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**Human Resource Management  
in Germany**

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## **Abstract**

The German approach to HRM is explained as an outgrowth of German history, where aspects such as *Betriebsgemeinschaften* (an approach to corporate culture which is more than 50 years old) and *Betriebspartnerschaft* (an approach which combines various models of partnership as basis of HRM) are essential elements. Together with various approaches to formal planning, the HRM systems can be considered as one of the main factors of success of German companies on global market.

The purpose of this contribution is to show the state of the art of German HRM, its strengths, weaknesses, and perspectives: After a brief description of the problem in the following *section 1*, *section 2* positions the German terminology with respect to the English terminology of HRM. To describe the current situation, *section 3* deals with the main contextual factors influencing HRM both in the academic and practical fields. In *section 4*, a specific research project is presented. *Section 5* highlights important challenges and trends in German HRM. *Section 6* sums up the chapter by pointing out where HRM is to be considered as a driving force for German companies in respect being a successful player in the global market.

## **1. The Difficulty**

Understanding the German system of HRM seems to be a „mission impossible“ for other Europeans. To take as an example a recently published book by *Tyson et al.* (1993) in which the HRM in five European countries is supposed to be described by articles and case studies, we find three interesting aspects:

- Great Britain, Spain, Italy, and France are each covered in around 60 pages, Germany in 20;
- in the preface the authors explain that they „do not believe the lessons learned could be applied or would signify the organizations to be found in the future in Germany“ (page 16), and therefore the reader does not get any case studies,
- in contrast to the other chapters, the chapter on Germany is not written by someone from Germany, but by someone from Great Britain, who gives a picture of the German HRM which is so strange, that German HRM managers would burst into tears laughing when you read portions of that article to them.

In order not to be misunderstood, it has to be pointed out that the preceeding should not be interpreted as blaming anybody for anything. It is just to point out that writing about HRM is about as difficult as understanding the system.



## 2. Terminology

When comparing international HRM systems, a central problem soon occurs; there are a large number of similar, but not equal definitions for several HRM-conceptions in use in different nations (e.g. *Wächter* 1992). Finding exact equivalents in British or American usage is complicated. To gain insights into the specific understanding of HRM in Germany, a short review of the terminology is needed.

In Germany, Austria and the German speaking part of Switzerland, four different basic **labels** are used, each representing one specific concept of HRM:

- *Personalverwaltung* (personnel administration) has mainly been used in the practical field. It implies the efficient execution of the personnel administration, often seen as a burdensome task.
- In academia, the traditional term of HRM in Germany is *Personalwesen* (personnel affairs). It implies an administrative and bureaucratic view of personnel and neglects the active role of the responsables.
- Quite often used in theory is *Personalwirtschaft* meaning the economically oriented administration of personnel. Being similar to the German term *Betriebswirtschaft* for the science of business management, it implies that personnel can be integrated into the thinking patterns of costs and benefits, gains and losses.
- *Personalmanagement* is a term generally accepted and used among advanced HRM-managers, describing a management approach which considers the „management of human resources“ as an active part of the whole management process, combined with a corresponding professionalism and strategic orientation.

Table 1 sums up these German concepts.

|                                    | Personal-<br>verwaltung                         | Personalwesen   | Personal-<br>wirtschaft                                     | Personal-<br>management   |
|------------------------------------|---|---|---|---|
| term used in...                    | practice  | academia  | academia  | practice and<br>academia  |
| central contents                   | personnel admini-<br>stration in compa-<br>nies | isolated function of<br>personnel admini-<br>stration | personnel admini-<br>stration in the cor-<br>porate context | professional, stra-<br>tegically oriented<br>management of<br>human resources<br>in a holistical<br>corporate context |
| active role of the<br>responsibles | weak  | weak  | medium  | strong  |

Table 1: German concepts of HRM

However, special attention must be given to the idioms which seem to be similar in translation but are dangerous to mistake: In the Anglo-American literature, the shift of emphasis has been from „Personnel management“ to „Human Resource Management“, whereas in German literature the shift has been from the traditional „Personalverwaltung“ to „Personalmanagement“ (see table 2). Using conflicting terms, both shifts reflect the identical underlying idea.

|                             | Key term in the 60s | Key term in the 70s                      | Key term in the 80s       |
|-----------------------------|---------------------|--|---------------------------|
| Great Britain/USA           | Personnel           | Personnel Management                     | Human Resource Management |
| Germany/Austria/Switzerland | Personalwesen       | Personalverwaltung<br>Personalwirtschaft | Personalmanagement        |

Table 2: Change in terminology of personnel issues

In order to show the current situation of HRM in Germany, it is important that we next explore some particularities in the German corporate environment that are relevant to HRM. These will be followed by a description of HRM in academia and practice.

### 3. The current situation

#### 3.1 Contextual factors

Historically, Germany shows some specific contextual factors which influence HRM activities very strongly (e.g. *Gaugler* 1988; *Conrad/Pieper* 1990). Although nowadays these are partly modified by the European Community system, they still remain valid.

##### (a) Economic factors

Some important environmental factors for HRM arise from the economic situation:

- Germany's free market system is characterized by the openness of the market. This results in strong competition with national and foreign companies in the domestic market which forces companies to work even more economically efficient.
- Germany, as an export oriented nation with limited natural resources, mainly depends on its human resources.
- German companies face one of the highest wage levels in the world and thus have to realize high productivity levels.

HRM in this highly competitive situation has to provide for skilled workers and to create the organizational frame to cope with increasing technological demands: Flexibilization, standardization, and rationalization are the top priorities. These are even more important in the current recession.

pay the tuition themselves.

Within companies, there is special pre-employment training mainly for those having finished basic secondary or intermediate schools. These students chose a practical

Germans being technically oriented or extremely bureaucratic.

#### 3.2 HRM in academia

##### 3.2.1 Overview

###### 3.2.1.1 Historical roots

Going back to the **historical roots** of contemporary German HRM, the basic elements originated in the ideas of several „first-generation-researchers“. According to *Drumm* (1993, 678-679), the following roots can be identified:



- The empirical fundamentals were originally done by *Kosiol* (1959) for basic empirical questions and later by *Witte* (1972) especially for personnel.
- The practical aspects of HRM are closely related to *Goossens* (1981) who for years edited a „Personalleiter-Handbuch“, a handbook for personnel department heads, which in spite of a lack of theoretical foundation answered all sorts of administrative HRM-questions.
- *Marx* (1963), being the first German chairholder for personnel issues in 1963 at the University of Mannheim, brought planning aspects to HRM, and furthermore many additional HR-fields, for example personnel development or motivation and leadership.
- Although not in a separate HRM approach, *Hax* (1969) initiated the research of co-determination.
- The values of catholic teaching of social morality (e.g. v. *Nell-Breuning* 1950) strongly influenced the normative aspects of HRM. While *Hasenack* (1961) unsuccessfully tried to initiate anthropological economics, *Fischer* (1935; 1955), interested in central issues of personnel affairs, created an „ethical oriented corporate personnel- and social policy“ (*Fischer* 1962).

Additionally, there are two further roots having influenced contemporary HRM in Germany. Many ideas were derived from the behaviouristic approaches in organizational psychology and from the theoretical basics of business administration as an academic science.

Some authors (e.g. *Drumm* 1993, 678-679) criticize the small amount of empirical research which has been done, and the attendant lack of broad theoretical-empirical orientation to HRM. On the other hand, due to the the highly sensitive character of this topic, sound empirical research on HRM-topics is not only missing in Germany.

### 3.2.1.2 Second-generation-researchers

As a large number of different approaches to HRM exists in Germany, in the same way a large number of **systematizations** have been developed showing the various orientations of the researchers (e.g. *Staehle/Karg* 1981; *Ende* 1982; *Röthig* 1986). In this chapter, the so-called „second-generation-researchers“ represent the link between the historical roots of HRM and its contemporary HRM-researchers. They all cannot be systematized so easily, for they show an orientation towards most of the HRM-fields. Five researchers are especially important to point out for they are well-known in academic Germany: *Krulis-Randa* (1985), *Drumm* (1992), *Staehle* (1991), *Reber* (1987), and *Gaugler* (et al. 1974).

### 3.2.1.3 Contemporary HRM in Germany

In the following, five groups of academic approaches to contemporary HRM in Germany are listed by their central orientation.

#### *(a) Focus on management*

This approach finds its orientation in the Anglo-American term „management“ which is characterized by its broad and action-oriented perspective. These researchers do not focus on only one discipline: on the contrary, for them the management process is seen as a whole, influenced by more than one scientific discipline. Thus, traditional personnel issues are complemented by issues concerning the conditions of managing such as system design processes or corporate culture. Authors like *Ackermann* (1986; 1987), *Berthel* (1991), and *Scholz* (1993; 1994; 1995) represent this approach in Germany.

#### *(b) Focus on controlling*

Authors like *Potthoff* (1974; *Potthoff/Trescher* 1986) and *Wunderer* (*Wunderer/Kuhn* 1993) represent the tradition of a controlling-oriented HRM in Germany. They point out that HRM has to be managed because of its cost intensiveness, and that the realization of strategic potentials is only possible if a continuous evaluation of strengths and weaknesses takes place. Focus on control means in a simplistic form the controlling of human resources as a cost factor (like any other factor of production); in a more sophisticated form, this focus leads to a perspective which analyzes the added value created by the HRM-function.

#### *(c) Focus on development*

Regarding personnel development as the central issue of personnel policy, the representatives of this branch concentrate on training and development conceptions, integrating personnel development into the whole organization development process. For these researchers, reaching employees which are motivated to learn with adequate learning concepts is the precondition to gain a learning organization. v. *Eckardstein* (v. *Eckardstein/Schnellinger* 1978) and *Weber* (1985) are two of the leading German authors in this specific field.

#### *(d) Focus on information*

As *Hentze* (1991a; 1991b) and *Domsch* (1980) point out, the main basis in HRM is information. Communication processes need to be carefully reviewed to make sure they are adequate. Managers as well as employees want to be well-informed about key-business issues, and they need information that enables them to do their job



effectively. Thus, the representatives of this approach investigate the informational basis of HRM and focus on information concepts which enable management as well as employees to work effectively in a power-balanced internal environment with a transparent information situation.

*(e) Focus on planning/administration*

The employer-employee relationship is at the center of this approach. In addition to this, all fields of personnel policy dealing with strategic issues as well as with its implementation in operative actions appear. Special concern of the approach - which exists in almost identically in most other countries - is given to issues concerning legal and participational restrictions. The main representatives of this branch in Germany are *Marr* (1987) and *Oechsler* (1994).

Figure 1 sums up the different roots and theoretical orientations, showing a synthesis of German contemporary HRM in academia on its way into the next century.

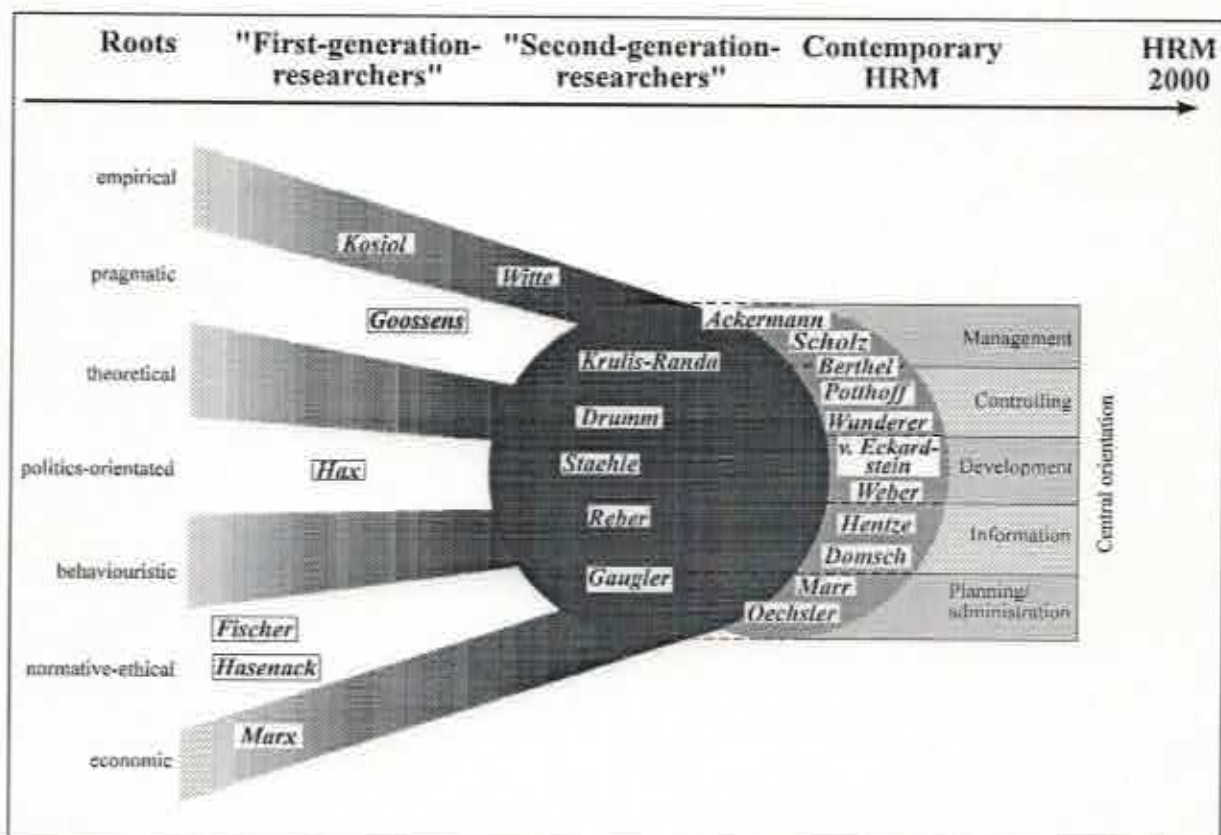


Figure 1: German HRM in academia



### 3.2.2 Examples

#### *(a) HRM strategies: The „Stuttgart approach“ of Ackermann*

On the base of an empirical study of HRM in practice, *Ackermann* (1986; 1987) conceptualizes his so-called „Stuttgart approach“. Its aim is, derived from empirically tested hypotheses, to develop action alternatives for strategic HRM. *Ackermann* focuses on personnel strategies as intended or unintended patterns of HRM decisions. He wants to find out,

- in which way personnel strategies can be identified and measured in reality,
- which types of personnel strategies are used, and
- which factors determine the choice of personnel strategy.

In *Ackermann's* approach the measurement of personnel strategies uses 116 items out of different HRM fields and aggregates them by factor analysis. Four **types** of personnel strategies are extracted which differ in the weighting and intensity of activities:

- In the *personnel development strategy*, an intensive training and development is pursued. A long-term personnel planning tries to fill vacancies by internal recruitment, and strict regulations for personnel selection exist.
- The *strategy of personnel appraisal* gives a key role to appraisal schemes. These serve as a base for pay-for-performance programs and development. The regulations for personnel selection are less strict than in the above strategy.
- In *personnel administration strategy*, all personnel activities are performed with equal emphasis. Except for short-term personnel planning, HRM issues are neglected. Personnel selection takes place only to a minor degree.
- The *strategy of personnel research* is mainly characterized by intensive research of the labour market and regular employee interviews. A scanning of the environment should show the strengths and weaknesses of personnel policy. Mainly external applicants are selected through the use of strict criteria.

Each strategy is chosen in connection with specific environmental conditions, specific corporate strategies and formal structures. While larger, diversified and risk spreading companies chose the personnel development strategy, the personnel appraisal strategy is chosen by fast reacting companies in heterogeneous environments. In a stable and non-dynamic environment, one can find the personnel administration strategy, whereas the personnel research strategy is used in large, divisionalized companies. It is stated that generally none of the identified contingent strategies exceeds the other strategies in efficiency.

*(b) Employee orientation: The „Mannheim approach“ of Gaugler*

*Gaugler* is one of the best-known HRM professors in Germany. As a disciple of *Fischer*, he shows a strong anthropological orientation. In most of his articles, the general postulation which can be found is humanization of working life under economic restrictions. For example in the field of working time, *Gaugler* (1983) analyzes the impacts of its reduction and flexibilization and was one of the first to encourage employees and employers to implement such systems.

Summing up his nine **fields** of HRM, *Gaugler's* general position becomes evident - he primarily focuses on the employee in the working process (e.g. 1993, 3146-3152):

- *Personnel policy* as part of corporate policy should ensure that the impacts on personnel are considered in all relevant decisions.
- *Personnel planning* covers all strategic, long-term activities in personnel work.
- *Recruitment* covers the planning of the workforce and of single recruitment activities which, together with labour market research, are important preconditions for the optimization of the workforce.
- *Personnel assignment* takes place in a short-term and a long-term view: In short-term, the task is the coordination of employees and positions, in long-term, it covers all measurements to reach the intended number of employees, i.e. even personnel displacement.
- *Leadership* instructs the employees about the tasks resulted from the division of labour and the integration of their results to reach the corporate objectives.
- *Compensation* is regarded as central because it is an important corporate cost factor as well as the decisive basis of existence of the employees.
- *Corporate social policy* aims to requalify human work in modern companies to overcome the idea of employees as objects in the work process. Instruments are the corporate information policy, development, long-term contracting, and family orientation of working conditions.
- *Personnel development* mainly deals with individual training for personal and job-related advance.
- *Personnel administration* covers administrative tasks like the settlement of payments, and also personnel controlling.

*(c) Holistic HRM: The „Zurich approach“ of Krullis-Randa*

In the middle of the eighties, *Krullis-Randa* (1985; 1986; 1988) and *Rühli/Wehrli* (1986) developed the so-called „Zurich approach“ setting a frame for strategic HRM. In its holistic view of management it aims to integrate social and technocratic leadership and to focus leadership on corporate policy while considering the practical implications. The characteristic points of the Zurich approach are



- the central position of people (anthropocentrism),
- the people being part instead of object of HR strategy,
- problem-solving in multipersonal teams,
- social relationships, and
- the integration of dispositive and executing work.

To integrate HRM into general management, the three basic **dimensions** of the concept are used :

- The *structural* dimension is differentiated into planning, decision, organization, and control on the three levels of actors, processes, and tools.
- *Corporate culture* as the second dimension is seen as a system of values and basic assumptions. It directly influences recruitment and selection of personnel.
- The third dimension, *corporate policy or strategy*, is reviewed or changed by the selected personnel, but also intends to influence recruitment and selection.

A further development of the „Zurich approach“ is conceptualized by *Staffelbach* (1986; 1987). His system of strategic HRM postulates a narrow integration of HRM strategy with general management strategy. Characteristics of the approach are, in addition to the holistic view of management, a strict orientation on success factors, an orientation towards individuals, and an HRM-oriented scan of the environment. Covering almost all HRM issues, *Staffelbach* varies the HRM strategy by the intended impact, qualitative and quantitative changes of the workforce or changes in values and attitudes.

The target of the Zurich approach is the implementation of its ideas in reality. This approach influenced the development of HRM in Germany from a managerial tool to HRM as equal-ranking component of strategic management. In their recently published book, *Krulis-Randa, Staffelbach and Wehrli* (1993) examine the significance of their concepts for the practice.

#### *(d) Three-dimensional HRM: The „Saarbruecken approach“ of Scholz*

According to *Scholz* (1993), successful HRM has to address three basic **dimensions** which provide a frame for a systematic handling of HRM. It is possible to use it for analysis of different facets of practical HRM in academic discussion.

The first dimension covers the different **fields** of HRM German companies are active in. The following are the main German HR fields facing organizations and their managers:

- The *analysis of the workforce* develops the informational base for HRM. Its aim is the determination (quantity and quality) of the existing employee potential and future projections of it.
- On the same level *personnel requirement analysis* can be found, determining the actually needed workforce. Here, a differentiation by time horizons, qualification groups and working places takes place.
- The aim of *recruitment* is to adapt the workforce to actual needs by external or internal recruitment activities.
- To adapt the workforce to actual needs, *personnel training and development* aims to realize higher qualifications of the employees. Meaningful training programs are designed and implemented to enable each employee to meet the changing work standards, either in their current job or in a new work assignment.
- For the case of a personnel surplus, *personnel displacement* has to be initiated, however, dismissals are not imperative.
- *Change-management of personnel* coordinates and integrates the planning activities of recruitment, development, and displacement.
- The *personnel assignment* deals with the coordination of employees to the existent positions.
- *Leading personnel* is based on personnel assignment and defines the relationship between seniors and employees.
- *Personnel cost management* coordinates the budget planning for the personnel itself, for organizational development projects and for the direct costs of HRM.

In addition, to integrate those HRM fields, four further topics become important as so-called „sectional functions“:

- *Personnel marketing* integrates recruitment, training and development and dismissal under a customer orientation. It deals with the acquisition of future employees and motivation of present ones and focuses both on the external and internal labour market.
- *Personnel controlling* realizes the coordination of the HRM fields with business and strategic issues, supporting management in ensuring efficiency and effectiveness of HRM.
- *Personnel information management* integrates the data-bases of HRM.
- Finally, *international HRM* faces the challenges of Europeanization and globalization of the markets.

The second dimension consist in the three managerial **levels** which are well known from general management:

- *operational* as the level of every day's operations,
- *tactical* as the interface between operational and strategic, and



– *strategic* as the level of forming plans and schemes.

While operational issues are mostly relevant for low hierarchical levels, show a short-term time horizon and mainly focus on individuals, tactical issues concentrate on groups within the company, and thus their time horizon is longer. Strategic issues are found at the top management level, concerning the whole company with a long-term perspective.

In the third dimension, one can find the two possible **orientations** important to modern HRM which have the same relevance in practice: *information* and *behaviour* orientation. The main objective is to optimize the informatory basis and in the same time to reach a strict orientation at the individual needs of the employees.

Figure 2 illustrates the fundamental structure of a three-dimensional HRM. It has been developed to set a frame in which a HRM can be executed which fits the challenges of customer orientation, individualization, flexibility, professionalization, and the need for ensuring acceptance of leadership and change.

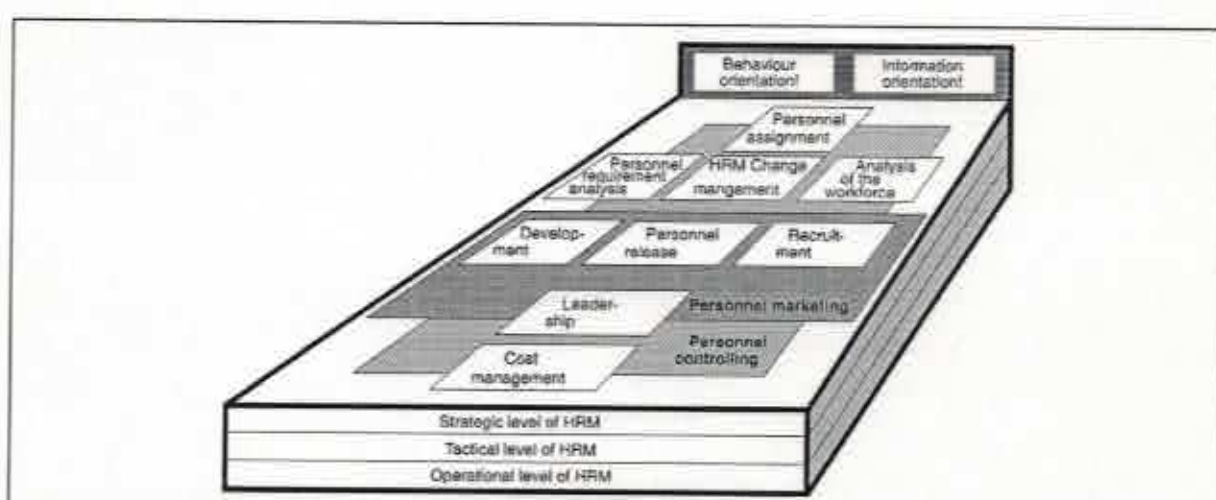


Figure 2: Three-dimensional HRM

### 3.3 HRM in practice

#### 3.3.1 Overview

The development of HRM as practiced in Germany can be described as steps which show the changes in HRM objectives. HRM has developed from an administrative orientation towards a participative employee orientation (e.g. Wunderer 1990; Scholz 1993). From table 4, it can be seen that the central topic of practice in the fifties was personnel administration. Personnel issues came to the fore in the sixties when a certain professionalization and specialization in personnel affairs developed. In this

context, under the influence of humanization of working conditions, personnel issues became important, before the idea of employee participation

emerged. Current issues for the future can only be estimated by now. It is expected

that interfunctional HRM will be the trend for the coming years. Interfunctional HRM refers to the idea that personnel issues should be widely spread about through all levels of the company. In this way the line managers to a certain degree receive the role of HRM managers, and the HRM department mainly concentrates on integrative functions.

|                      | Wunderer (1990, 21)  | Scholz (1993, 22-23)   |
|----------------------|--|--|
| (until about 1960)   | <b>I. Bureaucratization</b><br>Central functions: administration, execution of decisions in personnel affairs<br>Responsibility: head of staff<br>Philosophy: merchantile care for personnel accounts  | <b>I. Personnel administration</b><br>Primary task: personnel administration deals with the settlement of payment of wages and salaries and a rudimentary personnel assignment controlling<br>Secondary task:  |
| (from about 1960 on) | <b>II. Institutionalization</b><br>Central functions: professionalization, centralization, specialization<br>Responsibility: personnel head in large and partly in middle-sized companies<br>Philosophy: adaptation of personnel to organizational demands | <b>II. Organization of labour</b><br>Primary task: the personnel function is organized bureaucratically; coordination through organizational charts and highly structured controlling reports, first approaches to personnel development, personnel administration<br>Secondary task: industrial law   |
| (from about 1970 on) | <b>III. Humanization</b><br>Central functions: humanization, participation, employee orientation, organization of work<br>Responsibility: personnel staff, employee representation<br>Philosophy: adaptation of organization to employees, efficiency      | <b>III. Leadership</b><br>Primary task: leadership becomes one of the central orientations, focussing on development and attendance of employees and on industrial law controlling, administration<br>Secondary task:  |
| (from about 1980 on) | <b>IV. Economization</b><br>Central functions: flexibilization, rationalization, substitution of personnel by assets<br>Responsibility: personnel department, line management<br>Philosophy: adaptation to changed environment, effectiveness              | <b>IV. Strategic HRM</b><br>Primary task: finding a long-term conception for the personnel function by formulating a personnel strategy<br>Secondary task: controlling, marketing, industrial law, development, leadership, administration   |
| (from about 1990 on) | <b>V. Intrapreneuring</b><br>Central functions: corporate co-knowing, co-thinking, co-acting, and co-responsibility<br>Responsibility: top management, line managers, employees<br>Philosophy: employees are the most valuable and sensitive resource      | <b>V. Interfunctional HRM</b><br>Primary task: the personnel function is broadly spread over all corporate functions, so that each department head deals with certain HRM tasks and the personnel department concentrates on integrating the activities into the strategic frame<br>Secondary task: marketing, industrial law, controlling, administration |

Table 4: Steps in development of German HRM in practice

should be realized within a special „coaching-company“ (e.g. Hartz 1994, 143-160).

A holistic approach of strategic personnel development can be found under the title „M4-employee“ (e.g. Hartz 1994, 113-127): This planned approach focuses on the employee and tries to reach a new, flexibility-oriented typus of employees. The employees get the chance to influence their environment they work in as well as their personal development. On the other hand, VW aims to realize its lean structure and tries to open up the employees as innovation-generating resources. The central point for this development approach consists in the objective to ensure and improve VW's success.



In detail, the components of „M4-employee“ are multifunctional, mobil, participating („mitgestaltend“), and human („menschlich“):

- Multifunctional employees should gain further action competencies enabling them to cope with new functions and skill demands in their complex working situation.
- Mobility refers to the growing importance of international placements within the global VW group. Reasons include the individual transfer of experience, and the irregular labour supply.
- Already facing a high level of motivation, the employees should more be involved in the job design process, especially by being responsible for improvements.
- The idea of humanization means the possibility for the employees to change from co-workers to co-managers, combined with the chance for development in personality and career.

Reviewing this model, the vision of a new kind of employee becomes clear: an employee with new responsibilities, but also with chances for individual development. There remains the need to develop and improve the existing organizational system to create such new employees. The crucial question in the VW group is, how the employees, to a certain degree „saturated“ by individual leadership and development schemes, can be in the long range motivated to provide a steady input of creativity, innovation and success contributions.

#### *(b) The „Partnership-model“ in Bertelsmann corporation*

Basic idea of the „partnership corporation“ is that when all stakeholders - stock holders, management, employees - see themselves as a working community, continuity of the company can best be guaranteed (e.g. *Mohn* 1986). Following this idea, cooperation between leadership, employees, and stock holders is a centerpiece of corporate culture at Bertelsmann AG, one of the largest media groups worldwide, and is well documented in the corporate constitution and in the guidelines of leadership.

Partnership in Bertelsmann AG covers both the material and immaterial dimensions. In 1970, first material instruments of participating interest were introduced, followed in 1980 by profit participation rights which in 1986 were issued at the stock exchange as Bertelsmann participation certificates.

The immaterial components of partnership are based on the ideas of cooperative leadership. One tries to integrate the employees of all fields and levels into the corporate decision process through communication and information, team

influencing HRM were identified. In a second phase beginning in 1990, BMW started to examine its HRM strategy by using the scenario-analysis technique. Five steps (as described in detail in *Scholz* 1993, 119-127) were undertaken:

1. The main future factors influencing HRM were evaluated. Internal factors identified included the production process, products, administrative processes, and computer aided techniques. As external factors, political change, societal change, labour costs, demographic trends and the education system were found.



2. For each of the main future factors, a group of BMW-employees developed a separate scenario.
3. These separate scenarios were integrated into two holistic scenarios for the year 2000, one as the probable scenario, another as a contingency scenario.
4. Derived from the probable scenario, six key issues were discussed which served as information input for the HRM strategy until 2000.
5. The key issues were in a last step specified to support the execution of the main goals.

In the future, the scenarios should be evaluated as to whether they are realistic or not. In this manner an early warning system will be implemented.

The central statements from the BMW-scenario 2000, serving as guidelines for the actual HRM, are listed in the following:

- The qualified employee will become a self-confident entrepreneur of his own labour potential.
- The central key to efficiency and productivity lies in corporate and leadership culture.
- Qualification will become the key factor relevant to success for both the employees and the company.
- The time for revolutionary changes in production is over. In the future, one will face evolutionary developments in structures of labour and organization.
- The older employee will become a central challenge for HRM.
- The attractiveness of BMW as employer depends more and more on its role as leader in the field of ecological-oriented innovation in the car industry.

By using these results from the scenario-analysis, HRM concepts and policies should be evaluated concerning their relevance, and new topics for a strategic, long-term personnel policy will be identified.

#### **4. Empirical findings for „excellent companies“**

It is widely accepted that German companies realize a satisfying performance as players in the global market. While German researchers usually attribute this success to technical skills, technological superiority of products and to educational systems, others, especially researchers from the United States, paint a rather sceptical picture. For instance, *Porter* (1990, 715-719) writes:

„There are disturbing signs of a slackening dynamism. ...Lack of skills and expertise in new sciences such as semiconductors, computers, software and bioengineering. ...Also significant is the relative weakness of education in social sciences and management.

measurement, and other marketing techniques. ...The motivation and sustained commitment to invest of German employees, managers, and investors is showing signs of decline. ...Failure is unacceptable in Germany, and a secure job in an established company is the preferred path.“

Thus success is often seen to occur in Germany *despite* poor HRM. In Germany, even the value of „soft factors“ often is neglected. While their contributions to the success of American and Japanese companies are well-known, very seldom have these questions been analysed on a larger scale for German companies. Therefore, the empirical findings also try to provide some answers about the ways and means of „HRM made in Germany“.

##### **4.1 The study**

In 1991, „manager magazin“, one of the largest business journals in Germany, published an article on HRM. Simultaneously, a competition was started to find out the companies with the most professional and innovative HRM in Germany. Thus, companies were asked to answer a questionnaire related to their HRM system to be analyzed by the author of this chapter. Furthermore, they were asked to send in material describing what their particular company considered to be its most innovative HRM-idea. These entries were subject to the investigation of a jury of prominent experts in the field. In addition to this, the jury as well as the DGFP (the German member of the Association of Personnel Managers APM) sent out letters to those companies whose well established HRM they knew. Therefore most (if not all) relevant German companies learned about this research and can be considered as potential contributors.

In short, the central aim of this study was to gain an actual overview of HRM in German companies. Still, this project created two explicit barriers: First, the companies had to fill in the rather extensive HRM-questionnaire, which constitutes a large preventive mechanism for those companies with a (by German standards) not too professional HRM-department. Second, the companies had to have some concept of what they thought to be innovative. These two barriers are important, since they introduce some sampling bias into the data base, but nonetheless allow insights in the top-HRM companies to some degree.

##### **4.2 The framework**

The framework used for the study (figure 3) is based on a specific *structuring device* for HRM activities (*Scholz* 1993): It distinguishes between management fields such as determination of demand, analyzing of existing resources, recruiting and leadership. And in addition it differentiates between the strategic, tactical and operational levels. The framework then includes *situational factors*, in particular, the size of the company and the type of industry the company is in: It is to be expected that HRM-practices differ to some degree with respect to these factors, since some planning techniques make sense only for larger companies. Also, the *environment* has a strong impact on the planning procedures and the management style: A rather turbulent market calls for other methods of coping with complexity than a more static situation. As management theory teaches (e.g. *Duncan* 1972), not only is the real situation of importance: also important is the subjective perception of reality which guides individual and collective behaviour. Therefore, with respect to the environment, information related to these perceptions have to be gathered. All this points to those issues a company considers to be of enough importance to deal with.

„Issue“ in these models - as already stated by *Ansoff* (1980)- means an important problem for the company, which is currently in the process of being solved. Therefore, these issues, on one side, reflect the situation as it is perceived by the individual company, and on the other side, they are part of the current HRM-practice. For these reasons, „issues“ are positioned in the basic framework as part of the situation and part of the HRM.

The second section of the framework describes the HRM of the company. It is based on the HRM-fields stated above. This HRM-model was used, here, to define the questions related to the HRM of the company. Its basic purpose is to cover a wide range of HRM activities, in order to get a reliable picture of the company.

In the context of this research, **six aspects** are of particular importance:

- The starting point is the available *information*, since serious HRM is always based not only on intuition, but also on a precise data base.
- The employed *planning techniques* use the data and transform them into actions.
- Also important are the *HRM-programs*. For instance, a dual career system may play an important role in attracting and motivating (future) employees.
- The same holds true for the *training concepts*, which the company uses on a regular basis.



- In order to run professionally, parts of the HRM must use *EDP-systems*, which is practically inevitable especially for larger companies.
- Finally, the *HRM-controlling* is intended to monitor the HRM activities of the company, which makes it itself an object for investigation in the study.

In order to get a ranking of the companies with respect to their HRM activities, the **PRISMA-Score** (named after the research group which conducted this study) will be introduced: It determines the degree to which the various management fields of the original model are covered. This PRISMA-Score takes into account that larger companies have different necessities than smaller companies. It therefore leads to situational aspects: Here can be seen how the HRM activities really depend upon size and industry.

Finally, consequences of the research shall be discussed, with respect to understanding the problem, learning about instruments and interesting cases, and getting a data base to define factors of success. Figure 3 gives an overview of the framework of the study.

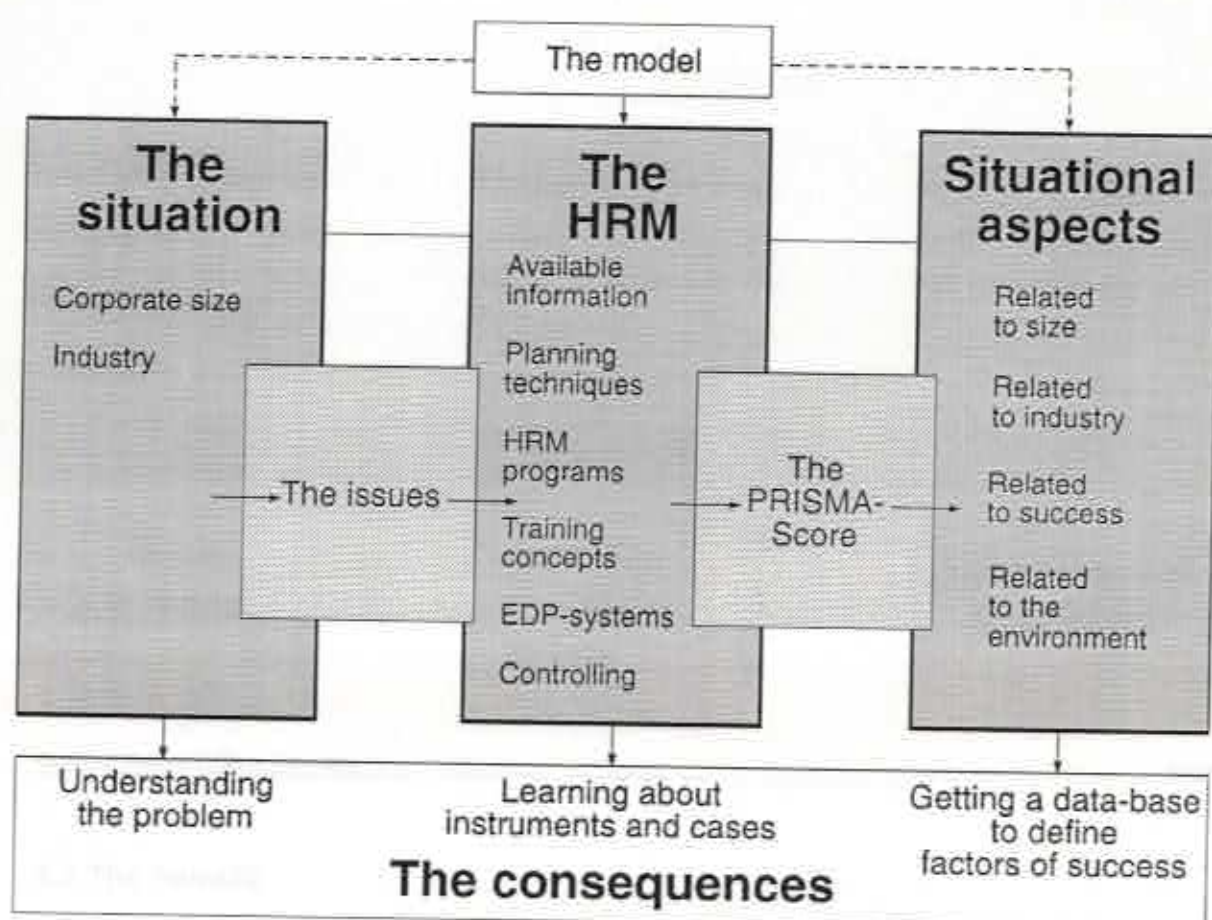


Figure 3: Framework of the study

they are extreme effective, by all standards. And they see themselves as members of the group of excellent companies with respect to their HRM.

|                     |                           | n  | Percent |
|---------------------|---------------------------|----|---------|
| Industry            | Banks, Insurances         | 10 | 18,9%   |
|                     | Consultants               | 5  | 9,4%    |
|                     | Other services            | 11 | 20,9%   |
|                     | EDP industry              | 3  | 5,6%    |
|                     | Car industry              | 3  | 5,6%    |
|                     | Electrotechnical industry | 5  | 9,4%    |
|                     | Engineering industrial    | 3  | 5,6%    |
|                     | Metal working industry    | 4  | 7,6%    |
|                     | Other                     | 8  | 15,1%   |
|                     | No response               | 1  | 1,9%    |
| Number of Employees | 1- 49                     | 9  | 17,0%   |
|                     | 50- 199                   | 8  | 15,1%   |
|                     | 200- 999                  | 5  | 9,5%    |
|                     | 1000- 1999                | 7  | 13,2%   |
|                     | 2000- 4999                | 10 | 18,9%   |
|                     | 5000- 24999               | 8  | 15,1%   |
|                     | 25000- 150000             | 6  | 11,3%   |
| Sum                 |                           | 53 | 100,0%  |

Table 5: The sample

The sample covers a large variety with respect to size and industry type. Also it is important to note that almost no company is a subsidiary and that almost all companies are „truly“ German companies: Exceptions are two firms (Hewlett Packard and Digital Equipment) which are included in the sample, since, to some degree, they represent in Germany also German management practice.

#### 4.4 Results

The first real surprise arose from what the respondantes selected as the key issues for HRM, in the sense of relevant problems to be tackled (figure 4). In advance, new production technologies, Europe 1992, or trade unions were expected to be the relevant issues. But motivation, the seeking of high potentials, corporate culture, and corporate image were named, followed by issues such as new technologies and new products.



Figure 5: HR-planning techniques

The rather low usage rate might be surprising. But if the number of instruments used by the companies is taken, we find an average of 11,58 instruments in use per company and that almost all companies use at least 3 of the techniques mentioned (with a maximum of 24).

Discussing these issues with companies from the sample, a basic dislike of analytical quick shots came up, combined with a fear of „putting people into the computer“ - a reminder of the *George Orwell* year 1984 which was very important to Germany.

|                                      | 50,9% | 49,1% | 16% |
|--------------------------------------|-------|-------|-----|
| Flexible retirement                  | 50,9% | 49,1% | 16% |
| Computer-based training              | 49,1% | 50,9% | 8%  |
| Management games                     | 49,1% | 50,9% | <1% |
| Individual guidance system           | 45,3% | 54,7% | 9%  |
| Quality Circles                      | 41,5% | 58,5% | 7%  |
| Job Sharing                          | 39,6% | 60,4% | <1% |
| Coaching                             | 37,7% | 62,3% | 10% |
| Earlier retirement                   | 37,7% | 62,3% | 3%  |
| Outplacement advisory                | 34,0% | 66,0% | 3%  |
| Lernstaff (self-structured learning) | 17,0% | 83,0% | <1% |
| Sabbatical                           | 13,2% | 86,8% | <1% |
| Dual-career-systems for couples      | 7,5%  | 92,5% | <1% |

Table 7: HRM-programs

As to the training concepts (table 8), outside of job related tasks, communication skills and leadership behaviour are the most often taught. But also systems thinking, transaction analysis and neurolinguistic programming are found. Looking at the degree of employees concerned for each concept, communication skills, case studies, and selling training top the list.



| Contents of training programs  | yes   | no    | Degree of employees concerned |
|--------------------------------|-------|-------|-------------------------------|
| Communication skills           | 84,9% | 15,1% | 22%                           |
| Leadership behaviour           | 83,0% | 17,0% | 14%                           |
| Personal work techniques       | 81,1% | 18,9% | 17%                           |
| Rhetorical skills              | 77,4% | 22,6% | 17%                           |
| Selling training               | 75,5% | 24,5% | 18%                           |
| Case studies                   | 71,7% | 28,3% | 22%                           |
| Time management                | 69,8% | 30,2% | 11%                           |
| Conflict resolution skills     | 67,9% | 32,1% | 10%                           |
| Project management             | 66,0% | 34,0% | 11%                           |
| „Metaplan“ technique           | 64,2% | 35,8% | 11%                           |
| Motivation workshops           | 64,2% | 35,8% | 15%                           |
| Group dynamics (team building) | 58,5% | 41,5% | 8%                            |
| Quality management             | 47,2% | 52,8% | 7%                            |
| Role behaviour                 | 47,2% | 52,8% | 9%                            |
| Systems thinking               | 47,2% | 52,8% | <1%                           |
| Individual stress management   | 41,5% | 58,5% | 4%                            |
| Fitness programs               | 26,4% | 73,6% | 2%                            |
| Transaction analysis           | 26,4% | 73,6% | 2%                            |
| Intercultural action training  | 20,8% | 79,2% | 3%                            |
| Psychological games            | 20,8% | 79,2% | 2%                            |
| Visionary management           | 20,8% | 79,2% | 3%                            |
| Meditation                     | 18,9% | 81,1% | <1%                           |
| Neurolinguistic programming    | 13,2% | 86,8% | <1%                           |
| Symbolic management            | 5,7%  | 94,3% | <1%                           |

Table 8: Training concepts

Currently, in German companies intensive movements with respect to the EDP-based HRM can be seen (figure 6). Traditionally, HRM-data processing in Germany is done on mainframes. This has not only the well-known (but no longer existing) technological reasons, it has also something to do with legal practice. Since mainframes are usually less flexible than Personal Computers, trade unions and works councils prefer mainframes, and in particular they prefer the handful of mainframe-based HRM systems which only allow for a few standardized operations and are not directly accessible by (flexible) PC-systems. Therefore, the Micro-Mainframe-Link has become crucial.

But this situation is changing due to many factors, such as pressure of Europeanization, technological PC-capabilities (such as „cut and paste“) and international computer networks. Also important has been also the legal consideration that basically personal data individuals and not aggregated data is what must be protected.

Figure 6 shows which areas in the particular companies are substantially run in a computerized mode. We see that in particular application administration and development planning on job is done by PC. Almost 90% of the HRM-departments use PCs for HRM activities, more than 70% are connected to a mainframe, and 60%

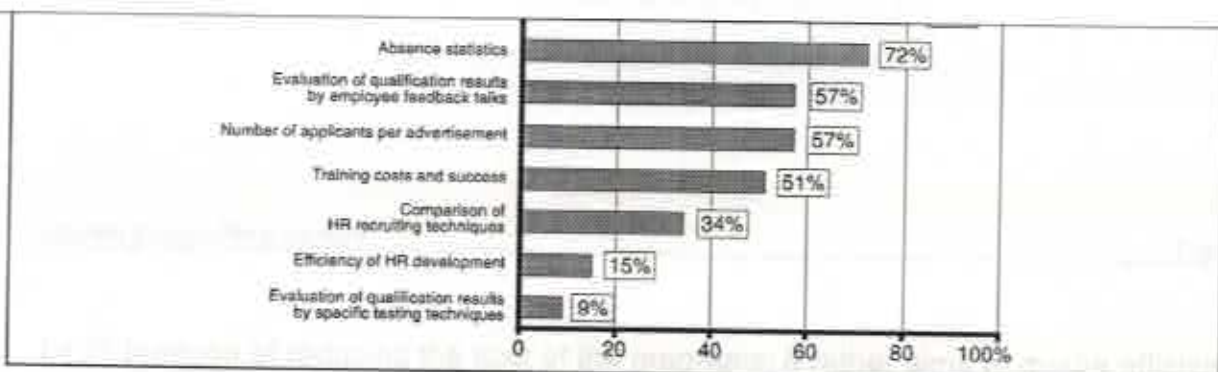


Figure 7: HR-controlling

In general there seems to be a tendency to work on systematic analysis of development and training programs. This „Bildungscontrolling“ does not have the same importance as HRM-controlling in Germany. The controlling of all HRM activities, since there is a severe shortage in skilled workers and in „young top managers“, this might become very important and really managing companies, and as media success controls, therefore, could be valuable.

#### 4.5 The PRISMA-Score

In order to get a holistic picture of the HRM activities of the companies in the sample, the PRISMA-Score as a quantitative index was introduced. This scoring device uses the standard approaches for HRM (described in detail in Scholz 1993) and defines certain elements to be necessary for each of the management fields in HRM. In doing so, to some degree, the necessities related to size are considered. These elements of the various management fields are then weighted with respect to the answers from the companies. This means that the benchmarks are derived from the sample itself, ruling out unrealistic expectations from the author. The scores for each HRM field falls into the interval between 0 and 100, and the sum score of all 10 fields aggregated into the interval between 0 and 1000.

If, for instance, the top company with respect to job descriptions, has descriptions for two thirds of their employees, these 66% would go as 100 points into the PRISMA-Score. On the other side: If all companies have at least descriptions for 22% of their staff, this value will be transformed into 0 points with respect to the PRISMA-Score. Accordingly, a company having job descriptions for 44% of their employees will be ranked with 50 points.

The PRISMA-Score therefore is a dynamic scoring system: Each new entry in the data base may move the benchmarks up, making it more difficult to reach high values. The HRM of a company, which reached a top score now, might become in five years, (if it is unchanged) only a medium score. Table 9 displays the distribution of the results.



|                           | Sum score | Analysis of work-force | Requirement analysis | Recruitment | Development | Displacement | Assignment | Leadership | Cost management | Information management | Other HR functions |
|---------------------------|-----------|------------------------|----------------------|-------------|-------------|--------------|------------|------------|-----------------|------------------------|--------------------|
| All                       | 534       | 53                     | 43                   | 50          | 59          | 58           | 49         | 44         | 70              | 65                     | 42                 |
| Car industry              | 741       | 70                     | 88                   | 72          | 85          | 77           | 67         | 54         | 81              | 88                     | 60                 |
| Consultants               | 623       | 72                     | 37                   | 72          | 66          | 67           | 70         | 47         | 71              | 60                     | 60                 |
| EDP industry              | 622       | 60                     | 39                   | 68          | 70          | 63           | 57         | 66         | 70              | 72                     | 57                 |
| Metal working industry    | 550       | 51                     | 57                   | 35          | 54          | 77           | 65         | 21         | 73              | 77                     | 39                 |
| Other services            | 533       | 27                     | 27                   | 58          | 64          | 47           | 50         | 45         | 70              | 62                     | 48                 |
| Others                    | 499       | 40                     | 40                   | 51          | 57          | 46           | 44         | 44         | 69              | 56                     | 42                 |
| Banks, Insurances         | 488       | 45                     | 45                   | 43          | 50          | 52           | 47         | 43         | 64              | 67                     | 28                 |
| Engineering industrial    | 483       | 40                     | 40                   | 43          | 51          | 58           | 36         | 44         | 73              | 61                     | 35                 |
| Electrotechnical industry | 470       | 46                     | 46                   | 28          | 59          | 64           | 35         | 34         | 71              | 62                     | 32                 |
| Small companies           | 567       | 61                     | 28                   | 64          | 66          | 54           | 55         | 51         | 69              | 59                     | 59                 |
| Medium sized companies    | 451       | 46                     | 42                   | 30          | 47          | 57           | 38         | 37         | 70              | 59                     | 25                 |
| Large companies           | 550       | 50                     | 56                   | 49          | 62          | 60           | 51         | 42         | 70              | 72                     | 37                 |

Table 9: The PRISMA-Score by industries and size of companies

Concerning the relations between **industry** and the PRISMA-Score, the car industry is in all HRM-fields very close to the maximum situation (100 points). Strong international competition has certainly forced this industry to improve its HRM. Similar high scores are found for consultants and the EDP industry. Also worth noting is the low sum score for the electrotechnical industry where the scores for recruiting and leadership indicate the deficits.

Regarding the size of the companies, within the last years nearly every relevant researcher has suggested that smaller companies in Germany should have a less developed HRM: This study, on the contrary, indicates that small companies have the strategic opportunity to derive competitive advantages from their HRM. The small of the surveyed companies show high scores especially in HR sock analysis, recruitment, and development. Of course, larger companies might have more and higher developed instruments in the fields of HRM, because they need to administrate the number of employees they have. They are more stable and have the power to implement HR-systems. Smaller companies are easier to handle and more flexible in comparison to larger companies. Problems appear for medium sized companies: They are not so easy to monitor like the small ones and, on the other side, they do not have the power of large companies.

As to the **HRM-fields**, cost management and HR information management are on the top of the list. On the other side, leadership and requirement analysis show low scores. Here, possibilities to improve one's HRM arise. This result might be undramatical in prosperous times, but in recessive phases it becomes dangerous: A



missing exact requirement analysis might hinder the necessary dismissals, and a good leadership is vital in recessions.

Taking the PRISMA-Score as a measure for professional HRM, one can determine the situational factors which favour a highly developed HRM. Four groups of factors have been extracted to be significant even within the analyzed group of (rather) excellent companies (table 10, figure 8):

- (a) The company sees itself as a global player with fast product changes in a technologically fast changing environment.
- (b) The top HR-managers are not very keen on functions such as controlling, financing or accounting. Especially for a small company this means that they are not additionally involved in these functions.
- (c) The HR-department displays certain attitudes, such as seeing the importance of immaterial incentive systems and of corporate culture.
- (d) The HR-managers and their teams have a rather high standard of knowledge in fields such as organizational development, leadership and strategic HRM.

| Item   | Correlation Coefficient with PRISMA-SCORE<br>(* .01 < s ≤ .05; ** s ≤ .01) |
|--|--|
| High relevance of globalization of markets                     | 0,2879*  |
| High relevance of new products                                 | 0,3239*  |
| High relevance of new technologies                             | 0,3841**   |
| HR-managers qualified in labour legislation                    | 0,7481**   |
| HR-managers qualified in leadership models                     | 0,6391**   |
| HR-managers qualified in strategic HRM                         | 0,5350*  |
| HR-managers qualified in development                           | 0,5402*  |
| Personnel head deals not with controlling                      | -0,4002**  |
| Personnel head deals not with finance                          | -0,3160*   |
| Personnel head deals not with accounting                       | -0,3945**  |
| The corporate strategy excludes the personnel division         | -0,5018**  |
| Dominance of personnel administration over personnel planning  | -0,3436*   |
| Corporate culture is seen as a matter of fashion               | -0,3016*   |
| Costs and efficiency are less important than corporate culture | -0,3168*   |
| Immaterial incentive systems gain more and more significance   | 0,4419**   |
| The personnel planning is underdeveloped                       | -0,6329**  |
| The personnel division is as necessary as a white elephant     | -0,4722**  |

Table 10: Correlation coefficients for situational factors with PRISMA-INDEX

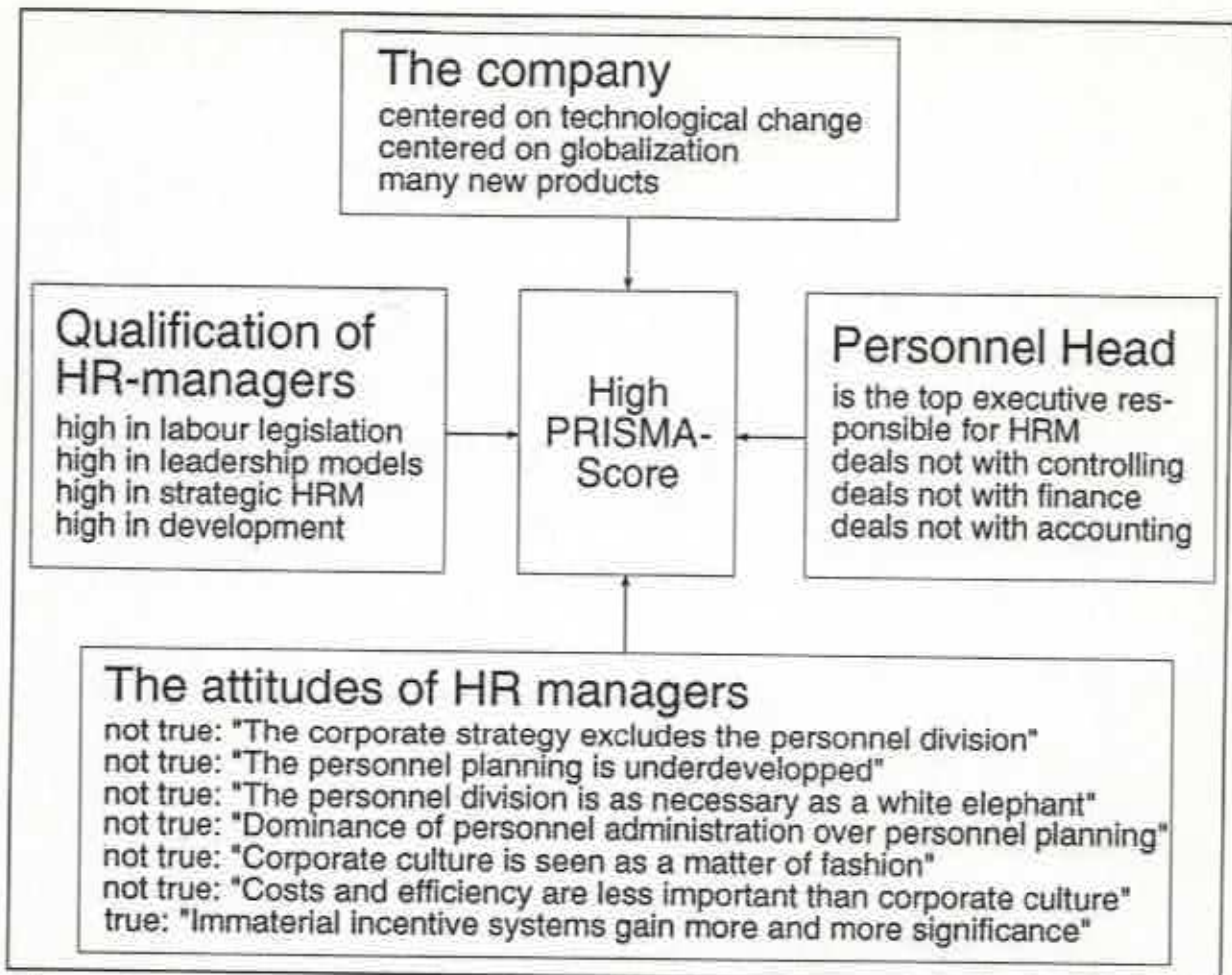


Figure 8: Situational factors for high PRISMA-Scores

#### 4.6 Some tentative conclusions of the empirical findings

In asking what these research results mean and what their consequences are, there are **three groups** of findings being identified:

First, there is the possibility of understanding the *challenge* for the coming years: Analyzing the issues, it becomes clear that the move went clearly into the direction of the soft factors, such as corporate culture, corporate image, and motivation of employees. Putting the aspects on top of their lists of priorities, German companies might have got a good start in the race for global competitiveness, and, equally important, in the race for competitiveness in the „United Europe“.

Second, a learning about *instruments* can be derived: This research shows a quite impressive range of HRM-instruments in use, ranging from specific scenario-analysis all the way to hierarchical HRM-portfolios. It is important to note, that these approaches are usually constructed completely under the system of co-determination, which means strict integration of the input from works councils and employees.



Therefore, even if at the beginning it is a bit more complicated for German managers to get their ideas realized, once they are agreed upon, there is a higher chance of wide acceptance within the whole company.

Third, as a result we get a data-base to define *factors of success*: The PRISMA-Score is especially useful in identifying important situational factors which are closely related to excellent companies and their HRM. This strategy to compare one's own success with the success of other companies is known under the term „*benchmarking*“, found in three characteristic forms:

- Strategic benchmarking means to compare one's own strategic patterns with those of „best-of-class“-companies.
- Operational benchmarking focuses on separate functions or systems within the company, comparing for example costs or prices.
- Within business management benchmarking, internal services examine together with their internal clients the value added, costs, and alternative forms of increasing benefits.

It is not absolutely necessary to look for a company very similar in size and industry to compare the single scores: It is also possible to search for the leading companies, leaving aside variables such as industry and size to reduce problems in finding comparative data. The results of benchmarking serve as reference what is potentially possible in practice, and they can be transformed into relevant target figures.

## **5. Current challenges and trends for corporate HRM**

HRM faces many of challenges on which it is expected to react, including current changes in the internal environment of companies, and on the current changes in the external environment. Keeping in mind that HRM in Germany is regarded as one of our central competitive advantages in comparison to other countries, some important tasks remain for research and practice to keep this position. In this context, it is not too important whether academic theory reflects practice or the practice is initiated by academic theory, both are needed to complement each other. Thus in the following, both exogenous and endogenous challenges for corporate HRM as seen by the author will be pointed out (table 11).

| Exogenous challenges   | Endogenous challenges   |
|--|---|
| Political change<br>Societal change<br>Demographic factors<br>Labour costs<br>Trade unions<br>Education system | Strategic view<br>Role of managers<br>Changes in administration and production<br>Development and training<br>Corporate culture |

Table 11: Exogenous and endogenous challenges

## 5.1 Exogenous challenges

The following exogenous challenges seem to be important for future HRM in Germany:

- Important *political changes* can be found with respect to the ongoing process of European integration (e.g. Scholz 1994) and especially with respect to Eastern Europe. New markets are growing which provide huge potential for sales. In national politics, there is still the difficult task of reunification to be worked on. Success in working life will be one of the major determinants for the success of the „growing together“ of the formerly divided Germany. Also, the general orientation towards ecological issues will continue. This will probably continue to have great influence on laws concerning production conditions.
- As to *societal change*, it can be stated that the change in attitudes will go on. People are tending to favor ecological and ethical values. They are planning their lives increasingly around their individual interests. This results in growing demands for pretentious work and working conditions. Thus the employees of the future will have clearer ideas of what they expect and more criticisms of what they get.
- As the average *age* in the German workforce increases, it will be necessary to improve the recruitment and marketing functions to keep a stable configuration in the workforce. And it is widely expected that the competition for skilled workers and professionals will increase. The reasons for this can be found in the the cyclical economic upswing expected for the coming years and in the broadening markets in Eastern Europe and Asia.
- In addition to the high costs of wages and salaries in Germany, new laws including health and safety regulations will continue to drive up the costs of benefits and thus necessitate labour cost reductions. Pay increases for most employees will continue to be lower than in recent years because of modest inflation and difficult business conditions. Viable pay-for-performance programs coupled with lower employee expectations are one of the possible solutions.



- *Trade unions* - many of them faced with declining membership - will be looking to expand their representation. They will try to increase their level of influence on employers, directly and through the legislative process.
- The *education system* will become even more specialized as technological progress continues. Only experts will be able to cope with the growing mass of information. Within the HRM academic discipline, HRM is coming to differentiate by recipients: While line managers need further knowledge in personnel issues, especially in leading people, personnel staffers must learn to see their business as a political process in a conflicting environment. Other recipients are specialists for several tasks like qualification and training who need special expertises, but also personnel consultants or even works councils' members. They all should be educated within the same university curriculum for personnel - a challenging task for the future.

## 5.2 Endogenous challenges

Due to increasing exogenous demands within Germany, HRM is constantly expected to provide for better and individually adapted solutions. In addition, the following endogenous challenges complicate the situation even further:

- It is becoming more and more common to view personnel in a *strategic* rather than in a reactive way. HRM itself is becoming a top management priority. Moreover, employees are regarded as being most influential on the corporate strategy. They are being given more appropriate attention in academia through analyzing their actions: in psychological approaches (e.g. psychological theory of action by *Hacker*, e.g. 1983) and likewise in sociological approaches (e.g. micropolitical analysis by *Küpper/Ortmann* 1988). Another trend can be discovered in the outsourcing of HR functions or building up the HRM as profit-centers. However, the strategic relevance of the HRM can only be demonstrated if its contribution to corporate value added is proven.
- The *manager's role* may be challenged or viewed as being threatened by various employee participation programs. Managers will become more coaches and counselors than leaders. Highly actual is the shift of the personnel function *from the staff to the line management*. Therefore, HR managers will leave some of their operational and tactical responsibility to line managers and concentrate on coordinating and integrating functions.
- *Changes in administration and production* occur through technological dynamics. A result of this is the creation of innovative team- and working structures. Virtual organizations are a current approach to this progress. Technological and societal change will call for more employee involvement in improving product quality and

lowering the cost of inputs. Increased employee participation will also result in a more self-directed work force better able to achieve improvements in productivity.

- *Development* on all levels is a critical factor, especially in organizations downsizing to flatter structures. This will result in more short-term and permanent transfers. The link between group and organization development is especially necessary to reach a situation where strategic learning can take place.
- Organizational and *cultural factors* can be expected to become more and more important for HRM. First, it will become a major future task to documentate the complexe processes and to develop special culture-oriented HRM strategies. Furthermore, the establishment of a constructive relationship between the company and employees, works councils, and unions will remain a steady process. For as the attitudes of employees change and the knowledge of experts increases, new working forms based on communication and cooperation will arise. Problem solving will best be possible through constructive co-working.

## **6. Conclusion**

HRM in Germany has a long academic and practical tradition. Although German HRM is not too well known outside its own geographical area, there are several representatives with different theoretical orientations covering all fields and issues of HRM. Their publications are clearly worth reading. The state of the art is similar to the Anglo-American although the key terms seem to indicate a slight time lag in Germany.

HRM in Germany takes place in a very specific situation. This chapter has shown the characteristical situational factors for HRM. In addition, the strengths and weaknesses of „HRM made in Germany“ were identified. All in all it can be stated, that contemporary HRM faces interesting challenges. One of the most interesting developments can be found on the corporate level, named as interfunctional HRM: HRM issues are widely spread about all functions in the company. The line managers more and more often take the role of HRM managers, while the HRM department concentrates on integrative functions. As practical examples show, German companies managed by the strict connection of behaviour- and information-oriented dimensions can be found. Indeed, German HRM shows the potential to succeed in providing the future competitive edge for companies in global competition.



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