Prof Dr Markus Pudelko

School of Business and Economics
Faculty of Economics and Social Sciences
University of Tübingen

Melanchthonstr. 30
72074 Tübingen - Germany
e-mail: markus.pudelko@uni-tuebinen.de
www.uni-tuebingen.de/wiwi/ib

The final version has been published as:

Pudelko, M. (2009)

The End of Japanese-Style Management?

Long Range Planning, 42, 4, 439-462.

THE END OF JAPANESE-STYLE MANAGEMENT?

by
Markus Pudelko

ABSTRACT

Many Western observers perceive the Japanese management model as outdated and uncompetitive. This article explores the future viability of Japanese-style management. After a review of the key characteristics of the Japanese management model, a framework is developed that links four forces of continuity and four opposite forces of change with four different scenarios for the future development of the Japanese management model. Subsequently, the current competitive state and future trends of the Japanese management model, as viewed by 359 high-ranking Japanese managers of major Japanese companies at headquarters and at subsidiaries in the US and in Germany, is described. The data reveal that Japanese managers regard their own management system to be in crisis and in need of substantial change. Inspirations for this change process appear to come in particular from the US management model. The key challenge for the Japanese management model seems to integrate the new, frequently US-inspired management practices with traditional Japanese management methods, so that it can attain a new state of stable equilibrium in which its various components are mutually reinforcing themselves. Concrete practical implications of the findings for Japanese companies, for Western multinationals and for their subsidiaries operating in Japan are highlighted and future research directions outlined.

INTRODUCTION

The traditional Japanese management model is perceived by many observers to be in deep crisis.[1] Such an evaluation is understandable, given the long-lasting malaise of the Japanese economy. The key reasons for Japan's economic crisis and its perseverance during the so-called 'lost decade' of the 1990s were mainly to be found on the macro level, which was beyond the control of corporate managers.[2] Yet, in recent years, there has also been plenty of evidence pointing to the relative decline in competitiveness of Japanese companies and the Japanese management model itself.[3] The fact that the economic growth rates from 2004 to 2008 suggested that the economic malaise had finally come to an end (before Japan was hit again by the current global economic crisis), does not necessarily make these critical comments obsolete, as the reasons for the 2004-2008 economic recovery are primarily to be found on a level beyond managerial control (e.g. deregulation). Moderate growth rates over several years do not therefore imply a return to corporate competitiveness.

Many of the reports criticising Japanese management suggest that the only way for Japan to regain its competitiveness is for it to learn from the business model which currently, due to its alleged superiority, seems to be the focus point of global convergence: the Western, or more specifically, the US model.[4] Concrete suggestions of how Japanese corporations should learn from the US were made in particular in the areas of corporate strategy, corporate governance, corporate finance and human resources management (HRM).[5] Learning from other management models implies, however, the transferability of management practices from one country to another – yet the degree to which this is possible depends significantly on the relevance of the respective socio-cultural context.[6] A study investigating the management models of Japan, the US and Germany, which was based on a meta-analysis of more than 250 research texts, concluded, for example, that all three management models are deeply embedded in and influenced by their respective cultural, socio-political and economic contexts; furthermore, it was found that the socio-cultural contexts of Japan and the US and, as a result, their management models, are in many ways in stark opposition to each other, and that the various socio-cultural contextual factors and the management model of Germany are, in comparison, positioned in between those of Japan and the US.[7] Table 1 provides key examples where the traditional Japanese and US management practices stand in direct contrast to each other.[8]

Table 1: Key differentiators of the (traditional) Japanese and the US management model

CRITERION	JAPAN	USA
Company objectives	Financial and non-financial objectives of importance in order to secure long-term survival, independence and growth of the company	High importance of short-term financial objectives in order to increase shareholder value
Key target figures	Long-term market share	Short-term profits
Main stakeholders	1. employees; 2. clients; 3. shareholders	1. shareholders; 2. clients; 3. employees
Corporate governance	'Behind closed doors' insider system of management and control	Transparency in corporate governance and financial markets
Mindset	Insular, domestic and ethnocentric mindset	Open, global and geocentric mindset
Power	Power devolved, middle management important in preparing top level decisions	High concentration of power with the CEO
Strategies	Status quo and stability orientation, changes often only incremental	High degree of flexibility, radical strategy changes possible
Key concerns	Operational aspects: focus on gradual improvement of products and processes	Strategic aspects: high degree of sophistication in activities such as mergers and acquisitions
Structures	Network-like corporate structure, top-down, bottom-up and lateral decision-making, many hierarchical layers	Pyramidal corporate structure, clear top-down decision-making, flat hierarchies
Company networks	Stable *keiretsu*-structures	Flexible value chains
Employment	Long-term employment relations ("lifelong employment")	Short-term employment relations ("hire and fire")
Recruitment	Finding the person who fits best for the company (people-oriented)	Finding the best qualified person for a specific job (job-oriented)
Rewards	Rewards based on seniority	Rewards based on performance

Performance	Contribution to collective performance matters (behaviour-oriented)	Strong individual performance orientation (results-oriented)
Career paths	Generalist career path	Specialist career path

The finding of traditional Japanese management practices standing in what amounts to rather fundamental opposition to US management practices should, in principle, caution against exaggerated expectations about Japanese companies successfully adopting in a comprehensive way practices from the opposite US management model, given the frictions this might entail with the Japanese socio-cultural context.

Against this backdrop, this study provides an answer to the following question: are Japanese companies largely continuing to rely on traditional management practices, as some authors suggest,[9] or are they radically changing their management model by introducing Western-inspired principles and practices? This question is of great practical relevance; it is relevant first and foremost for Japanese corporations that need to find new solutions in a changed competitive environment. But it is also of relevance for foreign companies that are competing with Japanese firms and need to have a clear understanding as to which new paths their Japanese competitors are taking.

There is already much empirical data on current changes in Japanese management, and considerable academic speculation as to the degree to which Japanese management should 'Westernise'. But what do Japanese managers themselves think about this issue? Few studies have actually questioned Japanese managers about their views on the need to change their traditional management model and their perception of 'the West' as a role model to be emulated.[10] As this group no doubt represents the key decision makers responsible for any sort of fundamental change in the Japanese management model, an insight into their understanding of and opinion about the past, present and future of their management model would offer valuable information not only about the current situation but also about possible developments. Given the decisive role Japanese managers have in defining Japanese management practices, it is actually astonishing that so few studies have focused on their views and attitudes regarding the change of their management model.[11]

The following study analyses how opposing forces of change and continuity are currently affecting the Japanese management model, and ultimately answers the bottom-line question of where Japanese management is heading. In order to do so, in the conceptual section an encompassing framework is developed which describes a series of driving forces promoting change in the Japanese management model, and matching opposing forces reinforcing more continuity. This framework also includes four possible scenarios for the Japanese management model which are outlined in detail.

After briefly describing the methodological approach, the results of this study are presented. What distinguishes this study from many others is the diversity of data to which this study refers. Large-scale survey data is presented to provide a comprehensive overview of the current state of the Japanese management. The survey results are complemented by interview data to add more subtle in-depth information. The findings from the questionnaire surveys draw in particular on HRM related data (HRM in general and, more specifically, recruitment and release of personnel, training and development, employee assessment and promotion criteria, and employee incentives); the interview data cover more strategic issues of the overall Japanese management model, focusing specifically on the question of where it is heading.

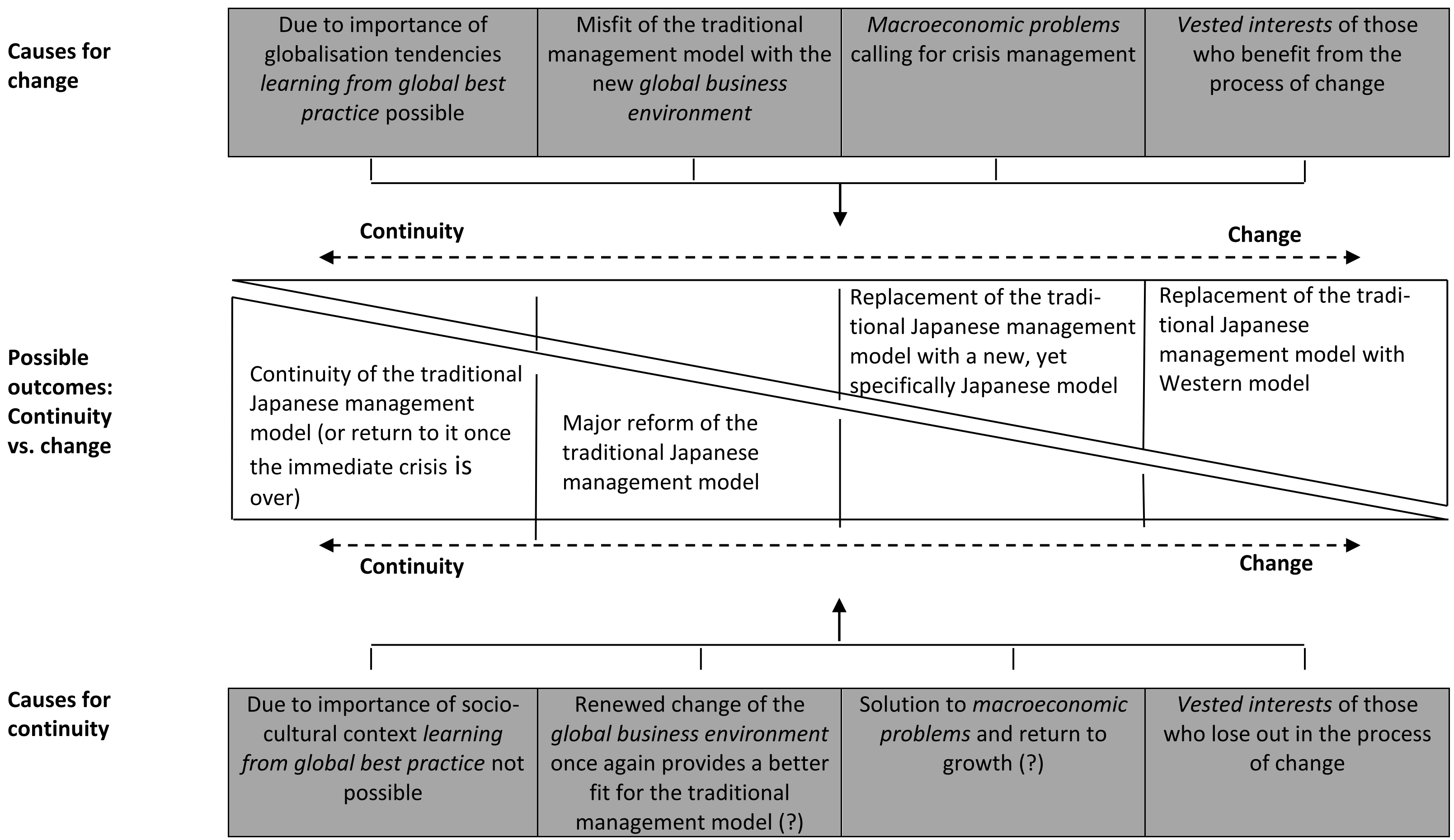
Respondents represent companies across many industries, both in manufacturing and services. More importantly, respondents are based at different kinds of companies: at Japanese HQ in Japan, at Japanese subsidiaries abroad, and at foreign subsidiaries in Japan; in addition, and in order to add a comparative angle to this analysis, perfectly matched survey data from US and German companies are included as well, allowing for a better evaluation of what is specific to the Japanese context and what is not. Finally, the data were generated over a time span of some nine years. While this did not produce longitudinal data in a strict sense, it still allowed for a better understanding of major developments and trends than data generated only at one point in time would have provided. Consequently, the variety in the data collection approach presented us with a more complex and multi-facetted picture which is regarded here also as necessary to analyse such an intricate issue as the Japanese management system.

The main focus of the findings and the subsequent discussion section is the direction the Japanese management model is taking and, more specifically, the extent to which foreign management practices are providing any guidance in defining new approaches. The study concludes with the practical implications for managers and with observations on future research.

WHERE IS JAPANESE MANAGEMENT HEADING? A CONCEPTUALISATION

The key questions for the future of the Japanese management model are the following: is Japanese management finding a new balance between continuity of traditional practices and change in order to resynchronise itself with the demands of the global business environment? What will this new balance look like? And what role will inspiration from foreign management models play in finding this new balance?[12] These are the questions we strive to answer. Figure 1 provides an overview of the major driving forces for continuity as well as change, and the possible consequences this might have for the Japanese management model.

Figure 1: Causes and possible outcomes of change and continuity of the Japanesem management model



MAJOR DRIVING FORCES FOR CONTINUITY AS WELL AS CHANGE

As can be seen from Figure 1, four opposing pairs of driving forces for both change and continuity have been identified. They relate to the following issues: ‘learning from best practice’, ‘the global business environment’, ‘macroeconomic problems’ and ‘vested interests’. From careful observation of recent Japanese economic and managerial developments and from an extensive review of the literature, we believe that these forces are the decisive factors.

LEARNING FROM BEST PRACTICES

With increasing competition in a globalised economy, Japanese companies are under growing pressure to learn from the management practices that seem to be most successful, no matter where these practices originated in the first place. Proponents of the convergence approach claim that human needs, technology and economic systems are converging more and more because of globalisation, and therefore rendering the convergence of management practices towards global best practices increasingly possible and necessary. Globalisation functions in this sense as a catalyst for change.[13] On the other hand, a management model is also substantially defined by its particular socio-cultural context. Indeed, disciples of the so-called divergence approach stress that a convergence towards global best practices is simply not possible due to cultural and institutional differences. As societies and their cultures and institutions are perceived to be quite stable and not subject to dramatic change, the focus on the socio-cultural context tends, consequently, to stress the continuity argument.[14]

THE GLOBAL BUSINESS ENVIRONMENT

The traditional Japanese management model is rather status quo oriented and therefore not well suited to the current globalised, dynamic and unstable business environment which is characterised by disruptive, non-linear processes. This mismatch enhances the pressure for change, in order to realign the Japanese management model with the requirements of today’s business environment.[15] If, however, the business environment changed again, and in a way that was beneficial to the traditional Japanese management model, this would strengthen the forces of continuity of the traditional model (stressing, for example, stability and incrementalism).[16]

MACROECONOMIC PROBLEMS

For more than a decade, Japan had been experiencing a major macroeconomic crisis, characterised by two mutually reinforcing negative phenomena: low (or even negative) growth and deflationary tendencies. This crisis put pressure on companies to introduce substantial changes in order to increase competitiveness, which ultimately helped to break the vicious cycle of low growth and deflation.[17] If a crisis (such as a recession) is a driving factor for change, then overcoming it (for example through the economic recovery which Japan has experienced between 2004 and 2008) may well reduce the pressure for change and may even result in a return to more traditional management practices.

VESTED INTERESTS

Finally, irrespective of the overall positive effects that change may have, some players will benefit particularly from the current transformation. These are mainly high-performing young, flexible, specialised and individualistic people who identify more with the job they do than with the company they work for. Other advocates of change are foreign investors who would like to see more performance- and profit-orientation taking root in Japanese management. The traditional Japanese management model is, however, to the advantage of certain other groups of people who wish to preserve their status and, therefore, object to any change. This refers mainly to the male, middle-aged core workforce of large Japanese companies who were hired under the principles of lifelong employment, seniority and job rotation. After years of hard work and sacrifice, they are now counting on receiving their reward in the form of job security, automatic promotions into managerial positions, and constant pay increases.[18] Under these circumstances, they are natural opponents of change. Furthermore, members of the bureaucracy tend to favour the continuity of the traditional system, as they do not like to see their influence on the business sector diminished. Finally, the Liberal Democratic Party (LDP) – the political embodiment of the 'old system' – and certain uncompetitive business sectors that benefit from governmental subsidies (such as construction or retailing) prefer a continuation of the traditional model.[19]

Which of the above forces will ultimately prevail and which will become less critical over time? Four different possible outcomes can, in principle, be distinguished.

POSSIBLE CONSEQUENCES FOR THE JAPANESE MANAGEMENT MODEL

Four scenarios were devised for the future Japanese management model which, taken together, cover conceptually the full spectrum of possible outcomes between complete continuity and the most radical change. By including all potential results in the conceptual model, the objective was to leave the outcome of the study as open as possible. Any definition of management, management practice or management model was conscientiously avoided in the survey or the interviews, in order to give respondents the opportunity of answering unconstrained by the author's own possible preconceptions as far as possible. Before presenting these four scenarios to the interviewees, the author discussed the soundness of this conceptualisation with one Japanese and one Western academic expert on Japanese management, both based in Japan.

SCENARIO 1: CONTINUITY OF THE TRADITIONAL MODEL C

One possibility is the continuity of the traditional Japanese management model. That is not to say that change is not taking place, but it occurs very much within the confines of the traditional system. The continuity thesis is based on the relevance of the very specific socio-cultural context in Japan. The unique Japanese culture does not tolerate considerable foreign influence that would inevitably stand in contradiction to the Japanese socio-cultural environment.[20] Furthermore, the strong need for harmony in Japanese society might not even allow for significant home-grown change processes that would risk rocking the boat. As corporate examples we might refer here to the management systems of Toyota, Canon and Honda, all of which continue to employ very traditional Japanese management methods (for example, lifetime employment) and remain at the same time highly successful.

SCENARIO 2: MAJOR REFORM OF THE TRADITIONAL MODEL

According to the second scenario, major reforms of Japanese management are occurring *within* the traditional Japanese management model, without, however, any true paradigm shift from one system to another taking place. Companies might strive, for example, for more flexibility in their employment practices (abandonment of lifelong employment), while still relying on long-term employment in order to secure the loyalty of their employees and the substantial investments they make in staff development.[21] As corporate examples, we might think of the consolidation efforts by Mitsubishi Electric, Matsushita and Toshiba. These companies are all known for their more traditional approach to management, but are currently undergoing major reforms, mainly in order to focus more on core competencies.

SCENARIO 3: REPLACEMENT OF THE TRADITIONAL MODEL WITH A NEW, YET SPECIFICALLY JAPANESE, MODEL

The third possibility goes even further in the direction of change. According to this scenario, many aspects of Japanese management are changing to such an extent that a true paradigm shift is occurring. While inspirations for this paradigm shift might well come from a foreign management model, such as the US one, the parameters and subsequent implementation of this paradigm shift are still be defined by the specific Japanese context. While shareholder value did play a very minor role in the heyday of Japanese management during the 1980s, companies nowadays are much more concerned about their share price. This is quite a revolutionary development in Japanese corporate governance. This does not, however, mean that other stakeholders, employees in particular, are necessarily becoming of low importance. Instead, Japanese companies nowadays frequently pursue more multi-dimensional objectives, taking into consideration the interests of shareholders (short-term profits) as well as employees (stable employment and long-term growth).[22] The radical and very successful reorganisation of NEC might be an example in case for the third scenario.

SCENARIO 4: REPLACEMENT WITH THE WESTERN MODEL

The most radical change scenario is that of the replacement of the traditional Japanese management model with the Western model. The rationale for this scenario is that in a business environment that is increasingly characterised by intensified global competition, new entrants to the global economy in Asia, globally interlinked value chains, transnational mergers and acquisitions, and ever-shorter decision-making periods, the largely insular, ethnocentric and growth-oriented Japanese management system, which stresses incremental innovations, is outdated. It needs to be replaced by more encompassing, open and profit-oriented Western management concepts which focus on more radical innovations.[23] For example, the Renault-Nissan strategic alliance has so far been a much-acclaimed success story, yet in many other instances foreign firms failed to turn their acquisitions into profitable ventures: for instance, DaimlerChrysler with Mitsubishi Motors and Merrill Lynch with Yamaichi. Which of these four scenarios Japanese managers perceive as the most realistic one will be central to the following empirical investigation?

THE STUDY

In order to gain a better understanding of how Japanese executives view the situation of their management system, and to ascertain the degree to which they feel that they should change and adopt practices from the Western management model, the perceptions of managers of major Japanese companies were investigated by means of questionnaire surveys and interviews. In the following findings section, the data will be presented in three subsections. The first subsection reports more detailed and specific data regarding Japanese management practices which were obtained at headquarters (HQ) level. Opinions of managers at HQ are of relevance as they ultimately decide on the overall direction that Japanese companies take. The second subsection relates equally detailed and specific data regarding Japanese management practices, but this time from a different source: managers at foreign subsidiaries. If we wish to study the extent to which Japanese companies adopt Western management practices, it is also of interest to investigate the opinions of Japanese managers of Japanese subsidiaries based in Western countries and Japanese managers of Western subsidiaries based in Japan. The rationale for this is that foreign subsidiaries are frequently used as 'learning laboratories,' to create in-depth knowledge about foreign management practices and test if they also work in some part of the own organisation before introducing them into the home country and throughout the entire organisation.[24] Compared with the first two sections, the third section is more evaluative than descriptive. Based on the results from the two previous sections, informants from HQ and subsidiaries were asked how they interpret the path the Japanese management model is taking, also with regard to the four possible scenarios of the conceptual model that was introduced in the previous section.

While this paper is only about the Japanese management model, carefully matched comparative survey data from US and German companies are also introduced. The rationale for this is that only comparative information allows us to truly understand if observations on Japanese companies are specific to this country or merely reflect more general trends also taking place in other countries. Moreover, only the comparison of different country models permits us to establish what Japan might learn from other countries, which is an important aspect of this paper. It is believed here that the management models of the largest (US) and the for many decades third largest economy (Germany – which was only recently overtaken by China) are 'natural benchmarks' for a better understanding of the management of the second largest economy (Japan) and a discussion of what its companies might adopt from abroad. Furthermore, these three countries are the most important economies of the Triad America, Asia and Europe, thus also introducing a significant amount of regional diversity to this comparative study. In addition, and even more importantly, they represent the three major variants of market economies: free-market economy (US), government-guided market economy (Japan) and social-market economy (Germany). If we accept the notion that different economic systems lead to different challenges for the respective management models, we should also expect, as a result, different responses to these challenges. Consequently, understanding if certain developments take place only in Japan (due to specific challenges), or across these three important yet diverse economies (due to global challenges), is essential in order to fully comprehend the Japanese situation and understand more about the learning potential from abroad.

In order to obtain the most differentiated and multi-faceted picture of Japanese management possible, not only are data from HQ and subsidiaries and from Japanese and foreign companies presented, but in addition, both quantitative and qualitative data are reported. For each of the following two sections, firstly data from large-scale surveys and subsequently supplementary information from a series of interviews will be presented. This approach, combining the collection of data through questionnaires with in-depth discussion of key results of the survey with experts, provides us with the advantages of both research methodologies: a large data set, necessary to probe the overall perceptions of Japanese managers, plus the interpretative force that only focused discussions can provide. It was felt both were necessary for this study and that by means of this triangulation more reliable information was obtained. More detail on data sources is presented in the following three findings subsections.

FINDINGS: MANAGERS' VIEWS ON THE JAPANESE MANAGEMENT MODEL

PERCEPTION OF JAPANESE MANAGEMENT PRACTICES: HQ DATA

DATA SOURCES

For the HQ survey, the perceptions of the heads of HR departments (usually at vice president level) from 68 large Japanese corporations are reported. Additionally, survey data from heads of HR departments from 57 large US and 107 large German companies are presented. Consequently, the HQ survey-based part of this study is based on responses from 232 managers. US and German managers did not comment on the situation in Japan, but about the one in their own respective country. As this article is only about Japanese management, this comparative information is referred to only in order to put the findings on Japan into perspective, in other words, to understand which trends are specifically Japanese and which are part of more general developments.[25]

The HQ surveys were followed up by a series of interviews, mainly with managers who had previously taken part in the questionnaire survey and were willing to provide more in-depth information. The objective was not to gather information on additional aspects, but to probe the managers about their interpretation of the survey results, in particular regarding the directionality of the Japanese management model. Consequently, the interviews were less about particular management practices in specific companies, but more about an interpretation of what the survey results meant for the Japanese management model in general. More details about the respondents to the surveys and interviews are described in the Appendix.

NECESSITY FOR CHANGE THROUGH LEARNING FROM THE US MANAGEMENT MODEL

The Japanese managers considered their own management system to be in a state of crisis, necessitating substantial changes. This became evident through the HQ survey in which Japanese, US and German managers were asked a) if corporations from their country "have oriented themselves *since the 1980s* toward, or adapted, particular human resource practices" from the other two countries' respective management models; and b) if corporations from their country "should orient themselves *in the upcoming years* toward, or adapt, particular human resource practices" from the other two respective management models. On a six-point scale, going from ‘strongly agree’ to ‘strongly disagree’, the managers were asked to give their opinions on these two items. The comparative data analysis revealed that the Japanese expressed the strongest desire to orient themselves toward foreign management practices, and the increase of such an orientation from the past (“since the 1980s”) to the future (“in the upcoming years”) was substantial and in stark contrast to the responses from US and German managers. This clearly indicates that Japanese managers perceived an increasing need for change.

More specifically, the Japanese managers largely agreed that US (and not German) management practices are perceived as an important source of inspiration for their own management system, with regard both to the past and particularly to the future. As we have already described and illustrated in Table 1, Japanese and US management practices as well as their socio-cultural contexts are in many ways at opposite extremes, while German practices and contextual factors can in many cases be perceived as being ‘in between’. From this follows that an adoption of ‘opposite’ US practices signifies that Japanese managers are prepared to engage in a relatively radical change. More detailed information on the specifics of the research methods employed and the quantitative research results can be found in the Appendix.

In the interviews, in which the managers were asked to interpret the survey findings and elaborate on the implications for the overall Japanese management model, all questioned Japanese managers at HQ and at subsidiary level expressed without hesitation that the Japanese management model is in need of change. One interview partner stated: “The Japanese management system has always been adapting to a changing environment, but confronted with the current crisis, more fundamental reform is required in order to regain competitiveness.” This latter evaluation was a consensus among all interviewees. There was also agreement among Japanese managers in the interviews that after the economic crisis started in the early 1990s, it took Japanese companies a painfully long time until the depth of the management crisis was fully understood, the ensuing need for more fundamental reforms was realised and finally the perceived need for change was transformed into action. However, as one interviewee observed: “In particular, since about 2000 there has been a significant and ongoing change in Japanese management, but more change is perceived necessary and is expected to occur.” There was some disagreement about the pace of future change. Some thought the change process has gained such momentum that it can hardly be slowed, whereas others thought the improvement of the macro-economic situation in Japan from 2004 to 2008 might have lessened the pressure on Japanese companies in their efforts to implement further reforms.

Furthermore, the Japanese interviewees unanimously confirmed the survey results by stressing the importance of the US model as a source of inspiration for Japanese companies. While there was no disagreement about the observation as such, there was some disagreement to what degree this actually always makes sense. Some managers described the “learning from the US” phenomenon as a “necessity”, while others described it as a “management fad”. In addition, the interviewees also confirmed that the German model is in no way a source of inspiration, and that the reason for this is the complete lack of knowledge about it (“German management is not on our radar screen”). This might astonish to some degree, as Germany was, after all, since very recently the third largest economy in the world after the US and Japan, and is the leading representative of the ‘social market economy', an economic system that is in many ways closer to the 'government-induced market economy' of Japan than the 'free market economy' of the US.

WHICH US MANAGEMENT PRACTICES JAPANESE COMPANIES ARE ADAPTING TO

The 68 surveyed Japanese managers made in total 169 statements when asked by means of open-ended questions which "particular US human resource practices ... Japanese corporations have oriented themselves toward, or adapted" and which "particular US human resource practices ... Japanese corporations should orient themselves toward, or adapt". (In comparison, they made only 11 statements about adapting to German management practices, another indicator of the negligible German influence.) The Japanese managers mentioned the following three aspects of the US HRM model most often: more performance orientation with regard to promotion and compensation (less seniority orientation) (with 80 out of the 169 given statements, this was by far the most often mentioned item); more flexibility of recruitment, release of personnel and change of employer (less "lifelong employment") (23 times mentioned); and increased formation of specialists (less formation of generalists) (seven times mentioned).

In addition, the Japanese managers also highlighted a series of aspects from the US management model that went well beyond the area of HRM, such as: more profit orientation (less market share orientation); more short-term orientation; more flexible value chains (company networks or *keiretsu* losing importance); reform of corporate governance (fewer board members, also more outside directors); more strategic thinking; better suited for globalisation and internationalisation; and better suited for mergers and acquisitions. It would be beyond the scope of this paper on Japanese management to report here which practices US managers wished to see adopted from Japan and Germany and which practices German managers wanted to see adopted from Japan and the US. However, it should be mentioned that the inspirations sought by the Japanese respondents indicated a rather fundamental break with their traditional practices (seniority system, lifelong employment, market share orientation, *keiretsu* networks etc.). In contrast, German and in particular US managers referred more to continuous changes *within* their systems, but not to changes *of* the systems as such.

The interviews revealed similar results. Overall, the greater performance orientation (within HRM) and profit orientation (within general strategy) clearly stood out. Both trends were described as rather fundamental in nature. Nevertheless, despite all change processes, the "concern for people" as one interviewee put it, will always remain the supreme maxim of Japanese companies, something where Japanese companies will "always" continue to differ from the US management style. Respondents differed most in regard to the "lifelong employment" principle. While this practice is overall certainly in decline, many companies – including successful ones like Toyota – continue its application. Some respondents described it positively with regard to the stable economic environment that existed until the Japanese economy encountered problems in the early 1990s, but judged it for the current and future situation as too inflexible and consequently as a dated management technique. Others, however, stressed its continued value in the specific Japanese cultural context, in terms of its positive effects on employee motivation and loyalty.

When asked about the respective strengths of the Japanese and US management models, the Japanese interview partners identified the strengths of the Japanese model with *processes* (for example, quality orientation and total quality management; quality circles; *kaizen* [respectively continuous improvements]; *kanban* [respectively just-in-time-production]; participative decision-making), while the strengths of the US model were more identified with *strategies* (for example, profit orientation and shareholder value; stronger consideration of market outcomes; globalisation; mergers, acquisitions and selling of company divisions; flexibility, promptness and mobility). For one Japanese manager, the major challenge for Japanese companies is to "improve on strategies, while continuing to build on the traditional Japanese strengths in processes". Overall, the advantages of the Japanese model were associated by the respondents more with incremental "fine-tuning" activities, whereas the ability to do major "breakthrough leaps" was perceived as positive in the US system. Japanese managers acknowledged that in times of dramatic changes induced by globalisation, breakthrough leaps matter relatively more than incremental "fine-tuning" activities, hence the current attractiveness of the US model.

PERCEPTION OF JAPANESE MANAGEMENT PRACTICES: SUBSIDIARY DATA

DATA SOURCES

In order to obtain a more differentiated understanding of Japanese management, this study went beyond HQ data and also included survey data from managers of 209 Japanese subsidiaries in the US and of 82 Japanese subsidiaries in Germany.[26] This increased the overall number of participants of the various questionnaire surveys we did for this study to 523. The subsidiary surveys were followed up by a series of interviews with managers from Japanese subsidiaries in the US and Germany who had already participated in the questionnaire survey and were willing to provide more in-depth information. Additional information was provided by Japanese managers working for foreign subsidiaries in Japan. The objective was again to obtain more in-depth information and a better understanding of the survey results. More detailed information about the respondents of the surveys and interviews can be found again in the Appendix.

ADOPTING US PRACTICES

In the subsidiary survey, the HR managers of Japanese subsidiaries in the US and in Germany were asked to "characterise the human resource practices (found throughout all hierarchical levels) in their subsidiary" by ranking them between a series of bipolar scales. In the previously mentioned HQ survey, the Japanese, US and German managers in their respective home countries had also been asked to rank their respective HRM practices between the same scales. As a result, we were able to compare the HRM practices of Japanese subsidiaries in the US and in Germany with those of Japanese HQ (home country) and in addition with those of US and German HQ (host countries).

Comparing first only the HQ data, it emerged that Japanese and US management practices were in distinct opposition to each other, while German practices were clearly 'in-between'. This pattern is very much consistent with previously reported observations (see also Table 1) and, therefore, not unexpected. By contrast, the subsidiary data were rather surprising. The HRM practices of the Japanese subsidiaries in the US appeared to be quite similar to those of domestic US companies (host country), without showing much resemblance to domestic

Japanese companies (home country). This outcome alone might at first sight be interpreted as a simple localisation of management practices. However, more remarkably, even the Japanese subsidiaries in Germany resembled US management practices more than those of either Japan (home country) or Germany (host country). Apparently, the Japanese foreign subsidiaries in both the US and Germany are embracing to a large extent US practices at the expense of home practices and (in the case of Germany) host practices. In Germany, this tendency seems to indicate that the Japanese managers perceived US practices to be superior to either home or host practices. Regarding the Japanese subsidiaries in the US, the interpretation of this tendency is more difficult. It could be interpreted as the desire either to adapt to local (US) practices or to emulate practices that are considered by subsidiary managers to be superior to practices employed by the parent companies in Japan. However, taking into consideration the already discussed strong desire of managers of Japanese HQ to orient themselves toward US management practices, it is likely that the adoption of US practices in the US is motivated by an aspiration to learn from what Japanese managers perceive to be 'best management practices'. For more detailed information about research methods and quantitative survey results see the Appendix.

In the interviews with those Japanese managers in the US who first participated in the questionnaire survey and who were subsequently willing to provide a more in-depth interpretation of the survey results, most (but not all) of the respondents agreed that in many ways they were following more US than Japanese management practices. Even for the managers themselves it was difficult to judge if this had more to do with "if in Rome (or better: New York), do as the Romans (or: New Yorkers) do", or if it was about applying management practices that were considered by the subsidiary managers to be superior to the Japanese practices. One interviewee from a major Japanese services company saw its subsidiary in the US very much as a "human laboratory" in which new (in other words, US) management practices are tested before they might become implemented in Japan. Another Japanese manager in the US remarked that a "generational change" took place among Japanese expatriates. While the previous generation of leading Japanese subsidiary managers was very much focused on the Japanese management culture, the current generation (in their fifties) is much more prepared to embrace US management principles and practices.

EVALUATION OF THE PATH THE JAPANESE MANAGEMENT MODEL IS TAKING

DATA SOURCES

This last findings section is based on the previously described in-depth interviews with managers of Japanese companies in Japan (HQ), the US and Germany (subsidiaries), and Japanese managers of foreign subsidiaries in Japan. The interviewees were asked to comment on the path the Japanese management model is taking, based on the conceptual framework that guided this study. For this purpose, an earlier version of Figure 1 was presented and explained to them. Interview partners were asked to evaluate the likelihood of the four scenarios that were laid out in the framework and to discuss the key challenges of the Japanese management model. While the statements of the interviewed experts also contained to some degree speculative elements regarding likely future developments, their judgements on the Japanese management model were not incited in isolation and out of any context but as concluding evaluations of the previously discussed, more specific management practices and concerns of the past and present.

CONTINUATION OF THE TRADITIONAL JAPANESE MANAGEMENT MODEL: AN UNLIKELY OUTCOME

The Japanese managers considered a mere continuation of the traditional Japanese management model (scenario 1) to be highly unlikely ("a model of the past"). They believed the overall drivers for change are of such significance that there is little room for 'just' some limited readjustment processes within the confines of the traditional management model. Furthermore, the changes already implemented have been very substantial and it would be, according to the respondents, very unlikely for them to be taken back, even with an improvement in the macro economic situation.

ADOPTION OF THE US MODEL: AN EQUALLY UNLIKELY OUTCOME

The Japanese interviewees considered the other extreme (scenario 4), a comprehensive replacement of the traditional Japanese management model by the Western model, equally unlikely. Due to fundamental socio-cultural differences between Japan and the West, a widespread adoption of the Western management model did not appear feasible and therefore a comprehensive convergence with Western management practices was not regarded as a realistic option ("We Japanese would never become more successful in being American than the Americans and therefore shouldn't start trying.").

MAJOR REFORMS OF OLD PRACTICES AND NEW, BUT SPECIFICALLY JAPANESE PRACTICES: LIKELY OUTCOME

In accordance with the author's expectations, the respondents largely agreed that the most likely outcome was a combination between the two scenarios in the middle, major reforms of the traditional model (scenario 2) and replacement of traditional practices with new, yet specifically Japanese ones (scenario 3). The latter does not preclude inspirations also coming from the outside, for example the Western management model; however, instead of adopting foreign practices on a one by one basis, an adaptation to the Japanese context will be necessary. The respondents did not exclude, however, the possibility that some aspects of management practices will remain virtually untouched (scenario 1) (for example, the previously mentioned "concern for people", including for those at the bottom of the corporate hierarchy) or that for some other aspects a comprehensive adoption of Western practices will take place (scenario 4) (for example. faster decision-making with clearer distribution of decision-making authority).

MAJOR CHALLENGE FOR THE FUTURE: OVERCOMING FRICTIONS AND INCONSISTENCIES

The Japanese managers were most concerned in the interviews by the fact that, even though there is an overall trend in the direction of change (and this direction was largely approved), there is still no real consistency in the current situation. While some management practices are changing and others are not (or are changing to a lesser extent), the results lead frequently to "inconsistencies" and "contradictions" within the system, only causing “frictions” within the organisations. Consequently, Japanese management is currently still in a phase of trial and error and has not yet attained a stable equilibrium in which the various elements of the system are mutually self-reinforcing and in tune with Japan’s specific societal context.

DISCUSSION OF FINDINGS

To review the findings, the HQ data suggest that Japanese (as well as US and German) managers regard the Japanese management model as clearly more negative for the present business environment compared to that of the past. Furthermore, the data revealed that Japanese managers have a distinct desire to change their own management practices and to learn from non-Japanese, specifically US approaches in a rather comprehensive manner. The strong influence that US management practices are exerting on the management practices of Japanese companies became particularly evident in the survey of Japanese subsidiaries in the US and in Germany. Both groups of subsidiaries appear to follow more US than Japanese (or German) practices. This seems surprising, given that Japanese subsidiaries have frequently been described as rather ethnocentric.[27] While the lack of a country-of-origin effect might in the case of Japanese subsidiaries in the US still be explained by localisation, in other words an adaptation to host country practices, this explanation does not hold for Japanese subsidiaries in Germany. Here the most likely explanation is that Japanese subsidiaries are following what they perceive as ‘best practices’, that is, US ones.[28] If we adhere to the thesis that foreign subsidiaries are frequently used as ‘learning laboratories’ that introduce foreign practices considered to represent ‘best practices’ before HQ adopt them in their domestic context, we should interpret this remarkable finding as an indication that more transfer of US management practices to Japanese companies is still to come. This conclusion only confirms the previously discussed desire of HQ managers to adopt more US management practices.

By analysing the areas in which Japanese mangers expressed their intention to learn from their US competitors, it becomes evident that the change is targeted at virtually all criteria which have been regarded as core criteria of the traditional Japanese management system (see also Table 1). This underlines again the thoroughness of the ongoing change. The term ‘paradigm shift’ might best characterise this process.

However, the data equally indicated that a transfer of US management practices to Japanese companies should not be confused with a full convergence toward the US model. It was already pointed out that the management models – and the socio-cultural contexts in which they are embedded – are in many ways diametrically opposite for the two countries. One key prediction from some of the interviewees’ should therefore be reiterated in this context: management instruments which support long-term interpersonal relations and the emotional security and stability they provide will continue to play an important role, even if they limit the realisation of organisational short-term efficiency potentials or the maximisation of individual self-actualisation.

Consequently, Western concepts in management might serve as an indicator for the direction of change; however, the extent to which this direction will be taken can only be determined under close consideration of the specific Japanese context. This argument has also been very much emphasised by the interviewees. What is chiefly expected by the respondents is, therefore, something of a hybrid approach, but so far it is difficult to predict where the new equilibrium between traditional practices and Western-inspired methods will lie.

In the current state, the Japanese management system has not yet attained a stable equilibrium in which its various components are mutually self-reinforcing and in synchronicity with the Japanese cultural and institutional context. And indeed, the interviews with Japanese managers revealed that what they considered most troublesome was that there is still no real consistency in the current situation. This clearly differentiates the present situation from the one that existed until the early 1990s. Up to that time the relative success of the Japanese management model was also due to the fact that its various parts complemented and mutually supported each other, so that it enjoyed an inherent and self-reinforcing logic, resulting in a stable equilibrium. However, because of predominantly exogenous but also endogenous shocks since the mid-1990s, this equilibrium could not be upheld any more, which is why the Japanese management model finds itself currently in a phase of transition. The true challenge facing Japanese management is, therefore, to overcome this transition phase with its frictions and inconsistencies, and integrate the causes of both change and continuity as outlined in the conceptual model and summarised in Figure 1, 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 both the global economic and the domestic socio-cultural context.

IMPLICATIONS FOR MANAGEMENT AND RESEARCH

The findings carry significant implications for both management and research. For Japanese management, it appears that the key challenge lies in overcoming contradictions between traditional Japanese and Western-inspired methods, and integrating them into a coherent new model without relying on simple trade-offs. Inevitably, changes in the management system of the world's second most powerful economy will have implications for companies of Western countries and beyond. It is predicted here that Japanese companies will succeed in combining a new focus on strategy, profit orientation, global outlook and flexibility with their traditional strengths of efficient processes, quality orientation, attention to detail and the capacity to muster a high degree of loyalty from their employees. As a consequence, Japanese companies will be more powerful competitors than ever before. In other words, after one and a half decades of relative decline, Japan appears to be coming back and Western companies are well advised to be aware of it.

This study is based on a combination of large-scale quantitative research and in-depth interviews. It was felt that both were needed in order to generate information on the general trends in Japanese management and to better interpret them. While quantitative studies assist us in uncovering major developments in management, it is strongly believed here that more in-depth qualitative research is needed which focuses on interpreting quantitative data. More specifically, if the spread between various management models decreases as a result of increasing global competition and cross-national adoption of management practices, so that remaining differences become more subtle, focused in-depth analyses will help us to understand better the nuances of increasingly similar management models.

Furthermore, additional studies are needed which actually investigate managers' judgements, attitudes and opinions when it comes to researching change processes. So far, most empirical research in this area is limiting its scope to the depiction of the current situation, leaving the speculation about the outcome of ongoing or expected change processes to the researchers themselves. However, as managers are ultimately in charge of changing management practices, it was felt that in this case the Japanese managers' perceptions about their own management model, the Western model and ongoing change processes gave valuable insights into current and future trends in Japanese management. More research with a similar approach is therefore needed. Finally, while studies such as this one assist in uncovering general trends in the evolution of Japanese management, more in-depth research is needed which focuses on single management practices rather than using aggregate measures.

CONCLUSIONS

Any modifications within a system often require additional adjustments in other parts of the system. At the moment, however, it appears that many changes within the Japanese management model are introduced with specific intentions in mind but with little regard for the consequences they might entail elsewhere in the system. From this practice follow inconsistencies, frictions and frustrations, as members of organisations are frequently confronted with contradictory messages. The true challenge for the Japanese management model is, therefore, to integrate new, frequently Western-inspired management principles with traditional Japanese management concepts, so that it can attain a new state of stable equilibrium in which its components are again mutually reinforcing themselves, establishing a coherence and consistency within the model itself as well as with the global economic context and the domestic cultural and institutional context.

To answer the question posed in the title of this contribution, this challenge by no means signifies the end of Japanese-style management, but it is still too early to say what shape it will take. Nevertheless, it is believed here that Japanese companies will re-emerge from these ongoing transitions in a strengthened form, and that Western companies should be prepared for even stronger competition from Japan.

ACKNOWLEDGEMENTS

I would like to thank Mark Mendenhall, Professor in Business Leadership at the University of Tennessee, Chattanooga, for his detailed comments and suggestions on a previous draft of this paper. Thanks also go out to the British Academy and the Carnegie Trust for the Universities of Scotland for multiple research grants which made part of the data collection possible.

APPENDIX A

MORE SPECIFIC INFORMATION ON DATA SOURCES, RESEARCH METHODS AND FINDINGS

DATA SOURCES

The first phase of the survey (1999-2000) focused on the HQ. Questionnaires were mailed to the heads of the HR departments of the top-500 companies from Japan, the US and Germany, respectively. It was assumed that top-500 companies stand at the forefront of management development and can therefore best inform about newest management trends. Heads of HR departments (usually at a vice president level) have a senior position in their companies and are therefore able to provide the evaluations relevant to this study. In the second phase of the questionnaire study, information was gathered from the subsidiaries. Again, questionnaires were mailed out to the heads of the HR departments. In 2001 US and Japanese subsidiaries in Germany were investigated, in 2002 US and German subsidiaries in Japan, and in 2003 Japanese and German subsidiaries in the US. This research design provided a perfectly balanced and controlled sample that included not only HQ in each of the three countries, but also all six subsidiary combinations. In this study only results from Japanese, US and German HQ and from Japanese subsidiaries in the US and Germany are referred to (i.e., information from 523 companies from an overall data set of 849 companies is included here). Table 2 provides an overview of the responses and response rates for the various data sources this study is referring to. The lower response rates for the HQ compared to the subsidiaries reflect the fact that the HQ of the major companies of the three largest economies in the world are very frequently targeted by surveys like this one.

Table 2: Responses and response rates from the questionnaire survey

Company type	Questionnaires mailed	Returned undeliverable	Returned responses	Response rate
		Main data		
Japanese headquarters	500	8	68	14%
Japanese subsidiaries in the USA	600	57	209	38%
Japanese subsidiaries in Germany	250	19	82	35%
Subtotal	*1350*	*84*	*359*	*28%*
		Comparative data		
US headquarters	500	18	57	12%
German headquarters	500	2	107	21%
Subtotal	*1000*	20	*164*	*17%*
Total	*2350*	*104*	*523*	*23%*

This study's sample of 523 companies at HQ and subsidiary level covers a very large variety of industries, both in manufacturing and in services. In order to test non-response bias, responding and non-responding firms were compared with regard to size (number of employees) and industry (manufacturing and services). As no significant differences were found on these variables one can be reasonably confident that non-response bias is not a problematic issue in this study.

Before sending the questionnaire out, it was pilot-tested in a focus group consisting of three managers. In order to secure consistency among the various questionnaire versions, the method of back-translation was employed. The surveys were followed up by 20 interviews with senior executives of 13 Japanese manufacturing and services companies in Japan, the US and Germany (held between 1999 and 2004) and with eight Japanese managers of foreign subsidiaries in Japan (held in 2008). Table 3 contains more specific information on the interview partners.

Table 3: Responses from the supplementary interviews

Japanese headquarters (all interviews held in Tokyo, except for interviews in one company in Nagoya)	
1999:	one electronics company
2002:	two car companies (one with four interview partners), one chemical company (with five interview partners), one heavy machinery company, one bank, one consultancy
Japanese subsidiaries in the USA (all interviews held in New York City)	
2003:	one shipping company
2004:	one electronics company, one bank, one trade company, one governmental trade organisation
Japanese subsidiaries in Germany (all interviews held in Düsseldorf)	
2000:	one chemical company, one governmental trade organisation
Foreign subsidiaries in Japan (interviews held either in Tokyo or personally arranged in Tokyo and subsequently held over the phone)	
2008:	six investment banks, one market research company, one consultancy

The interviews were semi-structured, conducted in English and on the premises of the companies and lasted on average 1.5 hours. The main purpose of the interviews was not to collect specific company information but to confront the interview partners with key findings from the questionnaire survey and ask them for their interpretation. These comments proved to be of high value. The interviews went beyond HRM-related issues and covered also and in particular more general and strategic management issues.

While it is acknowledged that some time has elapsed between the HQ survey and the last interview taken, it is believed that this study covers such a fundamental issue (the end of Japanese-style management), that this should not be regarded as a major limitation of the results. On the contrary, the data were obtained over the period of several years (1999-2008) and through multiple data sources (Japanese, US, and German companies; HQ and subsidiaries; through surveys and interviews) and this variety in the data collection approach should provide us with a more complex and multi-facetted understanding of major developments, than a snapshot of Japanese management practices taken in one year, from one source and collected with one research method would have offered us. This is even more so as the data, collected over several years, from several sources and through surveys and interviews, are depicting a relatively continuous and consistent development. Furthermore, most of the findings here cited from the earliest part of this data collection, the HQ survey, were not about an accurate description of the (then) reality, but about management practices that Japanese companies had adopted from Western sources in the past ("since the 1980s") and should adopt from Western sources in the future ("in the upcoming years"). Consequently, the aspirations of managers at the turn of this decade could be compared with more recent results. More importantly, the most basic conclusions of this paper focus on the four scenarios that have been sketched out, and these are based on the most recent data sources – the interviews. Ultimately, the main thrust of the findings presented in this text and the conclusions drawn from them are supported by results reported by various other authors, suggesting that the time of data collection should not be perceived as a major limitation.[29]

HQ SURVEY: ADDITIONAL INFORMATION ON RESEARCH METHODS AND FINDINGS

The questionnaire for Japanese, US and German HQ was distributed, depending on the recipients, in Japanese, English and German. In order to guarantee consistency among the various versions, the translation-back translation method was used. The HQ questionnaire contained 36 items. Only data relevant for cross-national adaptation tendencies have been referred to in this article.[30] The Japanese, US and German managers were asked if they thought that corporations from their countries had oriented themselves since the 1980s toward, or adapted, particular human resource practices of corporations of the other two countries, or if they should do so in the upcoming years. Response possibilities went on a six point Likert-scale from 'strongly agree' to 'strongly disagree' which allowed for the computation of arithmetic means for the responses from each country. 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.[31] Table 4 indicates the relevant results.

Table 4: Orientation/adaptation toward aspects from other country models

	Mean		**Mean**	**F-value**	**n**
Japan orienting itself in the past toward *USA*	3.03	Japan orienting itself in the past toward *Germany*	5.14	*133.02* ***	68
Japan orienting itself in the future toward *USA*	2.80	Japan orienting itself in the future toward *Germany*	4.42	*71.33* ***	68
Japan orienting itself in the *past* toward USA	3.03	Japan orienting itself in the *future* toward USA	2.80	*1.30*	68
Japan orienting itself in the *past* toward Germany	5.14	Japan orienting itself in the future *toward* Germany	4.42	*17.52* ***	68
USA orienting itself in the past toward *Japan*	4.14	USA orienting itself in the past toward *Germany*	5.07	*17.83* ***	57
USA orienting itself in the future toward *Japan*	4.57	USA orienting itself in the future toward *Germany*	4.93	*3.39* *	57
USA orienting itself in the *past* toward Japan	4.14	USA orienting itself in the *future* toward Japan	4.57	*3.44* *	57
USA orienting itself in the *past* toward Germany	5.07	USA orienting itself in the *future* toward Germany	4.93	*0.63*	57
Germany orienting itself in the past toward *Japan*	3.98	Germany orienting itself in the past toward *USA*	3.34	*14.88* ***	107
Germany orienting itself in the future toward *Japan*	4.25	Germany orienting itself in the future toward *USA*	3.71	*11.50* ***	107
Germany orienting itself in the *past* toward Japan	3.98	Germany orienting itself in the *future* toward Japan	4.25	*2.37*	107
Germany orienting itself in the *past* toward USA	3.34	Germany orienting itself in the *future* toward USA	3.71	*5.80* **	107

(means are on a scale from 1 to 6)

The smaller the mean, the more the respondents agreed with the observation that companies of their own country have oriented (past)/should orient themselves (future) toward foreign HRM practices. The data suggest that Japanese companies are orienting themselves significantly more ($p < .01$) toward US practices than toward German practices (3.03 versus 5.14 regarding the past, and 2.80 versus 4.42 regarding the future). Considering also the data about orientation of US companies toward Japanese (past: 4.14; future: 4.57) and German HRM practices (past: 5.07; future: 4.93) and of German companies toward Japanese (past: 3.98; future: 4.25) and US HRM practices (past: 3.34; future: 3.71), the most striking result is the following: for both the past and in particular the future, no country is orienting itself so strongly toward another country than is Japan toward the US, both for the past (3.03) and for the future (2.80). This finding strongly indicates the degree to which Japanese managers perceive their own system in crisis and in need of inspirations from abroad, in particular from the US. (Of interest in this context is that this finding is mirrored by both US and German HR experts who rated Japanese HRM practices somewhat less positively as a source of orientation for the future compared to the past (US experts: 4.57 vs. 4.14; German experts: 4.25 vs. 3.98). It is, therefore, evident that Japanese HRM has lost its appeal for foreign managers as well.)

SUBSIDIARY SURVEYS: ADDITIONAL INFORMATION ON RESEARCH METHODS AND FINDINGS

For Japanese subsidiaries in the US and in Germany, two questionnaire versions were employed in each case, one in Japanese and one in English or German respectively. In order to secure consistency, again the translation back-translation procedure was used. The subsidiary questionnaire included 67 items. In order to allow for direct comparisons with HQ data, some questions were identical to those in the HQ questionnaire. Only data relevant to the adaptation toward foreign management practices by Japanese subsidiaries have been reported in this article.[32]

Respondents of both HQ and subsidiary questionnaires were presented with a set of twelve opposing statements concerning management practices across four major HRM categories. They were asked to indicate on a six-point bipolar scale, for each of these opposing statements, the practices they believed best characterised their respective HRM practices. This allowed for a comparison of the HRM practices of Japanese subsidiaries in the US and in Germany with those of Japanese HQ (home country) and in addition with those of US and German HQ (host countries). An even-numbered scale was used again to avoid the medium response effect. Furthermore, it was decided to employ content-oriented scale anchors to evade the acquiescence response effect frequently found in scales expressing agreement, a problem often occurring with Japanese survey participants.[33] The scale anchors were based on an extensive literature review and were designed to cover a comprehensive spectrum of possibilities between which each of the three HRM models could be situated.[34] Table 5 depicts all twelve pairs of opposing statements employed in this comparison.

Table 5: HRM practices

Recruitment and release of personnel

Finding the best-qualified candidate (from within the company or externally) for a predefined position (job-oriented)	vs.	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	vs.	Selection based on interpersonal skills
High labour turnover (low degree of loyalty between employer and employee)	vs.	low labour turnover (high degree of loyalty between employer and employee)
Training and development		
Training focused on specific knowledge for narrowly defined tasks (goal: to create a specialist)	vs.	Widespread training for broadly defined tasks (goal: to create a generalist)
Tendency to be limited and focused on the individual	vs.	Tendency to be extensive and focused on the work group
Little effort to mould the employee in accordance with the company's culture	vs.	Much effort to mould the employee in accordance with the company's culture
Employee assessment and promotion criteria		
Heavy weight on individual achievements	vs.	Heavy weight on seniority and contribution to collective achievements
Primarily formal, quantifiable promotion criteria (results-oriented)	vs.	Primarily informal, non-quantifiable promotion criteria (behaviour-oriented)
Career path usually confined to one department or area	vs.	Career path encompassing several departments and areas
Employee incentives		
Primarily material incentives	vs.	A mix of material and immaterial incentives
Pay depends on individual performance	vs.	Pay depends on seniority
Very large difference in pay between top-managers and average workers (more than 100-fold)	vs.	Little difference in pay between top -managers and average workers (less than 20-fold)

Overall, the Cronbach reliability coefficient for this 12-item scale was α = 0.77. Based on the HQ data, it was found that typical US practices are located close to the anchors on the left-hand side and typical Japanese practices close to the anchors on the right-hand side, while typical German practices are situated in-between. Control variables included sector (manufacturing versus services), entry mode (greenfields or acquisitions) and subsidiary size (measured by number of employees). While sector and entry mode showed no significant differences in terms of HRM practices, a correlation analysis between size and HRM practices produced a very weakly significant result ($p<0.1$), suggesting that larger Japanese subsidiaries are more likely to follow Japanese HQ practices. This result may reflect the strategic importance of larger subsidiaries. Table 6 provides the results for the subsidiary and HQ data.

Table 6: Japanese subsidiaries in the USA and Germany

Location of Japanese subsidiaries	**Japanese subsidiary**		**Japanese HQ**		**Host country (HQ)**		**F-value**	**Significant differences at p < 0.05**
	n	**mean**	**n**	**mean**	**n**	**mean**		
Japanese subsidiaries in the USA	209	2.74	68	4.09	57	2.87	94.300***	Subsidiary & host country < home country
Japanese subsidiaries in Germany	82	2.89	68	4.09	107	3.25	52.871***	US & subsidiary < host country < home country

(means are on a scale from 1 to 6)

For each of the two groups of subsidiaries (Japanese subsidiaries in the US and in Germany), an ANOVA analysis compared the mean scores of their HRM subsidiary practices with the mean scores of the HRM HQ practices of the home country (Japan) and host country (US and Germany). The findings suggest that Japanese subsidiaries both in the US (2.74) and in

Germany (2.89) have a very strong tendency (p<.01) to abandon their home country practices (4.09) and move towards US practices (2.87).

---

[1]ENDNOTES

[1] See, for example, N. Yoshimura and P. Anderson, *Inside the Kaisha: Demystifying Japanese Business Behavior*, Harvard Business School Press, Boston (1997); R. J. Crawford, *Reinterpreting the Japanese Economic Miracle*, Harvard University Press, Cambridge, Mass. (1998); : N. Dalton and J. Benson, Innovation and Change in Japanese Human Resource Management, *Asia Pacific Journal of Human Resources*, 3, 345-362 (2002); U. Schaede, Japanese Policy Making in a World of Constraints, U. Schaede and W. Grimes (eds), *Japan's Managed Globalization: Adapting to the Twenty-first Century*, Armonk, NY: Sharpe, 17-44 (2003).

[2] E. Lincoln, *Arthritic Japan: The Slow Pace of Economic Reform*, Brookings Institution Press, Washington (2001).

[3] See, for example, J. R. Lincoln, Employee work attitudes and management practices in the U.S. and Japan: Evidence from a large comparative survey, *California Management Review*, 32 (1), 89-106 (1989); N. Yoshimura and P. Anderson, *Inside the Kaisha: Demystifying Japanese Business Behavior*, Harvard Business School Press, Boston (1997); U. Schaede, Japanese Policy Making in a World of Constraints, in U. Schaede and W. Grimes (eds), *Japan's Managed Globalization: Adapting to the Twenty-first Century*, Armonk, NY: Sharpe, 17-44 (2003); Yamamura, K. and W. Streeck (eds), *The End of Diversity? Prospects for German and Japanese Capitalism*, Cornell University Press, Ithaca, NY (2003).

[4] P. Matanle, *Japanese Capitalism and Modernity in a Global Era. Re-fabricating Lifetime Employment Relations*, RoutledgeCurzon, London and New York (2003); S. Beechler, The Long Road to Globalization: In Search of a New Balance between Continuity and Change in Japanese MNCs, in: R. Haak and M. Pudelko (eds), *Japanese Management: The Search for a New Balance between Continuity and Change*, Houndmills: Palgrave, 78-96 (2005).

[5] For corporate strategy see, for example, H. Katz and O. Darbishire, *Converging Divergencies: Worldwide Changes in Employment Systems*, ILR/Cornell University Press, Ithaca (2000); for corporate governance see, for example, L. Nottage and L. Wolff, Corporate Governance and Law Reform in Japan: From the Lost Decade to the End of History?' in R. Haak and M. Pudelko (eds), op.cit., 133-166 (2005); for corporate finance see, for example, J. Abegglen, A Perfect Financial Storm, in R. Haak and M. Pudelko (eds), op. cit., 167-183; for HRM see, for example, M. Pudelko, HRM in Japan and the West: What are the Lessons to Be Learnt from Each Other?', *Asian Business and Management*, 3, 3, 337-361 (2005).

[6] N. J. Adler, and F. Ghadar, Strategic Human Resource Management, in R. Pieper (ed), *Human Resource Management: An International Comparison*, Walter de Gruyter, Berlin, 235–60 (1990).

[7] M. Pudelko, A Comparison of HRM Systems in the USA, Japan and Germany in their Socio-Economic Context, *Human Resource Management Journal*, 16, 2, 123-153 (2006).

[8] See in this context also R. Dore, *Stock Market Capitalism: Welfare Capitalism. Japan and Germany versus the Anglo-Saxons*, Oxford University Press, Oxford (2000).

[9] See, for example, T. Kono and S. Clegg, *Trends in Japanese Management. Continuing Strengths, Current Problems and Changing Priorities*, Palgrave, Houndmills and New York (2001); R. Ballon, Human Resource Management and Japan, *Euro Asia Journal of Management*, 12, 5-20 (2002); R.J. Ballon, Organizational Survival, in R. Haak and M. Pudelko (eds), op cit., 55-77 (2005); R. Dore, Will Global Capitalism be Anglo-Saxon Capitalism?, *Asian Business & Management*, 1, 9-18 (2002); R. Dore, Innovation for Whom?, in R. Haak and M. Pudelko (eds), op. cit., 97-115 (2005).

[10] A. von Glinow, Guest Editor's Note, Best Practices in IHRM: Lessons Learned from a Ten-Country/Regional Analysis, *Human Resource Management*, 41, 3-4 (2002). One of such exceptions would be M.A. von Glinow, E.A. Drost, and M.B. Teagarden, Converging on IHRM Best Practices: Lessons Learned from a Globally Distributed Consortium on Theory and Practice, *Human Resource Management*, 41, 123-140 (2002).

[11] See, however, J. Storey, P. Edwards and K. Sisson, *Managers in the Making: Careers, Development and Control in Corporate Britain and JAPAN,* Sage, London (1997).

[12] We define here management in a very comprehensive way, as guiding efficiently and effectively a complex organisation through specific planning, organising, leading and controlling activities (management practices). Management practices which are typical for companies of a specific country form in their entirety a (national) management model.

[13] T. Levitt, The Globalization of Markets, *Harvard Business Review*, May/June (1983); J. Child, Theorizing about Organization Cross-Nationally: Part 1 – An Introduction, in M. Warner and P. Joynt (eds), *Managing Across Cultures. Issues and Perspectives*, 2nd edn, 26-39 (2002), Thomson Learning, London.

[14] Proponents of the convergence approach are, for example, T. Levitt, The Globalization of the Markets, *Harvard Business Review*, 3, 92-102 (1983); M. Waters, *Globalization*, London, Routledge (1995); J. Tomlinson, *Globalization and Culture*, University of Chicago Press, Chicago (1999). Adherents of the divergence approach are, for example, N.J. Adler and S. Bartholomew, Academic and Professional Communities of Discourse: Generating Knowledge on Transnational Human Resource Management, *Journal of International Business Studies*, 23, 551-569 (1992); D.J. Hickson and D.S. Pugh, *Management Worldwide: Distinctive Styles amid Globalization*, Penguin, London (2001); R. Whitley, *Divergent Capitalisms. The Social Structuring and Change of Business Systems*, Oxford University Press, Oxford (2000). For an overview of the convergence-divergence debate and its implications for learning from 'best practices' see J. Child, Theorizing About Organization Cross-Nationally: Part 1 – An Introduction, in M. Warner and P. Joynt (eds), op. cit., 26-39 (2002); M. Pudelko, Universalism, Particularism and Singularism in Cross-National Management, *International Studies of Management & Organization*, 36, 9-38 (2006).

[15] P. Smith, *Japan: A Reinterpretation*, New York, Pantheon (1997); R.J. Crawford, *Reinterpreting the Japanese Economic Miracle*, Harvard University Press, Cambridge, Mass. (1998).

[16] R. Ballon, Organizational Survival, in R. Haak and M. Pudelko (eds), op. cit., 55-77 (2005).

[17] An overview of Japan's current macroeconomic situation is provided by H. Patrick, T. Ito and D. Weinstein, *Reviving Japan's Economy: Problems and Prescriptions*, Cambridge, Mass., MIT Press, (2005).

[18] H. Inohara, *Human Resource Development in Japanese Companies*, Tokyo, Asian Productivity Organization (1990).

[19] J. C. Abegglen, *21st-Century Japanese Management. New Systems, Lasting Values*, Palgrave, Houndmills and New York (2006).

[20] R. Dore, *Stock Market Capitalism: Welfare Capitalism. Japan and Germany versus the Anglo-Saxons*, Oxford University Press, Oxford (2000); J.C. Abegglen, *21st-Century Japanese Management*, Palgrave, Houndmills Basingstoke (2006).

[21] P. Matanle, *Japanese Capitalism and Modernity in a Global Era. Re-fabricating Lifetime Employment Relations*, RoutledgeCurzon, London and New York (2003).

[22] M.E. Porter, H. Takeuchi and M. Sakakibara, *Can Japan Compete?*, Macmillan Press, Houndsmills, Basingstoke (2000).

[23] S. Frenkel, Pattern of Workplace Relations in the Global Corporation. Toward Convergence?, in J. Belanger, P.K. Edwards and L. Haivenet (eds), *Workplace Industrial Relations and the Global Challenge*, ILR Press, Ithaca, 210-74 (1994). R. Katz, *Japan: The System that Soured: The Rise and Fall of the Japanese Economic Miracle*, M.E. Sharpe, Armonk and London (1999).

[24] P. Evans, V. Pucik and J.-L. Barsoux, *The Global Challenge. Frameworks for International Human Resource Management*, McGraw Hill, Boston (2002).

[25] The reproduced survey data relate mostly to questions that were more specific to the area of human resource management (HRM). While we acknowledge a certain limitation in that trends in HRM do not necessarily reflect trends in management in general (the topic of this paper), for several reasons we believe that these mostly HRM-related data provide, nevertheless, relevant information in our context also: 1. this study strives to define what is specific in the current situation of Japanese management, amongst others by comparing the Japanese with US and German management. In this context, we agree with Garten, who argued that the business systems of these three countries differ in various respects, for example, in the role of the government within the national economy or the attitude towards industrial and financial concentration; however, "nowhere is the difference between the philosophies of the Big Three better illustrated than in their approaches to human resource development" (see J. E. Garten, *A Cold Peace: America, Japan, Germany, and the Struggle for Supremacy*, Times Books, New York, p. 128 (1993)). Consequently, we argue that the way in which human resources are managed is essential in understanding differences in these

particular management models; 2. our conceptualisation of HRM was significantly broader than in most other contributions and included a series of questions related to more leadership-oriented themes such as communication, decision-making and superior-subordinate relations; 3. a central concern of this paper is the possible adoption of more Western-style management principles, something which is considered particularly difficult in the culturally sensitive area of HRM; consequently, if such adoption tendencies can be revealed in the context of HRM, it is reasonable to assume that such tendencies should be even more likely to exist with other aspects of management; 4. as we will demonstrate, the answers we obtained from open survey questions often went well beyond the limited area of HRM and also included more general aspects of management. Given that our respondents were on a very senior level (usually on a vice president level), they certainly also had the qualification to go beyond their narrow area of expertise; 5. in the interviews, the interviewees were specifically asked to discuss key findings of the questionnaire survey in a much broader context, that is, in relation to the overall Japanese management model. This is particularly the case regarding the questions that ultimately are of most interest in the context of this paper: the interpretation of the path the Japanese management model is taking.

[26] The survey also included data from managers from 90 US subsidiaries in Japan and Germany and from 236 German subsidiaries in the US and Japan. These data are not of relevance in the context of this study, however, and are, therefore, not reproduced here.

[27] V. Pucik, Where Performance Does Not Matter: Human Resource Management in Japanese-Owned US Affiliates, in S. Beechler and A. Bird (eds), *Japanese Multinationals Abroad: Individual and Organizational Learning*, Oxford University Press, Oxford, 169-188 (1999); S. Beechler, The Long Road to Globalization: In Search of a New Balance between Continuity and Change in Japanese MNCs, in: R. Haak and M. Pudelko (eds), op. cit., 78-96 (2005).

[28] See also T. Edwards, P. Almond, I. Clark, T. Colling and A. Ferner, Reverse Diffusion in US Multinationals: Barriers from the US Business System, *Journal of Management Studies*, 42, 1261-1286 (2005).

[29] See, for example, P. Matanle, op. cit., (2003); K. Yamamura and W. Streeck, op. cit., (2003); S. Beechler, op. cit., (2005); U. Schaede, *Choose and Focus: Japan's Business Strategies in the 21st Century*, Cornell University Press, Ithaca (2008).

[30] For more details, in particular information on further findings of this study, see M. Pudelko, Cross-National Learning from Best Practice and the Convergence-Divergence Debate in HRM, *International Journal of Human Resource Management*, 16, 2047-2076 (2005).

[31] A.-W. Harzing, Response Styles in Cross-National Mail Survey Research: A 26-Country Study, *International Journal of Cross-Cultural Management*, 6, 243-266 (2006).

[32] For more detailed information see M. Pudelko and A.-W. Harzing, Country-of-Origin, Localization or Dominance Effect? An Empirical Investigation of HRM Practices in Foreign Subsidiaries, *Human Resource Management*, 4, 535–559 (2007).

[33] A.-W. Harzing, op. cit., (2006).

[34] Space constraints prevent us from providing supporting citations for each of the twelve opposing statements. However, the following texts are representative of the publications used to construct the questionnaires items: for Japan: N. Yoshimura and P. Anderson, *Inside the Kaisha: Demystifying Japanese Business Behavior*, Harvard Business School Press, Boston (1997); G. K. Ornatowski, The End of Japanese-Style Human Resource Management, *Sloan Management Review*, 39, 73-84 (1998); N. Dalton and J. Benson, Innovation and Change in Japanese Human Resource Management, *Asia Pacific Journal of Human Resources*, 3, 345-362 (2002); P. Matanle, *Japanese Capitalism and Modernity in a Global Era. Re-fabricating Lifetime Employment Relations*, RoutledgeCurzon, London and New York (2003); for the USA: A. L. Kalleberg; D. Knoke; P. V. Marsden and J. L. Spaeth (eds), *Organizations in America: Analyzing Their Structures and Human Resource Practices*, Sage, London (1996); T. A. Kochan, US Corporation as an Employer: Past, Present, and Future Possibilities, in C. Kaysen (ed) *The US Corporation Today. Examining the Questions of Power and Efficiency at the Century's End*, Oxford University Press, New York, Oxford, 242-268 (1996); C. Ichniowski; D. I. Levine; C. Olson and G. Strauss (eds), *The US Workplace: Skills, Compensation, and Employee Involvement*, Cambridge University Press, Cambridge (2000); G. Strauss, HRM in the USA: Correcting Some British Impressions, *International Journal of Human Resource Management*, 12, 873-897 (2001); and for Germany: K. S. Wever, *Negotiating Competitiveness. Employment Relations and Industrial Adjustment in the USA and Germany*, Harvard University Press, Boston (1995); M. Müller, Unitarism, Pluralism, and Human Resource Management in Germany, *Management International Review*, special issue 3, 125-144 (1999); W. Streeck, High Equality, Low Activity: The Contribution of the Social Welfare System to the Stability of the German Collective Bargaining Regime, *Industrial and Labor Relations Review*, 54, 698-706 (2001); H. Wächter and M. Muller-Camen, Co-determination and Strategic Integration in German Firms, *Human Resource Management Journal*, 12, 76-87 (2002).