

# **JAPANESE HUMAN RESOURCE MANAGEMENT: INSPIRATIONS FROM ABROAD AND CURRENT TRENDS OF CHANGE**

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# **Japanese Human Resource Management: Inspirations from Abroad and Current Trends of Change<sup>i</sup>**

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## Abstract

The objective of this chapter is to develop suggestions as to how Japanese multinational corporations (MNCs) might best make use of foreign, here specifically American and German, HRM practices in order to reform their own HRM model. These suggestions are based on a large scale empirical study, encompassing responses from more than 800 HR managers. The learning possibilities for Japanese companies from abroad are analyzed on two different levels: at headquarters and at subsidiary level. Based on empirical evidence, this chapter argues that for Japan, the American system serves as a powerful source of inspiration, highlighting the *direction* of change. However, in order to establish to what *degree* to change, more ‘moderate’ approaches – such as, for example, the German one – might provide additional sources of inspiration. In any case, no matter from where outside inspirations are taken, the Japanese socio-cultural context has to be taken fully into consideration, if this adaptation process is to lead to positive results.

## INTRODUCTION

Human resource management (HRM) has been perceived by many observers as a key ingredient accounting for the success of Japanese companies on world markets during the 1980s. Suggestions of how Western managers could learn from Japanese HRM practices were plentiful. Only one decade later, however, Japan went into a recession from which it has not yet fully recovered. Paradoxically, these same HRM practices are now being viewed by a series of authors as the root of the malaise. This chapter investigates whether Japanese HR managers are now planning to learn from the West. More specifically, it explores whether Japanese HR managers are keen to learn from Western (in this case American and German) HRM and what they intend to adopt. In order to find answers to these questions we study Japanese HR managers intentions and practices at two levels: at headquarters (HQ) and at subsidiary level.

As the ‘traditional’ Japanese HRM model<sup>ii</sup> is increasingly regarded to be in crisis and subject to major change (Dalton and Benson, 2002), this issue is of particular significance for Japanese companies. Indeed, one can argue that the question of whether, or to what extent, Japan should incorporate Western management practices, is standing now for the last one and a half decades at the centre of Japanese management research. Frenkel (1994) observed a convergence toward Western HRM practices, Ornatowski (1998) even discussed the end of Japanese-style HRM, Matanle (2003) noted a part convergence in the direction of Western management and Aoki, Jackson and Miyajima (2007) and Schaeede (2008) described irreversible tendencies toward an adaptation of Western management concepts. Yet despite this research focus, there is little empirical work on managers’ knowledge of practices elsewhere, and on their views on cross-national adoption. This seems to be a serious omission: such adoption processes are implemented by managers rather than academics; and it is surprising that little empirical research has been done in order to understand better those perceptions and judgments upon which adoption decisions ultimately rely.<sup>iii</sup> This viewpoint guides the empirical focus of the research.

One obvious difficulty we are presented with if we wish to answer the question what Japan can learn from ‘the West’ is the selection of countries that are representative of ‘the West’. In this study we limit our empirical research to the inspirations Japan might receive from the USA and Germany. This selection has some merit, in representing the largest and the third

largest developed economies in the world (with Japan being the second largest economy), and the economically dominant nations of North America and Europe (with Japan being the leading economy in Asia). In addition, the USA and Germany each embody the prime example of two of the three main varieties of market economies: the USA representing the free market economy of Anglo-Saxon countries and Germany the social market economy of continental Europe (with Japan embodying the third main variety of market economies, the government-induced market economy of East-Asia). Furthermore, according to Smith & Meiksins (1995: 243) the USA, Japan and Germany are most frequently referred to as role models, “as they provide ‘best practice’ ideals from which other societies can borrow and learn.” Consequently, these country models have been subject to numerous comparative analysis (Thurow, 1992; Garten, 1993; Yamamura and Streeck, 2003; Pascha, 2004; Jacoby, 2005). As economic performance and growth paths vary over time the role of a ‘dominant’ economy also rotates among countries. In the 1950s, 1960s and most of the 1970s the American management style clearly was dominant and a common expectation was that it would spread around the world, gaining application in many foreign countries. From the late 1970s to the early 1990s, this argument increasingly was applied to Japan (Mueller, 1994), and to a lesser extent and limited to the European context, to Germany (Albert, 1991; Thurow, 1992). Since the implosion of the Japanese economy, the stagnation of the German economy, and with the advent of globalization, the conventional wisdom over the last one and a half decades up to the current economic crisis has been that the American management model is particularly well suited to provide the necessary flexibility to cope with rapidly evolving economic and technological conditions. Consequently, the USA became again the dominant role model (Edwards et al., 2005).

This study employs a very carefully matched design in which we investigate the same three countries (Japan, the USA and Germany) as home and host countries. We not only study HRM practices at headquarters (HQ) in each of these three countries, but also the practices of the subsidiaries of MNCs from each of the three countries in the two other respective countries. As a result, we are able to compare the HRM practices of nine different groups of companies: HQ in Japan, the USA and Germany, subsidiaries of Japanese and German MNCs in the USA, subsidiaries of Japanese and American MNCs in Germany and subsidiaries of American and German MNCs in Japan. This design will enable us to disentangle the inspirations companies seek from abroad to a far greater extent than has been possible in other studies.

The structure of our analysis is separated into two main sections. The first main section describes empirical results from HQ and the second main section depicts the situation at subsidiary level. For each of the two main sections, first the context of existing research is summarized. Subsequently, the methodology of the empirical research is described. Findings are then presented and subsequently discussed. Finally, suggestions are made as to how the Japanese might best make use of foreign HRM policies to reform their own HRM practices and ultimately improve competitiveness.

## **ANALYSIS AT HEADQUARTERS LEVEL**

### **Research context**

As mentioned above, the Japanese HRM model has often been recognized as a key factor to the rise of the Japanese economy, particularly during the 1980s (see for example Inohara, 1990). However, the same Japanese HRM which until recently has been much celebrated in the West, and presented as a role-model to be learned from (see for example Vogel, 1979; Ouchi, 1981; Peters and Waterman, 1982; Bleicher, 1982; Hilb, 1985), is now increasingly viewed as outmoded, and necessitating substantial reform (Frenkel, 1994; Smith, 1997; Yoshimura and Anderson, 1997; Crawford, 1998; Horiuchi, 1998; Ornatowski, 1998; El Kahal, 2001; Pudelko, 2005, 2007). Others, however, continue to stress its inherent strengths and warn against significant change (Kono and Clegg, 2001; Ballon, 2002; Ballon, 2006).

On the other hand, American understanding of HRM has traditionally been viewed by Japanese managers with skepticism. It is regarded as contradicting in many ways the broad concept of 'respect for people' (Kono and Clegg, 2001) and the aim of 'human resource development' (Ballon, 2002) that is ingrained into the Japanese management philosophy. In particular, the idea of defining the employees of a company as 'resources' (instead of members of the company 'family') that need to be managed (instead of 'developed') runs contrary to the key concepts of traditional Japanese HRM. However, in response to the deep crisis of the Japanese economy and management model, which has lasted for more than a decade now, it is clear that some shift toward Western management principles is taking place

(Frenkel, 1994; Ornatowski, 1998; El Kahal, 2001; Matanle, 2003). Thus, mirroring the economic growth patterns, adoption of Japanese HRM principles seems in the USA to be largely an issue of the past, whereas the question of adoption of American HRM policies is more current in Japan than ever. The key issue in Japan seems to be to find a new balance between the continuation of traditional (human resource) management principles and changes inspired largely by Western or more specifically American strategies. Regarding finally the specific German understanding of (human resource) management, it has to be concluded that this is a subject of no significant importance in Japanese business research, if it is considered at all (Pudelko, 2000a).

## **Methodology**

### *Data collection and sample*

It may be noted from this brief review that existing literature in this field is in some respects inconclusive or somewhat contradictory. Nor has it generally been informed by empirical examination of HR managers' own views on cross-national adoption processes. As this group might be expected to constitute the chief change agent, empirical insight appears in this context all the more important. Accordingly, this chapter provides data on the perceptions of HR managers from three different countries on the possibility of learning from each other. In this task, a quantitative approach seemed to be the most appropriate. The analysis is therefore based on empirical data which have been drawn together from an extensive survey (Pudelko, 2000a-c). The heads of HR departments from the 500 largest corporations of Japan – and for comparative reasons – the USA and Germany were selected as units of investigation. It was assumed that the heads of HR departments would have the highest degree of experience, knowledge and vision with regard to the issues being investigated, due to their senior positions within corporate hierarchies. Furthermore, major corporations have been chosen for this study, as MNCs are considered to be particularly effective in transferring knowledge across national borders and, consequently, constitute a major agent in globally diffusing 'best practices' (Bartlett & Ghoshal, 1989).

Questionnaires were sent out in Japanese, English and German depending on the receiver. The method of translation-back-translation was employed in order to secure consistency among the three versions. As the top half of Table 1 indicates, of the HR managers contacted, 68

respondents were from Japan, 57 from the USA and 107 from Germany. Consequently, the HQ part of this study is based on the responses of 232 senior HR managers. The resulting response rates were 14, 12 and 21 per cent, respectively. These response rates seem to reflect the fact that persons of very senior positions were approached (usually on a VP level). In addition, the top-500 companies of Japan, the USA and Germany are often contacted in similar studies. However, it should be observed that the response rate for Japan is above similar prior surveys in Japan as reported by Kato and Morishima (2003). The response rate for Germany is also still above comparable postal questionnaire research such as the well known Cranet-E-survey for Germany (Hanel 1996; see also Schmitt and Sadowski (2003)). Furthermore, it should be noted that the 232 companies included in this survey cover a large amount of different service and manufacturing industries in all three countries. It is therefore suggested that the data set provides useful information on HRM in Japan, the USA and Germany. More information on responses and response rates can be taken from the top main row of Table 1.

Insert Table 1 about here

### *Description of HRM models*

Before approaching the question of how Japanese (and in comparison: American and German) HR managers perceive *other* HRM models in order to potentially seek inspirations from them, it seemed relevant to investigate first how the managers defined *their own* respective national model. Only from an understanding of how managers perceive both their own practices and those of others, can suggestions be developed of how the mutual learning and adoption process might be improved. In order to gain information about the perceived attributes of each HRM model, and make a direct comparison possible, a series of 20 pairs of opposing statements was developed across seven HRM categories. Respondents were asked to indicate, for each of these pairs, on a six-point bipolar scale the practices they believed best characterized the human resource practices (found throughout all hierarchical levels) in their country. As the data are considered to be interval scale, arithmetic means for the responses from each country could be given and statistically compared with one another.



The 20 pairs of opposing statements were formulated in a way which covers a comprehensive spectrum of possibilities within an HRM-system. They constitute a synopsis of 133 opposing statements that were previously generated on the basis of the relevant literature in order to summarize the most relevant aspects of the reviewed literature on Japanese, American and German HRM (Pudelko, 2006). Space constraints prevent us from providing supporting citations for each of the twenty opposing statements. However, the following texts are representative of the publications used to construct the questionnaires items: for Japan: Yoshimura & Anderson (1997), Ornatowski (1998), Dalton & Benson (2002), and Matanle (2003); for the USA: Kalleberg, Knoke, Marsden, & Spaeth (1996), Kochan (1996), Ichniowski, Levine, Olson, & Strauss (2000), and Strauss (2001); and for Germany: Wever (1995), Müller (1999), Streeck (2001b), and Wächter & Muller-Camen (2002).

Our use of content-oriented scale anchors and an even-numbered scale avoids the acquiescence response effect often found in scales expressing agreement and the medium response effect common to scales with a distinct mid-point. These factors are particularly important for our study, since Japanese respondents have been found to show response effects that differ from those of US respondents (Chen, Lee, & Stevenson, 1995; Harzing, 2006). The scale anchors were based on an extensive literature review and were designed to cover a comprehensive spectrum of possibilities in between which each of the three HRM models could be situated.

#### *Who adopts from whom and when?*

A central objective of the analysis was to reveal the perceptions HR managers had of the other two HRM models, in order to understand more about past and possible future adoption practices. In order to gather this information, HR managers were asked if they are of the opinion that corporations of their country have “*since the 1980s* oriented themselves toward, or adopted, particular human resource practices” of the other two countries. In a follow-up question, they were asked whether they hold the view that the companies of their country “*should in the upcoming years* orient themselves toward, or adopt, particular human resource practices” from the respective other two models. On a six point Likert scale, going from ‘strongly agree’ to ‘strongly disagree’, the managers indicated their opinion about these

questions. By using an even-numbered scale we avoided the medium response effect, a problem that surveys with an odd-numbered scale in particular in Japan are frequently confronted with. Again, arithmetic means for the responses from each country were computed. While these two questions do not provide longitudinal data in the strict sense, we argue that they still provide a good indication of changes over time.

### *Who adopts what from whom?*

Finally, a more disaggregated analysis was undertaken of the specific aspects of HRM systems that managers had emulated, or contemplated emulating. The focus here was especially upon the attributes of the Japanese HRM model that American and German HR managers consider worth adopting; and the attributes of American HRM that the Japanese and Germans consider worth adopting. Responses were analyzed by means of simple summation of attributes mentioned in response to open-ended questions in the survey of what the managers intended to learn from the Japanese or American HR models. Inter-country comparisons were drawn by comparing these figures.

Finally, a series of follow-up interviews with HR managers of Japanese companies in Japan, the USA and Germany was conducted to clarify aspects of responses.

## **Results**

### *Description of HRM models*

The results revealed that according to the HR managers' own evaluations Japan, the USA and Germany have HRM models that clearly differ from each other. More specifically, according to the means, it was noticeable that in 16 out of 20 scales Japan and the USA were closer to the opposite poles – with typical Japanese practices closely situated to the anchors on the right-hand side of Figure 1 and typical American practices closely situated to the anchors on the left-hand side – while typical German practices were found in-between.

In a pair-wise consideration between the USA and Japan in all of these 16 statements, the differences proved to be statistically different. The corresponding figures for Germany and Japan and for Germany and the USA were 12 and 6, respectively. Based on the HR managers' evaluations of their own respective HRM model, one can therefore conclude that the American and the Japanese HRM models are clearly opposing each other and the German model resembles more the American one than the Japanese one. More details on the statistical significance of differences can be taken from Table 2.

Insert Figure 1 about here

Insert Table 2 about here

#### *Who adopts from whom and when?*

The Japanese, American and German HR managers were asked if they believed that since the 1980s companies from their countries either had oriented themselves toward particular HRM practices of firms of the other two countries or should do so in the upcoming years. The smaller the mean in Table 3, the more the respondents agreed with the observation that companies of their own country have oriented themselves in the past or should orient themselves in the future toward foreign HRM practices.

Insert Table 3 about here

The results suggest that Japanese companies are orienting themselves significantly more toward American than toward German practices. Considering also the comparative data about the orientation of American companies toward Japanese and German HRM practices and of German companies toward Japanese and American HRM practices, the following observation is the most remarkable: no country is orienting itself so intensely toward another country model as Japan is toward the American model, both with regard to the past and even more so with regard to the future. This result is a strong indication of the degree to which Japanese respondents consider their own HRM model in need of change and requiring inspirations from abroad, particularly from the USA. It is noticeable that this judgment is mirrored by American

and German managers who were also significantly more skeptical about Japanese HRM practices as a source of inspiration for the future compared to the past. Consequently, Japanese, American and German HR experts seem to all agree that Japanese HRM has significantly lost in attractiveness.

Further findings reinforce this conclusion. The HR managers were also asked by means of open-ended questions to indicate concrete attributes of the other two HRM-systems which they consider worth adopting to their own system (again for the two time periods “since the 1980s” as well as “in the upcoming years”). Discussion of the named attributes is set out shortly, but what is of interest here is that from the total number of 495 items raised by the HR experts of the three countries, 353 apply to the USA, 131 to Japan and only 11 to Germany. This again indicates that American HRM is perceived as most attractive, with Japanese HRM far less appealing, and German HRM the least desirable by a wide margin. Furthermore, with regard to Japanese HRM, it is interesting to note that the number of those items referring to the orientation toward the Japanese model in the future (27) compared to those for the past (104) decreased substantially. This indicates again the degree to which Japanese HRM fell in the appreciation of the American and German HR experts.

#### *Who adopts what from whom?*

It is now of interest to see which concrete attributes of the American and German HRM the Japanese consider worth adopting and, in comparison, which attributes of the Japanese HRM model the American and German HR managers consider worth adopting.<sup>iv</sup>

Insert Table 4 about here

With regard to the *adoption of American HRM practices by Japanese companies* (Table 4, left part), 169 items were mentioned (102 for the past, 67 for the future). It should be noted here that the rather comprehensive attribute “due to globalization and liberalization adoption of American management is unavoidable” was given just once for the past but eight times for the future. This increase is a further indication for a desired major change of Japanese management. A reorientation in Japanese HRM can also be deduced from the mention of the following closely related attributes: “performance orientation” (30), “result and objective

orientation” (18), “performance and result oriented remuneration” (11) and “turning away from the seniority principle” (7). Indeed, the performance-, result- and objective-orientation as well as the resulting decline of the seniority principle is by far the most-commonly mentioned set of attributes of American HRM, from which Japanese HR managers consider learning. Other characteristics that indicate important shifts are: “Turning away from lifelong employment respectively flexibility of recruitment, release of personnel and change of employer” (15) as well as “increased formation of specialists and turning away from the formation of generalists” (7), referring to the decline in lifelong employment and the formation of generalists. Additional stated attributes are: “position based remuneration” (10), “remuneration on annual instead of monthly basis” (9), “autonomy” (7), “recruitment of experienced specialists for specifically advertised positions” (5), “stronger consideration of market outcomes” (3), “mergers, acquisitions and selling of company divisions” (3), “globalization” (3), “flat, decentralized organizational structures” (3), “managers are externally recruited and can be laid off again more easily” (3), “profit orientation and shareholder value” (2), “restructuring” (2), “efficiency oriented relations” (2) and “leadership” (2).

Data for the *adoption of American HRM practices by German companies* (Table 4, right part) are not discussed here in detail, as they do not concern the question of main interest here – what Japanese learn from the USA and Germany and what Americans and Germans learn from Japan. Nevertheless, it should be stated that from the total of 184 items raised (104 regarding the past, 80 the future) about what the Germans want to adopt from American companies, the largest amount (in total 57) concern a higher degree of flexibility, promptness, mobility, individuality, performance and result orientation. The quest for more flexibility is more pronounced with regard to the future (16) as opposed to the past (1).

With regard to the *adoption of Japanese HRM practices by American companies* (Table 5, left part), two issues are to be emphasized: firstly, the low number of attributes of the Japanese HRM which the American HR managers consider worth adopting (in total: 21); and secondly, the large decrease of items referring to the future (4) as opposed to the past (17). The main attributes mentioned included “team orientation” (4), “participative and bottom-up decision making” (3), “quality orientation and total quality management” (3), “kaizen respectively continuous improvement” (2) and “loyalty toward and identification with the company” (2).

Regarding the *adoption of Japanese HRM practices by German companies* (Table 5, right part), many more items have been given (in total: 110) than was the case for the orientation of American firms toward Japanese ones. As with the Americans, the German respondents are looking less to the future (23 items) than to the past (87). Unsurprisingly, “team orientation” is (as with the Americans) the attribute that was mentioned most often. However, it decreases in importance from 18 in the past to 5 in the future. “Kaizen respectively continuous improvements” similarly drops from 19 in the past to 2 in the future, “quality orientation and total quality management” from 12 to 1, “cost calculation” from 8 to 0 and “kanban respectively just-in-time production” as well as “quality circles” from 4 to 0. Other characteristics mentioned were “corporate culture” (7), “participative and bottom-up decision making” (6), “value orientation” (5), “loyalty toward and identification with the company” (3) and the “training of socially competent generalists” (3).

Insert Table 5 about here

Due to the small number of items raised regarding adoption from Germany, no extra table is included here. With regard to the *adoption of German HRM practices by Japanese companies* (only 1 item raised for the past and 10 for the future), just the “division of job-positions in order to avoid lay-offs” (2) is worth mentioning. Finally, regarding the *adoption of German HRM practices by American companies*, not one single attribute was mentioned by American respondents, concerning neither the past nor the future.

## **Discussion**

With regard to the *adoption of aspects of the American HRM by Japanese companies*, it is notable that the largest amount of items the Japanese managers raise are concerned with the decline of the seniority principle: “performance orientation” (by far the most often cited attribute by the Japanese), “result and objective orientation”, “performance and result oriented remuneration” and “turning away from the seniority principle”. These statements again reflect a significant reversal in the priority setting of Japanese HRM. In addition to the seniority principle, lifelong employment and the formation of generalists have often been regarded as key elements of the traditional Japanese HRM. The items raised suggest that these two fundamental principles are also considerably on the wane. This is indicated by the attributes

“turning away from lifelong employment, respectively flexibility of recruitment, release of personnel and change of employer”, “recruitment of experienced specialists for specifically advertised positions”, “managers are externally recruited and can be laid off again more easily” as well as “increased formation of specialists and turning away from the formation of generalists”. The movement away from these essential components of the Japanese HRM model illustrates the degree to which Japanese HRM is in upheaval. The previously-mentioned attribute “due to globalization and liberalization adoption of American management is unavoidable” is a further strong indication of a paradigm shift.

In comparison, the *attributes of the American HRM practices mentioned by the German HR managers as worth adopting*, seem to be far less ‘fundamental’, indicating a lesser need for major change. Therefore, despite the willingness to adopt certain characteristics of the American HRM model, there is no empirical evidence for a paradigm shift of German HRM. This clearly distinguishes the situation in Germany from that in Japan.

Concerning the *adoption of Japanese HRM practices by American and German companies*, it is surprising how low the resonance of Japanese HRM is with the American HR managers. In view of the considerable discussion of Japanese management in the USA, one might have expected, in particular with regard to the past, a more pronounced influence of Japanese HRM on American firms (e.g. team orientation, more intensive training of workers, participative decision making). Perhaps the stimulus of Japanese management was more evident with respect to production methods than HRM. Indeed, it is interesting to note that more than half of all items given by the American and German HR managers about Japanese practices, address HRM only indirectly. They focus instead on practices that have been subsumed here under the term management *processes* (e.g. “kaizen respectively continuous improvements”, “quality orientation and total quality management”, “quality circles”, “kanban respectively just-in-time-production”).

The large number of items raised in the context of these management processes suggests that this constitutes the main area of Japanese management that is considered in the West a valuable source from which to learn (see also Itagaki, 2002). However, there is a significant decrease of 55 in the past to only 5 items in the future that have been subsumed here under the management processes label. Nevertheless, it is noteworthy that both Americans *and* Germans associate the advantages of the Japanese model more with incremental ‘fine-tuning’ activities

or *processes*. Japanese *and* Germans on the other hand consider the strengths of the Americans in more fundamental areas that have been subsumed here under the term management *strategies* (“mergers and acquisitions and selling of company divisions”, “globalization”, “management and strategy orientation”, “profit orientation and shareholder value”).

Several reasons for the declining importance attached to key attributes of Japanese model (kaizen, kanban, total quality management, quality circles, teamwork) may be suggested. It is possible that these attributes have already been adopted to some degree over the last few years by American and German HRM, and will, as a result, be less significant in the future as sources for orientation. There is the possibility too that the changing competitive environment has played a part. Fundamental developments such as globalization might require equally substantial responses from companies to maintain competitiveness. Hence, broader-based strategic responses, perceived by respondents as a particular strength of the American management, have become relatively more important; in turn, process-based incremental improvements, regarded by respondents as a strong point of the Japanese management, lose relatively in their significance. Finally, the crisis of the Japanese economy, the Japanese management model and the Japanese HRM-practices may have negatively influenced the regard held even for those aspects of Japanese HRM, which might perhaps still be worth serving as sources of inspiration.

In short, the data suggest that only Japan has a distinct desire to change its own HRM model in a rather comprehensive way and to adopt foreign practices in a substantial manner. This may be described as a paradigm shift, one that appears to equate to a shift toward Western, in particular, American management concepts.

### *Follow-up*

The results of a series of follow-up interviews to this study with HR managers of Japanese companies in Japan, the USA and Germany, as well as HR managers of American and German subsidiaries in Japan, lend qualified support to the notion of a paradigm shift. Sentences which were commonly uttered included “Lifelong employment is dead”, “We need to be more performance oriented”, “We look much more to individual performance” and “We



look to the USA for orientation”. However, this move away from traditional Japanese HR practices and redirection toward Western techniques should, according to the interviewees, not be equated with whole-scale abandonment of traditional approaches. Instead, what is chiefly expected is rather a hybrid approach and it is difficult at this stage to predict where the new equilibrium between traditional practices and Western methods will lie.

## **ANALYSIS AT SUBSIDIARY LEVEL**

Our study provides a perfectly balanced and controlled sample that includes not only headquarters in each of the three countries, but also all subsidiary combinations. As a result, we were able to compare the HRM practices of nine different groups of companies: headquarters in the USA, Japan and Germany, subsidiaries of Japanese and German MNCs in the USA, subsidiaries of US and German MNCs in Japan, and subsidiaries of US and Japanese MNCs in Germany.

### **Methods**

#### *Data collection and sample*

Data from the subsidiaries were collected through an extensive mail survey in 2001-2003. Again, questionnaires were sent to the heads of the HR departments. For each of the six groups of subsidiaries we provided two questionnaires, one in the home country language and one in the host country language. In order to secure consistency among the English, Japanese and German versions, translation and back-translation procedures were used. A total of 617 HR managers participated in the subsidiary surveys. Consequently, taking the 232 participants of the HQ survey and the 617 participants of the subsidiary survey together, this study is based on responses from 849 HR managers. More detailed information on the number of respondents and the response rates for the subsidiary surveys are presented in Table 1. The lower response rates for the HQ compared to the subsidiaries reflect the fact that the top-500 companies of the three major economies in the world are very frequently targeted by surveys like ours (Harzing, 1997). In order to test non-response bias, we compared responding and non-responding firms on size (number of employees) and industry. No significant differences

were found on these variables. We therefore are reasonably confident that non-response bias is not a problem in our study.

Our sample included a large variety of industries, both in manufacturing and in services. The overall median subsidiary size was 86 employees. Most of the subsidiaries (83%) were greenfields. We compared results by sector (manufacturing versus services), both for the overall sample and by country. Neither of these comparisons produced significant differences in terms of HRM practices. A correlation analysis between size and HRM practices produced a very weakly significant result. Differentiating by home country showed that for both Japanese and American MNCs, larger subsidiaries are more likely to follow home country practices. This result may reflect the strategic importance of larger subsidiaries. Finally, we compared HRM practices between greenfields and acquisitions, both for the overall sample and for each of the six subsidiary samples. In none of these samples did differences in HRM practices between greenfields and acquisitions attain statistical significance.

#### *Description of HRM models*

Respondents at subsidiary level were presented with the same set of six-point bipolar scales as the HQ respondents. However, for the subsidiaries we only considered for this analysis the scales referring to the HRM areas in the stricter sense (recruitment and release of personnel; training and development; employee assessment and promotion criteria; and employee incentives), while not considering the more organizational behavior-related scales (communication; decision making; and subsidiary-subordinate relations). Again, respondents were asked to indicate, for each of these opposing statements, the practices they believed best characterized the human resource practices (found throughout all hierarchical levels) in their subsidiary. For each of the six groups of subsidiaries, an ANOVA analysis subsequently compared the mean scores of the subsidiary HRM practices with the HRM practices of the home and host country (as measured at HQ) across all four HRM areas listed above. The Cronbach reliability coefficient for this 12-item scale was  $\alpha = 0.77$ .

If a subsidiary's mean score was not significantly different from the home country mean score, but was significantly different from the host country mean score, we assumed the presence of a *country-of-origin effect*, i.e. subsidiaries were aligning their HRM practices

toward the management practices representative of the home country. If, on the other hand, a subsidiary's mean score was not significantly different from the host country mean score, but significantly different from the home country mean score, a *localization effect* would be present, i.e. subsidiaries were aligning their HRM practices toward the management practices representative of their host country.

### *Similarities of HRM practices to home or host country management practices over time*

To obtain a better understanding of trends with regard to seeking inspirations from other countries over time, we also asked respondents to indicate on a five-point scale whether their subsidiary's HRM practices were more similar to home country practices or to host country practices. This question was repeated for the present, the past and the future. Whereas this study design cannot be considered to be longitudinal in the strict sense, it does provide us with some indications of changes over time.

Ultimately, several follow-up interviews with subsidiary HR managers in Japan, the USA and Germany were conducted to discuss specific aspects of the survey responses in more detail.

## **Results**

### *Description of HRM models*

When comparing HRM practices in subsidiaries with those in home and host countries, we assumed that subsidiary practices should form a kind of combination model that is located 'in between' the respective home and host country models. Our main interest was to understand if there were country specific patterns, with subsidiaries from one country adopting more home country practices (country-of-origin effect) and subsidiaries from other countries more adopting host country practices (localization). Table 6 provides the results.

Insert Table 6 about here

To our considerable surprise, our assumption of subsidiary practices being a kind of combination model of home and host country models, which had for us much face value,

turned out to be incorrect. Instead of locating themselves ‘in between’ home and host country, it became evident that subsidiaries frequently followed the American model, even, for example, Japanese subsidiaries in Germany and German subsidiaries in Japan. While this result was at first very surprising to us, we subsequently interpreted this outcome as yet another indication for the strong attractiveness of the US model, in particular to Japanese but also to German firms. This interpretation only confirms what we already had concluded from our HQ data. Given this apparent dominance of the American model on subsidiary level, we labeled this phenomenon *dominance effect*. In more technical terms, if a subsidiary’s mean score was significantly different from the home country mean score, but not significantly different from the mean score of American practices, we defined this as a dominance effect.

More specifically, our results indicate that a clear dominance effect is present in two cases: Japanese subsidiaries in Germany and German subsidiaries in Japan. In both cases, subsidiaries resemble neither home nor host country, but instead follow American practices. For Japanese subsidiaries in the USA, we can only conclude that they follow American practices, but we cannot establish whether this pattern is caused by a dominance or localization effect. The same is true for German subsidiaries in the USA, although differences here are smaller than for Japanese subsidiaries. American MNCs show a combination of localization and country-of-origin/dominance effects<sup>v</sup>. In Japan, the HRM practices of American subsidiaries are in between parent and host country practices and significantly different from both, but are closer to home country practices. In Germany, HRM practices of American subsidiaries also lie between parent and host country practices, but are closer to (and not significantly different to) host country practices. Overall, we therefore find that while all three effects are present in our sample, the dominance effect appears stronger than the localization and country-of-origin effect. Table 7 and Figure 2 summarize these findings.

Insert Table 7 about here

Insert Figure 2 about here

To summarize this results section, in the only two cases where a dominance effect could be tested unambiguously (Japanese subsidiaries in Germany and German subsidiaries in Japan), this effect was indeed present. In two other cases (German and Japanese subsidiaries in the

USA), a movement toward dominant American practices was apparent, but as the host country location was the USA, we could not establish whether this was a localization or a dominance effect. The only two cases in which a dominance effect was not present were American subsidiaries in Germany and Japan that at least partially localize their practices rather than fully transfer their dominant home country practices. However, as we will see below, even these subsidiaries are expected to reduce their localization in the future.

*Similarities of HRM practices to home or host country management practices over time*

While comparing the various subsidiary and HQ HRM models we discovered that the dominance effect, i.e. the adaptation of Japanese and German subsidiaries, irrespective of the host country location, toward American practices was the strongest. If the dominance effect increased now over time, we would expect Japanese and German subsidiaries in the USA to show an increasing resemblance to local practices, while American subsidiaries in both Japan and Germany would show a decreasing resemblance to local practices. As Table 8 and Figure 3 show, this is exactly what happens. While resemblance to local practices was fairly similar ( $F = .933$ ) for all four groups in the past, it has diverged in the present ( $F = 21.998^{***}$ ) and is expected to diverge even more in the future ( $F = 63.415^{***}$ ). This divergence follows the dominance argument, i.e. more resemblance to local practices for subsidiaries of Japanese and German MNCs in the USA and less resemblance to local practices for American subsidiaries in Japan and Germany. The difference between future and past is highly significant for three of the four groups.

Insert Table 8 about here

Insert Figure 3 about here

*Follow-up*

In the interviews with Japanese managers of Japanese subsidiaries in the USA, most of the respondents agreed that their subsidiaries were following more American than Japanese management practices. Even for the managers themselves it was difficult to assess if this was

in the end more due to efforts to adapt to local standards (localization effect) or due to efforts to adapt to perceived global ‘best practices’ (dominance effect).

## **DISCUSSION**

The chief aim of this paper was to investigate whether Japanese managers are seeking inspirations from a foreign HRM model which would assist them in re-establishing competitiveness. Reviewing the HQ data, the results provided several indications of a decline in the regard for Japanese HRM on the part of American, German and even Japanese HR managers themselves. Furthermore, the data clearly suggested that the Japanese especially view American HRM practices as providing valuable inspiration for improving the domestic model.

This conclusion has been strongly reinforced by our subsidiary data. It became evident that subsidiaries of Japanese MNCs have a very clear tendency to abandon their home country practices and move toward American practices. In Germany, this tendency provides a clear indication of dominance, while in the USA it may be interpreted as either dominance or localization. However, given the strong desire of Japanese MNCs, expressed at HQ level, to orient themselves toward American practices, it is likely that the adoption of American practices by Japanese subsidiaries in the USA is motivated by a dominance effect.

German subsidiaries also have a clear tendency to adopt American practices. This change is, however, not as dramatic as for Japanese subsidiaries because German practices already were closer to American practices. The behavior of German subsidiaries in Japan shows a clear dominance effect as German subsidiaries appear unwilling to either adapt to the Japanese host practices or transfer German home practices; they instead embrace American practices. While American subsidiaries are the only ones that show some level of localization, they are also the only ones that engage in some level of transfer of their home country HRM system, especially in Japan, where local HRM practices are substantially different from home country practices.

Consequently, our subsidiary data strongly confirm what we already concluded from the HQ data: Japanese managers are actively seeking inspirations from American HRM practices. Japanese subsidiaries might indeed lead the way and, therefore, reverse transfer of HRM

practices, from subsidiaries to HQ, might become more important. Some support for this trend was found by Edwards et al. (2005), who reviewed several recent studies that show evidence of “reverse diffusion of employment practices” in both Japanese and German MNCs.

We suggest that these findings are of practical relevance not only for the management of Japanese MNCs but also for foreign companies operating on the Japanese market. If Japanese companies themselves increasingly abandon traditional Japanese HRM practices, foreign companies need not attempt to be ‘more Japanese than the Japanese’ and localize HRM practices. Our data for American and in particular German subsidiaries in Japan show that this conclusion increasingly is embraced by foreign companies. However, as Evans, Pucik and Barsoux (2002: 222) observe, many foreign joint ventures in Japan represent “museums of Japanese management” as they employ obsolete HRM practices that local Japanese companies abandoned a long time ago, but which are still presented to the foreign HQ as the ‘Japanese’ way of managing human resources.

Overall, attributes of American HRM practices most valued by the Japanese respondents suggest a move toward stronger individualization of HRM practices (see also Watanabe, 2003; Matanle, 2003). A higher degree of diversity with regard to the treatment of the employees appears to be the goal, in order to better respond to individual differences in performance, skills, achievements and the desires of employees. If changes toward increased individualization inspired by Western (or more precisely American) HRM practices can be successfully introduced, then efficiency, competitiveness and profitability might be enhanced. However, there can be little doubt that individualization of HRM practices implies a considerable clash with traditional Japanese HRM principles. One might also argue that it implies a clash with the underlying culture of Japanese society, known to be more group-oriented than individualistic (see for example Abegglen, 1958; Hofstede, 2001; Dore 2002). Inconsistencies, contradictions, frictions and frustrations could be the result.

Consequently, an almost exclusive focus on the American model might not necessarily be the optimum strategy for Japanese companies. The American model may be considered of value for Japanese corporations in so far as its particular strengths highlight the particular weaknesses of the Japanese system. Consequently, it might serve as an indicator of the *direction* that needs to be taken. However, the *extent* to which this direction should be followed will be rather difficult to ascertain from a model that lies in many ways at the

opposite end of the spectrum, as suggested from our data represented in Figure 1. Accordingly, though individualization constitutes the *leitmotiv* of attributes that Japanese HR managers are willing to adopt from the American model, one might doubt that the *degree* of individualization of the Japanese model will ever come close to the American model, or, in fact, that it will ever ‘surpass’ the degree of individualization of the German model. Indeed, this would contradict the cultural ground in which each HRM model is embedded (according to Hofstede’s scores for individualism – as well as uncertainty avoidance and masculinity – Germany is again ‘in between’ those of the USA and Japan).

One might argue that aspirations to emulate a management model that lies in many ways at the opposite extreme of own traditional practices were also at the core of the disappointments related to many efforts of American companies in emulating Japanese management techniques in the 1980s. With these experiences in mind, Japanese HR managers should be careful of not repeating similar mistakes. Knowledge of a wider range of models would give Japanese managers the confidence to realize that moving away from the own traditional model which shows increasingly weaknesses does not necessarily mean to go from one extreme to another and to copy the details of a system that might be quite unsuited to the Japanese context. Current experience in ‘in-between’ countries such as Germany might possibly offer a more realistic lead in providing fresh ideas on how the quest for greater individualization may be approached, and the extent and ways it may need to be tempered, when the context is one of strong cultural imperatives. This will encourage changes in management practices to be better tailored to the specific Japanese context.

Having said this, this paper is far from suggesting that German HRM represents an ideal model that Japan should copy. First, depiction of the German model cannot be confined merely to its placing within a continuum ‘in between’ the other two systems, therefore being somewhat closer to the Japanese model than the American system is. In several respects it has quite distinctive features, including a high degree of labor laws, regulations, contractual agreements with the unions, and participation rights of works councils, all which limit the managerial discretion of German HR managers in quite distinct ways. Consequently, HRM in Germany has more of an operational orientation, with fewer opportunities to introduce strategic changes than the Japanese or American HRM models (Pieper, 1990; Brewster and Holt Larsen, 1993). These very specific aspects of the institutional industrial relations environment characterizing the system of co-determination are examples of what Japanese



HR managers would certainly not want to adopt. Second, our data from both HQ and in particular subsidiaries made a strong case for the argument that also the German model is in fact moving toward more US-style individualization (see also Streeck, 2001), and therefore cannot act as a reform blueprint in any detailed sense. Finally, though Germany is the third largest economy and represents a prime example of a European social market economy and associated HR model, there exists considerable institutional and managerial variation within Continental Europe in the handling of human resources, and there are no strong grounds for favoring the German model over those of other European countries. All that is being argued is that for Japanese companies, a more balanced or ‘equilibrated’ HRM model might provide a valuable additional source of inspiration on ways toward increased individualization and other desired reforms, instead of relying *solely* on a model that is in many ways diametrically opposed to traditional Japanese approaches.

Furthermore, Western concepts in management might serve as an indicator for the direction of change; however, how to go in this direction, i.e. how to implement change, can only be determined under close consideration of the specific Japanese context. This argument has also been very much emphasized by our interviewees. What is chiefly expected by our respondents is, therefore, rather a hybrid approach, but so far it is difficult to predict where the new equilibrium between traditional practices and Western-inspired methods will lie. And indeed, the interviews with Japanese managers revealed that what was considered most troublesome to them was that even though there is an overall trend in which direction change goes (and this direction was largely approved), there is still no real consistency in the current situation. While some management practices are changing and others not (or less), the results lead frequently to inconsistencies and contradictions within the system, only causing frictions within the organizations. The true challenge Japanese management is facing is, therefore, to overcome this transition phase with its frictions and inconsistencies, so that the management model can enter into a new state of stable equilibrium in which it is coherent and consistent in itself and well attuned to the global economic as well as domestic socio-cultural context (see also Pudelko 2008).

## CONCLUSION

It has been demonstrated that according to Japanese, American and German HR managers, the Japanese HRM model has, for several reasons, substantially lost its appeal. In addition, it has been established that American HRM practices are seen by the Japanese HRM experts as their chief source of inspiration. Furthermore, it has been shown that the common feature of those HRM practices that Japanese HR managers perceive as worth adopting from the American model is a move toward increased individualization of HRM. It has also been noted that this goal runs counter to traditional Japanese approaches, thus justifying the notion of a paradigm shift.

Based on empirical evidence, this paper argues that for Japan, the American system may serve as a powerful source of inspiration, highlighting the *direction* that change has to take. However, in order to establish to what *degree* to change, more ‘moderate’ or ‘balanced’ approaches (such as, for example, the German one) might provide additional sources of inspiration. In any case, no inspirations from abroad are likely to lead to positive results without taking into full consideration the Japanese socio-cultural context, when it comes to implementing change. Accordingly, the findings cast some doubt on the notion of a ‘best practice’ model in guiding reform processes, if conceived as a single national model.

The change process of Japanese HRM continues, unabated. As long as it has not reached a stable equilibrium, it is difficult to pin down. Yet, general directionality can be ascertained and inspirations from Western management certainly play a key role in determining this directionality.

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## TABLES AND FIGURES

**Table 1: Responses and response rates**

<b>Companies</b>	<b>Country of origin</b>	<b>Questionnaires mailed</b>	<b>Returned undeliverable</b>	<b>Returned Responses</b>	<b>Response rate</b>
Headquarters	USA	500	18	57	12%
	JPN	500	8	68	14%
	GER	500	2	107	21%
	<i>Subtotal</i>	<i>1500</i>	<i>28</i>	<i>232</i>	<i>16%</i>
Subsidiaries in Germany	USA	250	27	54	24%
	JPN	250	19	82	35%
	<i>Subtotal</i>	<i>500</i>	<i>46</i>	<i>136</i>	<i>30%</i>
Subsidiaries in Japan	USA	74*	0	36	49%
	GER	250	23	85	37%
	<i>Subtotal</i>	<i>324</i>	<i>23</i>	<i>121</i>	<i>40%</i>
Subsidiaries in the USA	GER	500	62	151	34%
	JPN	600	57	209	38%
	<i>Subtotal</i>	<i>1100</i>	<i>119</i>	<i>360</i>	<i>37%</i>
<b>Total</b>		<i>3424</i>	<i>216</i>	<i>849</i>	<i>26%</i>

\* For American subsidiaries in Japan only those companies that agreed to be approached by the researchers were contacted. This explains both the small number of questionnaires been sent out and the relatively high response rate.

**Figure 1: HR managers' assessment of the main characteristics of their own HRM-system (arithmetic means)**

<b>1. Recruitment and Release of Personnel</b>		<b>USA</b>	<b>GER</b>	<b>JNP</b>
– finding the best qualified candidate (from within the company or externally) for a predefined position (job-oriented)		2.68	2.70	4.74
– selection based on performance and expertise in a given area		2.51	2.70	4.90
– high labour turnover (low degree of loyalty between employer and employee)		2.96	4.63	4.97
				– recruitment of new graduates to a permanent employer-employee-relationship; more senior positions are filled exclusively using internal personnel (people-oriented)
				– selection based on inter-personal skills
				– low labour turnover (high degree of loyalty between employer and employee)
<b>2. Training and Development provided by the Company</b>				
– training focused on specific knowledge for narrowly defined tasks (goal: to create a specialist)		3.35	3.50	4.00
– tendency to be limited and focused on the individual		3.19	3.52	4.34
– little effort to mould the employee in accordance with the company's culture		4.11	3.56	3.87
				– widespread training for broadly defined tasks (goal: to create a generalist)
				– tendency to be extensive and focused on the work group
				– much effort to mould the employee in accordance with the company's culture
<b>3. Employee Assessment and Promotion Criteria</b>				
– heavy weight on individual achievements		2.09	2.48	3.03
– primarily formal, quantifiable promotion criteria (results oriented)		3.07	3.01	3.10
– career path usually confined to one department or area		3.25	3.49	4.25
				– heavy weight on seniority and contribution to collective achievements
				– primarily informal, non-quantifiable promotion criteria (behaviour-oriented)
				– career path encompassing several departments and areas
<b>4. Employee Incentives</b>				
– primarily material incentives		2.84	3.08	3.15
– pay depends on individual performance		2.30	2.76	3.04
– very large difference in pay between top-managers and average workers (more than 100 fold)		1.98	3.61	5.59
				– a mix of material and immaterial incentives
				– pay depends on seniority
				– little difference in pay between top-managers and average workers (less than 20 fold)
<b>5. Communication within the Company</b>				
– coordination primarily through vertical communication		2.61	3.09	3.13
– brief, highly structured and efficient communication		3.31	3.39	3.63
				– coordination primarily through horizontal communication
				– detailed extensive communication, also in order to promote a harmonious work environment
<b>6. Decision Making within the Company</b>				
– top-down decision making		2.49	2.21	2.97
– authoritative, individual decision-making behaviour where conflict is accepted		3.46	3.22	4.31
– tendency to base decisions on quantitative variables ('hard facts')		2.50	2.75	3.74
				– bottom-up decision making
				– participative, collective, and consensus-oriented decision-making behaviour
				– tendency to base decisions on qualitative variables ('soft facts')
<b>7. Superior-Subordinate-Relationship</b>				
– task-oriented		2.72	3.24	4.18
– characterised by regulations		3.40	3.41	3.76
– superior is concerned only with the performance of the subordinate		3.28	3.51	4.35
				– person-oriented
				– characterised by common values
				– superior is also concerned with the well-being of the subordinate

**Table 2: HR managers' assessment of the main characteristics of their own HRM-system (significance analysis)**

Question	USA	GER	JPN	USA=GER	GER= JPN	USA= JPN	USA=GER= JPN
1.1	<b>2.67</b> 0.17	<b>2.68</b> 0.12	<b>4.74</b> 0.16	0.00	106.83 ***	78.80 ***	123.04 ***
1.2	<b>2.51</b> 0.13	<b>2.70</b> 0.09	<b>4.90</b> 0.12	1.46	213.63 ***	188.42 ***	263.70 ***
1.3	<b>2.91</b> 0.15	<b>4.59</b> 0.11	<b>4.97</b> 0.13	84.76 ***	4.91	106.52 ***	121.02 ***
2.1	<b>3.35</b> 0.17	<b>3.43</b> 0.12	<b>3.94</b> 0.16	0.14	6.53 **	6.49 **	8.53 **
2.2	<b>3.02</b> 0.17	<b>3.36</b> 0.13	<b>4.28</b> 0.16	2.44	20.48 ***	28.47 ***	32.51 ***
2.3	<b>3.96</b> 0.17	<b>3.46</b> 0.13	<b>3.81</b> 0.16	5.60 **	3.00 *	0.44	6.46 **
3.1	<b>2.09</b> 0.14	<b>2.41</b> 0.10	<b>3.03</b> 0.13	3.45 *	14.08 ***	24.37 ***	26.19 ***
3.2	<b>3.07</b> 0.17	<b>2.98</b> 0.12	<b>3.06</b> 0.15	0.18	0.15	0.00	0.25
3.3	<b>3.25</b> 0.17	<b>3.39</b> 0.13	<b>4.19</b> 0.16	0.47	15.55 ***	16.25 ***	20.82 ***
4.1	<b>2.79</b> 0.19	<b>3.06</b> 0.14	<b>3.15</b> 0.17	1.31	0.00	1.12	1.53
4.2	<b>2.26</b> 0.14	<b>2.74</b> 0.11	<b>3.04</b> 0.13	7.05 ***	3.27 *	15.89 ***	16.01 ***
4.3	<b>1.98</b> 0.20	<b>3.48</b> 0.14	<b>5.59</b> 0.18	37.71 ***	84.21 ***	183.13 ***	188.85 ***
5.1	<b>2.61</b> 0.15	<b>3.07</b> 0.11	<b>3.13</b> 0.13	6.20 **	0.15	6.82 ***	8.17 ***
5.2	<b>3.19</b> 0.15	<b>3.39</b> 0.11	<b>3.57</b> 0.14	1.16	1.06	3.51 *	3.51
6.1	<b>2.49</b> 0.12	<b>2.21</b> 0.09	<b>2.97</b> 0.11	3.38 *	28.28 ***	8.49 ***	28.29 ***
6.2	<b>3.46</b> 0.14	<b>3.16</b> 0.11	<b>4.31</b> 0.13	2.78 *	46.47 ***	19.05 ***	47.28 ***
6.3	<b>2.46</b> 0.14	<b>2.64</b> 0.10	<b>3.74</b> 0.13	1.15	42.90 ***	44.03 ***	56.90 ***
7.1	<b>2.72</b> 0.14	<b>3.18</b> 0.10	<b>4.18</b> 0.13	7.07 ***	37.55 ***	59.59 ***	65.43 ***
7.2	<b>3.30</b> 0.15	<b>3.41</b> 0.11	<b>3.71</b> 0.14	0.37	2.83 *	4.04 **	4.58
7.3	<b>3.28</b> 0.14	<b>3.48</b> 0.10	<b>4.35</b> 0.13	1.31	29.28 ***	32.69 ***	40.62 ***

\*\*\*, \*\* and \* indicate statistical significance at the levels of 1%, 5%, and 10%, respectively.



**Table 3: Orientation / adaptation toward aspects from other country models**

	<b>Mean</b>		<b>Mean</b>	<b>F-value</b>
Japan orienting itself in the past toward <i>USA</i>	3.03	Japan orienting itself in the past toward <i>Germany</i>	5.14	133.02 ***
Japan orienting itself in the future toward <i>USA</i>	2.80	Japan orienting itself in the future toward <i>Germany</i>	4.42	71.33 ***
USA orienting itself in the past toward <i>Japan</i>	4.14	USA orienting itself in the past toward <i>Germany</i>	5.07	17.83 ***
USA orienting itself in the future toward <i>Japan</i>	4.57	USA orienting itself in the future toward <i>Germany</i>	4.93	3.39 *
Germany orienting itself in the past toward <i>Japan</i>	3.98	Germany orienting itself in the past toward <i>USA</i>	3.34	14.88 ***
Germany orienting itself in the future toward <i>Japan</i>	4.25	Germany orienting itself in the future toward <i>USA</i>	3.71	11.50 ***

**Table 4: Adoption from American HRM**

Attributes (ordered by HRM categories)	JPN			GER			Sum of totals
	Past	Future	Total	Past	Future	Total	
<b>Strategies</b>	<b>7</b>	<b>15</b>	<b>22</b>	<b>21</b>	<b>28</b>	<b>49</b>	<b>71</b>
due to globalization and liberalization adoption of American management is unavoidable	1	8	9	0	0	0	9
stronger consideration of market outcomes	1	2	3	1	0	1	4
mergers, acquisitions and selling of company divisions	1	2	3	0	0	0	3
profit orientation and shareholder value	2	0	2	9	1	10	12
flexibility, promptness and mobility	0	0	0	1	16	17	17
globalization	0	3	3	1	4	5	8
customer and service orientation	0	0	0	4	0	4	4
management and strategy orientation	1	0	1	3	1	4	5
others	1	0	1	2	6	8	9
<b>Structures</b>	<b>2</b>	<b>1</b>	<b>3</b>	<b>5</b>	<b>7</b>	<b>12</b>	<b>15</b>
flat, decentralized organizational structures	2	1	3	5	6	11	14
others	0	0	0	0	1	1	1
<b>Processes</b>	<b>4</b>	<b>0</b>	<b>4</b>	<b>8</b>	<b>2</b>	<b>10</b>	<b>14</b>
restructuring	2	0	2	0	0	0	2
project, process and change management	1	0	1	3	1	4	5
total quality management	1	0	1	3	0	3	4
others	0	0	0	2	1	3	3
<b>Recruitment and release of personnel</b>	<b>13</b>	<b>10</b>	<b>23</b>	<b>4</b>	<b>0</b>	<b>4</b>	<b>27</b>
turning away from lifelong employment respectively flexibility of recruitment, release of personnel and change of employer	8	7	15	0	0	0	15
recruitment of experienced specialists for specifically advertised positions	2	3	5	1	0	1	6
managers are externally recruited and can also be laid off again more easily	3	0	3	2	0	2	5
others	0	0	0	1	0	1	1
<b>Training and development</b>	<b>4</b>	<b>3</b>	<b>7</b>	<b>6</b>	<b>1</b>	<b>7</b>	<b>14</b>
increased formation of specialists and turning away from the formation of generalists	4	3	7	0	0	0	7
job rotation	0	0	0	4	0	4	4
others	0	0	0	2	1	3	3
<b>Employee assessment and promotion criteria</b>	<b>36</b>	<b>21</b>	<b>57</b>	<b>13</b>	<b>6</b>	<b>19</b>	<b>76</b>
performance orientation	15	15	30	7	3	10	40
result and objective orientation	14	4	18	0	1	1	19
turning away from the seniority principle	6	1	7	0	0	0	7
development of human resources	0	0	0	5	1	6	6
others	1	1	2	1	1	2	4
<b>Employee incentives</b>	<b>23</b>	<b>12</b>	<b>35</b>	<b>21</b>	<b>18</b>	<b>39</b>	<b>74</b>
performance and result oriented remuneration	4	7	11	9	8	17	28
position based remuneration	7	3	10	0	0	0	10
remuneration on annual instead of monthly basis	8	1	9	0	0	0	9
more individuality, flexibility and variability concerning remuneration	3	1	4	6	6	12	16
others	1	0	1	6	4	10	11
<b>Communication</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>6</b>	<b>5</b>	<b>11</b>	<b>13</b>
efficiency oriented relations	1	1	2	0	0	0	2
open and relaxed communication	0	0	0	3	2	5	5
others	0	0	0	3	3	6	6
<b>Decision making</b>	<b>10</b>	<b>2</b>	<b>12</b>	<b>2</b>	<b>3</b>	<b>5</b>	<b>17</b>
autonomy	7	0	7	0	0	0	7
promptness and stringency	0	1	1	2	2	4	5
others	3	1	4	0	1	1	5
<b>Superior-subordinate-relationship</b>	<b>2</b>	<b>2</b>	<b>4</b>	<b>18</b>	<b>10</b>	<b>28</b>	<b>32</b>
leadership	1	1	2	0	0	0	2
participative leadership and team work	0	0	0	6	7	13	13
management by objectives	1	0	1	9	0	9	10
others	0	1	1	3	3	6	7
<b>Across all categories</b>	<b>102</b>	<b>67</b>	<b>169</b>	<b>104</b>	<b>80</b>	<b>184</b>	<b>353</b>

**Table 5: Adoption from Japanese HRM**

Attributes (ordered by HRM categories)	USA			GER			Sum of totals
	Past	Future	Total	Past	Future	Total	
<b>Strategies</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>4</b>	<b>0</b>	<b>4</b>	<b>5</b>
strategic planning	1	0	1	0	0	0	1
lean management	0	0	0	2	0	2	2
others	0	0	0	2	0	2	2
<b>Structures</b>	<b>2</b>	<b>0</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>3</b>
organizational development	2	0	2	0	0	0	2
others	0	0	0	1	0	1	1
<b>Processes</b>	<b>6</b>	<b>1</b>	<b>7</b>	<b>49</b>	<b>4</b>	<b>53</b>	<b>60</b>
quality orientation and total quality management	3	0	3	12	1	13	16
quality circles	0	0	0	4	0	4	4
kaizen respectively continuous improvements	1	1	2	19	2	21	23
kanban respectively just-in-time-production	0	0	0	4	0	4	4
cost calculation	0	0	0	8	0	8	8
others	2	0	2	2	1	3	5
<b>Recruitment and release of personnel</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>1</b>
job security	0	0	0	1	0	0	1
<b>Training and development</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>1</b>	<b>4</b>	<b>4</b>
training of socially competent generalists	0	0	0	3	0	3	3
others	0	0	0	0	1	1	1
<b>Employee assessment and promotion criteria</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>0</b>	<b>2</b>	<b>3</b>
group orientation	1	0	1	1	0	1	2
others	0	0	0	1	0	1	1
<b>Employee incentives</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>6</b>	<b>9</b>	<b>15</b>	<b>18</b>
loyalty toward and identification with the company	0	2	2	1	2	3	5
value orientation	1	0	1	1	4	5	6
corporate culture	0	0	0	4	3	7	7
<b>Communication</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Decision making</b>	<b>3</b>	<b>0</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>7</b>	<b>10</b>
participative and bottom-up decision making	3	0	3	2	4	6	9
consideration of soft facts	0	0	0	1	0	1	1
<b>Superior-subordinate-relationship</b>	<b>3</b>	<b>1</b>	<b>4</b>	<b>18</b>	<b>5</b>	<b>23</b>	<b>27</b>
team orientation	3	1	4	18	5	23	27
<b>Across all categories</b>	<b>17</b>	<b>4</b>	<b>21</b>	<b>87</b>	<b>23</b>	<b>110</b>	<b>131</b>

**Table 6: Subsidiary, home and host country means**

Subsidiary location	Home country mean	Subsidiary mean	Host country mean	F-value
US subsidiaries in Japan	2.87	3.22	4.09	55.801***
US subsidiaries in Germany	2.87	3.08	3.25	8.211***
Japanese subsidiaries in the USA	4.09	2.74	2.87	94.300***
Japanese subsidiaries in Germany	4.09	2.89	3.25	52.871***
German subsidiaries in the USA	3.25	2.96	2.87	11.205***
German subsidiaries in Japan	3.25	2.73	4.09	70.381***

**Table 7: Country-of-origin, localization and dominance effects**

Subsidiary location	Significant differences at $p < 0.05$	Country-of- origin effect?	Localization effect?	Dominance effect?
US subsidiaries in Japan	Home Country < Subsidiary < Host country	Partial?	Partial	Partial?
US subsidiaries in Germany	Home Country < Host country & Subsidiary	No	Yes	No
Japanese subsidiaries in the USA	Subsidiary & Host country < Home Country	No	Yes?	Yes
Japanese subsidiaries in Germany	US & Subsidiary < Host country < Home Country	No	No	Yes
German subsidiaries in the USA	Host country & Subsidiary < Home Country	No	Yes?	Yes
German subsidiaries in Japan	US & Subsidiary < Home country < Host country	No	No	Yes

**Figure 2: Country-of-origin, localization and dominance effects by home country**

**USA**

**USA in JPN**

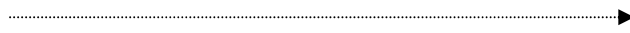
Expected move for country-of-origin effect



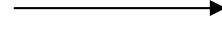
Expected movement for dominance



Expected movement for localization



Real movement



**USA in GER**

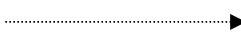
Expected move for country-of-origin effect



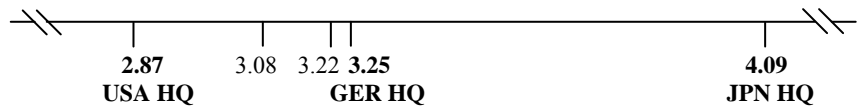
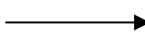
Expected movement for dominance



Expected movement for localization



Real movement



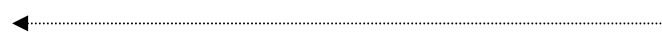
**Japan**

**JPN in USA**

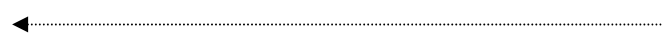
Expected move for country-of-origin effect



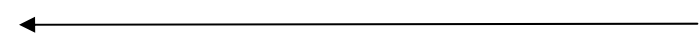
Expected movement for dominance



Expected movement for localization



Real movement

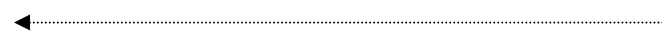


**JPN in GER**

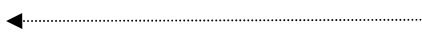
Expected move for country-of-origin effect



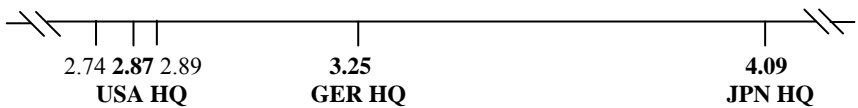
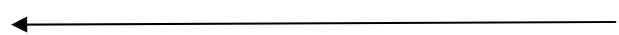
Expected movement for dominance



Expected movement for localization



Real movement



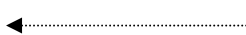
**Germany**

**GER in USA**

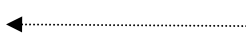
Expected move for country-of-origin effect



Expected movement for dominance



Expected movement for localization



Real movement

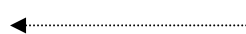


**GER in JPN**

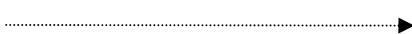
Expected move for country-of-origin effect



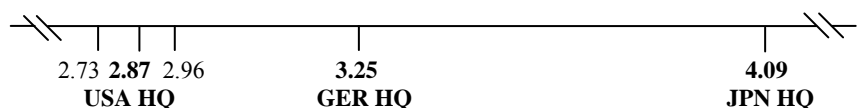
Expected movement for dominance



Expected movement for localization

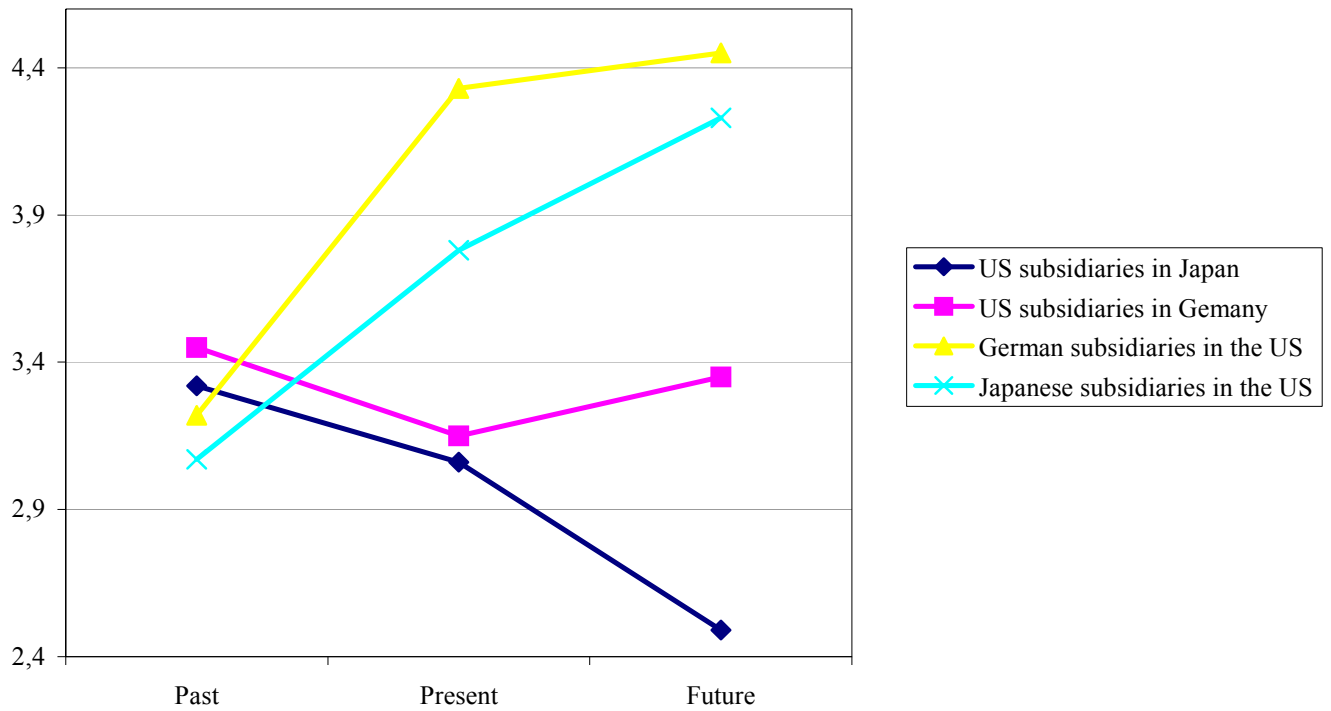


Real movement



**Table 8: Extent of adaptation to local practices**

Subsidiary Type	Past	Present	Future	Difference Present vs. Past	Difference Future vs. Present	Difference Future vs. Past	Sign. of difference future vs. past (t-values)
US subsidiaries in Japan	3.32	3.06	2.49	-.26	-.57	-.83	-6.648***
US subsidiaries in Germany	3.45	3.15	3.35	-.30	.20	-.10	.485
German subsidiaries in the US	3.22	4.33	4.45	1.11	.12	1.23	18.553***
Japanese subsidiaries in the US	3.07	3.78	4.23	.71	.45	1.16	19.078***

**Figure 3: Extent of adaptation to local practices**

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<sup>i</sup> This chapter is to a substantial degree an integration of two previously published journal articles: Pudelko, M. (2004) 'HRM in Japan and the West: What are the Lessons to Be Learnt from Each Other?', *Asian Business and Management*, 3, 3, 337-361 and Pudelko, M. & Harzing, A.-W. (2007) 'Country-of-Origin, Localization or Dominance Effect? An Empirical Investigation of HRM Practices in Foreign Subsidiaries', *Human Resource Management*, 46, 4, 535–559 which received the 'Ulrich & Lake Award for Excellence in HRM Scholarship' for the best publication of the year in Human Resource Management. However, given the specific focus of this book chapter on Japan and the changes of its HRM model, partly substantial adaptations and modifications have been made. Furthermore, methodological details and detailed quantitative results have been omitted in this chapter and more focus has been put on the discussion and practical implications of the results.

<sup>ii</sup> In the literature, it is sometimes debated if one is entitled to speak about a specific 'management model' referring to management practices within a given country or if the differences within one country are not at least as significant as differences between various countries. In accordance with a large body of literature (e.g. Thurow, 1993, 1996; Garten, 1993; Whitley, 1994, 2000; Dore, 2000) it is assumed here, however, that such differences between countries can be made and that the term 'management model' or 'HRM model' is, thus, justified. This is in particular so with such different countries such as Japan, the USA and Germany.

<sup>iii</sup> An important exception to this is the rather considerable body of literature on HRM in foreign subsidiaries (e.g. with regard to Japan Dore, 1973; Trevor, 1983; Schlunze, 2002). But in this case, the focus is more on what can be adopted from one country to another *within* one multinational company and less what can be adopted *between* HRM practices of different countries. Having said this, it is recognized that these two questions can overlap as both kinds of adoption processes can inspire and influence each other. The degree to which adoption processes between different country models are actually inspired by learning processes within multinational corporations is a research question that certainly merits more attention.

<sup>iv</sup> All cited statements about transferable attributes of other HRM models are put in the text into quotation marks as they have been made by the questioned HR managers themselves and are not pre-formulated by the authors. However, for better clarity similar statements of the respondents have been summarized by the authors. In the text, the number of identical items is given in parenthesis. If not stated otherwise, the number refers to the total amount of statements (that is with regard to both the past and the future). In order to systematise the multitude of statements given, they are classified to one of the ten HRM categories depicted in Tables 4 and 5. The categories in the text are in italics. The categories 4-10 are those HRM areas already introduced in the description of the HRM models (see Figure 1). Those categories are preceded by three domains which are not explicitly referring to HRM. However, these domains are included here as a large number of statements raised could not be classified to a specific HRM category, but refer more to general (human resource) management aspects.

<sup>v</sup> In the case of US MNCs, the dominance and country-of-origin effect work in the same direction, so we cannot distinguish between the two.