriminations (DP7) and grievances from non-mainstream groups (DP9). While about 85 percent of the German respondents denote the two issues as *"not really present"* or *"not at all present",* about 35 percent of their Indian peers articulate DP7 as *"present everywhere"* or *"present to certain extent"* and roughly 19 percent feel so relating to DP9.

4.5.3   Summary of key findings

1.   Though the overall mean values suggest similar diversity climates, detailed examination exposes number of subtle differences.

2.   Dress codes are more common in Indian companies

3.   German company norms are flexible to accommodate diversity needs. Indian managers view norms as rigid and demanding for new entrants.

4.   Building productive work teams with diverse staff is more established in German companies.

5.   Change is recognised as an opportunity and strategic need by both sides but practices do not reflect expediency in implementing organisational changes.

4.6 Research Issue 6: What are the differences of perceptions of HRM practices among HR managers and general managers?

Until here, the research was basically country focussed. It referred to managers of the German and the Indian companies as the two research cohorts. Having their various HRM practices identified, the analysis now focuses on the perceptual differences of two altered cohorts, composing the HR managers as one and the general managers as the other.

To understand the perceptual differences between the HR managers and the general managers regarding the HRM practices, the overall approval ratings of the two cohorts to the three statements concerning the effectiveness of their HRM practices in the subsections of the BIHRMP questionnaire were considered. The responses to the three statements, having *high-performing employees* who are *satisfied with their jobs* and make *a positive contribution to overall effectiveness* of the organisation in the subsections of the HR practices was analysed to outline how far the perceptions of HR managers diverge from or align with the perceptions of managers of other business disciplines.

In this section the assumption is that of a null hypothesis, that is there is no difference between perceptions of HR managers and general managers in terms of their HRM practices (RI:6) and following null hypothesis is formulated.

H_{40} *There is no significant difference of perceptions of HR managers and general managers in terms of HRM practices.*

To investigate this hypothesis SPSS based descriptive analysis as well as Chi-Square test for **goodness of fit** was conducted. Results of the descriptive analysis showing the frequencies in percent (approval rate) and means are tabularised in table 4.21 for further discussion. In Table 4.22 outputs of the Chi-Square tests are displayed.

Table 4.21 Effectiveness of German and Indian HR practices

(a) : large to very large extent (b) : of all three variables	HR Managers Approval rate in % (a)	HR Managers Arithmetic means (b)	General Managers Approval rate in % (a)	General Managers Arithmetic means (b)
Effectiveness of GERMAN (N = 64)				
- Hiring Practices	77,80	3,98	42,40	3,34
- Performance Appraisals	50,70	3,98	42,40	3,34
- Pay Practices	51,90	3,47	30,60	3,10
- Training & Development	76,60	4,14	45,00	3,47
Effectiveness of INDIAN (N=77)				
- Hiring Practices	66,70	3,75	30,00	3,22
- Performance Appraisals	61,30	3,67	36,70	3,25
- Pay Practices	58,60	3,70	34,20	3,05
- Training & Development	62,20	3,68	35,80	3,19

Source: developed for this study

The approval rates and arithmetic means of HR managers for all four HR practices vary from those of the general managers. HR managers seem to realise higher effectiveness of the HR practices than other managers recognize. Some distinct variations in table 4.21 substantiate this assessment. For example, on the Indian side, over 61 percent of the HR managers consider their performance appraisals systems to contribute to the overall effectiveness of the company and help to maintain high performing and satisfied employees from a large to very great extent while merely 36 percent of the general managers have a similar view. Similar variation appears also for training and development practices while roughly 77 percent of the HR managers articulate high ratings to the effectiveness of the hiring practices, only 42 percent of the general managers seem to share this notion. Likewise, the perceptions among German HR and general managers in respect of their training and development practices are 76 and 45 percent respectively.

4.6.1 Level of significant differences between German and Indian managers

Chi-Square tests within the cross tabulation functions are appropriate to compare distribution of one group with the distribution of another group (Zikmund 2002). Hence, to generalise the findings of the descriptive analysis, conducting Chi-Square tests was deemed as an appropriate procedure.

As table 4.22 exhibits, the test of significance was undertaken for the German and Indian samples separately because of the probability of the different frames of references prevailing in the two countries. In other words, drawing conclusions about the effectiveness of Indian HR practices from the responses of German samples or vice versa was considered as an inappropriate approach and consequently the Chi Square values displayed are results based on the responses of HR managers and general managers of the respective countries.

A glance at the Chi-Square column points out that except in one German case (*training and development practices leading to positive overall contributions*), the Chi-Square values are below the critical values and therefore there are no significant differences and the null hypothesis can be accepted.

Table 4.22 Cross-tab Chi-Square test values of Research Issue 6

Variables relating to effectiveness of HRM practices	Chi-Square* X^2	d.f.	Asymp.Sig. (2-sided)
HR managers versus (N=64) **General managers** (GERMAN)			
Hiring practices lead to:			
- have high performing employees	3,676	4	0,452
- satisfied employees	5,423	8	0,712
- positive overall contribution	4,815	9	0,850
Performance appraisals lead to:			
- have high performing employees	5,356	8	0,719
- satisfied employees	11,250	8	0,188
- positive overall contribution	7,298	9	0,606
Pay practices lead to:			
- have high performing employees	4,419	6	0,620
- satisfied employees	9,996	12	0,616
- positive overall contribution	5,955	6	0,428
Training and development leads to:			
- have high performing employees	9,630	6	0,141
- satisfied employees	2,070	4	0,723
- positive overall contribution	13,233	4	0,010**
HR managers versus (N=77) **General managers** (INDIAN)			
Hiring practices lead to:			
- have high performing employees	9,935	12	0,622
- satisfied employees	5,654	12	0,933
- positive overall contribution	19,430	12	0,079
Performance appraisals lead to:			
- have high performing employees	18,916	16	0,273
- satisfied employees	8,424	9	0,492
- positive overall contribution	15,967	16	0,455
Pay practices lead to:			
- have high performing employees	8,003	12	0,785
- satisfied employees	12,530	12	0,404
- positive overall contribution	6,931	12	0,862
Training and development leads to:			
- have high performing employees	11,892	9	0,219
- satisfied employees	6,999	6	0,321
- positive overall contribution	6,108	9	0,729

* $p \le 0,05$ $p \le 0,01$**   Source: developed for this study

4.6.2 Trends in perceptions of HR managers and general managers

However, the distinct variations of approval rates (*large to very large extent*) among HR managers and general managers regarding the effectiveness of HRM practices seen in table 4.21 and to certain extent the differences of mean values need further examination for trends. Hence further analysis was conducted using the overall *"is now"* and *"should be"* ratings of HR managers and general managers to the HRM variables. The tables 4.23 and 4.24 summarise the outcomes of the descriptive analyses. In Table 4.23 the approval rates (*large to very large extent*) relating to current and future HR practices of HR managers and general managers are presented. The respective approval rates indicate the percentage of HR managers and general managers who approve that their HRM practices align with the HRM variables in the BIHRMP questionnaire from a *"large"* to *"very large extent"*. Table 4.24 displays the comparison of mean scores while also highlighting the differences of perceptions of managers relating to current and future HRM practices. The comparative mean scores of the four HRM practices are derived from the aggregated scores of managers in the respective clusters.

First was to compare the respective overall *"is now"* values of HR and general managers and find if the results reinforce or reject the preceding judgement. The *"is now"* approval rates of all HR managers were higher than the general managers (see Table 4.23). Also the arithmetic mean values of HR managers were found to be higher than the scores of general managers (see Table 4.24). The comparison confirms tendencies of HR managers to rate their current HR practices as more effective than general managers.

Table 4.23 Approval rates of current and future HR practices of HR and general managers

*) large to very large extent **) derived from means of all other variables Approval rates * in % of:		HR Manager "is now"	HR Manager "should be"	General Manager "is now"	General Manager "should be"
GERMAN Samples	**(N=64)**				
Hiring Practices		42,5	57,4	35,0	55,0
Performance Appraisals		42,2	82,6	33,7	72,7
Pay Practices		26,7	54,9	19,3	49,8
Training and development		60,0	77,8	31,7	79,8
INDIAN Samples	**(N=77)**				
Hiring Practices		47,8	70,1	37,0	68,5
Performance Appraisals		44,3	89,9	35,0	90,5
Pay Practices		35,8	83,0	22,0	73,5
Training and development		41,9	89,2	19,5	83,8

Source: developed for this study

Table 4.24 Comparison of current and future HRM practices of HR and general managers

Comparative mean scores of HR managers (HRM) and General managers (GM)	**INDIAN** *HRM* vs *GM* is now N=77	**GERMAN** *HRM* vs *GM* is now N = 64	**INDIAN** *HRM* vs *GM* should be N=77	**GERMAN** *HRM* vs *GM* should be N = 64
HRM Practices				
Hiring practices	3,26 > 3,12	3,32 > 2,84	3,85 = 3,85	3,53 > 3,50
Performance appraisals	3,29 > 3,06	3,22 > 3,16	4,31 > 4,24	3,65 < 3,91
Pay practices	3,09 > 2,80	2,85 > 2,79	4,11 > 3,92	3,38 < 3,45
Training and development	3,23 > 2,77	3,67 > 3,11	4,33 > 4,14	4,07 > 4,02

Mean score *differences* of *is now* and *should be* perceptions of managers	**INDIAN HRM** *is now* vs *should be* N=37	**INDIAN GM** *is now* vs *should be* N = 40	**GERMAN HRM** *is now* vs *should be* N=27	**GERMAN GM** *is now* vs *should be* N = 34
HRM Practices				
Hiring practices	0,59	0,73	0,21	0,66
Performance appraisals	**1,02**	**1,18**	0,43	0,75
Pay practices	**1,02**	**1,12**	0,53	0,66
Training and development	**1,10**	**1,37**	0,45	0,91

Source: developed for this study

Next, the comparison was extended to the *"should be"* scores. The approval rates in Table 4.23 as well as the mean values in Table 4.24 for HR managers and general managers are closer in this case. For example, the means of Indian HR managers and general managers are the same for hiring practices (x = 3,85) and their respective

figures for performance appraisals are close (x = 4,31 vs. x = 4,24) while the values for the other two HR practices (pay and training) vary very marginally (SD = 0,19).

Using these uniformities the general proposition is that Indian HR managers and general managers feel alike about future HR practices. Subsequent evaluation for German managers follows below.

The *"should be"* scores of German HR managers and general managers for hiring and training practices are comparable with Indian scores (x =3,53 vs x =3,50 for hiring practices and x = 4,07 vs x = 4,02 for T & D, see Table 4.24). However, the scores of other two practices, namely performance appraisals and pay practices are different as the *"should be"* scores of German general managers tend to be higher than that of their HR managers (see table 4.24).

Table 4.24 also shows, except for the hiring practices, considerable differences of mean scores between *"is now"* and *"should be"* perceptions of Indian HR managers and general managers in isolated clusters (> 1,00). These differences propose that the Indian managers underscore the need for improvement of their HR practices more than the German managers.

Purposefully, one section of the HRM survey is dedicated to the collect information about HR departments. Analysing the responses from all managers to the five statements in this section was regarded as an appropriate procedure to illuminate the theoretical possibility of biased responses. Two sets of mean values were computed for HR managers and general managers, one for all six ratings and the second set with the *"don't know"* responses excluded. Table 4.25 highlights the mean scores.

Table 4.25 Description of human resource departments

Description of HR departments (Arithmetic means of five statements)	INDIAN HRM	INDIAN GM	GERMAN HRM	GERMAN GM
	N=37	N = 40	N=27	N = 34
Mean scores of **all** responses	4,09	3,46	3,68	**3,68**
Mean scores **excluding** *"don't know"*	4,05	3,43	3,60	**3,30**

Source: developed for this study

The means of Indian HR managers were higher than Indian general managers (Indian HRM x = 4,09 vs. Indian GM x = 3,46) in the first set. But this trend was not visible in German responses (see table 4.25).

For both German groups the mean score was 3,68 indicating no signs of bias. However, to conclude that Indian responses are subjective or partially biased was not well founded since the German responses contain proportionally more *"don't know"* answers. Therefore, the second set of means with out the *"don't know"* answers were reckoned and reviewed. The picture now was not the same. Although the distinction was not as high as in Indian responses (Indian HRM x = 4,05 vs. Indian GM x = 3,43), the German means now spread significantly (German HRM x = 3,60 vs. German GM x = 3,30) thereby suggesting a certain amount of prejudice.

These observations, nevertheless, are still insufficient evidence to claim biased responses. At the best, it highlights some homogeneity in the pattern of judgement of HR managers since almost all *"don't know"* answers were from general managers. In this context we also need to recall the variances in the sample sizes of the HR managers (37 vs. 27) which likely could be a limitation.

So one would need to differentiate while summarising the findings. The overall analysis suggests that, in general terms, the perceptions of HR managers and general managers differ in both countries. Then, to specify these differences as significant, one would need to consider the perceptual variations in terms of the effectiveness of the HR practices as well as the *"is now"* and *"should be"* perceptions and contemplate the probability of bias.

4.6.3 Summary of key findings

1. HR and general managers tend to assess effectiveness of HR practices differently.
2. HR managers seem to consider their current HR practices to be more effective than general managers.
3. Different views exist concerning current training and development practices.

4. In terms of how the HR practices should be, the perceptions of HR managers and general managers are relatively congruent.

4.7 Research Issue:7 What are the relationships between Diversity climate and HRM practices in Indian and German organisations?

The research issues RI 4 and RI 5 explored the perceptions and perceptual differences of Indian and German managers concerning the diversity climates. This final issue focuses on aspects of HRM practices those are directly or indirectly devoted to address organisational diversity and how these practices nurture diversity sensitiveness or even neglect diversity management needs.

In this section the assumption is that of a null hypothesis, that is there is no significant relationship between HRM practices and diversity climate of German and Indian samples and following null hypothesis is formulated.

H_{50} *There is no significant relationship between HRM practices and diversity climate among German and Indian companies*

To understand the effects of HRM practices on diversity climate and their mutual contingencies within the research framework, the responses of managers to certain sections of the HRM and Diversity questionnaires are used. Besides descriptive analysis, Kendall's correlation coefficients (Kendall's tau-b), a non-parametric measure of association, were calculated to verify relationships. Kendall's tau values range from -1 to +1, wherein the sign indicates the direction and the number shows the strength of the relationship (Zikmund 2002). In practice, the relationships of five HRM variables (HP4- *having right connections*, HP9 -*how well a person fits in then company's values and working ways*, TD3 - *to improve employees interpersonal abilities*, TD6 - *to build teamwork within the company* and TD7 - *to provide substantial training while joining the company*) to five diversity variables (DP3 - *resistance of staff to work with other groups*, DP7 - *complaints about promotion or pay related discrimination*, DP10 - *difficulties in recruiting and retaining members of diverse groups*, DP11 - *open conflicts between diverse groups or individuals* and

DP13 - *exclusion of people who are different from others*) were computed using SPSS and examined. Table 4.26 displays the respective absolute values.

4.7.1 Verification of correlation – Kendall's tau-b

To understand relationship between HRM practices and diversity climate in German and Indian companies Kendall's test of correlation that measures the association between variables was undertaken. The respective values of Kendall's tau-b are displayed in table 4.26.

Table 4.26 Results of correlation analysis – Kendall's *tau – b*

INDIAN Samples **N = 77**   GERMAN Samples **N = 64**

Approx. sig.	Approx. tau-b	Asym. std. error	Absolute value	HRM variables versus Diversity variables	Absolute Value	Asym. std. error	Approx. tau-b	Approx. Sig.
0,499	+ 0,676	0,101	+ 0,068	HP4 vs DP3	- 0,070	0,112	- 0,626	0,532
0,227	+ 1,708	0,093	+ 0,112	HP4 vs DP7	+ 0,092	0,115	+ 0,803	0,422
0,494	+ 0,685	0,096	+ 0,066	HP4 vs DP10	- 0,128	0,117	- 1,094	0,274
0,206	+ 1,265	0,101	+ 0,128	HP4 vs DP11	- 0,226	0,115	- 1,940	0,052
0,889	- 0,139	0,103	- 0,014	HP4 vs DP13	- 0,098	0,118	- 0,829	0,407
0,041	+ 2,046	0,099	+ 0,201	HP9 vs DP3	- 0,042	0,110	- 0,388	0,698
0,035	+ 2,108	0,103	+ 0,218	HP9 vs DP7	+ 0,126	0,102	+ 1,215	0,225
0,179	+ 1,344	0,095	+ 0,128	HP9 vs DP10	+ 0,203	0,102	+ 1,937	0,053
0,694	- 0,394	0,096	- 0,038	HP9 vs DP11	- 0,167	0,108	- 1,563	0,118
0,807	+ 0,244	0,103	+ 0,025	HP9 vs DP13	- 0,067	0,110	- 0,609	0,543
0,513	+ 0,655	0,098	+ 0,064	TD3 vs DP3	+ 0,058	0,110	+ 0,530	0,596
0,241	+ 1,173	0,107	+ 0,126	TD3 vs DP7	+ 0,146	0,113	+ 1,291	0,197
0,283	+ 1,074	0,097	+ 0,104	TD3 vs DP10	+ 0,165	0,117	+ 1,398	0,162
0,915	- 0,107	0,100	- 0,011	TD3 vs DP11	- 0,017	0,106	- 0,162	0,871
0,885	+ 0,145	0,101	+ 0,015	TD3 vs DP13	+ 0,029	0,100	+ 0,289	0,773
0,895	- 0,131	0,100	- 0,013	TD6 vs DP3	+ 0,207	0,098	+ 2,099	0,036
0,272	+ 1,099	0,096	+ 0,105	TD6 vs DP7	+ 0,300	0,102	+ 2,946	0,003**
0,030	+ 2,167	0,093	+ 0,203	TD6 vs DP10	+ 0,220	0,126	+ 1,736	0,083
0,426	+ 0,796	0,089	+ 0,071	TD6 vs DP11	+ 0,086	0,123	+ 0,699	0,484
0,909	- 0,114	0,102	- 0,012	TD6 vs DP13	+ 0,222	0,129	+ 1,722	0,085
0,403	+ 0,837	0,104	+ 0,087	TD7 vs DP3	+ 0,187	0,110	+ 1,679	0,093
0,082	+ 1,738	0,104	+ 0,181	TD7 vs DP7	+ 0,329	0,095	+ 3,409	0,001**
0,448	+ 0,759	0,105	+ 0,080	TD7 vs DP10	+ 0,236	0,107	+ 2,195	0,028
0,486	+ 0,697	0,095	+ 0,066	TD7 vs DP11	+ 0,108	0,110	+ 0,975	0,330
0,545	- 0,606	0,103	- 0,063	TD7 vs DP13	+ 0,167	0,105	+ 1,560	0,119

Source: developed for this study   *p ≤ 0,05   **p ≤ 0,01

The test results show that most of the correlation coefficients for German and Indian samples are positive values **suggesting a positive relationship though not very strong**. For the German managers there are *significant* positive correlations between

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TD6 (*to build teamwork within the company*) **as well as TD7** (*to provide substantial training while joining the company)* **with DP7** (*complaints about promotion or pay related discrimination.*

Thus the overall assessment would be that **the test suggests existence of relationships between HRM practices and diversity climates but the null hypothesis cannot be rejected.**

Although the relationships are not strong, through descriptive analysis of the relevant HRM and diversity variables one can interpret and understand the links between the two and explain certain observed trends. Discussions about these trends and links are presented in the conclusion Chapter 5. Nevertheless, some key findings are highlighted below.

4.7.2 Summary of key findings

1. The research suggests interdependencies of HR practices and diversity climate.
2. These relationships may have positive as well as negative impacts on diversity climate.
3. Certain hiring criteria incorporate diversity aversive elements while many training and development policies promote organisational diversity.
4. HR managers focus on building diverse teams to improve productivity.
5. Importance and relevance of diversity management is not evident at strategic level.

4.8 Summary of the chapter

In the preceding sections various aspects of data collection and analysis process was described. Beginning with the modifications of the data collection method and the Cronbach Alpha scores (reliability measure) of the various sections of the two questionnaires, the chapter describes the response patterns of the two samples to the seven research issues. It further explains how these ratings were examined, interpreted and tested to accept or reject the underlying null hypotheses and the key

findings are outlined in the sub sections of each research issue. Pearson's Chi-Square values and Kendall's correlation coefficient (tau-b) were computed to substantiate the descriptive analysis. The SPSS outputs of the respective research issues are presented in tabular form for better understanding.

Analysis of demographic data (RI 1) confirms under-representation of employed females in both countries and reveals a misalignment between overall Indian literacy level and the education levels of Indian employees. Impact of cultural differences (RI 2) on HRM practices appear to be insignificant in both countries since the analysis of the second research issue alongside Hofstede's cultural dimensions do not establish strong relationships. The analysis also exposes a considerable amount of similarities of application of procedures and systems relating to the four HRM practices examined (RI 3). In terms of "most preferred and least used HRM practices", the differences are inconspicuous.

The examination of the diversity related research issues (RI 4 and RI 5) highlights the prevailing diversity problems and the perceptual differences between the two samples. In general, diversity is conceived as unproblematic by both groups though their perceptions regarding diversity climate and diversity management competences of their companies diverge to a certain extent.

Differences are more evident while analysing perceptions of HR managers and general managers relating to HRM practices of their companies (RI 6). HR managers in both countries view their current HR practices, policies and systems to be more effective than general managers. Concurrently, the investigation reveals perceptual congruence among the two cohorts when it relates to future HRM framework.

Finally, the analysis focuses on the relationships between HRM practices and diversity climate (RI 7). Correlation analysis based on Kendall's tau-b was conducted and the outcomes suggest the existence of relationships, though not very strong, between HRM practices and diversity climates of the Indian and German companies. In the following concluding Chapter 5, the outcomes and results of these seven research issues are discussed further.

Chapter 5: Discussions of results

5.1 Introduction

Having the data collection and analysis described in Chapter 4, in this section the results are discussed and the implications of this research are explained. The study also contributes to extend the contemporary understanding of HR practices and diversity awareness in German and Indian organisations, while incorporating knowledge from past research and prevailing literature. The instruments used in "best international human resource practices survey" (Von Glinow et al. 2002) and the diversity survey (Erwee & Innes 1998) in the Australian context, are both tested tools in two major comparative studies. The chapter also presents contributions to theory as well as recommendations for future oriented HRM and diversity management practices for Indian and German companies to gain and sustain competitive leverage that would help them to evolve as prosperous multicultural enterprises.

To accomplish the outlined research objectives, it is fundamental to understand the existing HRM and diversity practices of the sampled companies and identify practical differences and perceptual distinctions amongst managers of these companies. This leads to the research question:

"What are the HRM practices and diversity practices in German and Indian companies and how do they differ?"

To answer the research question, seven research issues were formulated and examined. The seven research issues are listed below.

RI: 1- Demographic diversity in German and Indian companies

RI: 2 - Cultural differences that could have impact on HRM practices
      and policies

RI: 3 - HRM practices and policies of these companies in terms of hiring,

performance appraisal, pay and training and development practices

RI: 4 - Perceptions of diversity climate of managers in German and Indian companies

RI: 5 - Differences in perceptions of diversity climate among German and Indian managers

RI: 6 - Differences in perceptions of HR practices among HR mangers and general managers

RI: 7 - Relationships between diversity climate and HRM practices among German and Indian companies

5.1.1 Overview of the chapter

Discussions in this chapter are along the lines of the seven research issues which were analysed following the methodology described in Chapter 3. Beginning with a short overview of the analytical findings of each research issue, following deliberations highlight how far the examination of the research issues contribute to confirm, disconfirm or expand present body of knowledge.

The results of the quantitative analysis are synthesised and compared with the existing knowledge base to confirm as well as, in some cases, to contest previous studies and perceptions found in contemporary literatures. Where ever outcomes were found to contribute to the expansion of current knowledge or modification of the proposed original methodology was undertaken, appropriate explanation and justification is added. In Chapter 4 two such modifications were described.

The outcomes offer ample of opportunities for further research. Particularly, examining the impacts of progressive human resource management practices on competitiveness and profitability of companies operating in a diversity embracing environment was a worthwhile scientific effort.

5.2 Research Issue 1: Demographic diversity in German and Indian companies

Overview of the outcomes: The unit of analysis for this research was the responses from 64 German and 77 Indian managers. Quantitative analysis of their responses to the seven variables in the demographic section of the questionnaire helps to understand the respective demographic profiles. In general terms, the profiles are as expected by the nature of the study and do not differ markedly between the German and Indian managers. For instance, the under-representation of female employees in both countries is a common factor. However, the analysis also reveals some specific features. One for example is, although the literacy levels of Germany and India are widely known, there seems to be no significant differences in the education levels of employees in German and Indian companies. In both countries the education levels are comparable and high. A second interesting finding relates to the age structures as contrary to conventional wisdom. German managers are younger than their Indian counterparts.

Given the above mentioned quantitative results and from the synthesis of the information gathered through face to face discussions or quasi unstructured interviewing (Zikmund 2002) of over 100 managers, in following sections interpretations and the conclusions drawn from outcomes of this research and their possible implications are described.

First, it is acknowledged that all German companies and 91 percent of the Indian companies were from the private sector and hence the *conclusions may not apply to firms in public sectors.* Although the definition of diversity was kept at very generic level, conclusions about the demographic dimensions are clustered in four groups - *Gender distribution, age structures, employee education, and workforce composition* which address religion and language related differences.

Gender: The research confirms the imbalances in gender distribution and confirms inequalities of women employment in German and Indian firms, in manufacturing industries. None of the selected companies has a high ratio of females in their workforce. Even though male–female sex ratio for population aged between 15 and 64 years is almost in balance – Germany: 1,04 India: 1,07 – (Statistisches Bundesamt

2004; Government of India 2004), the corresponding figure for employment ratios is distinctly higher - Germany:1,24 ; India: 2,85 est. – (Statistisches Bundesamt 2004; Government of India 2004). About 44 percent of the German and 26 percent of the Indian employed are women. In the Indian context, the percentage further reduces when differentiating between rural and urban employment. The Indian urban women workforce, as a best estimate (because of inconsistent statistical data sources), may compose 12-13 percent of the total urban employed. In fact, the 13 percent of Indian female managers who were part of this research support this estimate. The male-female participant ratio was 87:13 for India and 73:27 for Germany. However, unlike textile, telecommunication or other service industries which usually have more jobs for women, this research focuses on the manufacturing sector affiliated to automobile and auto parts industry. The research also confirms the general trend observed in literatures pertaining to raising employment of women in Indian companies (Datt & Sundharam 2004). This systematic increase of women employment refers not only to IT and banking industries but also to manufacturing, despite their low representation in management tasks. Evidently, mass computerization and technology development along with the ongoing societal and social changes in India open women more employment opportunities.

Age structure: The population structures of India and Germany differ remarkably. Latest estimates quantify the Indian and German median ages as 24,66 and 42,16 years respectively (US government 2005). Nevertheless, the younger Indian age structure is not evident in the employee profiles of the Indian companies. Contrary to general belief, the research shows a higher number of younger managers (< 40 years) and surprisingly comparatively fewer elderly (>51 years) managers in German companies. One reason for this finding could be the manufacturing sector. As a reputed country for excellent automobile and associated technology, Germany produces more number of qualified younger workers (VDA 2003) than the emerging Indian automobile industry develops. Presumably, in the IT sector, a stronghold of the Indian industries, the situation may be opposite. The incessant induction of competent and skilled younger workers in German automobile sector could increase the dispensability of experienced older managers and workers. This, possibly, explains the lower numbers of elderly managers in German companies.

Education: Literacy levels in both nations are different. While over 95 percent of Germans are able to read and write, about a third of the Indian population above 15 years are considered as illiterates (Statistisches Bundesamt 2004; Government of India 2004). Notwithstanding, these literacy statistics do not reflect in the employment profiles of these manufacturing companies. Recruitment practices in both countries are designed to attract adequately educated job contenders to fulfil job requirements. Particularly, at managerial levels, the survey analysis confirms the abundance of academic degree holders among supervisory staff and line managers.

A clear distinction can be observed at the post graduate level. Almost 69 percent of the Indian managers possess a Masters degree whereas only 37.5 percent of their German counterparts have attained this level. At the bachelors level the situation is vice versa. A reason for this situation could be the different systems of education. For example, German *Fachhochschulen,* in contrast to German universities, have a more practical orientation and shorter study duration which is preferred by many employers (Lane 1992; Muller 1999).

Workforce composition: From a theoretical perspective, the Indian companies appear to be confronted with linguistic diversity of employees. Various existing literatures cover to a vast extent the complexity and impacts of linguistic diversity (Gopinath 1998; Kapila 2003; Datt & Sundharam 2004) which force organisations to adapt their HRM practices. Yet, this research, hardly endorses this assumption. Language diversity is acknowledged but is not viewed as an impeding factor. However, hypothesising the irrelevance of multilingualism in the organisational context based on this research for all Indian companies may be untenable because all sampled companies use English as common corporate language. Apparently, the educational levels of the Indian employees foster the use of English as the standard medium of communication.

Indian companies operate within the framework of religious and cultural multiplicity (Dwivedi 2002; DeNisi & Griffin 2006). Although Indian states are culturally and linguistically distinct these states are supported by diversity promoting government legislations (http://www.labour.nic.in), to not discriminate and this influences the Indian workforce compositions. There are representations of people from various

ethnic and religious groups working effectively together not only at workers level, also at white-collared as well as leadership and management levels. Furthermore, the role and influence of expatriate managers in India are observed to be more collaborative. This contradicts to certain extent references found in literatures (Braasch 2000) mentioning expatriate managers adopting an authoritative or directive management style while working in India

Though operating in a monolingual environment, the presence of language diversity is more visible in German companies than in Indian firms, albeit it is not viewed as an issue. Migration of workers from countries not belonging to the European Union as well as the increasing mobility of indigenous people because of job scarcity within Germany creates workforce diversity. Employees from Turkey, predominantly Islam oriented people, represent the largest ethnic group (Statistisches Bundesamt 2004). Workers from East European countries such as Poland, Russia, Serbia and Croatia, are predominantly Christians, but speak various languages that increase that linguistic diversity. Workforce composition of this nature largely applies to jobs in the manufacturing industries. Foreigners or naturalised foreigners rarely occupy management positions in these industries. The fact that only one of the 64 German managers surveyed was a non-German underscores this proposition.

## 5.3 Research Issue 2: Cultural differences that could impact HRM policies and practices

Overview of the outcomes: The *quantitative* analysis of the responses of the managers to the culture related HRM and diversity variables does not show existence of significant perceptual differences among German and Indian managers in terms of three of the four cultural dimensions examined. Figure 5.2 shows the overlapping nature of the perceptions of the sampled managers. In contrast, Figure 5.1 depicts the differences according to Hofstede's theory. At the best in this study, differences can be ascertained in case of *uncertainty avoidance.* Hence the null hypothesis in the research context can be accepted, nevertheless not unconditionally. This is because the *qualitative* results provide scope for identifying trends and it is proposed that there are implicit perceptual differences among managers in both countries. In this context, it is noted that the fifth cultural

Figure 5.1 Indian and German cultural profiles based on Hofstede
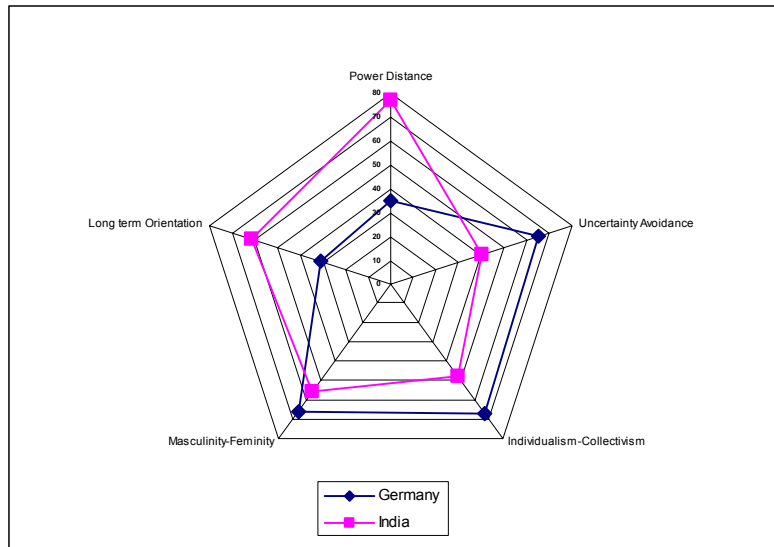
Source: Hofstede 1991

Figure 5.2 Indian and German HRM profiles linked to cultural differences in this study
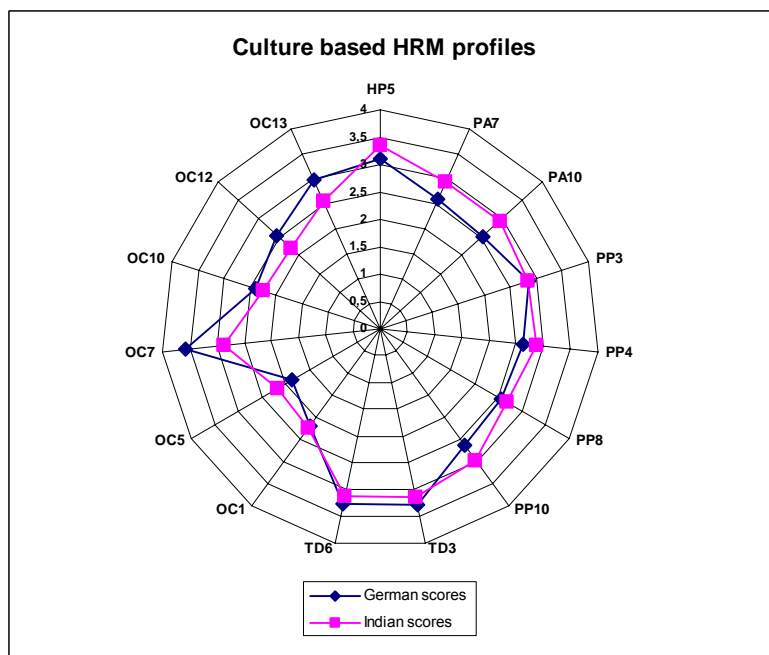
Source: developed for this study

dimension, masculinity vs. femininity, was not used as comparative reference since the Indian and German scores are relatively close (Germany 66 vs India 56, see Table 2.2).

It must also be taken into account that this study followed a new strategy to analyse the potential impact of cultural differences on HR practice. *It was postulated that certain HR practices and diversity factors as measured by the questionnaires could*

reflect an underlying cultural orientation (see De Cieri & Dowling 1999; Nankervis et al. 2002). However, this strategy was supplemented by an analysis as followed in BIHRMP study and exploring the differences during interviews. Conclusions and interpretations that follow are based on both formal survey responses and information provided by managers in both countries during interviews.

Organisational culture, also defined as a system of shared meanings (Robbins 2001) by the members of an organisation, is shaped by the beliefs, values and ways of working of an organisation. It is, however, strongly intertwined with the national culture or the so called pre-entry or pre-arrival socialisation process which explicitly recognizes values, expectations and attitudes of individuals before their induction (Pattanayak 2003). To ascertain cultural differences, variables in the HRM and diversity questionnaires having cultural associations with Hofstede's four national culture dimensions - *power distance, long-term orientation, uncertainty avoidance and individualism-collectivism* (Hofstede 1991) were identified and the responses of managers to these practices were contrasted to establish links between organisational culture and HRM practices.

Cultural divergences and their impacts on HRM practices

Power distance, in the organisational context can be translated as the degree of accepting structural hierarchy among employees. Previous studies show a linear relationship between *power distance* scores and the level of acceptance and regard for leadership (Hunt 2001; Smith 1992). The differences depicted in Figure 5.1 (Hofstede 1991), propose the existence of cultural divergences. The higher Indian score implies that people in Indian organisations are willing to accommodate, for instance, an authoritative or directive management form (Braasch 2000; Ashkanasy 2002). In contrast, the quantitative analyses of survey responses in this study did not find any major differences in perceptions about power distance between German and Indian managers. As previously noted, this was a new strategy to analyse the potential impact of cultural differences on HR practice. From the strategy used in the BIHRMP study and qualitative analysis of opinions of over 70 Indian managers in this study, it may be reasonably argued that Indian managers have more discretionary as well as disciplinary powers that rarely get questioned by the employees or

subordinates. Concurrently, other research studies show that leadership approaches of managers in German organisations reflect the influence of their relatively low power distance (Hofstede 1991; Smith 1992; Hunt 2001) indicating lesser authoritative management styles. So the synthesis of the two statements above confirms the relationship between cultural predisposition to power and management practices, thus substantiating Hofstede's cultural theory.

Next, although contestable, one can allege that an authoritative management style of Indian managers would pose constraints to certain HRM practices. Employee participation or involvement in decision making is one example. High power distance cultures are likely to hamper individual decision making rather than promoting it (Strohschneider 1999). HR strategies and policies are designed unilaterally by management as Indian managers prefer centralised decision making processes (Ali, Al-Shakhis & Nataraj 1991). Communication, another critical process, takes more often a top-down path or training and development programmes concentrate on building skills required for job execution and focus less on personality development. Likewise, selection criteria are solely governed by the needs to employ members who best fit in the dominant company culture.

Comparatively, the pertinence of *power distance* in German work environment is not as intense as in Indian surroundings (Trompenaars & Hampden-Turner 1993; Muller 1999; Hunt 2001). Employee relationships are more or less manoeuvred within the framework of prevailing labour legislation. Equipped with statutory rights of co-determination, the "work councils" warrant balance of power between the workers and management (Clark & Pugh 2000). This status leads to more collaborative management styles and two way communication while implying both constraints as well as benefits to various HRM practices. For example, hiring a person without the consent of work council or a unilateral management decision to displace workers is destined to fail. Organisational power in Germany is fragmented in the interest of all stakeholders as against its relative concentration among a few senior managers or executives in Indian firms. Again here, caution need to be administered before generalising this since Indian firms are getting more and more exposed to western entrepreneurial values and ways of doing things.

Long-Term orientation is devotion to traditional and forward thinking values (Hofstede 1991). The new approach to quantitative analyses by using questionnaire items to analyse the potential impact of cultural differences on HR practice in this study did not find any major differences in perceptions about long term orientation between German and Indian managers. Though only one of the variables showed a significant difference, the strategy used in the BIHRMP study and qualitative analysis allow further discussion of differences in terms of *long-term orientation* between Indian and German samples. Companies in nations with low rankings such as Germany (Figure 5.1) are more flexible to internal and external changes of business environment and more easily transform their structures and strategies to adapt to the emerging organisational needs. In high ranking surroundings such as India (Figure 5.1), organisational inertia is more deep-rooted and their respect for traditions and values for long-term commitments often become impeding sources to organisational change.

HRM practices of Indian companies are influenced by the cultural predisposition to long-term orientation to a larger extent than the German entities. This proposition is supported by the quantitative analysis of the responses of managers to specific variables concerning the four HR practices. The hiring decisions in Indian companies, for instance, are guided by the belief that the interviewed person would work for a long time. Interestingly, the researchers of the "best international human resource management practices survey" - BIHRMPS – report higher mean scores (HP5) for Asian participants (Huo, Huang, Nancy & Napier 2002) and thereby endorse this finding. Further, the Indian pay practices, to a large extent, are designed to reward and recognise long term achievements of employees and incorporate futuristic perspectives while the German companies seem to embrace a more pragmatic and flexible approach to manage these HR issues.

To a certain degree the research supports Hofstede's (1991) interpretation that low long-term orientation is synonymous with more change-accommodativeness. Given the lower German score for *long-term orientation* (Figure 5.1), it can be argued that German managers are likely to accept and foster organisational changes more than their Indian peers. In fact, the German results on viewing change as challenge and opportunity as well as openness to suggestions from all people are lower than the

Indian scores and thus support this argument. Nevertheless, accommodating change implies accepting uncertainties or being ready to take risks and this leads to the discussion on avoiding uncertainties.

Uncertainty avoidance: The notion of *uncertainty avoidance* refers to the extent to which an organisation is prepared to face the unpredictability of future events (Hofstede 1991; Hunt 2001; Ashkanasy 2002). In this study there were significant differences in perception on three of the four variables and the conclusion was that in general, German managers *view change as a challenge and opportunity* to a greater extent than their Indian counterparts.

The use of questionnaire items to assess the potential impact of cultural differences on HR practice was a new strategy. Organisations avoiding uncertainties lack strategic, managerial and operational flexibility. The need for organisational flexibility in contemporary business world can not be overemphasised. Flexibility means capability to manage the expected as well as the unexpected outcomes of decisions and actions and demands competence of innovation and creativity. The degree of innovativeness and creativity also depends on the organisational culture and their attitudes towards risks and uncertainties of the outcomes (Gupta et al. 2002). HR practices of companies are determinant components in developing creativity and innovative spirits of their employees. Specifically, through appropriate training programmes and reward strategies organisations can cultivate creative thinking and actions of their employees. Indian culture is classified as more risk averse than the German culture (Trompenaars & Hampden-Turner 1993; Hofstede 1991). The results of the strategy used in the BIHRMP study and qualitative analysis confirm such classification since both quantitative results as well as qualitative trends support the notion of differences.   Perceptions of German managers to change related variables in the questionnaire manifest greater affinity to organisational adaptation and flexible responses (Muller 1999). Their Indian peers also acknowledge the importance and significance of organisational changes, but their intensity differs notably. While these statements support some existing literature, the study simultaneously reveals some paradoxes of academic interest.

For instance, a contradictory outcome is that affinity or ability to change does not invariably lead to change accomplishments. In other words, understanding the need for change and being change conscious does not necessarily mean that companies consequently implement changes. This seems to be the case in German context. Although German managers clearly demonstrate greater affinity to the need of organisational changes, very few of them attest that bringing in changes in their companies as an easy exercise. The finding becomes more paradoxical when considering their lower long-term orientation. Because, according to Hofstede (1991), lower *long-term orientation* implies higher change accommodativeness.

A second ambivalence arises when one equates *avoiding uncertainties* as a desire to have and operate in a well structured organisational surrounding. In cultural terms, contrary to relatively volatile and fractured Indian institutional structures, there exists a convergence of thoughts about the German societal stability and its well built economic framework. In HRM context, avoiding uncertainty means administering all HRM practices in structured and effective ways to minimise and manage organisational risks. The overall observation of all four HRM practices does not confirm the relationship between higher uncertainty avoidance and a consequent and structured HRM approach as could be analogously assumed. Because the analyses for both countries for HR practices do not reflect the variance of Hofstede's cultural scores for *uncertainty avoidance* (Figure 5.1). In fact, the differences are negligible and in case of hiring and pay practices, Indian managers appear to have installed more structured HR systems.

These results contribute to the debate about the relationship between organisational cultures and national cultures namely whether they are independent of each other, interdependent or do they converge at points in time. Contradictions such as these potentially stimulate future research relating to the cultural theories. The final discussions refer to the cultural differences and their HRM impacts along the fourth cultural dimension termed as *individualism vs. collectivism.*

Individualism vs. collectivism: In individualistic countries the identity of individuals is viewed as paramount (Smith 1992 in Hunt 2001). In contrast, the cohesiveness of organisations and families are predominant societal features in collectivistic nations

(House, Hanges, Javidan, Dorfman, Gupta & GLOBE Associates 2002). Indian culture is more collectivism-oriented than the German culture (Hofstede 1991). As mentioned in Chapter 2, Indian individuals identify themselves with the core and extended families, collectives or groups with common cultural and linguistic profiles. Some researchers refer to this as in-group collectivism (Braasch 2000).

Such a form of collectivism could be a barrier to organisational cohesion or a facilitating force to improve overall organisational performance, depending on how effective their management practices are. In other words, organisations need to integrate the cultural affiliations of the country in which they operate while designing their HR strategies and policies to be effective. Or, in the research context for instance, it could be argued that a strong HRM orientation of Indian companies upon improving competences such as creativity and innovative traits of individuals in a collectivism focused country would be counter-productive towards overall goal achievement and breed employee dissatisfaction and attrition. Alternatively, if Indian HRM practices focus on building team work and improving group performances it could cultivate collaborative behaviours among diverse groups thus increasing diversity awareness of the employees and ultimately lead to higher organisational efficiency, commitment and job satisfaction. Whether the HR practices of Indian and German companies align with their cultural identity could be verified by evaluating the responses of managers to specific HR practices associated to development of individuals and teams.

The quantitative analyses in this study did not find any major differences in perceptions about individualism or collectivism between German and Indian managers. This was a new strategy to analyse the potential impact of cultural differences on HR practice. However, from the strategy used in the BIHRMP study and qualitative analysis, managers' responses to the variables - *building teamwork* and *improving interpersonal abilities, contingency of earnings with group performances* and *pay spread between high and low performer,* can be used to explore differences. The selection of these variables was based on two notions. One underlying notion was that organisations that promote group performances and teamwork adopt a more collectivistic HR approach than those focussing on developing the strengths and potentials of individuals. The second notion was that if

companies prefer to recognize and reward achievements of individuals more than group contributions their compensation and pay policies would reflect a more individualistic HR approach.

Though HR practices of organisations may differ according to the cultural profiles of the countries, as noted before the results of the quantitative analysis do not propose differences between German and Indian associated with this cultural dimension. The outcome provides little evidence to the theoretical concept that a low individualistic culture score and collectivistic HRM practices are concomitant phenomenon because the scores of the Indian and the German managers for these four variables do not differ significantly. In fact, the *"should be"* scores of Indian managers were higher indicating a more collectivistic attitude towards training practices while simultaneously preferring stronger differentiation of performance based pay practices. Hence the research does not establish a consistent link between collectivist culture and collectivism oriented HRM practices.

In contrast, the general comments of Indian managers also suggest that in recent times Indian companies have become more outcome-orientated than people-oriented. These observations seem to support findings of another previous research reporting Indian managers as individualistic and Indian organisations prioritising centralised decision making processes (Ali, Al-Shakhis & Nataraj 1991). However, suggesting this as a common phenomenon needs scientific verification since in traditional Indian culture having power is synonymous to deploying it for the cause of the subordinates.

5.4 Research Issue 3:   HRM practices and policies in terms of hiring, performance appraisals, pay and training and development

Overview of the outcomes: This section summarises the current HRM practices in Indian and German organisations in terms of the four abovementioned HRM processes. It provides an overview as well as highlights similarities and points out perceptual divergences of the two manager clusters. The mean scores of the four HR practices are plotted in the multi polar graphs in Figures 5.3, 5.4, 5.5, and 5.6 to give an overall picture of the perceptions of the respondents. Conclusions drawn are based on the analysis of the *"is now"* data, also integrating formal and informal

information provided by the managers concerning their present HR policies and practices. The outcomes of the quantitative analyses do not indicate any significant differences for all four HR practices. Yet, these outcomes unveil certain trends and help to understand key areas and patterns of usage of various practices. Following discussion attempts to compare and contrast these findings with similar international studies such as BIHRMPS.

Figure 5.3 Profiles of hiring practices – "is now"
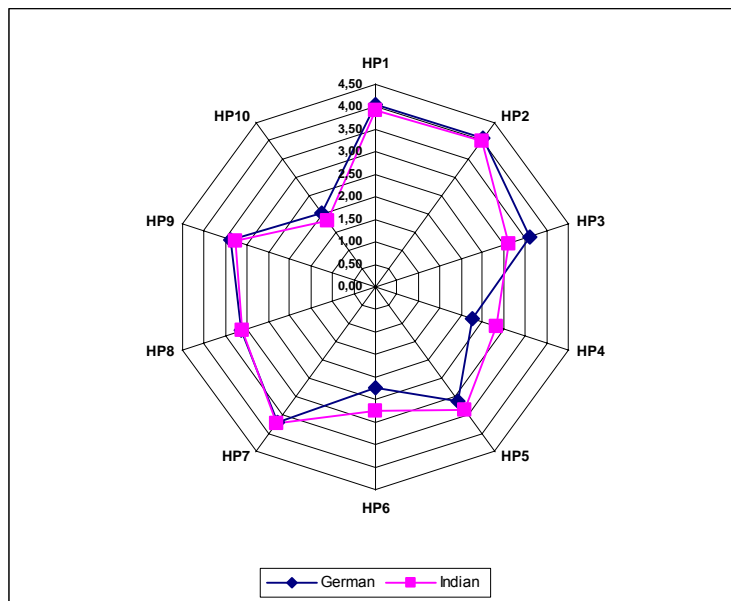
Source: developed for this study

Hiring Practices

The quantitative analyses in this study did not find any major differences in perceptions about hiring practices between German and Indian managers. However further analyses identify a number of commonalities in hiring practices, although the intensity of their usage differs from case to case. Figure 5.3 reflects the resemblances of the German and Indian profiles of their current hiring practices leading to the conclusion that cultural differences have limited influence on the selection and recruitment processes of these companies. The differences of culture profiles seen in Figure 5.1 do not emerge here, thus substantiating the prior argument.

German and Indian companies consider *interviewing applicants* personally as the most effective and eminent hiring method. Their next selection criterion appears to

be the *availability of needed technical skills* for people to perform the assigned jobs. The prioritisation of these two practices fully aligns with the findings of the "BIHRMP" study (Von Glinow et al. 2002). Appointing people *having substantial work experience* (HP7) is the third preferred selection practice. The results (see Figure 5.3 HP2; HP1; HP7) on these variables depict to a large extent convergences of hiring practices in both countries.

Interestingly, convergences exist also in terms of practices not-so-desired or used to a small extent. Considering *co-workers opinion* or candidates *having the right connections* and even *conducting employment tests* tend to have almost no role, or play only marginal roles in the selection process (see Figure 5.3 HP10; HP4; HP6). There may be multiple reasons why employment tests are not viewed as an appropriate selection tool. One reason, presumably, is the lack of the possibility for the respondents to differentiate between blue-collared shop floor employees and managerial as well as administrative office staff while rating this variable. A second reason is the use of a relatively undefined term *employment test*. Employment tests can generally be used to assess technical skills (Huo et al. 2002), but they could also comprise of various tests such as aptitude, intelligence, ability and job interest (Pattanayak 2003). The foci of German and Indian managers could have been different. On a comparative basis, however, it can be concluded that Indian managers are more accustomed to using employment tests and taking the proper rapports of potential candidates in to account in hiring decisions.

Going further, the personal features of those who *fit well with the company's values* play a role in the hiring decisions of Indian and German managers as well. This underscores the importance attributed to the social calibres of job contenders by the employers and confirms the findings of other researchers like Huo, Huang and Napier (2002). The cultural congruence of organisations and its members helps employees assimilate easily with the work environment (Huo et al. 2002). As a logical consequence, *a person's ability to adjust with others in the company* is regarded as a desirable component by both groups, even though German managers seem to attribute more attention to this. Interestingly, for the last two propositions, *belief that a person will stay long* and *person's potential to perform better later*, there seems to be conformance of perceptions among all managers as results (mean

values see Figure 5.3 HP3;HP5;HP8) are close and indicate moderate influences on hiring decisions. Notwithstanding, the critical question to be answered in this context is as to what factors and circumstances underlie these theoretical pre-hiring assumptions. Understanding this phenomenon offers opportunities for additional research.

Performance Appraisals

The quantitative analyses in this study did not find any major differences in perceptions about performance appraisals between German and Indian managers. Many researchers note performance appraisals as essential HR practices but concurrently acknowledge inherent problems in establishing and implementing appropriate appraisal systems (Gomez-Mejia, Balkin & Cardy 1995). Performance appraisals could de-motivate (Thomas & Bretz 1994) employees and sometimes be conceived as workplace discrimination. Despite, all surveyed companies have implemented systems that are more or less functional. Figure 5.4 gives an overview of response profiles about usages of performance appraisal processes.

Figure 5.4 Profiles of performance appraisals –"is now"
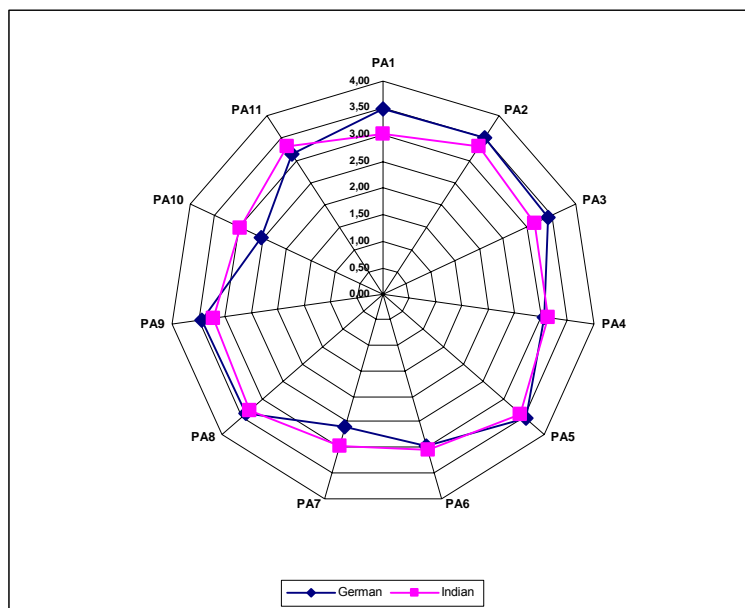
Source: developed for this study

The overall mean values disclose consistency of practices used by Indian and German companies, however at moderate levels. Performance appraisals are used as a multi functional HR tool to document and develop employee performances as well as to administer pay and promotion related HR activities (Millimann, Nathan & Mohrman 1991) and the practices of the surveyed firms substantiate this perspective.

Performance appraisals are HR activities conducted within the basic framework of the employee development and reward practices with various objectives. While the evaluations are based on similar fundamental notion, their purposes vary significantly (Milliman, Nason, Zhu & De Cieri 2002). In terms of reward practices, the performances in the current study are used as measures to recognize accomplishments of the workforce and also applied to evaluate their goal achievements (see Figure 5.4 PA5; PA8; PA11; PA1; PA9). Performance appraisals are often used in individualistic cultures to determine promotability (Von Glinow & Lowe 1998). Indian managers, less individualistic than Germans, more often review performances of individuals to determine their eventual promotability, although to a moderate extent. The survey analysis also establishes evidence of companies using performance appraisals to assess pay levels and to identify strengths and weaknesses of employees in order to plan career development and remedy under-performances through adequate training programmes. These findings validate and strengthen the links between performance management and human resource development found in several literatures (Nankervis et al. 2002; Milliman et al. 2002; Saiyadain 2003; Erwee 2003 in Wiesner & Millett, 2003). German managers use performance appraisals more extensively to evaluate current and future training needs of their employees and seem to substantiate an Australian study that claims that 85 percent of the purpose of performance review is to assess training and development needs for current position (Nankervis & Leece 1997).

Further, performance appraisals in this study also have some supplementary functions. For example, they act as a medium for employees to express their feelings and concerns to their immediate supervisors, simultaneously setting a stage for discussions and interactions between individuals and decision makers. A major part of the survey responses indicate that companies tend to attend such emotional needs

of their employees through performance appraisals, although they concede that these practices are performed not frequent enough.

Nevertheless, the research discovers here a discrepancy in contemporary literatures that may need further research. The discrepancy emerges from literatures that propose that high power distance cultures such as Asia and Latin America would not allow workers to express feelings (Milliman et al. 2002; Zhu & Dowling 1998). But then, when one contemplates the scores of the cultural dimension- *power distance*- of India and Germany (Figure 5.1 PA7; PA10) and the HR variables which represent participative management styles and employee involvement, both associated to lower power distance, a contradiction arises. German managers, by the virtue of the persisting *co-determination* rights of employees within the framework of the German labour legislation (Muller 1999), were expected to accommodate more employee participation. Paradoxically, Indian managers have both higher frequencies as well as means scores.

A proposal derived from this result is that the Indian managers, apparently working in a higher power distance environment than the German managers are more likely to permit subordinates to express their feelings and discuss their views. Even though the mean scores of the relevant variables do not strongly differ, the German scores are low enough to initiate a debate and further research over this. It may be hard to differentiate the importance and relevance the Indian and German companies attribute to each of these variables, even then, the research does support a generic statement that refers performance appraisals as purposeful HR practices applied to a moderate extent in both countries.

Pay Practices

The quantitative analyses in this study only found a significant difference in perceptions about one of the ten pay practices between German and Indian managers. However, further analyses among the four HR practices investigated by means of the BIHRMP questionnaire show that the scores or responses of managers to this section were relatively lower than the other three domains. The majority of the managers perceive that their current compensation practices comply to a small or at the best to

moderate extent with the ten practices listed in the questionnaire. Figure 5.5 displays their overall profiles.

Literatures suggest that pay structures and compensation forms vary between and within countries depending on the internal and external organisational settings in which they are engaged (Nankervis et al. 2002; DeNisi & Griffin 2006). In other words, national culture and other factors would have impact on preferences of employees and policies of employers regarding compensation practices. Yet, the profiles of Indian and German companies do not show significant disparity. Such contradicting evidence was also found in the BIHRMP research (von Glinow et al. 2002).

Figure 5.5 Profiles of pay practices –"is now"
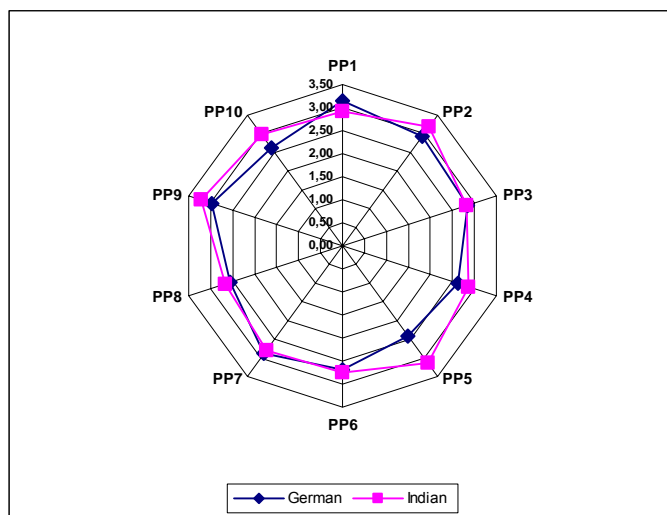
Source: developed for this study

One striking outcome is the influence of the employee seniority in Indian firms. But for this variable, the pay profiles would be almost overlapping (see Figure 5.5). This occurrence may seem some what plausible in collectivist cultures where elders are treated with esteem and regard, immaterial of their personal and professional traits (Milliman et al. 2002). Literatures to some extent support this in public sectors (Worldbank 2004; Eironline 2001). Seniority in collective cultures is a factor that maintains group harmony (Abdullah & Gallagher 1995; Zhu et al. 1998). However, most of the surveyed Indian companies operating in the private sector face fierce competition like the German companies and yet adhere to this pay policy. Apparently, in German private organisations the seniority factor is almost disregarded.

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Compensation strategies of the surveyed companies to some extent support performance based pay practices. Despite missing evidence for merit based pay or profit sharing approaches, job performances of individuals are considered to a moderate extent while configuring pay structures. This leads to differences of pay between high and low performers. Interestingly, Indian firms tend to have relatively higher performance orientation (see Table 4.13; Figure 5.5 PP1; PP9; PP10) although the responses of Indian managers relating pay policies towards group achievements do not endorse this proposition. Conversely, the mean scores of both managers are almost equal (see Table 4.13) indicating complementing pay practices that foster individual and group performances. This finding suggests that pay incentives and other benefits based on performances of individuals do not compose a significant part of the total earnings of employees and tend to reinforce the surprising "lack of emphasis" on pay incentives in individualistic countries detected by the BIHRMP research (Von Glinow et al. 2002, p.152; see Figure 5.5 PP3; PP6). The current research does not disclose or describe long-term compensation strategies and most of the managers in both countries construe pay practices of their companies as not explicitly focussing on organisational long-term goals and results (see Figure 5.5 PP4; PP8).

Before concluding this section, it seems purposeful to comment on the generosity of employee benefits and its pertinence in terms of total pay package (see Figure 5.5 PP2; PP7). Only from a small to moderate extent managers of both cohorts concede that their benefit packages are generous or exceed industry benchmarks. For explaining their perceptions, it is helpful here to recapitulate the legislative framework of labour in both countries. Particularly in Germany, even with the enormous efforts of the organisations to restructure and sometimes circumvent the rigid labour legislations to attain more wage flexibility, most of them are still entwined in contractual obligations which dictate the terms of salary, wages and other employee benefits. So, with due caution, one may state that the benefits and incentives offered to employees in German companies as before underlie conditions negotiated and agreed upon by trade unions and industry associations. The obligation of the employers to pay additional Christmas pay -*Weihnachtsgeld*- to all employees

or right of employees for 30 days of paid holidays every year, can be cited as relevant examples to this practice.

The scenario also exists in India, however, not as extensive as in Germany and requires some differentiation while assessing the situation. Unlike in the slow moving German economy, in fast growing emerging global economy, Indian companies not only create more jobs but as a consequence also face higher level of employee attrition. Several companies, specifically in the communication and information technology based industries are bound to offer attractive compensation packages above industry averages to retain skilled workforce. Additionally, the influx of foreign firms, those generally have better compensation levels further coerce domestic enterprises to follow suit.

Training and Development

The quantitative analyses in this study did not find any major differences in perceptions about training and development between German and Indian managers. For organisations to persevere in a competitive environment workforce development is a survival strategy. Human resource development is a continual process seeking to upgrade competences of employees according to organisational demand. So, in the contemporary business world, training and development is acknowledged as an indispensable HR strategy. Especially in Germany, it is anchored in different labour legislations. To mention a few, vocational training practices (*Lehre*) or employer sponsored and fully compensated development programmes (*Bildungsurlaub*) emphasise consorted awareness for training needs and the ubiquitous human resource development efforts of the German companies. Figure 5.6 helps to contrast the usages of training and development practices of Indian and German companies.

Figure 5.6 Profiles of training and development practices – is now
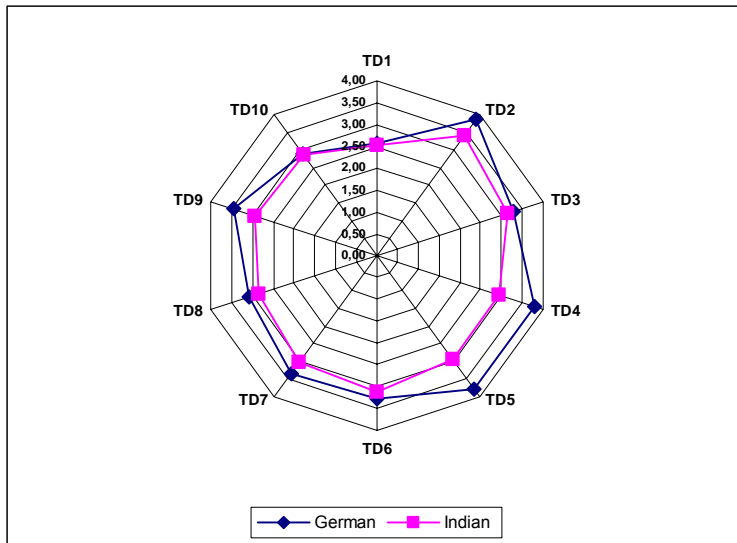
Source: developed for this study

The German profile mirrors the higher priority and the importance German organisations attribute to employee training and development, thereby confirming many theoretical references made in literatures (Muller 1999; Dorst, Frayne, Lowe & Geringer 2002). The comparatively higher mean scores of eight variables (see Table 4.15, Figure 5.6) demonstrate the employer's commitment to implement HR development through various measures. Training is not intended to replace reward systems and there exists a good amount of perceptual congruence among both groups about this issue. This finding is consistent with the outcomes of "BIHRMP" research and suggests that training and development practices are not implemented as reward systems and are practised to a small extent for this purpose (Dorst et al. 2002).

Sampled managers from both countries almost unanimously attribute that prime objective of their training and development programmes is to improve technical abilities of the employees. This purpose is not only confined to the current jobs, instead is extended to establish employee capabilities to accomplish various tasks (see Figure 5.6 TD2; TD9). In other words their training aims to impart multi-tasking abilities and create a flexible workforce. However, such an interpretation does not fully concur with outcomes of other studies. For example, in the United States, a pioneer in HRD, the focus is not *only* on building technical skills. Firms were found to use only about 29 percent of the training expenses for technical training activities

(Bassi & Van Burren 1999 in Dorst et al. 2002) and the rest for other employee competences such as teamwork and interpersonal communication.

The responses of both manager groups indicate a low to moderate usage of training practices for teaching company values and beliefs. Viewing their respective low mean scores, (see TD10 in Table 4.15, Figure 5.6) it can be inferred that managers have similar attitudes about the existing degree of alignment between the company cultures and the mindsets of its members. The low usage could also lead to a contestable interpretation that the companies are not convinced about the suitability and appropriateness of HR training programmes to alter inherent characteristics of people acquired through their external socialisation process. The philosophy of "training cures all organisational illness" has already been diluted in previous studies (Kerr & Von Glinow 1997; Sallas et al. 1999; Von Glinow et al. 2002). Researchers of the BIHRMP study, for instance, conclude that except for technical training "employees perceive that training is neither valued nor effective" in the Anglo-American context (Von Glinow et al. 2002, p. 157). The current research, however, does not deliver evidence to support such an extreme assessment.

German training practices focus on upgrading skills and competences of people to undertake future assignments and also aim to redress causes for poor performances of employees to a large extent. Although one notes similar perceptions about the purposes of these practices among German and Indian managers, there are visible differences in terms of the actual use of these practices (refer to Figure 5.6, TD4 ; TD5). German managers further construe training courses as intensive induction programme for new entrants. They also use training programmes to convey business relevant knowledge and information about company products and markets to employees and seem to be consequent in the mode and measure of application (see Figure 5.6 TD7;TD8). From the Indian perspective, these practices are intended and existent, however, at a comparatively lower level.

Companies often underestimate the potentials of training to build effective work teams (TD6). For example, Salas, Cannon-Bowers, Rhodenizer and Bowers (1999), claim that US organisations lack commitment to team-building. Another study conducted in USA suggests that only 1% of half of the surveyed firms train to build

teams (Bassi & Van Burren 1999). This situation does not emerge in these German and Indian companies. In contrast, the research provides sufficient evidence to infer positive attitude of both managers towards team building which they manifest through a relatively high ranking they ascribe to variables relating to teamwork and team building. Team building creates employee commitment to organisational identity. For teams to be effective, it is conditional that communication and interaction among its members and other interfaces is efficient.

As organisations increasingly become global and their business processes take place in multi cultural surroundings, interpersonal qualities (TD3 - see Figure 5.6) of individuals and teams become a critical success factor. Being aware of the potential advantages of interpersonal skills, HRD concepts of the sampled companies seem to pursue training programmes to build constructive teams from a moderate to large extent. From the ratings of both manager groups (see Table 4.15), it can be argued that more Indian and German firms deploy training practices to improve and develop interpersonal skills of their employees than in the BIHRMP study. An overall proposition from preceding discussions and interpretations would be that the training and development practices of Indian companies resemble German concepts in its purpose and form but are utilised with lower fervour.

Using the outcomes of the analysis of all four HRM practices a framework of most preferred and least desired practices can be configured. In Chapter 4 a detailed summary of these was presented in Table 4.16. An extract of those HRM practices found to be **identical** in terms of their usage is displayed in Table 5.1.

Table 5.1 Most preferred and least used HRM practices of sampled companies

HRM practices	Hiring practices	Performance appraisals	Pay practices	Training & development
Most preferred practices	**HP1** - ability to perform the technical requirements of the job **HP2**- personal interviewing **HP7 -** work experience in similar job	**PA2**-to document subordinate's performance **PA5 -**to recognize subordinate's performance **PA8 -** to evaluate subordinate's goal achievement	-none identical-	**TD2 -** to improve technical job abilities
Least used practices	**HP6**-employment tests to demonstrate skills **HP10**-co-workers opinion whether the person should be hired	**PA7 -** to discuss subordinate's views **PA10 -** to allow subordinate's to express feelings	**PP8 -**pay systems have futuristic orientation	**TD1 -** to reward employees **TD10 -** to teach company's values and ways of doing things

Source: developed for this study

The perceptions of the Indian and German managers concerning other least used and most preferred HRM practices vary only marginally (see Table 4.16). Such congruence of opinions among the managers contributes to draw an overall conclusion that HRM practices of Indian and German companies are similar. A similar result of most and least practised HRM practices was obtained in the BIHRMP study and justifies the generalisation of this conclusion.

5.5 Research Issue 4: Perceptions of diversity climate in German and Indian companies

Overview of the outcomes: The quantitative analysis shows that all sampled companies recognise diversity in one or the other form and consider it as a normal state. The linguistic diversities in German companies seem to have more impacts on work processes than in the multilingual Indian work environment. Further, managers in both countries express a low degree of social interactions between diverse members, however, confirm cohesiveness in the work places. Their opinions about diversity integrating HRM practices and their accountabilities for diversity related issues in their companies seem to be different and in some cases contradictory. The following sections discuss more about the status quo of diversity and related problems while the details of perceptual differences of managers about organisational diversity will be addressed in the next research issue.

Organisational diversity (DP1 - see Figure 5.7) is a common phenomenon acknowledged by all managers. Evaluating the scores of all the other variables (DP2 - DP15, see Table 4.17 and Figure 5.7), it can be argued that workforce diversity does not ultimately lead to organisational problems. Figure 5.7 below displays the perceptual profiles of the diversity related problems of the Indian and German managers.

Figure 5.7 Profiles of diversity related problems
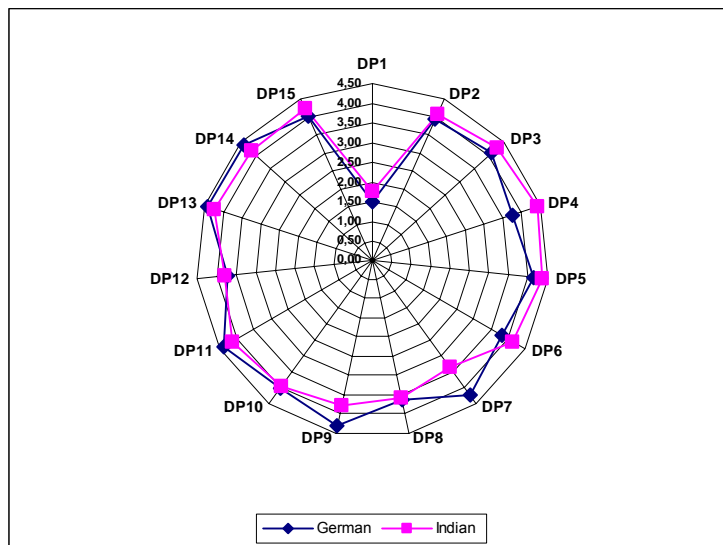
Source: developed for this study

Impacts of language, suggested as secondary diversity dimension (Kramar 2001 in Wiesener & Millett 2003) are perceived in different ways by Indian and German managers. The Indian high mean scores for three language related variables (DP2, DP4 & DP5, Figure 5.7) demonstrate linguistic versatility of Indian employees even though over fifteen official languages, different in script and sound exist. Yet in the Indian context, difficulties to communicate with others at workplaces are rare (Dwivedi 2002, DeNisi & Griffin 2006). The situation in German companies is different. While about 80 percent of the Indian managers clearly negate language based productivity problems (DP12), only 59 percent of the German managers do so. Instructions are often misconstrued and dissemination of job related information pose problems to supervisors and managers. One reason for this occurrence is the vast number of migrant workers, most of them blue-collared, originating from culturally and linguistically different geographic locations (Statistisches Bundesamt 2004). The

general notion is that the subcultures established amongst the *"Ausländer"* prevent or impede them from learning the inland language.

Next, diversity does not restrict people from working together nor does it provoke conflicts among diverse groups or individuals (see Figure 5.7 DP3; DP11; DP13; DP14). Over 80 percent of the sampled managers endorse this as true and their high mean scores support this assessment. A vast majority of the respondents negate the presence of systemic promotion barriers for diverse employees and their exclusion simultaneously confirming the integrating HR practices of their companies.

HR practices with integrative perspectives assist organisations to attract and hire talents from diverse segments of the population (Kossek & Lobel 2001). They also substantially contribute to increase job satisfaction, ending in continuity of employment relationship (Nankervis et al. 2002; De Cieri & Dowling 1999; Bamber & Lansbury 1998). To a large extent the surveyed companies appear to be successful in recruiting and retaining members from diverse groups (see Figure 5.7 DP10; DP6; DP7; DP9 for the following analyses). Diversity conscious HR policies are also designed to inculcate practice of tolerance and fairness to eliminate discriminating attitudes of the mainstream members on job. Perceptions of Indian and German managers seem to vary slightly in terms of their effectiveness. German managers, for example, are more often confronted with complaints about gender or race related joking and bantering than their Indian counterparts. The variances become more significant regarding pay and promotion related complaints and grievances from non-mainstream members. Partial explanation for this inconsistency of perception could be that the companies have well established systems to manage overt discrimination complaints, but concurrently, have seldom installed mechanisms to monitor concealed or latent discriminating behaviours. Discussions in following research issue provide more insight about the perceptual differences of managers regarding the diversity climates.

Finally, one needs to discuss the influences and consequences of cultural diversity. Most literatures (Erwee 2003; Huo et al. 2002; Kramar 2001) praise the positive influences of cultural diversity. Some studies, however, refer also to its negative effects. Kochan's study (Kochan & Bezrukova 2002), for example, suggests that

diversity in some cases may have detrimental effects on organisational performances. Asymmetries between organisational and national cultures can become impeding metaphors causing employee frustrations. The proposition in the current study is that organisational diversity in Germany is more complex incorporating diametrically varying national cultures and is more difficult to accommodate. Even with this, a very large portion of the German managers approve cultural diversity as unproblematic and that employee attitudes do not lead to frustrations or reservations among workers. This perception is also shared by the Indian managers, although in this context one needs to recall that the Indian diversity dimensions are confined mostly to one nation and thus is easier to manage. Indeed, these findings may tempt one to assume a harmonious coexistence at workplaces.

Yet, considering the scores for the social interactions among diverse groups, a contention emerges making this interpretation to appear somewhat dichotomous. This is because, a large part of the managers feel that social interactions among diverse groups are inadequate. While the majority of managers emphasise the absence of conflicts among, frustrations about and exclusions of diverse groups, only half describe their employees to be socially engaged. This indicates a significant lack of social interaction among workers. Probably the dichotomy can be explained as readiness of the employees to tolerate human differences in order to accommodate organisational and individual needs while at work but simultaneously restrict social interactions beyond their work environment. This may be deliberate practices of individuals based on their subtle attitude of diversity aversion or unintentional reluctances of people whose behaviours are strongly influenced by their national cultures.

The discussions above give some room for speculations about the logic and consistency of managerial perceptions about the diversity related problems in their organisations. Subsequent research using larger samples and data would be required to explain these dichotomies and asymmetries of managerial perceptions. Contextually, it needs to be remembered that comparative studies between Germany and India regarding HRM and diversity issues are scarce leaving few opportunities to contrast the current findings with previous research.

5.6 Research Issue 5:   Differences of perception of diversity climate among German and Indian managers

Overview of the outcomes: Perceptual differences among German and Indian managers based exclusively on mean scores and Chi square values are not significant and hence the rejection of the null hypothesis is proposed (see Table 4.18). But then, further qualitative analyses highlighted several trends in the perceptions of managers regarding diversity status and diversity related problems in the sampled companies (see Tables 4.19 & 4.20).

Although these differences are not of strong and overt nature and therefore not manifested in quantitative measurements, subtle differences could be found using the rating frequencies. Differences relating to dress codes, flexibility and rigidity of company norms, attitudes towards organisational change and team building will be discussed. Deducing perceptual differences based only on mean scores may lead to incorrect conclusions. The aggregate mean values of all fifteen diversity variables (DP1-DP15) of German and Indian scores tend to be equal (see Table 4.17). This may be due to the method of calculation or an indication of diversity related perceptual congruence among Indian and German managers. Even so, assuming the diversity status in German and Indian companies to be identical would be oversimplification of the survey analysis.

Still, there are considerable differences in the distribution of the rating frequencies. In many cases, the frequencies of the five rating categories vary and referring to these figures shows some subtle perceptual differences that do not emerge while contemplating the statistical means alone. The polar graphs in Figures 5.8 and 5.9 help to comprehend the differing profiles of the two research cohorts based on their rating frequencies. The profiles in Figure 5.8 and 5.9 are based on the frequencies in percentage. The Figure 5.8 refers to negative ratings (*"not really present"* to *"not present at all"* and *"seldom"* to *"almost never"*) and the Figure 5.9 refers to positive ratings (*"present everywhere"* to *"present to certain extent"* and *"almost always"* to *"to a large extent"*) of Part A and Part B of the Diversity questionnaire. As a contrast, a graphical depiction of the profiles based only on the mean scores is presented in Figure 5.10.

A good example to discuss is the variable DP12 – *productivity problems due to misunderstanding of directions*. Though the mean scores are close (see Figure 5.10), around 80 percent of the Indian managers mark productivity problems as *"not really present"* or *"not at all present",* while only 60 percent of German managers rate similarly (see Figure 5.8).

Figure 5.8 Diversity profiles based on rating frequencies in (%) of negative ratings
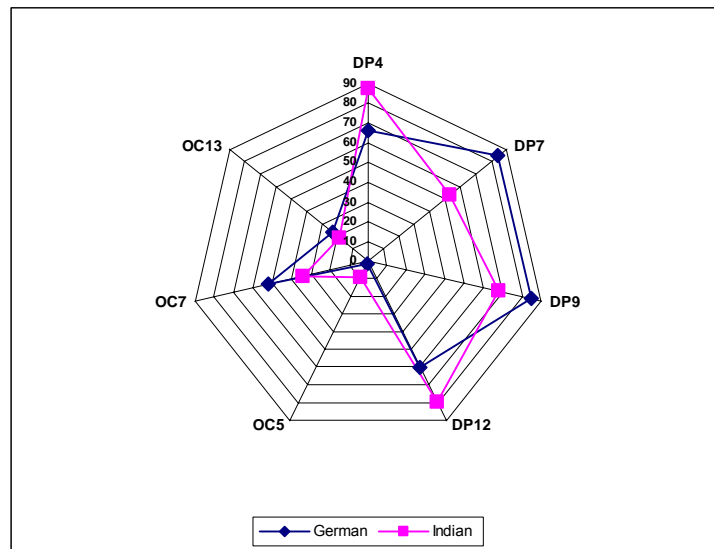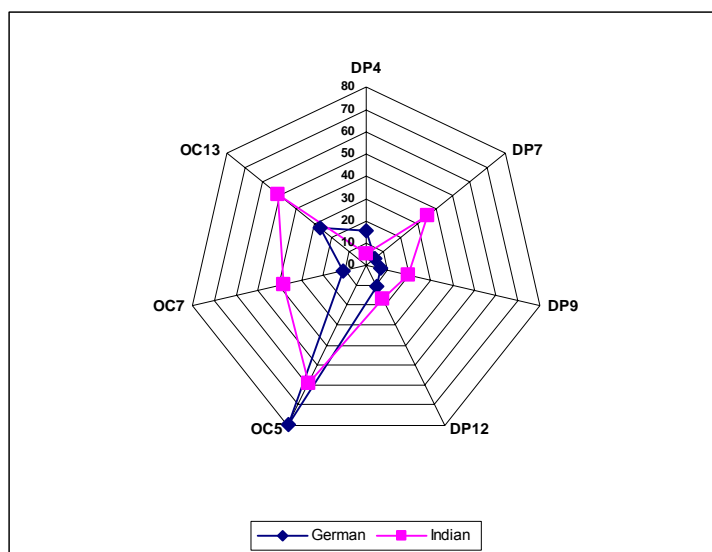

Source: developed for this study

The productivity problems may be due to various reasons. Lack of proficiency in spoken and written language at workplaces could be one cause. Indian and German managers perceive impacts of language diversity differently. Their perceptual differences increase while considering *complaints of discriminations* (DP7) and *grievances from non-mainstream groups* (DP9). Unlike the Indian managers, majority of the German respondents note the two issues as *"not really present"* or *"not at all present"* (see Figure 5.8). Beyond language problems, there may be a few more reasons for this. One possible explanation for this response pattern could be the inadequate provisions in the sampled German companies for employees to lodge complaints against workplace discriminations. Such systems are more observed in Anglo-American organisations (Dessler 2002). While employee suggestion boxes are common, complaint boxes are seldom placed in German firms. Another reason may be embedded in the reluctance of the migrant workers, more susceptible to discriminations, to complain about unfair treatment.

In contrast, a much higher proportion of the Indian managers note *complaints of discriminations* and *grievances from non-mainstream groups* to be *"present everywhere"* or *"present to certain extent"* (see Figure 5.9) while very few German managers concede this. Such distinctions are not visible while considering the mean scores alone (see Figure 5.10). Nevertheless, proposing organisational cohesion in the German companies or workplace disharmony in the Indian companies based on these perceptual differences may be inappropriate and need more research to draw meaningful conclusions.

Figure 5.9 Diversity profiles based on rating frequencies in (%) of positive ratings

Source: developed for this study

As organisations pursue global growth, interactions between socially and culturally diverse people increase, thus making diversity management an important strategic competence. Openness to change is a prerequisite to effective diversity management (see Erwee & Innes 1998; Johnson and Scholes 1999; Nankervis et al. 2002). For instance, managerial attitudes towards minorities and gender diversity influence the pace and scope of organisational change (Johnson & Scholes 1999; Senior 1997). This relationship between diversity and change awareness helps to identify differences in ways of how managers think. Other literatures (Kramar 2001; Kossek & Lobel 2001) also confirm the link between change consciousness and diversity awareness of managers. In a diversity study conducted in Australia, the researchers use this correlation to explore the perspectives of managers on the diversity management in Australian companies (Erwee & Innes 1998).

Figure 5.10 Diversity profiles based on mean scores
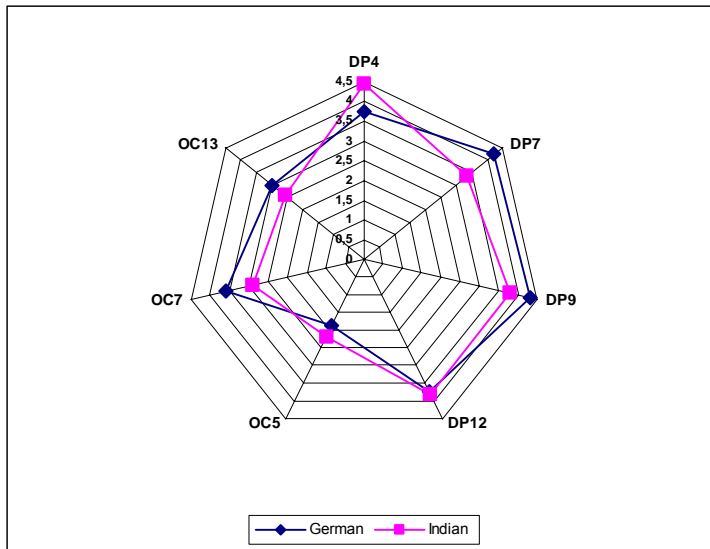
Source: developed for this study

Hence, referring to the responses of the managers to the three diversity linked variables, OC5 – *openness to suggestions from all people in the company*, OC7 – *reflection of how company responds to new ideas* and OC13 – *bring about changes very easily* in Part B of the diversity questionnaire *"How open to change is your company?"* also contributes to outline more perceptual differences of managers relating to diversity climates.

While both groups *view change as an opportunity* (OC1), implementing changes in Indian companies is found to be easier. The Indian managers indicate that *bringing in changes easily* (see Figure 5.9) is possible in their companies whereas a smaller proportion of the German managers have this perception. Such perceptions of managers may tempt one to propose that Indian companies are more flexible to organisational changes. Even so, the proposition that the Indian companies would be more open to change becomes contentious while referring to the responses of German managers to their company's *openness to suggestions from all people in the company* (OC5). Compared to the majority of the German mangers who comprehend their companies as being open to every employee's suggestions only a smaller percentage of the Indian managers feel likewise (see Figure 5.9). These findings lead to a "German dilemma" of being more change conscious but simultaneously encountering more difficulties in implementing changes and indicate some inconsistency in the rating patterns of the German managers.

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Similar inconsistency can be interpreted on the Indian side also when one considers the responses to *reflection of how company responds to new ideas.* Organisations in differing national cultures take different approaches to deal with new ideas and suggestions of employees (Von Glinow et al. 2002; Hofstede 1991). Such approaches could be traditionalistic, conservative and aversive to organisational changes or be accommodative and responsive to new ideas and perspectives. While expressing that their companies bring in changes easily, about one third of the Indian managers (see Figure 5.9) feel that their companies have conservative approaches to new ideas whereas over half of all German managers (see Figure 5.8) express that their companies never take a conservative approach of "we have always done it this way". Since Indian culture is considered to be more traditionalistic than the German culture (Hofstede 1991; Trompanaars & Hampden-Turner 1993), the perceptions of Indian managers seem to be inconsistent.

The contradiction is embedded in the perceptions of Indian managers of being able to bring in or implement changes more easily than the German managers, discussed earlier, although being more traditionalistic and conservative than the German managers. This seems to be a debatable inconsistency on the Indian side and can be termed as an "Indian dilemma". Nevertheless, such perceptual differences found in this study are not documented in contemporary literatures. On the other hand, it can not be ignored that the consistent growth and development in the emerging economies such as the Indian economy reflect their openness and flexibility to change and their success is a self explanatory syndrome.

Differences of perception exist not only about diversity related problems but also in terms of diversity management status. Their occurrence may be subliminal or overt, having some in-depth impacts on or being irrelevant to business processes. Table 5.2 exhibits the rating differences. Disparity of perceptions emerges in the responses to the dress codes (DS1). The analysis suggests that dress codes are more relevant in Indian companies (see Table 5.2) whereas very few German companies seem to prescribe dress codes (Option1). The need for dress codes is seen mostly for employees with client contacts. Although approximately half of the Indian sampled companies provide uniforms to their employees, clear trends amongst the Indian

managers to permit informal or casual work dresses exist. Formal dress is not necessary for success and companies such as Microsoft expect to improve employee morale by introducing casual dress codes (www.busreslab.com). But then, inferring any form of

Table 5.2 Frequencies of diversity management status (Extract)

Diversity Variables	German respondents (N=64)			Indian respondents (N=77)		
Diversity Management Status	Option 1 (%)	Option 2 (%)	Option 3 (%)	Option 1 (%)	Option 2 (%)	Option 3 (%)
DS1 – dress codes	**14,1**	54,7	31,3	**49,4**	40,3	10,4
DS3 – flexibility of company norms	23,4	32,8	**43,8**	46,8	33,8	19,5
DS10 – accountability of managers	12,5	25,0	**62,5**	22,1	31,2	**46,8**

Source: developed for this study

diversity aversion of the Indian companies or attesting higher diversity consciousness to the German companies based on this finding may be unfair and unsubstantiated since differentiation between shop floor employees and office staff is not provided in the questionnaires. Moreover, several organisations in the developed countries do not view dress codes for manufacturing personnel as a diversity promoting instrument but rather offer uniforms as a compensation benefit.

The frequencies also show some perceptual differences in terms of organisational flexibility to the needs of diverse staff (DS3). The opinions of managers differ significantly here. A large proportion of the German managers consider the norms of their companies to be flexible enough to include all employees (see Table 5.2 Option 3). In the diversity management context, this finding proposes that the sampled German companies acknowledge the diverse composition of their workforce and formulate company norms and procedures accordingly. Given the large proportion of foreign workers in German organisations, this policy is understandable and appropriate. The situation seems to be different in the sampled Indian companies because the new entrants are expected to adapt to their existing company norms. Almost half of the Indian managers endorse this (see Table 5.2 Option 1). From a strategic HRM perspective which incorporates diversity management policies, one could interpret certain amount of rigidity of the HRM practices in the sampled Indian companies. Presumably, the versatility of the Indian employees permits such policies. Flexibility of a company's norms indicates its openness to change and some literatures note that the extent of organisational change is associated with the three

evolutionary stages of diversity (Cox 1993; Erwee 2003). From this perspective and based on the responses, one may place the German companies in this study at a higher evolutionary stage of diversity (non-discriminatory or multicultural) than the Indian companies.

Another source of distinction can be noted in the accountabilities of managers for diversity related practices (DS10). The discrepancy is not as large as in the previous issue. Still it infers that the accountabilities of the managers in the context of diversity are not well defined. The responses of managers to this variable give room for different interpretations. Though both manager groups consider building productive teams with diverse employees as a core managerial responsibility, German managers appear to be more conscious about their accountability than their Indian peers and manifest this in their responses to diversity related practices (DS10). Almost two thirds of the German managers express that their company expects them to build productive work teams with diverse staff (see Table 5.2 Option 3). A second interpretation would be that although the results reflect the strong focus of the companies on productivity, it does not necessarily emphasise the strategic importance of diversity management. Diverse work teams may merely be regarded as a productivity supporting instrument and not as the prime cause for the overall organisational effectiveness. The perceptual differences amongst the two manager groups are not large but evident. Interestingly, the study also discovers divergence of perceptions between HR managers and general managers in the two countries. A general proposition would be that there are qualitative trends indicating perceptual differences between German and Indian managers regarding the diversity climates in their companies but this conclusion needs further research and more diversity specific information to adequately differentiate between these types of firms. Discussions about perceptions of HR managers and general managers follow in the next section.

5.7 Research Issue 6: Differences of perceptions of HR practices among HR managers and general managers

Overview of the outcomes: In section 4.3 various aspects of the four HRM practices based on the perceptions of *all* managers in the two country clusters were analysed

and the outcomes were discussed in section 5.3. This section explains the differences of perceptions among **HR managers** and the **general managers**. The quantitative analysis based on mean scores and Chi-square test results in section 4.6 proposes no significant differences and one tends to accept the null hypothesis. Despite this, further analyses of the results propose differences in the perceptions of HR managers and general managers regarding the effectiveness of their current HRM practices although perceptual consistency seems to exist in their perspectives about future HRM practices. A closer examination of the approval rates (*large to very large extent*) of the two manager clusters helps to explain these differences.

Purposefully, the sample population of each country was classified in two groups, the one containing the HR managers and the other the general managers. Conclusions are drawn from the analysis of the responses of the altered groups to the three specific statements - *having high-performing employees* who *are satisfied with their jobs* and *make a positive contribution to overall effectiveness* in the sub-sections of the HRM questionnaire referring to the effectiveness of their present HR practices as well as from the evaluation of their overall perspectives about current (*is now*) and future (*should be*) HRM practices.

The results of the quantitative analysis of the responses of the HR managers and general managers regarding the effectiveness of the HRM practices are shown in Figures 5.11 and 5.12. Preceding discussions are based on the approval rates of the two manager clusters depicted in the two figures. Contextually, it needs to be acknowledged that previous research studies using this approach were not found in literatures thus making comparisons with other studies difficult.

Figure 5.11 Approval rates of current Indian HRM practices
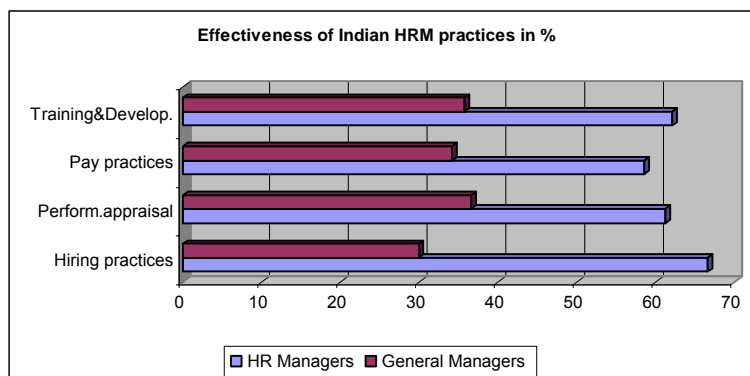
Source: developed for this study

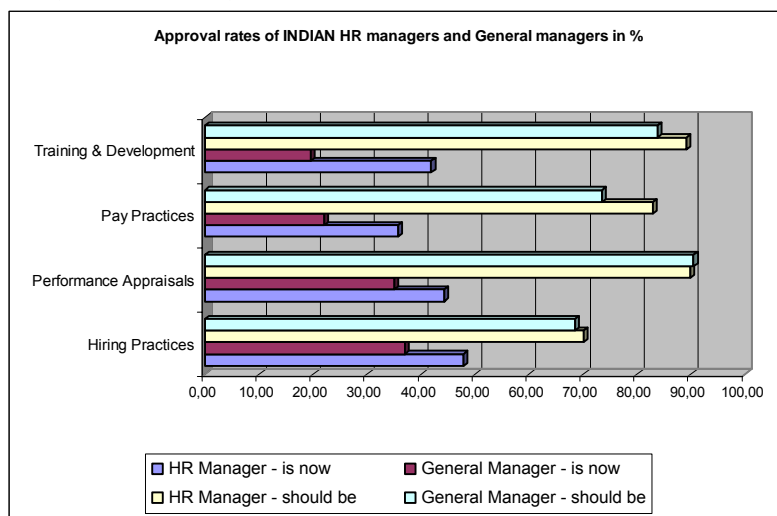**Figure 5.12 Approval rates of current German HRM practices**
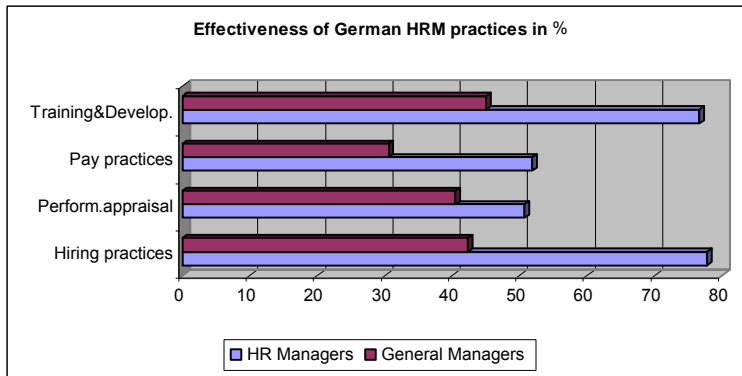
Source: developed for this study

According to these figures, the approval rates of the Indian and German managers concerning the effectiveness of their current HRM practices differ. Based on the response profiles in the figures above, it may be concluded that the HR managers and general managers do not think alike about the effectiveness of their HRM practices. HR managers seem to think that their HR practices are more effective than what general managers believe (see section 4.6).

The perceptual variances between HR managers and general managers emerge to a large extent with regard to hiring as well as in the training and development practices. Majority of the Indian and German HR managers seem to be convinced about the appropriateness of their hiring practices and almost the same number of managers indicate that their training and development programmes are effective (see Figure 5.11 & 5.12). To certain extent, this outcome seems to confirm research referring to the strong HRD orientation of German companies (Dorst et al. 2002; Muller 1999) and the increasing awareness of Indian companies for training needs (Dwivedi 2002). Nevertheless, these perceptions are not shared by the general managers. Their approval rates for these two practices are much lower. Differences of approval rates can also be observed, although in lower dimensions, for performance appraisals and pay practices. Hence it is reasonable to argue that HR managers and general managers of the sampled companies have different perceptions about the effectiveness of their HRM practices. However, these perceptual divergences can be ascribed only to their existing HRM practices. This conclusion needs substantial further research.

Consequently, the responses of HR and general managers in terms of current condition *("is now")* and the desired status *("should be")* was contrasted for all variables of the four HRM practices. The key outcomes are highlighted in Figures 5.13 and 5.14. The comparison of the current and the desired perspectives are viewed as a useful approach to confirm or disconfirm the findings of the BIHRMP study (Von Glinow et al. 2002). The desired perspectives reveal much about the way how indigenous people think about HRM practices (Huo et al. 2002).

Figure 5.13 Perceptions of current and future HR practices of Indian HR managers and general managers

Source: developed for this study

Figure 5.14 Perceptions of current and future HR practices of German HR managers and general managers

Source: developed for this study

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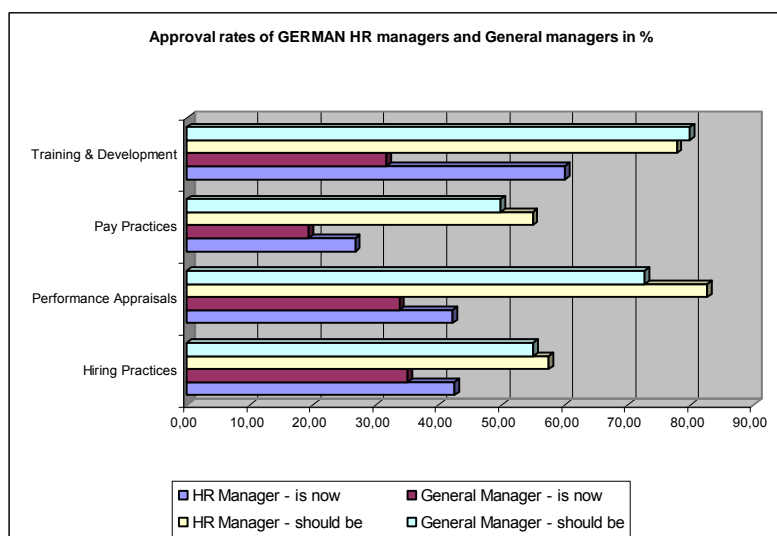
Obviously, the approval rates of HR managers for all current HR practices are higher. Their rating patterns comply with responses to the effectiveness of HR practices discussed before. Referring to the hiring practices in the Indian context, one may note that nearly half of the HR managers approve of their current hiring practices whereas only about a third of their peer managers seem to do so (see Figure 5.13). The German scenario is much similar. In terms of current training and development practices, the approval rates of German HR managers is twice as much as their general managers (see Figure 5.14). This ratio can also be found in the Indians samples (see Figure 5.13) for training and development practices. Such tendencies can be confirmed for the other two HR practices as well, thus confirming the uniformity of HR managers' attitudes and perceptions.

The current rates provide evidence for the theoretical proposition that HR managers and general managers perceive influences of all HR activities differently. Specifically, for training and development activities the figures reveal a quantitative mismatch of approval rates in the sampled companies. Interestingly, comparisons of the desired values do not disclose the same degree of quantitative distinctions found in the current perspectives. The values of both country groups are comparable, having a narrow range of variation indicating converging perspectives. Variations between the current and desired scores of the Indian HR managers, however, are some what higher. To a certain extent this observation contests a conclusion drawn in the BIHRMP research. Asian managers were found to be consistently satisfied with their training and development practices (Dorst et al. 2002). In this study, the Indian HR managers seem to concede that their current HR activities need improvement, in particular their training and development practices and thereby supporting Dwivedi (2002).

The situation is slightly different in the German case. The variances between the current and the desired state of the German HR managers are less and hardly vary from the desired scores of the German general managers. Given these findings, one can suggest that, within the country groups, the perceptions of HR managers and general managers differ when it relates to current HR practices and coincidental concerning future HR activities. For a clearer overview of the levels of perceptual

differences amongst the two manager groups icons of different sizes and numbers are used in Figure 5.15.

Figure 5.15 Overview of perceptual differences of HR managers and general managers

Perceptual differences of HR Practices	is now - is now	is now - should be	Should be – should be
HR Managers vs. General Managers – All	★★★	★★★★★	★
HR Managers vs. General Managers - Indian	★★	★★★★	★
HR Managers vs. General Managers - German	★★	★★★	★

to very small extent ★ ⬭⬭⬭⟹ ★★★★★ to very large extent

Source: developed for this study

The probability of biased responses was also addressed. The results of this study show tendencies of HR managers to attribute more positive characteristics to their work domain. However, the methodology used may not be reliable enough to deliver evidence of bias since the sample sizes are small and several sampled managers were heads of HRM departments as well as other business disciplines.

5.8 Research Issue 7: Relationship between diversity climate and HR practices in German and Indian companies

Overview of the outcomes: Establishing an evidential relationship between HRM practices and diversity consciousness of organisations in culturally differing environments is a complex task. Other studies undertaken hitherto have different frames of references and thus seldom or only to a limited extent permit the generalisation of results. Most of the studies refer to specific instruments of diversity management such as Equal Employment Opportunities (EEO) and Affirmative Actions (Dessler 2000; Kossek & Lobel 2001). The quantitative analysis in Chapter 4 shows that relationships between diversity climate and HRM practices of Indian and German companies are significant and suggests the rejection of the null hypothesis.

However, the Kendall's correlation values are neither strong enough to allow unconditional generalisation of relationships nor indicate any strengths of independence (refer Table 4.26). Discussions and interpretations in this section are

based on the quantitative results of this study as well as the descriptive analysis of trends. In summary, the cross examination of the five HRM and diversity variables (see Table 4.26) confirms the interdependencies of these variables and highlights positive as well as not-so-desired impacts on diversity climate. Certain hiring practices appear to be detrimental to diversity awareness, whereas other training and development policies promote organisational diversity. In following sections some aspects of these findings will be discussed.

As globalisation increases, exogenous multicultural workforces become the norm making people management a critical success factor. Integrating diversity management in the HRM architecture, therefore, is a challenge and driving force to all contemporary HR leaders (Kramar 2001; Erwee 2003 in Wiesner & Millett 2003). Diversity represents competitive advantage, pertinent not only to multinational and trans-national enterprises but equally important to medium and often to smaller domestic companies. Diversity management should be conceptualised as a continuum (DeNisi & Griffin 2006) and need to be thought along relevant human dimensions (Lau & Murnighan 1998). In this German and Indian research context, all surveyed companies acknowledge the presence of diversity and one can speculate on some the interdependencies of HR practices and diversity management.

HR management and diversity management have reciprocal linkages (Nankervis et al. 2002) and the German and Indian research confirms this theory. It is this theoretical concept that underlies and accompanies the overall analysis and discussions. HR practices could cultivate and foster diversity or be indifferent to diversity needs. Hence cross examining the responses to specific HRM variables and diversity variables helps to verify relationships between the two. The outcomes project both positive and not-so-desired relationships.

Though HRM questionnaire does not contain explicit propositions directed towards diversity factors, specific variables do have implicit relevance to diversity issues. For instance, the statements, *having right connections to school, family, friends etc.* (HP4) and *how well a person fits in the values and ways of doing things* (HP9) contain certain quantum of potential concealed discriminating factors. If managers use these as decisive selection criteria, they may inadvertently or intentionally exclude people

with different mindsets and affiliations, thus negatively influencing the desired diversity composition. Hence hiring people who appreciate a company's ways of doing things and its values or selecting people who are affiliated to institutions preferred by the company imply diversity aversive hiring practices. Companies those pursue such hiring policies tend to be disinclined or reluctant to promote organisational diversity. Such practices influence the diversity composition of the companies and subsequently confirm links between HR practices and diversity climate.

To a certain extent, responses of managers from both countries to these variables confirm this undesirable relationship between hiring practices and diversity climate, because a large number of managers in both countries express their compliance with how well a person fits in the company's values and ways of doing things. Further, the majority of the Indian managers prefer to hire people having the right connections. This outcome may tempt one to interpret that the sampled companies hire people who are like themselves and this exposes negative links between diversity climate and hiring practices. In that case, the perceptions of both managers about training and development practices of these companies would challenge drawing any such conclusions.

Numerous training and development activities appear to eliminate negative impacts of hiring practices. Training is often adopted as a diversity management tool. It contributes to promote organisational diversity more than some hiring practices may tend to prevent workforce diversity. Providing training to manage and value diversity is an organisation's diversity strategy (D`Netto, Smith & Da Gama Pinto 2000). The three training practices, *improve interpersonal abilities*, *build cohesive teams* and *substantial training practices for all new entrants* (TD3, TD6 & TD7) can be viewed as diversity promoting practices. Most of the managers from both countries endorse intensive induction programmes and team building practices of their companies, both recognised as diversity nurturing HR activities. Improving interpersonal abilities of employees is another diversity supportive HR training practice (Nankervis et al. 2002). Interpersonal competence motivates employees to interact with colleagues leading to substantial knowledge about diversity and its needs. More than three fourth of all managers confirm the use of these practices. Such positive responses of

all managers to these statements illustrate the relationships between HR practices and diversity management. Now how is this status coupled with overall diversity climate?

Interpersonal competences of employees contribute to frequent interactions and accommodate more two-track communication between employees and management. They facilitate a better understanding of inequalities among individuals and groups. Teams with knowledge, concern and sensitivity relating to needs and characteristics of diverse members perform more efficiently and create an amicable work atmosphere, functioning in complementary modes (Kramar 2001; D'Netto et al. 2000). Skill shortages of one member get compensated by other or the rest, thus improving overall team effectiveness. Then, new entrants are often clouded by a sense of insecurity based on their unfamiliarity with organisational systems and staff. Particularly, when there are overt or veiled physical, cultural and social distinctions in their work environment. Their fears about failing to fulfil job requirements further magnifies if the process of familiarisation becomes a do-it-yourself exercise. Organisations can design and implement HRM systems to mitigate such diversity related aspects. Professional induction procedures embedded in company's HRD structures along with intensive job oriented training courses alleviate ambiguity of newcomers while strengthening their skills (Nankervis et al. 2002). Companies committed to and engaged in such practices are fertile terrain for diversity cultivation and their HR practices are fine tuned to foster multi-cultural workforce and human heterogeneity.

Positive relationship between HR practices and diversity climate can also be proposed from the responses to specific variables in the Diversity questionnaire. Response patterns of the German and Indian managers to *difficulties in recruiting and maintaining members of diverse groups* and *resistance of staff to work with other groups* (DP10 & DP3) disclose the influences of HR practices on the diversity climate. The majority of all managers are of the notion that recruiting and maintaining diverse staff poses no problems to their companies. Besides, most of them experience no resistance or reservations of employees to work in diverse groups, thus underlining the diversity consciousness of their hiring practices. From these results one can infer that workforce diversity seems to exist at all levels, is seen as a strategic advantage and managed adequately. The high level of consensus among

all managers about non-existence of barriers for pay and promotion related matters further highlight the integrating features of the compensation or pay practices. These findings help to identify complementing features existing between diversity climate and HR practices in both countries.

Diversity management is not solely a responsibility of HR departments. It is a business process embedded in the strategic frameworks of the organisations, a determining factor of organisational success and hence an accountability of all decision makers (Gardenswartz & Rowe 1993; Erwee & Innes 1998). Though most of the literatures place diversity management within the strategic HRM construct, it is not uncommon for companies to have separate departments to synchronise diversity needs and strategic needs. About 14 percent of the Fortune 1000 companies, mostly Anglo-American organisations, IBM for example, have separate diversity departments (http://www.vault.com). Yet, in this German and Indian research context, managers seem to perceive the relationship between diversity needs and strategic needs differently in terms of their accountabilities to manage diversity. The analysis identifies very few general managers as those who recognize their accountabilities for effectively dealing diversity issues.

The relationship between HR and diversity management in the German and Indian firms can also be meaningfully deduced from the responses to the attention paid to meeting EEO guidelines and eliminating diversity based barriers to promotions, equitable pay and career developments of diverse individuals and groups by the companies. Although EEO guidelines and Affirmative Actions were initiated primarily to promote diversity, their effective implementation depends on the managerial priority allotted within the HRM framework. As diversity issues are mostly incorporated in the HRM framework of the companies, there are interdependencies between HR practices and diversity climates. A majority of the managers on both sides acknowledge that their HR practices align with equal employment opportunity guidelines and beyond this, a significant majority of them appraise their HR management systems to be governed by the principle of equality and in the process confirm the relationship between their present HR practices and diversity climates.

Chapter 6: Conclusions

6.1 Summary of the research

The two main objectives of this study was to identify *"what"* HR practices and diversity climates exist in German and Indian organisations and to explore *"how"* these differ in terms of contemporary practices as well as future perspectives of the company managers. This study provides some answers to these questions alongside the seven research issues those were investigated and can be summarised as follows.

The study identifies the HR practices used by the companies and also describes the degree of usage of the four HR disciplines. It also contributes to scarce research by providing knowledge about the diversity status and diversity related problems in German and Indian firms as comparisons between these countries are rare. Particularly in Germany, the meaning of the word diversity is often misconstrued and research studies on organisational diversity are rarely undertaken, presumably because of its historical background. Discussions in previous sections outlined the findings providing summary tables and figures for better understanding. While it discovers number of converging and differing factors, it confirms some existing research but does not provide new conceptual breakthroughs. The statistical techniques used do not show significant quantifiable differences. In fact, the similarities of HR practices overweigh differences. In terms of their current hiring practices for example, their most and least preferred selection criteria are the same. The most preferred practices align with those identified in the "BIHRMP" research (Huo et al. 2002). To a great extent this also applies to performance appraisal practices. The study further confirms the high training and development consciousness of the German companies which reflects in their relatively high scores for all examined training practices.

Concerning the second objective, the research points out several perceptual differences in terms of diversity climate and HR practices and to what degree these differences exist. Differences are identified within each country cluster as also between the country clusters. For instance, the analysis reveals that the perceptions of the HR managers and general managers differ in terms of the levels of

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effectiveness of their HR practices. Likewise it discloses the different attitudes towards diversity management status and problems related to diversity.

6.2 Contributions to body of knowledge

Various aspects of HRM practices and organisational diversity in German and Indian companies were explained in previous chapters. Though this field is still under-researched, the literature review chapter provided some insight about theoretical HRM concepts in Indian and German organisations. This research contributes to enhance the body of knowledge of this field in a cross-cultural context. Table 5.3 summarizes the key findings of each research issue and differentiates the nature of the contributions made to contemporary knowledge in terms of confirmation and extension of existing knowledge or new gained results from this study.

Table 6.1 shows not only the outcomes that aligned with previous research works such as "BIHRMP" but it also highlights some unexpected occurrences. These observations can only be classified as practical tendencies and to establish sustainable theories more research with larger sample size is recommended. Nevertheless, the research contributes in many ways to enhance the body of knowledge and lays the foundation for a future oriented HRM framework.

The following sections briefly explain how and in what ways the summarised findings in Table 6.1 contribute to the body of the existing knowledge. Most of the results enhance the current knowledge about HRM and diversity climates in Indian and German companies. Some outcomes are new while others help to confirm or as in certain cases contradict existing theories and perspectives in literatures. Nevertheless, many of these findings need further research to generalise the results.

Contributions of RI 1: Though demographic differences between Germany and India are widely acknowledged, the study discloses that the differences do not necessarily reflect the demographic profiles of the sampled companies. This applies to age structures and education levels of the workforces and confirms the abundance of qualified human resources in Indian companies. The study also confirms the

general notion of lower proportion of employed females, concurrently showing a trend of increase of women in Indian manufacturing entities.

Table 6.1 Summary of research outcomes

Research Issues		Summary of the research outcomes	Contributions to knowledge
R I – 1 Demographic differences	-	Female under-representation in employment continues in both countries	Confirmation
	-	Contrary to prediction, German managers are younger	new
	-	Literacy profiles do not reflect education levels of the countries	new
R I – 2 Cultural differences	-	Indian management styles are more authoritative than German	Confirmation
	-	HR practices of the companies *do not always* reflect their cultural affiliations	contradicting extension
R I – 3 HR practices	-	Identifies common hiring and performance appraisal practices	Extension
	-	Highlights training consciousness of the German companies	Confirmation
	-	Indicates higher Indian performance orientation, contrary to belief	contradicting Extension
R I – 4 Perceptions of diversity climates	-	Workforce diversity is acknowledged as a prevalent and manageable organisational phenomenon by all managers	Extension
	-	Linguistic diversity has more relevance in German companies	New
	-	Diversity practices at workplace does not lead to more voluntary social interactions between employees	Extension
	-	HR practices are based on principles of equality and integrate diversity needs	Extension
R I – 5 Perceptual differences of diversity climates	-	Differences are of subtle nature	Extension
	-	German managers perceive their company norms to be more flexible to accommodate diversity needs	New
	-	Diversity is perceived to be tolerated rather than valued and cultivated by majority of German managers. Indians managers are more pragmatic about this	New
	-	Purposes of training is viewed differently	Confirmation
R I – 6 Perceptions of HR managers and general managers	-	HR managers and general managers perceive effectiveness of HR practices differently	Extension
	-	Differences exist within countries as well as between countries in terms of current practices	Extension
	-	Visible variances emerge in training and development perceptions	Extension
	-	Perceptual congruence exists about HR practices of the future	Extension
R I – 7 Relationship between diversity climate and HR practices	-	Establishes interdependencies between the two	Confirmation
	-	Relationships have both positive and negative impacts on diversity climate	New
	-	Hiring practices have discriminating potentials whereas training and development policies promote diversity	New
	-	Role of diversity at strategic level not well evident	Extension

Source: developed for this study

Contributions of RI 2: Despite national cultures being the focus of various research studies, the differing characteristics of German and Indian cultures are noted in very few literatures. This research attempted to understand what impacts these differences could have on HRM practices and diversity climates of German and Indian firms. Interestingly, the results do not necessarily establish links between national cultures and HRM practices in the research context and partially contradicts existing cultural

theories. For companies in Germany and India, those interested in collaborations and joint ventures this finding could be a stimulating factor.

Contributions of RI 3: As such, this research enhances to a reasonable extent the existing knowledge base since research relating to HRM practices in German and Indian companies are rare. Especially in the context of increasing globalisation, understanding the management perceptions relating to people management in German and Indian organisations is a significant contribution. Despite the cultural differences proposed in literatures (Hofstede 1991; Trompenaars & Hampden-Turner 1993), the results of the quantitative analyses suggest that, the HRM practices in the sampled companies are similar, particularly in terms of hiring practices and performance appraisals. While the research outcomes emphasise the importance German companies attribute to training and developing employees (Muller 1999; Sparrow & Hiltrop 1994), they indicate an unanticipated higher performance orientation of Indian companies which is usually attested to more individualistic cultures (Hofstede 1991; Hunt 2002). In general terms, this research extends the knowledge gained by the "BIHRMP" research.

Contributions of RI 4: Research on organisational diversity in Germany and India are still in the state of infancy. Viewing from such a perspective, this study contributes to illuminate assumptions and beliefs of German and Indian managers about diversity and helps to build a basic knowledge framework. In summary, the study explores diversity management status and diversity related problems. Although diversity is not perceived as a problem the research outcomes show that in German companies the linguistic diversity is more relevant than in Indian firms signalling the need for more management attention in German companies. Further, the examination of this research issue delivers information about positive and negative influences of diversity management practices. For example, the results suggest a general consensus among managers about the lack of social interactions between diverse groups despite various diversity promoting norms and policies such as strict abidance with EEO and Affirmative Actions guidelines while hiring people.

Contributions of RI 5: Constructing a comprehensive model mentioned above requires substantial amount of information relating to diversity in German and Indian

organisations. Not only regarding what diversity climates exist but also about how they differ. Examining this research issue acknowledges this need and contributes to identify differences in the diversity climates as perceived by the managers in the sampled companies. Though it is possible to predict different diversity climates in German and Indian firms because of the cultural and societal dissimilarities, the study shows that these differences are of subtle nature and not as deep-rooted as may be assumed to be. The research also provides some new insight about managerial perceptions and attitudes towards organisational diversity, not included in current literatures. For instance, some outcomes of this research help to understand how flexible the company norms are to accommodate diversity needs and to what extent diversity is valued or merely tolerated in the German and Indian companies whereas others relating to training objectives substantiate prevailing information in current literatures.

Contributions of RI 6: Unlike the BIHRMP research, wherein the sample population composed of managers from all disciplines, the analysis of the HRM practices in German and Indian firms based on the perspectives of human resource managers and general managers in isolated clusters helps to gain differentiated views about their current and future HRM practices. The findings following this methodology, particularly concerning the effectiveness of HRM practices, are deemed to be more accurate and unbiased while disclosing number of converging HRM practices in the sampled firms. Such convergences of HRM practices were also observed in the BIHRMP study and thus the lessons from this research contribute to extend the overall knowledge base of this field. Likewise, the perceptual differences among HR managers and general managers in this study, emerging both within and between countries, further broaden the bandwidth of knowledge concerning international HRM field.

Contributions of RI 7: Establishing or identifying relationship between HRM practices and diversity climates of organisations as such is a difficult research endeavour. This explains the unavailability of references for comparison. The complexity of such research work magnifies when the study refers to organisations in diametrically different nations. Hence investigating this research issue represents a seminal effort to figure out possible links between HRM practices and diversity

climates of German and Indian companies. The results show interdependencies between the HRM practices and diversity climates. For example, certain selection criterion may have negative impact on diversity composition whereas appropriate training practices promote diversity consciousness. This research offers some new perspectives for firms at mono-cultural stage while widening the knowledge base of multicultural organisations about the interdependencies and their impacts and help their managements to adapt or modify organisational strategies and policies.

As a concluding remark, it is noted that the results of all seven research issues are useful fragments of a basic knowledge framework. These fragments need to be reinforced through complementary research in order to present a comprehensive and valid model relating to HRM practices and organisational diversity in German and Indian firms. This provides plenty of opportunities for further research.

6.3 Limitations and opportunities for further research

Mainly there are the limitations inherent to the research methodology (Yin 2003), as discussed in Chapter 3. This study was an exploratory study with a limited sample size, involving 141 managers in 24 German and 29 Indian companies. Therefore, the findings cannot be generalized beyond the context of this study. As an exploratory study, the goal of this research effort is to seek greater understanding that could lead to building a foundation for more extensive research in the future.

As such the findings from this study are only valid for the managers in the respective countries and industries. For instance, most of the sampled companies were operating in the German or Indian private sectors. Future research could be extended to public or state-owned enterprises in Germany and India. The same applies to industry sector examined. While this study mainly focussed on the manufacturing companies, it would be a worthwhile attempt to understand differences in the service industries. In the context of increasing rationalisation of manufacturing processes and the surge of knowledge based service industries, such extended studies are justified. The continuous efforts of industrial economies to outsource their non-value adding operations and in many cases core business processes to low cost and culturally distinct destinations further augment this proposition. Other limitations relating to

cultural differences, language constraints and methodology were briefly mentioned in appropriate sections and also the measures used to overcome these were explained.

Another limitation could be the risk of biased responses from the managers. In comparative studies wherein samples are required to rate or assess their nations, organisations or their own departments, there is tendency to avoid negative outcomes. Such tendencies could vary according to cultural backgrounds and the personal interests of the samples and these exist within and between countries. For example, HR managers may rate HRM performances higher than managers of other business processes. Or, based on the general consensus about the German quality standards, Indian managers may tend to be less objective while rating their company performances. To reduce the impacts of such biased responses, the practice of pre-briefing respondents and triangulation of data were considered. Further, in the section where the effectiveness of HRM departments where analysed, the probability of bias was also tested.

Though the questionnaires were well tested and reliable tools for cross-cultural research, they do not assist respondents to differentiate between white-collared and blue-collared employees, thus leaving room for ambivalent answers. Perceptions of managers and shop floor workers need not be the same. Particularly, in diversity matters, "policies and practices that management views as objective and fair may be seen as inequitable by employees" (Robins 2002, p.75). Hence generalising the outcomes and recommendations based exclusively on the perceptions of managers may be debatable. Some managers pointed this out while responding to specific parts of the questionnaires. Nevertheless, this issue represents another research opportunity. Finally, it needs to be recalled that based on the findings of this study and other relevant data on performance levels of the companies, **phase 2** research is will be designed to understand the impacts of HR practices and diversity practices on the organisational performances of German and Indian companies.

This chapter draws conclusions from the analysis of the primary and secondary data along the seven research issues and describes the perceptions of managers relating to these issues. It answers the research question to a reasonable length and summarises the key findings and contributions of this study to the body of knowledge. Further, it

highlights some new findings as well as confirms results of past research. Finally, it also identifies number of areas for extended research while addressing delimiting and limiting factors and provides a framework for the **Phase 2** research intended to investigate the relationships between organisational performances and HR practices of German and Indian companies.

6.4 Recommendations

This research contributes to enhance the body of knowledge of HRM practices and diversity climates in German and Indian companies. Unless this knowledge undergoes practical integration, the accomplishment of the research objective is only partial. Hence this section presents a framework of recommendations considered useful for future adaptation of HRM strategy.

6.4.1 Implications for theory

At the outset of the research it was anticipated to develop country specific strategic HRM models integrating their diversity dimensions. The similarities found on completion, under parsimonious perspective, do not suggest the need to remodel existing strategic HRM models described by other scholars (Nankervis et al. 2002; Dowling & Schuler 2002; De Cieri & Dowling 1999) and thus again reinforce the validity of these models. In summary, the research issues highlight more uniformity of HRM practices and managerial perceptions and do not uncover significant differences in culture and system based organisational processes. However, what seems more appropriate is to acknowledge some decisive factors that need more consideration. Due attention should be given to the application of theory for the emerging Indian companies at the threshold of global competition as well as for the established export champions in Germany to sustain and strengthen their competitiveness.

German indifference to workforce diversity: The controversy over the cultural identity of migrant population in Germany appears to influence management priorities in German companies. The political and societal reluctance to concede the de facto multi cultural composition of the population permeates through different

levels of management. Managers think they are taking non discriminatory decisions and actions while actually managing a multicultural workforce. In other words, their diversity profiles are embedded in all three evolutionary stages of diversity awareness (mono-cultural, plural or non discriminatory and multicultural) simultaneously (Cox 1993; Erwee & Innes 1998). In their commitment and zealousness to treat people equally, they seem to ignore or overlook differences thus avoiding unfair discrimination. Strategic diversity management, nevertheless, calls for distinction between fair and unfair discrimination (Nankervis et al. 2002). To gain and retain competitive advantage German companies are well advised to practise more fair discrimination by valuing attitudes and beliefs of their diverse employees and providing them opportunities to utilise their inherent strengths for the benefits of the organisation. The dramatically declining birth rate of the indigenous population makes efficient diversity management a matter of economic self-interest rather than obliging legal imperatives (Dessler 2002).

Indian training and development perspectives: The ratings of German managers demonstrate their dedication and commitment to training practices and consequently validate the superiority of German products and processes while justifying their presence in global markets. In contrast, Indian companies, although on the avenue of success, need a larger quantum of HRD efforts to accomplish the goal of surpassing several Western industrialised economies predicted to happen by 2020. The main determinant driving force of Indian economic advancement is the abundance of its qualified inexpensive human capital, not any technology lead or its natural assets. As the traditional labour intensive manufacturing sectors migrate to knowledge based industries (Drost et al. 2002), Indian companies need to reassess their training needs to avoid the imminent risk of workforce redundancy in order to maintain the positive economic momentum. The tendency of reducing training budgets, discovered in the BIHRMP study (Von Glinow et al. 2002) by companies in Western countries to improve cost effectiveness recoiled in form of large scale unemployment and slow economic growth, both consequences of inadequate HRD policies. By focussing more on upgrading employee skills, Indian companies can preclude this portent. Training people is to be perceived as future investment and not as current expense.

6.4.2 Implications for management practices

Effectiveness of HRM: The perceptual differences between HR managers and general managers about the effectiveness of HRM practices, visible in both countries, is an issue to be remedied, lest eventual complacency of HR managers could lead to ignoring hidden potentials for optimising human resources. Effectiveness of HRM practices is an indicative factor of overall organisational performance and therefore the assessment of all managers and decision makers should be considered as the yardstick to measure the effectiveness of HRM practices.

Strategic relevance of diversity management: Though organisational diversity is widely acknowledged, signs of not recognising its strategic relevance emerge at different stages of the research. None of the sampled companies have installed separate departments to manage diversity with defined accountabilities. Given the growing trans-nationalisation of businesses emerging from perpetual demand for cost efficiency, often coupled with opportunities for new markets, manufacturing in low cost countries and consequently working with and for diverse people becomes a strategic need. Especially for the export oriented German enterprises as well as for the Indian companies already abroad and those aspiring to expand their businesses to Europe and other developed countries, prioritising organisational diversity and integrating diversity management as a part of their business strategies is no more an option but an imperative.

Opportunities in the service sector: There is at least one more reason for Indian companies to invest more to train their human resources. Even if Indian companies may not be able to master manufacturing sectors in the global context, thanks to Chinese farsightedness and dominance, the IT linked knowledge intensive services provide larger opportunities for Indian enterprises. The global trend of outsourcing low valued passive back office processes such as call center operations to India may not abate soon. Yet, for sustainable economic prosperity, it is critical for Indian companies to develop and utilize competencies in knowledge based core processes such as product research and design, engineering, and quality services or providing complete IT solutions. To transcend global competition and excel as high-valued service providers, it is mandatory for Indian employees to possess cross cultural

awareness, inter and intra personal abilities to communicate and coordinate job activities around the globe. The role and importance of "training and development" in this context is self explanatory.

Opportunities for collaborating companies: As many of the German and Indian companies considered in this study had some form of business relationship such as joint ventures, collaborations and licensing agreements, this section briefly outlines some benefits and implications of this study for Indo-German collaborations. In addition, these outcomes are expected to be useful information for organisations in both countries intending to establish new business relationship. The Figure 5.16 presents how organisations could combine the existing knowledge about the strengths of German and Indian business environment with the findings of this research in order to achieve key outcomes.

Figure 6.1 Implications for collaborating companies
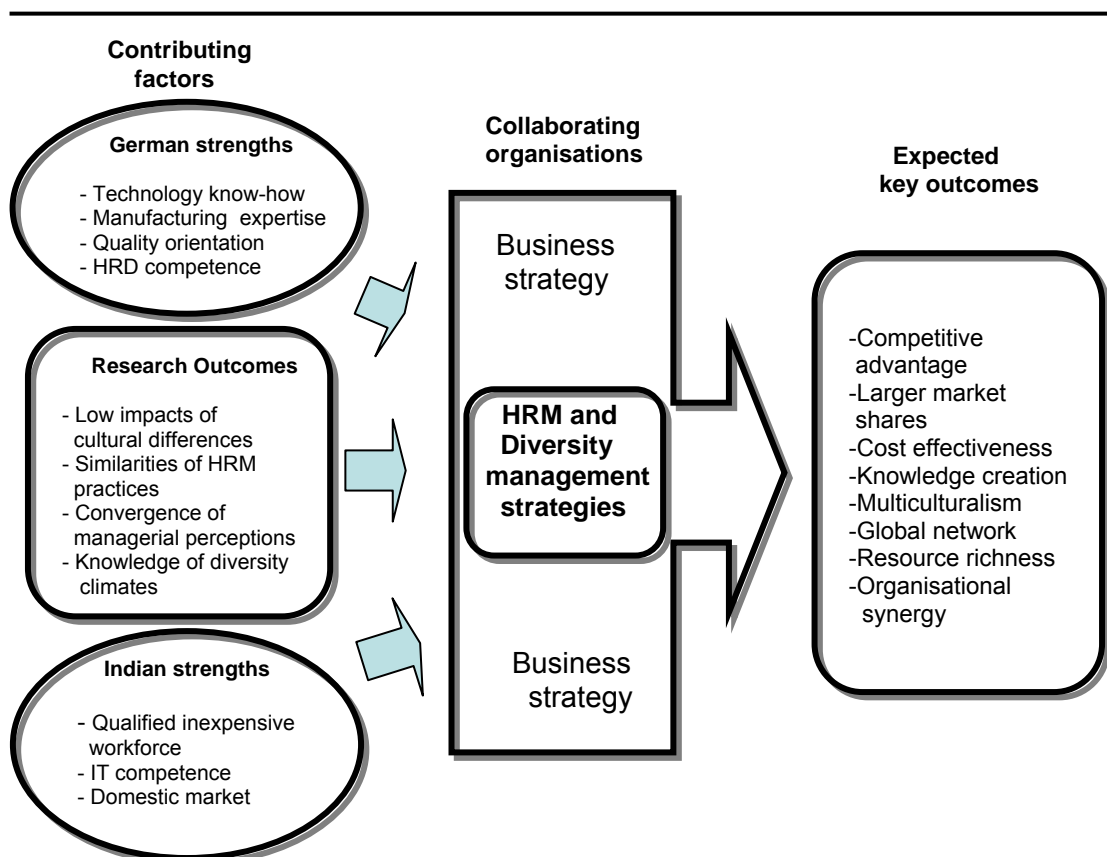
Source: developed for this study

The key outcomes noted in Figure 6.1 are exemplification of possible results. Collaborating companies could achieve all or a few of these outcomes or other

performance betterment not included in the framework. In all cases these outcomes ensure sustaining profitability and growth. While collaborations offer opportunity for organic growth and prosperity, it also embodies risks of failure due to cultural and organisational diversity or other incompatibilities among the collaborating partners. In this context, knowledge about HRM practices and diversity climates in German and Indian organisation help collaborating companies to shape their HRM and diversity management policies to counter adverse influences of cultural differences. Likewise, converging perceptions of management could lead to higher performance and cost effectiveness of collaborating companies. Managers could develop organisational synergy and utilise their human resources more effectively. Since the purpose of this section is to highlight possible benefits and implications for Indo-German collaborations, explanation regarding causes and effects of all the key outcomes inserted in Figure 6.1 is considered as superfluous. Figure 6.1 as such provides an adequate overview.

6.5 Conclusion

Cross-cultural business research has become an effective discipline for academics and practitioners to better understand causes and effects of the business processes. The need for and pertinence of such research activities grow more as organisations from different continents forge alliances to sustain and surmount competitive forces. Under this contemplation, the research was designed and executed to present some insight relating to HR practices and diversity management in German and Indian companies.

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Human Resource Management Survey (2005)

Adapted from Von Glinow et al. (2002) and Erwee & Innes (1998)

This questionnaire is developed to compare and contrast the HRM policies and practices of collaborating German and Indian companies in the context of a doctoral research at the University of Southern Queensland. The main objective is to establish a clear understanding of the HRM concepts and perceptions of these concepts by managers and staff in your company. We request you sincerely to complete this questionnaire and return to the address mentioned in last survey page. We hereby strictly oblige to keep your answers confidential and anonymous and acknowledge your contribution to completion of this research. Please answer all questions as there are no correct or false answers by ticking the most appropriate box. For any assistance or queries be free to contact: **Haridass Paelmke** - E-mail: Halitek@t-online.de Phone: 0049 2526 3832; Fax: 0049 2526 1597

Part A – Demographics

A1   How long have you worked for your employer?

Less than 1 year	[ ]$_1$
2-3 years	[ ]$_2$
4-5 years	[ ]$_3$
5-10 years	[ ]$_4$
11-20 years	[ ]$_5$
More than 20 years	[ ]$_6$

A 4   What is your age group?

Less than 25 years	[ ]$_1$
25 - 30 years	[ ]$_2$
31 - 40 years	[ ]$_3$
41 - 50 years	[ ]$_4$
51 - 60 years	[ ]$_5$
More than 60 years	[ ]$_6$

A2   In what area do you mainly work?

Distribution/Logistics	[ ]$_1$
Engineering	[ ]$_2$
Finance /accounting	[ ]$_3$
General management	[ ]$_4$
HRM/personnel	[ ]$_5$
Information systems	[ ]$_6$
Marketing/ sales	[ ]$_7$
Office administration	[ ]$_8$
Production/operations	[ ]$_9$
Purchasing	[ ]$_{10}$
Research and development/design	[ ]$_{11}$
Training/ education	[ ]$_{12}$

A 5 Approximately how many employees work in your company?

Less than 250	[ ]$_1$
251 - 500	[ ]$_2$
501 - 1000	[ ]$_3$
1001 - 1500	[ ]$_4$
1501 - 2500	[ ]$_5$
2501 - 5000	[ ]$_6$
more than 5000	[ ]$_7$

A 6   What is your gender?

Female	[ ]$_1$
Male	[ ]$_2$

A3   In which sector are you currently employed?

Private sector	[ ]$_1$
Public sector	[ ]$_2$
Others (please specify)	[ ]$_3$

A 7   What is your level of education?

Secondary school	[ ]$_1$
High school	[ ]$_2$
Bachelors degree	[ ]$_3$
Masters degree	[ ]$_4$
Doctoral degree	[ ]$_5$
Others (please specify)	[ ]$_6$

Hiring Practices

How accurately do the following statements describe your company's practices? For each statement provide two responses.
First use the left column to indicate to what extent the statements describe the way Hiring Practices currently are conducted (**IS NOW**).
Second, use the right column to indicate to what extent the statements below describe the way Hiring Practices ought to be conducted to promote organisational effectiveness (**SHOULD BE**).

Please use the following scale for the questions below

Not at all	To a small extent	To a moderate extent	To a large extent	To a very great extent
1	**2**	**3**	**4**	**5**

Hiring decisions are influenced by: **IS NOW**   **SHOULD BE**

1. A person's ability to perform the technical requirements of the job.   1 2 3 4 5   1 2 3 4 5

2. A personal interview.   1 2 3 4 5   1 2 3 4 5

3. A person's ability to get along well with others already working there.   1 2 3 4 5   1 2 3 4 5

4. Having the right connections (e.g. school, family, friends, region, government, etc.).   1 2 3 4 5   1 2 3 4 5

5. The company's belief that the person will stay with the company (e.g. 5 years or longer)   1 2 3 4 5   1 2 3 4 5

6. An employment test in which the person needs to demonstrate their skills.   1 2 3 4 5   1 2 3 4 5

7. Proven work experience in similar job   1 2 3 4 5   1 2 3 4 5

8. A person's potential to do a good job, even if the person is not good when they start   1 2 3 4 5   1 2 3 4 5

9. How well the person will fit the company's values and ways of doing things   1 2 3 4 5   1 2 3 4 5

10. Future co-workers opinions about whether the person should be hired   1 2 3 4 5   1 2 3 4 5

Please use the same scale to indicate to what extent your company's hiring practices are effective.

1. The hiring practices help our company to have high-performing employees.   1 2 3 4 5

2. The hiring practices help our company to have employees who are satisfied with their jobs   1 2 3 4 5

3. The hiring practices make a positive contribution to the overall effectiveness of the organisation.   1 2 3 4 5

The Purposes of Performance Appraisal Practices

How accurately do the following statements describe your company's Performance Appraisal Practices? For each statement provide two responses.

First use the left column to indicate to what extent the statements describe the way Performance Appraisal Practices currently are conducted (**IS NOW**).

Second, use the right column to indicate to what extent the statements below describe the way Performance Appraisal Practices ought to be conducted to promote organisational effectiveness (**SHOULD BE**).

Please use the following scale for the questions below

Not at all	To a small extent	To a moderate extent	To a large extent	To a very great extent
1	**2**	**3**	**4**	**5**

	IS NOW	**SHOULD BE**
1. Determine appropriate pay.	1 2 3 4 5	1 2 3 4 5
2. Document subordinate's performance	1 2 3 4 5	1 2 3 4 5
3. Plan development activities for subordinate (e.g. training, new duties).	1 2 3 4 5	1 2 3 4 5
4. For salary administration.	1 2 3 4 5	1 2 3 4 5
5. Recognise subordinate for things done well.	1 2 3 4 5	1 2 3 4 5
6. Lay out specific ways in which subordinate can improve performance.	1 2 3 4 5	1 2 3 4 5
7. Discuss subordinate's views.	1 2 3 4 5	1 2 3 4 5
8. Evaluate subordinate's goal achievement.	1 2 3 4 5	1 2 3 4 5
9. Identify subordinate's strengths and weaknesses.	1 2 3 4 5	1 2 3 4 5
10. Allow subordinate to express feelings.	1 2 3 4 5	1 2 3 4 5
11. Determine subordinate's promotability.	1 2 3 4 5	1 2 3 4 5

Please use the same scale to indicate to what extent your company's Performance Appraisals are effective.

1. The Performance Appraisal Practices help our company to have high-performing employees.	1 2 3 4 5
2. The Performance Appraisal Practices help our company to have employees who are satisfied with their jobs.	1 2 3 4 5
3. The Performance Appraisal Practices make a positive contribution to overall effectiveness of the organisation	1 2 3 4 5

Pay Practices

How accurately do the following statements describe your company's Pay Practices? For each statement provide two responses.

First use the left column to indicate to what extent the statements describe the way Pay Practices currently are conducted **(IS NOW).**

Second, use the right column to indicate to what extent the statements below describe the way Pay Practices ought to be conducted to promote organisational effectiveness **(SHOULD BE).**

Please use the following scale for the questions below

Not at all	To a small extent	To a moderate extent	To a large extent	To a very great extent
1	**2**	**3**	**4**	**5**

	IS NOW	SHOULD BE
1. Pay incentives such as bonus or profit sharing are important part of the compensation strategy in this organisation.	1 2 3 4 5	1 2 3 4 5
2. The benefits are an important part of the total pay package.	1 2 3 4 5	1 2 3 4 5
3. In this organisation a portion of an employee's earnings is contingent on group or organisation performance goals being achieved.	1 2 3 4 5	1 2 3 4 5
4. Our pay policies recognise that long-term results are more important than short-term results.	1 2 3 4 5	1 2 3 4 5
5. An employee's seniority does enter into pay decisions.	1 2 3 4 5	1 2 3 4 5
6. Pay incentives are designed to provide a significant amount of an employee's total earnings in the organisation.	1 2 3 4 5	1 2 3 4 5
7. Employee benefits package is very generous compared to what it could be.	1 2 3 4 5	1 2 3 4 5
8. The pay system in this organisation has a futuristic orientation. It focuses employees' attention on long-term (2 or more years) goals.	1 2 3 4 5	1 2 3 4 5
9. In this organisation pay raises are determined mainly by an employee's job performance.	1 2 3 4 5	1 2 3 4 5.
10. There is a large pay spread between low performers and high performers in a given job.	1 2 3 4 5	1 2 3 4 5

Please use the same scale to indicate to what extent your company's Pay Practices are effective.

1. The Pay Practices help our company to have   1   2   3   4   5
    high-performing employees.

2. The Pay Practices help our company to have   1   2   3   4   5
    employees who are satisfied with their jobs.

3. The Pay Practices make a positive contribution   1   2   3   4   5
    to overall effectiveness of the organisation.

The purposes of Training & Development Practices

How accurately do the following statements describe the purposes of your company's Training & Development practices? For each statement provide two responses.

First use the left column to indicate to what extent the statements describe the way Training & Development Practices currently are conducted (**IS NOW).**

Second, use the right column to indicate to what extent the statements below describe the way Training & Development Practices ought to be conducted to promote organisational effectiveness (**SHOULD BE).**

Please use the following scale for the questions below

Not at all	To a small extent	To a moderate extent	To a large extent	To a very great extent
1	**2**	**3**	**4**	**5**

	IS NOW	**SHOULD BE**
1. Provide a reward to employees.	1 2 3 4 5	1 2 3 4 5
2. Improve their technical job abilities.	1 2 3 4 5	1 2 3 4 5
3. Improve employees interpersonal abilities, i.e. how well they relate to others.	1 2 3 4 5	1 2 3 4 5
4. Remedy employees past poor performance.	1 2 3 4 5	1 2 3 4 5
5. Prepare employees for future job assignments.	1 2 3 4 5	1 2 3 4 5
6. Build teamwork within the company.	1 2 3 4 5	1 2 3 4 5
7. Provide substantial training when employees first start working in the company.	1 2 3 4 5	1 2 3 4 5
8. Help employees understand the business, e.g. knowledge of competitors, new technologies, etc.	1 2 3 4 5	1 2 3 4 5
9. Provide employees with skills needed to do a number of different jobs, not just one particular job.	1 2 3 4 5	1 2 3 4 5
10. Teach employees about the company's values and ways of doing things.	1 2 3 4 5	1 2 3 4 5

Please use the same scale to indicate to what extent your company's Training & Development practices are effective.

1. The Training & Development practices help our   1 2 3 4 5
   company to have high-performing employees.

2. The Training & Development practices help our   1 2 3 4 5
   company to have employees who are satisfied with their jobs

3. The Training & Development practices make a positive   1 2 3 4 5
   contribution to overall effectiveness of the organisation.

Your Company's Personnel / Human Resource Department

1. Does your company have a separate Personnel Department or Human Resource Group that has control of employee personnel records, training programmes, salary, and performance appraisal guidelines, and so on, for the rest of the company?

       Yes   [ ]   No [ ]

2. If you have answered the first question as "Yes", what is the name of that department in your company? (For example, Personnel department, Labour relations department or Human resource department, or?)

   Name of the department   _____

3. Think of your company's Human resource management or Personnel department. How accurately do following statements describe that department, overall?

Please use the following scale for the questions below:

Very False				Very true	Don't know
1	**2**	**3**	**4**	**5**	**6**

1. It is viewed as an important department   1   2   3   4   5   6
   in the company.

2. It tends to imitate the human resource   1   2   3   4   5   6
   practices (e.g. in hiring, pay, etc.) used
   by other firms in the industry.

3. It works closely with the senior management   1   2   3   4   5   6
   group on the key strategic issues
   facing the company.

4. It seems to keep informed about the   1   2   3   4   5   6
   best human resource management practices
   that are used in other countries.

5. It is viewed as an effective department.   1   2   3   4   5   6

Diversity Survey (2005)

Adapted from Gardenswartz & Rowe (1993); Erwee & Innes (1998)

Definition of diversity: any visible or non-visible factors causing differences between people, e.g. gender, religion, physical disability and characteristics, family situation and status, sexual orientation, class, ethnicity, age, race, hierarchical status, language, education, profession and lifestyle.

Evaluate each of the following statements by marking the box which best reflects your opinion concerning that specific statement *(Please mark __one__ box for each)*

Part A – Symptoms of diversity related problems

In our organisation there is :	*Present everywhere*	*Present to a certain extent*	*Neutral*	*Not really present*	*Not present at all*
A1 Diversity in the staff composition	[ ]1	[ ]2	[ ]3	[ ]4	[ ]5
A2 Complaints about staff speaking other languages at work	[ ]1	[ ]2	[ ]3	[ ]4	[ ]5
A3 Resistance to working with other groups (ethnic, gender, physical ability)	[ ]1	[ ]2	[ ]3	[ ]4	[ ]5
A4 Difficulty in communicating due to limited or heavily accented foreign language	[ ]1	[ ]2	[ ]3	[ ]4	[ ]5
A5 Difficulty in communicating due to limited or heavily accented Indian language	[ ]1	[ ]2	[ ]3	[ ]4	[ ]5
A6 Ethnic, racial or gender slurs or jokes	[ ]1	[ ]2	[ ]3	[ ]4	[ ]5
A7 Complaints about discrimination in promotions, pay and performance reviews	[ ]1	[ ]2	[ ]3	[ ]4	[ ]5
A8 Lack of social interaction between members of diverse groups	[ ]1	[ ]2	[ ]3	[ ]4	[ ]5
A9 Increase in grievances by members of non- mainstream groups	[ ]1	[ ]2	[ ]3	[ ]4	[ ]5
A10 Difficulty in recruiting and retaining members of different groups	[ ]1	[ ]2	[ ]3	[ ]4	[ ]5
A11 Open conflict between groups or individuals from different groups	[ ]1	[ ]2	[ ]3	[ ]4	[ ]5
A12 Mistakes and productivity problems due to staff not understanding directions	[ ]1	[ ]2	[ ]3	[ ]4	[ ]5
A13 Exclusion of people who are different from others	[ ]1	[ ]2	[ ]3	[ ]4	[ ]5
A14 Barriers in promotion for diverse employees	[ ]1	[ ]2	[ ]3	[ ]4	[ ]5
A15 Frustrations resulting from cultural differences	[ ]1	[ ]2	[ ]3	[ ]4	[ ]5

Part B – How open to change is your company?

Evaluate each of the following statements by marking the box which best reflects your opinion concerning that specific statement *(Please mark **one** box for each)*

		Almost always	*Often/To a large extent*	*Neutral*	*Seldom*	*Almost never*
B1	Change is viewed as a challenge and opportunity	[ ]1	[ ]2	[ ]3	[ ]4	[ ]5
B2	Policies are reviewed annually	[ ]1	[ ]2	[ ]3	[ ]4	[ ]5
B3	Rewards are handed out to suit the preference of the person rewarded	[ ]1	[ ]2	[ ]3	[ ]4	[ ]5
B4	Our human resource department is creative in finding new ways to attract top talent among diverse groups	[ ]1	[ ]2	[ ]3	[ ]4	[ ]5
B5	There is an openness to suggestions from all people in the company	[ ]1	[ ]2	[ ]3	[ ]4	[ ]5
B6	Our strategic plan is revised as needed	[ ]1	[ ]2	[ ]3	[ ]4	[ ]5
B7	"We have always done it this way" is a reflection of how our company responds to new ideas	[ ]1	[ ]2	[ ]3	[ ]4	[ ]5
B8	When problems emerge, there is a willingness to fix them	[ ]1	[ ]2	[ ]3	[ ]4	[ ]5
B9	Our training and services reflect awareness of a diverse customer base	[ ]1	[ ]2	[ ]3	[ ]4	[ ]5
B10	My supervisor values new ideas and implements them quickly	[ ]1	[ ]2	[ ]3	[ ]4	[ ]5
B11	Performance evaluation here measures staff's adaptation to change	[ ]1	[ ]2	[ ]3	[ ]4	[ ]5
B12	Our top managers are visionary and approachable	[ ]1	[ ]2	[ ]3	[ ]4	[ ]5
B13	We can bring about changes very easily	[ ]1	[ ]2	[ ]3	[ ]4	[ ]5
B14	There is little variation in style of dress among staff	[ ]1	[ ]2	[ ]3	[ ]4	[ ]5
B15	People at all levels can build or refine structures	[ ]1	[ ]2	[ ]3	[ ]4	[ ]5

Part C – Present status regarding diversity management in your company

In each set of three possibilities, please select the alternative (1 or 2 or 3) that is true of your company

In our company :	
C1 There is a standard way to dress and look or	[ ]₁
There is no dress code but most staff dress within a conventional range or	[ ]₂
There is much variety in employee's style of dress	[ ]₃
C 2 Family and parenting problems like day-care and death of relatives are treated as women's problems or	[ ]₁
There are flexible systems to accommodate the needs of diverse staff or	[ ]₂
Many options are available to support staff with children and dependents	[ ]₃
C3 Newcomers are expected to adapt to existing norms or	[ ]₁
There is some flexibility to accommodate the needs of diverse staff or	[ ]₂
Norms are flexible enough to include everyone	[ ]₃
C4 Diversity is an issue that stirs irritation and resentment or	[ ]₁
Attention is paid to meeting equal employment opportunity guidelines or	[ ]₂
Working towards a diverse staff is seen as a strategic advantage	[ ]₃
C5 Dealing with diversity is not a top priority or	[ ]₁
Dealing with diversity is the responsibility of the Personnel Department or	[ ]₂
Dealing with diversity is considered part of every manager's job	[ ]₃
C6 People downplay or ignore differences among employees or	[ ]₁
People tolerate differences and the needs they imply or	[ ]₂
People value differences and want to see diversity cultivated	[ ]₃
C7 There is diversity among staff at lower levels or	[ ]₁
There is diversity among staff at lower and middle levels or	[ ]₂
There is diversity among staff at all levels	[ ]₃
C8 *More time is spent on training programs to help employees:*	
adapt to our company's culture to learn the way to do things here or	[ ]₁
develop diverse staff's ability to move up the company ladder or	[ ]₂
communicate effectively across gender and cultural barriers	[ ]₃
C9 *Managers are held accountable for:*	
motivating staff to increase productivity or	[ ]₁
avoiding equal opportunity and discrimination grievances or	[ ]₂
working effectively with a diverse staff	[ ]₃
C10 *Managers are held accountable for :*	
maintaining a stable staff and maintaining existing norms or	[ ]₁
meeting affirmative action goals and identifying promotable talent or	[ ]₂
building productive work teams with a diverse staff	[ ]₃

C11	*In our company it is an advantage :*	
	to belong to a particular religion	[ ]$_1$
	learning to be like the old guard or	[ ]$_2$
	to be unique and find new ways of doing things.	[ ]$_3$

Thank you for your participation

Kindly return the completed survey to:
Haridass Paelmke

Nordstrasse 18 – D- 48324 Sendenhorst – Germany

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