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The final version has been published as:

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.

HRM IN JAPAN AND THE WEST: WHAT ARE THE LESSONS TO BE LEARNT FROM EACH OTHER?

by
Markus Pudelko

ABSTRACT

In view of increasing perceptions of Japanese HRM as in crisis, the paper examines whether Japanese HR managers are seeking to adopt Western practices to overcome these difficulties, and if so, which Western model is most favoured. Given the esteem accorded until recently to Japanese HRM by many Western commentators, the extent to which Western HR managers (still) see reasons for learning from Japan is also examined. What specific aspects of HRM each set of managers are disposed to are analysed in detail by surveying the views of Japanese and Western (US and German) HR managers. Results show that both Western and Japanese HR experts perceive Japanese HRM increasingly critically, and that Japanese managers now seek to learn chiefly from American HRM practices. It is argued, however, that predominant Japanese focus on the US model may be unwise: learning from other models is not just a question of which *direction* to go but also how *far* to go. Taking inspiration from a more 'balanced' model, such as that of Germany, might also provide valuable guidance because it better 'fits' the Japanese context than the in many ways opposite American model.

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 paper investigates whether Western HR managers still regard Japanese practices as worth learning from; and indeed whether Japanese HR managers are now planning to learn from the West. More specifically, it investigates whether Western (in this case American and German) HR managers intend to adopt characteristics from Japanese HRM, and if so, to what particular aspects they are seeking to adopt; and similarly, whether Japanese HR managers are keen to learn from Western HRM and what they intend to adopt. In order to include a dynamic perspective, both issues are related to two different time horizons: emulation in the past; and that intended in the future.

Such questions are clearly of importance given the growing pressure in an increasingly globalized world to adopt what is often labelled 'best practices'. As the 'traditional' Japanese

HRM model¹ is increasingly regarded to be in crisis and subject to major change (Dalton and Benson, 2002), this issue is of particular significance to Japan. Indeed, one can argue that the question of whether, or to what extent, Japan should incorporate Western management practices, currently stands at the centre of Japanese management research. Matanle (2003), for example, observes a partly convergence in the direction of Western management taking place, Frenkel (1994), foresees yet a stronger convergence towards Western HRM practices, while Ornatowski (1998) even speaks of the end of Japanese-style HRM. 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 judgements upon which adoption decisions ultimately rely.² This viewpoint guides the empirical focus of the research.

One obvious difficulty is in selecting countries that are representative of 'the West'. Comprehensive analyses of managers' views in all major industrialised Western economies is clearly beyond the scope of this paper. The comparative focus is therefore confined to Japan, the USA and Germany. This selection has some merit, in representing the three largest economies in the world, and the economically dominant nations of the triad of North America, Europe and Asia (see also Hook, 1998). In addition, they each embody the prime example of the three main varieties of market economies: the free market economy of Anglo-Saxon countries (USA), the social market economy of continental Europe (Germany) and the government-induced market economy of East-Asia (Japan).

The structure of the discussion is as follows. The next section briefly summarizes the context of existing research in this area. Subsequently, the methodology used is described. Findings are then presented on the judgements of Japanese, American and German HR managers, which concern various aspects of each others' HRM models and mutual adoption processes. 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.

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, forthcoming). Others, however, continue to stress its inherent strengths and warn against significant change (Kono and Clegg, 2001; Ballon, 2002; Ballon, forthcoming).

On the other hand, American understanding of HRM has traditionally been viewed by Japanese managers with scepticism. 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 that has lasted for more than a decade now, it is clear that some shift towards 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 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

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 paper 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 respectively the USA, Japan 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 regards to the issues being investigated, due to their senior positions within corporate hierarchies. Furthermore, it was also assumed that in large corporations, knowledge about foreign management models is more likely than in small and medium sized companies. Questionnaires were sent out in English, Japanese and German depending on the receiver. The method of back-translation (Brislin, 1970) was employed in order to secure consistency among the three versions. Of the HR managers contacted, 68 respondents were from Japan, 57 from the USA and 107 from Germany. Consequently, 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.

Accordingly, the survey does not claim to be representative for all large companies in Japan, the USA and Germany. However, 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.

DESCRIPTION OF HRM MODELS

Before approaching the question of how HR managers perceive *other* HRM models 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. 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 in order to summarize the most relevant aspects of the reviewed literature on Japanese, American and German HRM. The recipients were asked, for each of these opposing pairs, for a classification on a six-point bipolar scale concerning the HRM system of their own 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.

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 bipolar scale, going from ‘strongly agree’ to ‘strongly disagree’, the managers indicated their opinion about these questions. Again, arithmetic means for the responses from each country were computed. The smaller the mean, the more the respondents agreed to the above statements.

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 analysed 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.

FOLLOW-UP

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

RESULTS

DESCRIPTION OF HRM MODELS

Figure 1 reproduces the 20 pairs of opposing statements in between which the Japanese, American and German HR managers have classified their own HRM model as well as the means for the responses from the three countries. The smaller (higher) the mean, the more the data tend to the left (right) of the scale. Table 1 provides information on the statistical significance of differences between these means.

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

1. Recruitment and Release of Personnel	USA GER JNP	
finding the best qualified candidate (from within the company or externally) for a predefined position (job-oriented)	2.68 2.70 4.74	recruitment of new graduates to a permanent employer-employee-relationship; more senior positions are filled exclusively using internal personnel (people-oriented)
selection based on performance and expertise in a given area	2.51 2.70 4.90	selection based on inter-personal skills
high labour turnover (low degree of loyalty between employer and employee)	2.96 4.63 4.97	low labour turnover (high degree of loyalty between employer and employee)
2. Training and Development provided by the Company		
training focused on specific knowledge for narrowly defined tasks (goal: to create a specialist)	3.35 3.50 4.00	widespread training for broadly defined tasks (goal: to create a generalist)
tendency to be limited and focused on the individual	3.19 3.52 4.34	tendency to be extensive and focused on the work group
little effort to mould the employee in accordance with the company’s culture	4.11 3.56 3.87	much effort to mould the employee in accordance with the company’s culture

3. Employee Assessment and Promotion Criteria

heavy weight on individual achievements	2.09 2.48 3.03	heavy weight on seniority and contribution to collective achievements
primarily formal, quantifiable promotion criteria (results oriented)	3.07 3.01 3.10	primarily informal, non-quantifiable promotion criteria (behaviour-oriented)
career path usually confined to one department or area	3.25 3.49 4.25	career path encompassing several departments and areas

4. Employee Incentives

primarily material incentives	2.84 3.08 3.15	a mix of material and immaterial incentives
pay depends on individual performance	2.30 2.76 3.04	pay depends on seniority
very large difference in pay between top-managers and average workers (more than 100 fold)	1.98 3.61 5.59	little difference in pay between top-managers and average workers (less than 20 fold)

5. Communication within the Company

coordination primarily through vertical communication	2.61 3.09 3.13	coordination primarily through horizontal communication
brief, highly structured and efficient communication	3.31 3.39 3.63	detailed extensive communication, also in order to promote a harmonious work environment

6. Decision Making within the Company

top-down decision making	2.49 2.21 2.97	bottom-up decision making
authoritative, individual decision-making behaviour where conflict is accepted	3.46 3.22 4.31	participative, collective, and consensus-oriented decision-making behaviour
tendency to base decisions on quantitative variables ('hard facts')	2.50 2.75 3.74	tendency to base decisions on qualitative variables ('soft facts')

7. Superior-Subordinate-Relationship

task-oriented	2.72 3.24 4.18	person-oriented
characterised by regulations	3.40 3.41 3.76	characterised by common values
superior is concerned only with the performance of the subordinate	3.28 3.51 4.35	superior is also concerned with the well-being of the subordinate

Table 1. HR managers' assessment of the main characteristics of their own HRM-system (significance analysis)

PARAMETER ESTIMATIONS				WALD TEST FOR EQUALITY OF COEFFICIENTS			
Q	USA	GER	JPN	USA=GER	GER= JPN	USA= JPN	USA=GER= JPN
1.1	^a 2.67	^a 2.68	^a 4.74	^c 0.00	^c 106.83 ***	^c 78.80 ***	^c 123.04 ***
	^b 0.17	^b 0.12	^b 0.16				
1.2	2.51	2.70	4.90	1.46	213.63 ***	188.42 ***	263.70 ***
	0.13	0.09	0.12				
1.3	2.91	4.59	4.97	84.76 ***	4.91	106.52 ***	121.02 ***
	0.15	0.11	0.13				
2.1	3.35	3.43	3.94	0.14	6.53 **	6.49 **	8.53 **
	0.17	0.12	0.16				
2.2	3.02	3.36	4.28	2.44	20.48 ***	28.47 ***	32.51 ***

	0.17	0.13	0.16				
2.3	3.96	3.46	3.81	5.60 **	3.00 *	0.44	6.46 **
	0.17	0.13	0.16				
3.1	2.09	2.41	3.03	3.45 *	14.08 ***	24.37 ***	26.19 ***
	0.14	0.10	0.13				
3.2	3.07	2.98	3.06	0.18	0.15	0.00	0.25
	0.17	0.12	0.15				
3.3	3.25	3.39	4.19	0.47	15.55 ***	16.25 ***	20.82 ***
	0.17	0.13	0.16				
4.1	2.79	3.06	3.15	1.31	0.00	1.12	1.53
	0.19	0.14	0.17				
4.2	2.26	2.74	3.04	7.05 ***	3.27 *	15.89 ***	16.01 ***
	0.14	0.11	0.13				
4.3	1.98	3.48	5.59	37.71 ***	84.21 ***	183.13 ***	188.85 ***
	0.20	0.14	0.18				
5.1	2.61	3.07	3.13	6.20 **	0.15	6.82 ***	8.17 ***
	0.15	0.11	0.13				
5.2	3.19	3.39	3.57	1.16	1.06	3.51 *	3.51
	0.15	0.11	0.14				
6.1	2.49	2.21	2.97	3.38 *	28.28 ***	8.49 ***	28.29 ***
	0.12	0.09	0.11				
6.2	3.46	3.16	4.31	2.78 *	46.47 ***	19.05 ***	47.28 ***
	0.14	0.11	0.13				
6.3	2.46	2.64	3.74	1.15	42.90 ***	44.03 ***	56.90 ***
	0.14	0.10	0.13				
7.1	2.72	3.18	4.18	7.07 ***	37.55 ***	59.59 ***	65.43 ***
	0.14	0.10	0.13				
7.2	3.30	3.41	3.71	0.37	2.83 *	4.04 **	4.58
	0.15	0.11	0.14				
7.3	3.28	3.48	4.35	1.31	29.28 ***	32.69 ***	40.62 ***
	0.14	0.10	0.13				

^a Estimated mean for each question and for each country. ^b Standard error of estimated mean for each question and for each country. ^c Chi-square statistic from the Wald test for the equality of pairwise country means and for the equality of means of three countries. ***, ** and * indicate statistical significance at the levels of 1%, 5%, and 10%, respectively.³

According to the test results, 57 out of 80 cases report statistically significant differences between the three countries. When investigated collectively, the three countries are according to the statements given statistically different from each other in 16 out of 20 opposing statements. From the four remaining cases with collectively insignificant results (statements 3.2, 4.1, 5.2 and 7.2) only two are statistically the same (3.2 and 4.1). In the other two cases, there are statistically significant pair-wise differences. Hence, it can be concluded that according to the HR managers' evaluations the USA, Japan and Germany have HRM models that distinctly differ from each other. Furthermore, when looking at the means it is noticeable that again in 16 out of 20 statements the USA and Japan are closer to the opposite poles, with Germany occupying the middle ground. Of the remaining four statements which go against the grain, three are statistically significant (2.3, 6.1 and 6.2) and the remaining one is not (3.2). Amongst the 16 statements where Germany is middle-ranked, 13 prove to be

statistically significant for all three countries collectively and three do not (4.1, 5.2 and 7.2). In a pair-wise consideration between the USA and Japan in all of these 16 statements, the differences prove to be statistically different. The corresponding figures for Germany and Japan and for Germany and the USA are 12 and 6, respectively. Based on the HR managers' evaluations of their own respective HRM-model, one can 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.

WHO ADOPTS FROM WHOM AND WHEN?

The means depicted in the first row of Table 2 (printed in bold) indicate that both the American (4.14 for the past and 4.57 for the future) and the German recipients (3.98 for the past and 4.25 for the future) are rather sceptical regarding an orientation of the companies of their own country towards Japanese HRM. In contrast, the orientation towards the American model (row 2) is clearly viewed by the Japanese (3.03 for the past and 2.80 for the future) and German HR managers (3.34 for the past and 3.71 for the future) more positively. Finally, regarding the orientation towards German HRM (row 3) it can be concluded that neither the Japanese nor the American respondents perceive a meaningful orientation towards the German system with respect to the companies of their own country. The figures for the Japanese are 5.14 and 4.42, and for the Americans 5.07 and 4.93, for the past and future, respectively.

Table 2: Adoption from other HRM models

from	to	JPN				USA				GER			
		Past		Future		Past		Future		Past		Future	
JPN						4.14	3.44 θ	4.57		3.98	2.37	4.25	
						17.83 +++	0.57	3.39 ‡	2.73 *	14.88 +++		11.50 +++	
USA		3.03	1.30	2.80						3.34	5.80 θθ	3.71	
		133.02 +++	3.06 *	71.33 +++	26.89 ***								
GER		5.14	17.52 θθθ	4.42		5.07	0.63	4.93					
			0.22		7.33 ***								

The smaller (higher) the arithmetic mean (in bold), the more (less) the respondents of one country believe that an orientation towards or adoption of HR practices of the respective HRM system has taken place in the past or will take place in the future.

⁺⁺⁺, ⁺⁺ and [‡] show statistical significance for column-wise equality (adoption from) at the levels of 1%, 5% and 10%, respectively. E.g. **3.03** is statistically different from **5.14** at the level of 1% according to the χ^2 statistic of 133.02 from the Wald test.

^{θθθ}, ^{θθ} and ^θ show statistical significance for row-wise equality (past and future) at the levels of 1%, 5% and 10%, respectively. E.g. **4.14** is statistically different from **4.57** at the level of 10% according to the χ^2 statistic of 3.44 from the Wald test.

***, ** and * show statistical significance for main column-wise equality (adoption to) at the levels of 1%, 5% and 10%, respectively. E.g. **3.03** is statistically different from **3.34** at the level of 10% according to the χ^2 statistic of 3.06 from the Wald test.⁴

These findings, along with those reported below, were tested for statistical significance. Due to the complexity of the cases tested and in order not to unnecessarily inflate the main body of text, detailed information on the significance analysis is reported only in Table 2 and the corresponding footnote. As 13 of the 18 cases tested proved to be statistically significant, it can be stated, however, that the arguments made here on the basis of the reported means were largely supported by the formal regression analysis.

With regards to the future, the data indicate that Japanese HRM is rated more negatively by both the American and the German HR experts than was the case for the 1980s. It becomes evident here that Japanese HRM has lost its appeal. In contrast, American HRM is rated partly better (by the Japanese), and partly less favourably (by the Germans). Only German HRM has improved (from, *albeit*, a very low level) its reputation as compared with the past. This can be seen in particular in the ratings of the Japanese HR managers. However, since the Japanese also want to increase their orientation towards the American model, this may be interpreted more as rising discontent with their own system.

Another way of interpreting the results in Table 2 is as follows: Japan has orientated itself more towards the USA both with regards to the past (3.03) and the future (2.80) than towards Germany (5.14 and 4.42); the USA has orientated itself more towards Japan both regarding the past (4.14) and the future (4.57) than towards Germany (5.07 and 4.93); and Germany more towards the USA, again both with regards to the past (3.34) and the future (3.71) than towards Japan (3.98 and 4.25).

These results confirm current literature that suggests that the Japanese HRM model is of less importance than American HRM as a source of inspiration, but is still more influential than German HRM. In addition, the attractiveness of Japanese HRM is confirmed as heading into decline. Further findings reinforce these conclusions. 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 regards to Japanese HRM, it is interesting to note that the number of those items referring to the orientation towards the Japanese model in the future (27) compared to those for the past (104) decreased substantially. This indicates again (see also Table 2) the degree to which Japanese HRM fell in the appreciation of the American and German HR experts.⁵

WHO ADOPTS WHAT FROM WHOM?

It is now of interest to see which concrete attributes of the Japanese HRM model the American and German HR managers consider worth adopting and which attributes of the American and German HRM the Japanese consider worth adopting.⁶

Table 3: Adoption from Japanese HRM

Attributes (ordered by HRM categories)	USA			GER			Sum of totals
	Past	Future	Total	Past	Future	Total	
Strategies	1	0	1	4	0	4	5
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
Structures	2	0	2	1	0	1	3
organizational development	2	0	2	0	0	0	2
others	0	0	0	1	0	1	1
Processes	6	1	7	49	4	53	60
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
Recruitment and release of personnel	0	0	0	1	0	1	1
job security	0	0	0	1	0	0	1
Training and development	0	0	0	3	1	4	4
training of socially competent generalists	0	0	0	3	0	3	3
others	0	0	0	0	1	1	1
Employee assessment and promotion criteria	1	0	1	2	0	2	3
group orientation	1	0	1	1	0	1	2
others	0	0	0	1	0	1	1
Employee incentives	1	2	3	6	9	15	18
loyalty towards 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
Communication	0	0	0	0	0	0	0
Decision making	3	0	3	3	4	7	10
participative and bottom-up decision making	3	0	3	2	4	6	9
consideration of soft facts	0	0	0	1	0	1	1
Superior-subordinate-relationship	3	1	4	18	5	23	27
team orientation	3	1	4	18	5	23	27
Across all categories	17	4	21	87	23	110	131

With regards to the *adoption of Japanese HRM practices by American companies* (Table 3, 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 towards and identification with the company” (2).

Regarding the *adoption of Japanese HRM practices by German companies* (Table 3, right part), many more items have been given (in total: 110) than was the case for the orientation of American firms towards 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 towards and identification with the company” (3) and the “training of socially competent generalists” (3).

Table 4: Adoption from American HRM

Attributes (ordered by HRM categories)	JPN			GER			Sum of totals
	Past	Future	Total	Past	Future	Total	
Strategies	7	15	22	21	28	49	71
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
Structures	2	1	3	5	7	12	15
flat, decentralized organizational structures	2	1	3	5	6	11	14
others	0	0	0	0	1	1	1
Processes	4	0	4	8	2	10	14
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
Recruitment and release of personnel	13	10	23	4	0	4	27
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
Training and development	4	3	7	6	1	7	14
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
Employee assessment and promotion criteria	36	21	57	13	6	19	76
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
Employee incentives	23	12	35	21	18	39	74
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
Communication	1	1	2	6	5	11	13
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
Decision making	10	2	12	2	3	5	17
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
Superior-subordinate-relationship	2	2	4	18	10	28	32
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
Across all categories	102	67	169	104	80	184	353

With regards 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 Americans and Germans learn from Japan and what Japanese learn from the USA and Germany. 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 regards to the future (16) as opposed to the past (1).

Due to the small number of items raised regarding adoption from Germany, no extra table is included here. With regards 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

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 US, one might have expected, in particular with regards 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, and 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.

With regards 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. Next 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”. Movement away from these essential components of the Japanese HRM-model illustrate 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.

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 towards 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 towards 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.

BLUEPRINTS FOR REFORM: AMERICAN VS. GERMAN HRM

The chief aim of this paper was to investigate whether adoption of practices from a foreign HRM can assist Japanese managers in re-establishing competitiveness. The data provide several indications of a decline in the regard for Japanese HRM on the part of American, German and even Japanese HR managers themselves (Table 2 and 3). Furthermore, the data indicate that the Japanese especially view American HRM practices as providing valuable inspiration for improving the domestic model (Table 2 and 4). By contrast, the German model seems to be of little consequence as a source of stimulation.

Attributes of American HRM practices most valued by the Japanese respondents suggest a move towards stronger individualization of HRM practices (see also Watanabe, 2003; Matanle, 2003). A higher degree of diversity with regards to the treatment of the employees is the goal, in order to better respond to individual differences in performance, skills, achievements and the desires of employees. This covers a comprehensive spectrum of HRM practices including recruitment and release of personnel, training and development, promotion criteria, incentives and decision making.

If changes towards increased individualization inspired by Western (or more precisely American) HRM practices can be successfully introduced, then efficiency, competitiveness and profitability could 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

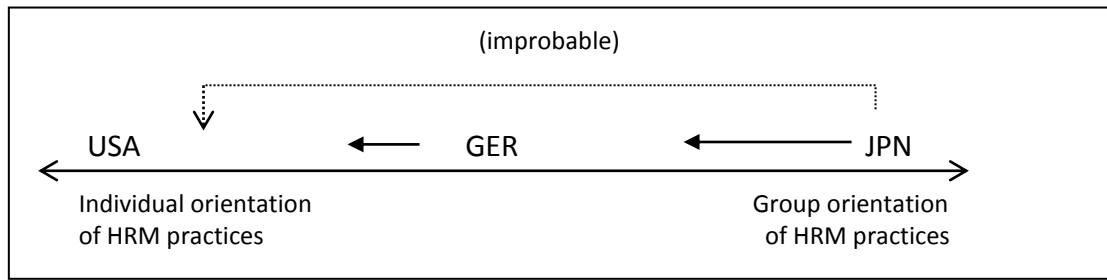
result. It may be argued, therefore, that an almost exclusive focus on the American model might not necessarily be the optimum strategy for Japanese companies.

Being aware of the problems associated with the construction of typologies (for a summary of this critique see Kitay and Marchington, 1996) and acknowledging the danger of over-simplification, the findings lend some support to conceptualising the three HRM models in terms of a continuum, with the USA and Japan in many ways at opposites and Germany in the middle, as suggested from data in Figure 1 and Table 1. If this depiction has substance, then two key propositions follow. First, the American model may be considered of value for Japanese HR managers 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 (determining the new 'positioning' of HRM in Japan) will be rather difficult to ascertain from a model that lies in many ways at the opposite end of the spectrum. 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 that it will '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). Moreover, Hofstede (2001) argues that the score for cultural dimensions such as individualism might well change for countries over time, but what will remain rather stable is the *sequence* of countries (no 'surpassing').

Culture is not the only relevant variable. As described elsewhere (Pudelko, 2000a), it can be argued that in many other key areas, Germany is located in a 'middle position' between the USA and Japan: in the socio-political context (e.g. low vs. high degree of government involvement into business), in the economic context (e.g. shareholder vs. stakeholder value) as well as in a managerial context (e.g. short-term vs. long-term orientation). Accordingly, even if the Japanese model moves more in the direction of the American model, it is unlikely to 'surpass' the German one.

The same can be argued for HRM practices that find much of their justification in their respective cultural context. Even if Japanese companies fully abandon lifelong-employment, one might expect that on account of cultural and other societal imperatives, employment will still remain long-term oriented and probably more so than in Germany (not to speak of the USA). And if the seniority principle with regards to promotion is abandoned in Japan, the Japanese will probably continue to show more respect for age and loyalty to the company than Germans or Americans. In the same vein, if salaries become more performance oriented in Japan, the spread of salaries is still likely to remain less than in Germany or the USA. Consequently, the new 'position' of the Japanese system in terms of individualization and other features will resemble more the German model than the American one, as depicted in

Figure 2: The positioning of the American, Japanese and German HRM models



Second, it follows that the almost exclusive focus on the American model in guiding Japanese reform processes, as revealed in this study, may prove to be inadequate. Insufficient knowledge of other approaches, such as the German one, precludes realistic insight into the degree of change that is possible, irrespective of the desired direction. Such considerations warn against treating HRM models as somehow mutually exclusive in their role as guides to change processes, a tendency that has been evident on the part of academics as well as managers.

One might argue that the two propositions just outlined were also at the core of the disappointments related to many efforts of American companies in emulating Japanese management techniques in the 1980s. The insufficient consideration of cultural and other contextual factors might have led to unrealistic expectations to a degree in which adoption from a, in many ways, opposite model is possible. In addition, the almost exclusive focus of American companies to seek inspiration from Japanese companies precluded insight into the extent of change that is realistic. Again, the inclusion into the consideration of other management models that, from an American perspective, went in the same vein as the Japanese model (e.g. team orientation, longer term perspective, non-monetary incentives) only to a lesser extent, might have been advisable. With these experiences in mind, Japanese HR managers should be careful of not repeating similar mistakes.

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 labour 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 conduct 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 characterising the system of co-determination are examples of what Japanese HR managers would certainly not want to adopt. Second, it can be argued that the German model itself needs to move more towards increased individualization, as the survey findings

suggest (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 favouring 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 (not to be confused with the institutional industrial relations model) might provide a valuable additional source of inspiration on ways towards increased individualization and other desired reforms, instead of relying *solely* on a model that is in many ways diametrically opposed to traditional Japanese approaches. Knowledge of a wider range of models will give Japanese managers the confidence that it can be legitimate, if not necessary, to depart in significant ways from the preferred American management model, irrespective of common strategic goals, and indeed may be a prerequisite for successful change rather than copying the details of a system quite unsuited to the Japanese context. Current experience in 'in-between' countries such as Germany can offer a more positive lead too, 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. Germany would seem to constitute one such model though there may be other examples.

CONCLUSION

It has been demonstrated that according to American, German and Japanese 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 towards 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 and how to 'reposition' its own model, more 'moderate', 'equilibrated' or 'balanced' approaches (in this case, the German one) might provide a better 'fit' to the domestic Japanese context and therefore serve as an important and necessary additional source of inspiration. 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. Different models should not therefore be treated as mutually exclusive as sources of inspiration. More generally, the findings warn against the growing hegemony of Anglo-Saxon model as the chief reform blueprint. In addition, learning from 'best practice'

may need to be understood primarily as an inspiration process within the confines of what is possible. In contrast, how to put inspirations from foreign management models into practice can only be answered in close consideration of the specific context.

The study also underlines the importance of analysing subjective perceptions of HR managers about foreign HR models. It has been argued that adoption tendencies depend upon managers' knowledge of other systems and upon a positive evaluation of foreign models by HR managers, but that it is by no means evident that the focus is put on the model(s) that best serve as sources of inspiration. Future research should therefore investigate managers' judgements, attitudes and evaluations towards other models and how to encourage consideration of a broader spectrum of reform options.

The author would like to express his gratitude to Prof. Yoshitaka Okada and Prof. Michael T. Hannan, for their support during his research at Sophia University, Tokyo and Stanford University, Palo Alto. Colin Duncan, Barbara Townley and John Henley made useful suggestions on earlier versions of this paper.

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ENDNOTES

¹ 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.

² An important exception to this is the rather considerable body of literature on HRM in foreign subsidiaries (e.g. with regards 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.

³ The dummy variable regression technique was employed instead of using t-test because it overcomes the missing observation or no response problem. All estimations and tests were done using Eviews, an econometrics software. The following binary dummy variable regression was run to estimate the mean response for each question and for each country using the full sample.

$$R_i = \text{USA } D_{1,i} + \text{GER } D_{2,i} + \text{JPN } D_{3,i} + \varepsilon_i$$

where R_i is the quantified response by manager i . $D_{1,i}$ is a binary dummy variable taking the value of 1 if manager i is from a USA company, and 0 otherwise. $D_{2,i}$ is a binary dummy variable taking the value of 1 if manager i is from a German company, and 0 otherwise. $D_{3,i}$ is a binary dummy variable taking the value of 1 if manager i is from a Japanese company, and 0 otherwise. The responses are indexed by $i = 1, 2, 3, \dots, n$, where n is equal to

total number of managers, 232 in our case. The random error term is denoted by ε_i . The estimated regression coefficients *USA*, *GER* and *JAP* show the mean response for the USA, Germany and Japan, respectively. Also reported is the standard error for each estimated figure. The equality of the mean response figures between each possible pairs of countries as well as among the three countries is tested through the Wald test which requires the running of a total of 80 cases.

⁴ The following binary dummy variable regression was run to test the equality of pair-wise means in three different settings: equality of any two figures in a column (adoption from), equality of any two figures in a main column (adoption to), and equality of any two figures in a row (past and future) for each country.

The first setting is to test the difference between any two countries towards the third country in the both past and future (column-wise equality) such that

$$R_i = \text{USA } D_{1,i} + \text{GER } D_{2,i} + \varepsilon_i \quad (1)$$

where R_i is the quantified response by manager i . $D_{1,i}$ is a binary dummy variable taking the value of 1 if manager i is from a USA company, and 0 otherwise. $D_{2,i}$ is a binary dummy variable taking the value of 1 if manager i is from a German company, and 0 otherwise. The responses are indexed by $i = 1, 2, 3, \dots, n$, where n is equal to total number of managers, 232 in our case. The random error term is denoted by ε_i . The equality of past and future figures (row-wise equality) reported by each country is tested through the following regressions:

$$R_i = \text{USA}_{\text{past}} D_{1,i} + \text{USA}_{\text{future}} D_{2,i} + \varepsilon_i \quad (2)$$

$$R_i = \text{GER}_{\text{past}} D_{1,i} + \text{GER}_{\text{future}} D_{2,i} + \varepsilon_i \quad (3)$$

$$R_i = \text{JPN}_{\text{past}} D_{1,i} + \text{JPN}_{\text{future}} D_{2,i} + \varepsilon_i \quad (4)$$

Similarly, we run the following regressions in the both past and future (main column-wise equality):

$$R_i = \text{USA } D_{1,i} + \text{JPN } D_{2,i} + \varepsilon_i \quad (5)$$

$$R_i = \text{GER } D_{1,i} + \text{JPN } D_{2,i} + \varepsilon_i \quad (6)$$

Estimated regression coefficients *JPN*, *USA* and *GER* and show the mean response for Japan, the USA and Germany, respectively. We also report the standard error for each estimated figure. The equality of the mean response figures between each possible case is tested through the Wald test which requires the running of a total of 18 regressions.

⁵ It should be noted that with one exception the respondents always gave more items with regards to the past than to the future. This might be explained by the order of the questions in the survey instrument (position effect). However, as the drop of items raised from those of the past to those of the future is for the Japanese HRM so strong, this should be interpreted as a clear sign for a loss in appreciation.

⁶ 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 author. However, for better clarity similar statements of the respondents have been summarized by the author. 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 regards 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 Table 3 and 4. 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.