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German
Linguistic and
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Studies

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German-Irish Corporate Relationships

The Cultural Dimension

Peter Lang

Introduction

The presence of German companies in Ireland is not a new phenomenon; indeed, some have been established there since the 1920s. The vast majority, however, arrived post-1960. In 2000 there were 236 German operations[1] in Ireland (German-Irish Chamber of Industry and Commerce database, June 2000) and German investment ranked as Ireland's third most important source after the US and the UK. Although less significant in terms of their overall number, in 1999 there were 65 Irish companies with German operations, most of whom had sales or distribution operations there (Enterprise Ireland, Jan. 1999). Monitoring the picture since 1996, it is clear that the number of companies involved on both sides is increasing[2].

Despite these positive trends the research into German-Irish corporate relationships has been extremely limited. Apart from the short, largely statistical, surveys of the perception of Ireland's infrastructure by German investors, published by the German-Irish Chamber of Industry and Commerce at approximately three yearly intervals since 1990, and Armbruster's survey of 24 German companies in Ireland in the early 1980s, to the knowledge of the author, little other published research exists on the experiences of these companies. It would also appear that, to date, no research at all has been done on the German operations of Irish companies. One of the aims of this book is to attempt to address these lacunae.

1 This figure includes Irish subsidiaries of German-owned companies or of companies with substantial German interests (including joint ventures and independently owned Irish companies which maintain strong links with Germany (that is owned by private German individuals in Ireland) and multinational companies which have traditionally been in German ownership) (German-Irish Chamber of Industry and Commerce, telephone conversation, September 2000).

2 In 2001 the number of German operations in Ireland had increased to 270 (German-Irish Chamber of Industry and Commerce, 2002) and the number of Irish operations in Germany to 72 (Enterprise Ireland, 2001).

Ireland offers German companies important financial incentives for locating and remaining in Ireland:

- a low (10%) level of corporation tax on eligible manufacturing and qualifying services guaranteed to 31 December 2002 (and until 2010 and 2005 respectively for those who commenced their Irish operations prior to 31 July 1998). Thereafter, corporation tax will be levied at 12.5% for trading profits in all sectors until 2025 (IDA, 2000a);
- labour costs are significantly lower than domestic German rates (labour costs in the manufacturing sector in Ireland are 61% of those in west Germany and 95% of those in east Germany (*iwd*, 11.07.02)[3]. In 2000 they stood at 51% of the west German level and 80% of those in east Germany (Institut der deutschen Wirtschaft, 2000a Nr. 152);
- the Double Tax Agreement between Germany and Ireland, enabling the repatriation of profits earned in Ireland and on which Irish tax has been paid without being subject to further taxation in Germany;
- the numerous generous non-repayable subsidies and grants offered by Irish developmental agencies such as the IDA (Irish Development Authority) for such diverse areas as research and development, training, and the setting up of a new operation.

While Irish companies deciding to set up a German operation do not benefit from any schemes backed by German state agencies, they are assisted by Enterprise Ireland and are attracted by the prospect of a large market with strong domestic purchasing power.

In both cases, whether such undertakings be in the form of a greenfield site, joint venture, takeover or a sales office, it appears, all too frequently, that the prospect of high returns on investment is the primary factor when making such decisions. Few companies stop to think that they are not only setting up an operation in a different country, where a different language is spoken, but are also taking on

3 German statistics still differentiate between east and west Germany in order to reflect that full harmonisation has not yet been achieved across the country. The use of the terms 'east/west Germany' in this book refers to the new/old federal states as parts of unified Germany post 1990.

an encounter with a culture which functions in many respects upon different principles to the one with which they are familiar. Although legally German and Irish people now share a common EU citizenship, this in no way obliterates the many thousands of years of history, tradition and development – in short culture – which still separate them. Their ‘mental software’, to quote Hofstede (1991), though often quite similar, is *never* identical.

The questions which this raises are: in an age of growing internationalisation and globalisation are the cultural differences which exist between nations relevant to cross-national corporate relationships? Indeed, do cross-national corporate relationships have a cultural dimension at all or have internationally recognised ‘best practices’ removed culture from the equation? It is precisely these questions that this book addresses for the context of German–Irish corporate relationships. Beginning by outlining approaches to the study of culture which have been adopted by cross-national researchers, it then explores the business cultural context within which companies in Germany and Ireland operate. In view of the time frame of the empirical survey (1996–9), the focus here will be primarily on the period preceding 2000; however, important trends which have developed since that time will be outlined. Next, using two sample groups: Sample Group A (15 German parent companies and 14 of their Irish operations) and Sample Group B (7 Irish parent companies and 9 of their German operations), it investigates first, the parent companies, to see whether or not they reflect the business culture in which they are embedded, before looking at their respective subsidiaries and the mechanics of the parent company–subsidiary relationship, in order to ascertain whether or not parent company influences may be detected in the subsidiaries, in what form, and at what levels. The overall approach adopted by the parent companies is analysed and compared for both groups to determine any national differences evident. Attention is then turned to identifying national differences in attitudes and values between the Germans and the Irish and considering how these impact upon the day-to-day business context.

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August 2002