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Shaping Japanese Management Abroad: How and Why Japanese

Companies are Embedded with Particular Practices in India

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Mohan Pyari Maharjan [†]   Tomoki Sekiguchi [‡]

Abstract

This paper investigates the human resource (HR) practices of Japanese companies operating in India. We studied 10 Japanese companies based on 17 interviews. The paper elaborates five major HR practices and explains why Japanese companies have established a specific set of HR practices in India. It then provides the details on how these HR practices have been originated, adjusted and integrated. The findings suggest less-focused training and developmental programs, and identical performance appraisal systems across all companies. Similar socio-cultural characteristics such as seniority-concerned and teamwork-orientation have facilitated the adoption of Japanese way of management in India.

[†] Graduate School of Economics, Osaka University, 1-7 Machikaneyama, Toyonaka, Osaka 560-0043 Japan. E-mail: mohanpyari.maharjan@gmail.com
[‡] Graduate School of Economics, Osaka University, 1-7 Machikaneyama, Toyonaka, Osaka 560-0043 Japan. E-mail: tomoki@econ.osaka-u.ac.jp

Introduction

As Japan continues to expand its business operations in India, developing human resource (HR) practices for Japanese companies in this region has become important research areas. Japan is now India's fourth biggest foreign investor covering 7% of total foreign direct investment (FDI Statistics, 2014). The number of Japanese companies in India has increased by 243% since 2006 and Japanese investors continue to rank India as the top most promising country for overseas business operations (JBIC, 2014).

This background illustrates the need for considerable research on how Japanese companies manage human resources in this emerging region. However, very little research is available on this topic (for example, see Budhwar, Bjorkman & Singh, 2009; Miah & Bird, 2007; Sparrow & Budhwar, 1997). We therefore aim to examine and explore this area and derive useful insights for practitioners, as well as contribute to academia.

Drawing upon the interview based studies in Japanese companies and based on such perspectives as cultural and institutional, this paper examines how and why do Japanese companies establish a particular set of HR practices in India.

Theoretical background

When a company does business outside of its own national borders, it usually adjusts its way of working as per the new environment. As the company has to work with the people who have distinctive values and social norms, human resource management becomes the most localized management function (Pudleko & Harzing, 2007).

Scholars have developed several theoretical frameworks to understand the HR practices of the foreign affiliates of multinational corporations (MNCs) and the transferability of HR practices from home countries to a host country (e.g. Perlmutter, 1969; Pudelko & Harzing, 2007; Rosenzweig & Nohria, 1994; Schuler, Dowling & De Cieri, 1993). For example, researchers suggest that the distinctive political, structural, cultural, and social

features of different countries cause cross-national differences in HRM (Chow, 2004). While defining these differences, the cultural approach says that management and organizations cannot be isolated from their particular cultural environments. Different nations have different cultural dimensions, which result in differences in HR practices as most other management functions (Hofstede, 1991; Myloni, Harzing, & Mirza, 2004; Trompenaars & Hampden-Turner, 1998). The institutional approach focuses on a particular institutional environment in which the organizations become similar due to three main pressures: coercive isomorphism, normative isomorphism and mimetic isomorphism. Coercive isomorphism is created by external forces such as political influence in order to obtain legitimacy; normative isomorphism is related to professional standards to compete effectively and efficiently; and mimetic isomorphism refers to the ways in which companies imitate each other in an uncertain environment (DiMaggio & Powell, 1983). Therefore, a particular institutional environment makes the company follow a particular way of working. Thus, HR practices also differ across different institutional environments.

The aforementioned theoretical frameworks suggest that the cultural and institutional characteristics of a host country limit the transfer of HR practices and thus MNC subsidiaries need to pursue localization (Beechler & Yang, 1994; Ferner, 1997; Khilji, 2003; Myloni et al., 2004). However, subsidiaries are also an integral part of MNCs and therefore are subject to a significant amount of control (Martinez & Jarillo, 1989), as well as facing pressures to "replicate" the organizational characteristics of the parent company (DiMaggio & Powell, 1983). Hence, MNCs pursue the standardization of more distinctive practices in the subsidiaries, based on the standards of the parent corporation or some other global standards, which is also known as global integration (Doz, Bartlett, & Prahalad, 1981; Gunnigle, Murphy, Cleveland, Heraty, & Morley, 2002; Prahalad & Doz, 1987; Rosenzweig & Nohria, 1994; Pudelko & Harzing, 2007). However, the real challenge is to integrate opposing

approaches of standardization and localization into one overall strategy (Pudelko & Harzing, 2008).

In light of the above theoretical background, the aim of our paper is to answer the following research questions: How are Japanese companies managing HR practices in an emerging business environment abroad? Are they more inclined to standardization or are they open to localization? Or, are they making a blended set of HR practices replicating both standardization and localization? If so, what makes them pursue those particular practices? How and why do they settle on a particular set of HR practices? Answering these questions will offer considerable insights to practitioners, and add a significant contribution to the relevant academic field.

Human Resource Management in the Research Context

In what follows, we briefly describe the general characteristics of Indian HRM, Japanese HRM, and HRM by Japanese companies in India in order to understand the research context.

Human resource management in India

Private companies in India are reported to be surrounded by familial and social acquaintances. HR practices such as recruitment, training, promotions and lay-offs are ad hoc, and HRM policies and practices are strongly influenced by social, cultural, economic and political factors (Budhwar & Khatri, 2001; Kanungo & Mendoca, 1994; Sahay & Walsham, 1997; Sparrow & Budhwar, 1997; Venkata Ratnam, 1995).

However, changes brought by economic liberalization in 1991 initiated changes in HRM as well (Budhwar, 2009b; Venkata Ratnan, 1995; Som, 2008). There have been some clearly noticeable HRM changes in Indian organizations such as a separate HRM/HRD department in more and more companies, preference for experienced talent in recruitment, a significant increase in the level of training and development of employees, and a move

towards performance-related pay and promotions (Bhatnagar, 2007; Bjorkman & Budhwar 2007; Bordia & Blau, 1998; Budhwar, Luthar & Bhatnagar, 2006a; Saini & Budhwar, 2004; Sparrow & Budhwar 1997). The changing trend depicts that managers working in Indian organizations have begun acknowledging the need to recruit and retain skilled labor for improving productivity (Budhwar & Singh, 2009).

Most of the above-mentioned changes in Indian firms are associated with the experiences of MNCs in India and abroad, because the Indian companies view the HR practices of MNCs as benchmarks and are likely to adopt similar practices (Budhwar, 2009b; Saini & Budhwar, 2014; Venkata Ratnam, 1998). Indian management institutions also use approaches and language similar to those used in the West. Additionally, the majority of Indian managers attend British or American courses; therefore, the practices that Indian companies imitate are mostly related to Western companies. Consequently, institutional pressure created in India is a mix of Indian and Western practices. For example, India is originally a hierarchical society and local companies had long-term seniority-based systems; but economic changes have created the shift toward performance-based practices, which could be an effect of the Western influence. Over the time, the dominance effect—i.e. following the US way of management (Pudelko & Harzing, 2007) might have also occurred in India as US companies started their intensive investment since the economic liberalization in 1991. The previous research also reveals that Indian companies are restructuring themselves to modern values and tending to follow more structured, formalized and progressive HR practices (Bordia & Blau, 1998; Budhwar, 2009a; Budhwar & Boyne, 2004).

The literature also corroborates that many companies in India are facing a high level of employee turnover. For example, IT enabled and business process outsourcing firms are known as successful sectors in India and have structured and formalized HRM system similar to those of their MNC counterparts from Western countries. However, they are facing ever-

increasing employee turnover problems (Budhwar et al. 2006a; Budhwar, Varma, Singh, & Dhar, 2006b; Kuruvilla & Ranganathan, 2010). The authors therefore suggest that the current system which have been perceived modern must be modified, providing flexibility and empowerment to employees with a good feedback system and open communication, leading to healthy and stimulating work environment.

Human resource management in Japan

Reflecting the organizing principle of a "family-like" and people-centered approach, Japanese HR practices are unstructured and flexible, with many unwritten rules (Endo, 1998; Morishima, 1999; Ouchi, 1981). These practices are usually seen as comprising lifetime employment, seniority pay and promotion, and strong organizational commitment (Moore, 1987; OECD, 1973; Sekiguchi, 2013).

Japanese companies manage all of their employees under the same human resources management system, regardless of job type. The job descriptions are often vague and may not be known before joining the company (Robinson, 2003; Sekiguchi, 2006). Jobs are flexibly designed and personally formed, depending on the circumstances of the company (Lincoln, Hamada, & McBride, 1986). Japanese companies focus more on periodic hiring of new graduates; they are not hired for specific jobs, and even their major field of study at school is often regarded as an unimportant factor (JILPT, 2003). In the selection process, more emphasis is placed on characteristics relevant to general employability, such as personality and intelligence, rather than functional or technical expertise (Peltokorpi, 2012). In order to increase the flexibility of employee skills and abilities, Japanese companies place considerable emphasis on job rotation and on-the-job training (Faulkner, Pitkethly, & Child, 2002; JILPT, 2003; Koike, 1992; Morishima, 1995; Sparkes & Miyake, 2000). They are also less likely to emphasize job performance, in part because of the lack of clarity regarding job

boundaries; thus seniority is embedded in pay increases and promotional decisions (Morishima, 1995; Sekiguchi, 2006).

Human resource management by Japanese companies in India

Although little literature is available regarding the HRM of Japanese companies in India, there are some researchers studying this topic. For example, it is pointed out that Japanese companies emphasize the technical skills, qualifications, and age of candidates and the extent to which they will be able to adjust to the organizational culture, while work experience is less important (Budhwar et al., 2009). The authors also argue that this recruitment style may work well in the Indian context, where thousands of fresh graduates are available every year.

Sparrow and Budhwar (1997) acknowledged that Japanese management practices such as quality circles, long-life employment, just-in-time, kaizen, total quality management and seniority-based wage systems have been adopted in India. Venkata Ratnam (2009) also acknowledged that two-way communication, suggestion schemes, quality circles, 5S and kaizen are some specific Japanese management techniques that have been adopted in emerging sectors.

Although the history of Japanese companies in India dates back to the 1980s, very few of Japanese companies had an Indian presence then. Now, the scenario has been completely changed and there are huge investments by many Japanese companies. As stated earlier, there has not yet been considerable academic attention to research on Japanese companies in India, and thus very few previous studies are available. Hence, we use explorative and qualitative methods in this paper.

Method

A qualitative approach is a valuable means of investigating dynamic processes in an organization. The scholars suggest using this approach when there is a lack of previous

research (Eisenhardt, 1989; Eisenhardt and Graebner, 2007; Pettigrew, 1992; Yin, 2009). Qualitative studies allow deep exploration and are intended to generate ideas and hypotheses for rigorous empirical testing at a later stage (Scapens, 1990; Yin 2009). Miles and Huberman (1994) also suggested using qualitative research when there is a clear need for in-depth understanding of the subject matter. Therefore, in the context of our exploratory research, we found that case studies were the most appropriate method choice (Yin, 2009). We performed empirical research based on semi-structured interviews. The semi-structured questions provided the interviewees with a degree of freedom to explain their thoughts and to interpret and describe phenomena in their own ways (Humphrey & Lee, 2004).

According to the Embassy of Japan in India, there were 1072 Japanese companies registered in India as of October 2013. We conducted a qualitative study with 10 Japanese subsidiaries based on 17 semi-structured interviews from March 2nd to March 14th, 2014. We included companies from different sectors such as manufacturing, trading, information and communication service, and employment agencies to include proportionately representative case targets. The target companies were establishment during 1995 to 2008, following the economic liberalization of 1991. We included companies having more than 5 years of experience in India to reduce the risk of not receiving concrete data for research purpose due to possible lack of familiarity with the Indian context.

The interviewees were human resource managers or representatives. We also approached local managers and expatriates for supplementary information. The interviewees ranged in age between their 20s and 50s. Although tenure varied among interviewees, 90% of them had been working in the same company for at least one year. The interviewees were therefore familiar with their companies' management practices and organizational cultures. Interview protocol for this study was developed before visiting each company. Interview questions covered such topics as recruitment and selection, training and development,

performance appraisal, compensation and promotional decisions, representing major HR functions. Fourteen of the interviews were digitally recorded while notes were taken in all 17 interviews. Interviews were conducted in English and Japanese, and were 40 minutes long on average. The interviews were conducted by one of the authors, who is fluent in both English and Japanese.

Table 1 near Here

Table 1 shows the profiles of target companies and the positions of interviewees. To protect the privacy of the companies, we have given symbolic names to each.

For each company we studied, an interview transcript was created. We then coded the transcripts in order to understand and analyze the characteristics and the establishment process of HR practices. In the following section, we present our findings.

Findings

Findings on HR practices

Recruitment and selection

Recruitment consultancies and job portals are used as the main recruitment sources. Unlike in the previous literature on HRM strategies of Japanese subsidiaries in India (Budhwar et al., 2009), our findings show that the companies prefer experienced candidates. Fresh graduates are not the primary source of recruitment in any company. The findings further depict that the companies also put big emphasis on good attitude, loyalty and ethics as well as seek an understanding on the company. These findings are consistent with the previous literature.

"The person might have the right skills but if they do not have the right attitude then they will not be an asset to the organization. So, as in Japan, we also look for the right

attitude along with the right skill. And, in terms of interpersonal skills, teamwork is very important." – C1

"We have defined how much experience is needed for each field. And attitude is also important. We see whether s/he fits [into] our culture, whether s/he is flexible or not, whether s/he is open to learn new things or not. These kinds of attitudes in the employees will make it easier for us to make them a crucial part of our company family." – C2

"We prefer someone who has working experience in Japanese companies, because this gives them knowledge of Japanese work culture and [they can be more] easily adapted in our organization." – C3

"We look for understanding of Japanese culture as well as previous working experience… The reason [we look for the experience] is because we are not yet a big company in India and it is difficult to arrange intensive training to raising the new employees." – C4

"We do sometimes take internships but we do not have a policy to hire fresh graduates. Previous experience is one of the most required core values. Also, we look for attitude and communication skills." – C5

"We look for personality and attitude. Also, we look for experience because we are a small company, we actually do not have time to train them." – C7

"Although the core values we seek differ depending on positions, we basically look for honesty, a positive mind and intention to work for a long-run." – C9

"The understanding of our company and the long term perspective of working are the core values we seek in candidates." – C10

Job descriptions are clear in two thirds of the companies. Recruitment and selection is around a month-long process and the final hiring decisions are made by Japanese expatriates.

"We have very clear job descriptions. It is one of the prerequisites of hiring. We need to have a clear job description plus a corporate chart showing how and to whom the person is going to report." – C2

"We normally recruit through consultancies. Normally, we have clear job descriptions. Because whenever there is demand for new recruits from any particular department, we ask them to give the details of the job description. So, only on that basis, we are going to ask somebody (a consultancy) to send the candidate." – C3

"We try to make the job description clear at the time of hiring. In fact, we have detailed job descriptions. However, the person may have to do completely different work as per the directions given by his/her supervisor. We do make this aspect clear during the hiring time." – C5

"I think job descriptions are not as clear as in the Western companies. But we do have them, as we cannot recruit people without providing job descriptions. Also, I think

India and Japan are closer to one another in terms of culture than to the West. Indian people also want to enhance their knowledge and skill and learn more. So there is also the fact that we do not need to write every detail on a job description and the actual work is not limited to what is written in it." – C7

"We have job descriptions on the basis of the division, not on the basis of the job title. However, in the peak times, we ask our employees to do any work. So the job descriptions are basically unclear." – C8

Training and development

Training and development were found to be less structured in the majority of the companies. Most of the trainings are conducted either by Japan headquarters or by Singapore regional headquarters. The majority of the companies have very few training programs.

"Trainings do happen once in a while. We only have trainings for 1-2 days sometimes."
– C4

"We do not have detailed and scheduled training programs. Depending on the business requirement and the skill of newly hired employees, we provide some training, which is basically the customized version of HQ training." – C5

"Basically, we do not have any training program. But we have meetings twice a year in Tokyo HQ for entire branches from all over the world. Managing directors of all branches take part in this meeting and have their reporting. So during this time, we also

send someone (other than a manager) to take part in this meeting. S/he will learn through observation; we count it as training." – C8

"Trainings in HQ are scheduled, but here in the subsidiary we do not have the training calendar. When there are training announcements from HQ, we follow that." – C10

The findings also show that none of the companies are practicing systematic job rotation for developmental purposes as in many cases in Japan.

"I think Indian people are not ready for job rotations since their aim is to be professionals and not generalists as in Japan."– C4

"We do not have job rotation but we do ask for help in peak hours. I think, as for Indian mentality, they are not ready for job rotation. So we don't intend to do apply it forcefully." – C8

Performance appraisal

Our findings depict identical performance appraisal (PA) system across all Japanese companies. The majority of the companies mentioned that they try to use the same PA system in all branches and it is not limited to Indian region but to other regions of the world. Basically, management by objective (MBO) with a 180° evaluation system, in which evaluation is based on an employee's self-assessment and the assessment by the person who is one level above the employee, is used in all companies. PA outcome leads to salary increases and promotional decisions. However, promotion is not solely the result of

performance evaluation; seniority and potentiality are also taken into consideration in the majority of the companies.

"We have an online performance evaluation system based on MBO. We follow the process of KRA (key result areas), which are set at the beginning of the year. And at the end of the year, we have an evaluation not only on what has been achieved but also on how it has been achieved." – C1

"Our PA system is the same as our parent company in Japan; we use MBO with 180°." – C5

"We have completely the same PA system as per HQ. That is MBO." – C8

"The outcome leads to increases in salary, bonus plus promotion. And, promotion is not only based on performance; it depends on potentiality also. Seniority is not considered as in Japan but we do consider it to some extent. […] In fact, we are trying to head to performance based pay system." – C2

Compensation

The basic compensation is principally determined on the basis of market rate. Companies have structured salary bands provided by the parent company, basically dictated by market rate.

"The cost to the company and the market rate are bases for the initial salary." –C2

"For basic salaries, we use market rate and the previous salary of the job candidate as the determinants." – C6

"The basic salary depends on market rate and the previous salary of the candidate." – C8

"The basic salary is on the basis of market rate, and experience and expectation of the candidate." – C9

"Basically, we have structured basic salaries. However, this is only an approximate figure. Negotiation also works." – C10

Our findings show that salary increases are based on performance, inflation and to some extent seniority. However, 50% of the companies were found not to consider seniority for salary increase decisions.

"The salary increase depends on performance, inflation and the company profitability. But the tenure is not considered for raises. The average performer gets an average increase even if s/he has been working for a longer time. So the increment is exactly how you have performed at the job." – C1

"We do not consider seniority for salary increases." – C2

"Raises mostly depend on performance. Seniority is considered to a very little extent." – C3

"Raises and promotion both are solely performance based. We do not consider the seniority." – C4

"For increases, we use both performance and potential." – C6

"For salary increases, there is nothing to do with seniority, only performance matters." – C7

"Inflation, performance and seniority are the determinants for raises." – C8

"Raises are determined mainly by performance but seniority, behavior, attitude and potential are also considered. If I have to put it in numerical terms, I would say 70% is performance and rest [is dependent on] other factors." – C9

Promotional decisions

Our findings show that because of Indian social values regarding seniority, a completely performance-based system is still not suitable and adoptable in India. As mentioned above in the performance appraisal section, promotions are not solely the result of performance. Potentiality of the employee is equally taken into consideration.

Our findings also depict that financial rewards—i.e. salary increases as mentioned in the compensation section—are not attached to promotional decisions. This is the case in 50% of the companies. To put it in another way, promotion may only mean upgrading to a higher position and may not imply a higher salary, for which the employee must show the requisite performance as well.

"Promotion depends on the combination of performance and potentiality. Equally, tenure is also considered. We try to balance decisions on the basis of time (tenure) and role. The person should have spent "x" number of years with specific roles to be promoted." – C1

"In my personal opinion, I do not want to have a seniority-based system in any promotional decisions but because of Indian social norms, we need to consider it." – C5

"Although we try to go for performance based system, it will be very odd for the Indian society, say, to make someone a manager who is only 25 years in age." – C6

"Promotion is an outcome of long-term performance." – C10

Other findings

Presence of HR department or HR manager

Half of the companies had HR departments, and 90% had a position of HR manager. An HR manager is a local employee who works under the direct guidance of a Japanese expatriate or a local senior manager who in turn reports to the Japanese expatriate. The main work of the HR manager is to do basic screening for new hires and involve in conducting interviews. HR is viewed as a support function and has little decision-making power.

"We believe that we (HR people) are facilitators and not the decision makers. We facilitate the entire process so that the decisions are more informed and more fair." – C1

"Basically, Indian people in Japanese companies have no authority. The title is just name-said." – C3

"The managing director (Japanese) conducts the final interview for all positions." – C4

Low attrition

90% of the companies were found to have low attrition rates. Friendlier work environment, team-based practices and open communication were mentioned as the tools for employee retention. Our findings also indicate the fact that the companies are not being able to provide clear career paths to their employees. However, a growing concern on career management of potential talents is noticed across all companies.

"We have good reward & recognition policies, we have internal job postings, and we invest a lot in training and development. So these are basically our retention tools." –C1

"I think the reason behind our low attrition rate is our culture of participative management and the concept of empowering employees. Also, as we are a rapidly growing company, employees find more responsibilities and contribution to value creations." – C2

"For senior levels, we do not have any attrition problem. As for the executive level, I think it is partly due to remuneration and partly due to the unclear career path that they choose to leave the company." – C4

"I think we provide consistent growth opportunities, friendlier environment and higher salary and benefits. These things work as retention tools and… in the last three years, we have also focused on career management of potential staff. […]. Some attrition is good

for the company. […] And, as it is easier for employees to change the job, it is also easier for us to find a new one." – C6

"We have a very low attrition rate. I guess it is because of open communication […] And one more reason could be the opportunity to go to Japan." – C8

No employee unions

None of the companies we interviewed had employee unions. Participative management system, flat organizational structure, open communication and friendlier work environment, all contributed to remain a non-union company.

Headquarter guidance/transfer

Our findings depict that customization happens because of local environment, but most of the rules and regulations are guided by the headquarters. Twenty percent of the companies further insisted that a change in the top expatriate brings changes in the rules of the company. The fining also reveals that all the key positions are filled by the Japanese expatriates.

"The core values of our parent company, the people-centered management and group philosophy, have been transferred, which are also fabrics of our parent company. And it is our responsibility to ensure or to maintain that fabric [here in the subsidiary]... Also, everything is process-driven. So, we do reporting on everything to the HQ." – C1

"We are an extended arm of our parent company. So we follow the international standardized processes guided by them. But the policies are not the policies of Japan, but the policies of India." – C2

"Basically, all rules and regulations are from Japan. But sometimes, they may need to be changed because of particular Indian circumstances. So, HQ rules are basically replicated, but changes occur according to local contexts." – C3

"Company philosophy, working cultures and business manners we bring from Japan. In particular practices, the performance appraisal system is something that we brought from Japan. Subsidiaries all over the world use the same system." – C4

"Basically, we have similar rules and regulations for all branches across the countries. Here in India, we are basically using the same HR system as Japan HQ." – C5

"Company philosophy and policies are the same as HQ. Also, performance appraisal system is transferred." – C8

Origin of HR practices

The findings show that HR practices originate from headquarters. They are brought by Japanese expatriates and implemented with the support of local HR managers.

"There were Japanese expats working in the HR department who came here to set up the systems […] It was only last year that [the Japanese HR executive] repatriated back [to Japan]. Currently, there is no Japanese [expatriate] in our HR department." – C1

"The head of HR is Japanese expatriate since the establishment time of our company." – C2

"HR people are Indians and they work under the supervision of a Japanese manager. There is frequent communication between HR and the manager." – C8

"We have a local HR manager. But s/he works under us (Japanese expatriates). It has been the same system since our company was established." – C10

We present the above findings in Figure 1. This figure summarizes the overall process of how HR practices are originated, adjusted and finally integrated to a new set of practices.

Figure 1 near Here

The upper part of the figure illustrates how HR practices in Japanese companies are originated. First, HQ sends the expatriates to deal with HR. The expatriate may manage HR by himself or herself, but the HR practices are communicated through a local manager. So, decisions come from HQ, are guided by expatriate managers, and then are finally passed to other staff through a local facilitator (the local HR manager).

The middle part of the figure explains the main body forming the HR practices. Here, "what" indicates an HR practice such as recruitment and selection, while "how" explains the core features of that practice. For example, in recruitment and selection, experience and organizational fit are the two main aspects that Japanese companies are dealing with while forming their recruitment and selection practices. "Why" designates the reasons behind the "how." For example, in recruitment and selection, the reason behind hiring experienced employees is the fact that the competition is very tough and there is less time available to train employees; the company needs someone to be able to work as soon as they are hired.

And, the reason for checking the organizational fit is to ensure that the candidate is ready to work in a team-based environment and acknowledges the company culture.

The lower part of the figure shows the Japanese management features that have been applied by all the Japanese companies. These features are integrated with the main body of HR practices, and finally, a new set of HR practices is formed. In short, Japanese subsidiaries in India have blended the HR practices as well as applied the values of their parent companies.

Discussion

Our findings suggest that HR practices of Japanese MNC subsidiaries in India originate from the HQ in Japan, transferred, and adjusted to the Indian context. The degree of adjustment is influenced by such cultural and institutional factors as the value placed on seniority and the high level of labor mobility in India. The influence of Western MNCs on HR practices in India is also very high (Budhwar, 2009b; Saini & Budhwar, 2014; Venkata Ratnam, 1998), which is another institutional factor influencing the degree of adjustment. Moreover, unlike in Japan, HR practices in India are still evolving and have yet to take a long-term structured form. As a result, the majority of HR practices such as recruitment and selection are more or less the mixture of Japanese, Indian, and Western traditions. However, performance appraisal systems are identical across all Japanese subsidiaries in India and quite similar to those in Japan. This might be because the Japanese evaluation system is applicable to the hierarchical Indian business culture. In addition, performance appraisal is a more internal process than other HR practices. Therefore, it might be less affected by the external institutional environment such as labor market but might be more affected by the culture embedded with the organization. Other HR practices such as recruitment and selection have to interact with external labor market and thus need to be adjusted to the institutional environment that governs the labor market characteristics.

Additionally, our findings indicate that similarities in cultural characteristics and social norms between India and Japan play a critical role in forming various HR practices in Indian subsidiaries of Japanese firms. Such similarities include team-based approaches, valuing seniority, and openness to participative management, which has cemented the adoption of the Japanese way of management in India. In Hofstede's (1991) cultural dimensions, both Indian and Japanese cultures are characterized by high collectivism, high power distance and long-term orientation. Moreover, the previous research also shows that Japanese management is more acceptable and adoptable in Asia (Abo, 2006). However, implementing Japanese management practices—such as the team-based approach and employee empowerment through participative management—is not easily achieved through manuals and working guidance. Therefore, Japanese expatriates from corporate headquarters are almost indispensable in developing HR practices in Indian subsidiaries.

Our findings also suggest that Japanese expatriates who provide direct guidance in developing and maintaining HR practices communicate with other employees through the local staff. The reason behind the presence of a local HR manager could be that Japanese expatriates are less familiar with local norms and values which are needed to ensure smooth handling of HR issues. Therefore, companies that do not have an HR department still have the position of local HR manager.

With regards to the characteristics of five major HR practices, findings on recruitment and selection indicate that because of institutional pressure caused by higher labor mobility, Japanese companies utilize mixed strategies such as seeking experience (Indian) as well as checking organizational fit (Japanese). Evidence that Indian subsidiaries lack training and development compared to their Japanese counterparts suggests that these companies are not implementing their home practices for cultivating employees. However, when we look at the companies based on size and experience, we found that larger, more established companies

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do have scheduled training programs and are investing in the employee development activities. Therefore, the apparent lack of attention to training and development could be reflective of the small size of the target companies and their fewer years of experience in India. Additionally, the company policy to hire experienced employees, because of evolving market, might have reduced the necessity of training. The consistent performance appraisal system suggests that MNCs are either trying to replicate their way of working, or they want to enforce a standardized performance appraisal across the subsidiaries, or both. The lack of structured local evaluation systems could also be the reason behind this. Further, findings suggest that the motivation to consider of seniority for promotional decisions is not to apply the Japanese way of management in Indian subsidiaries but to respect Indian social values. More interestingly, promotion may mean an upgraded job title but not necessarily an upgraded salary. We assume that this is a typical policy of Japanese companies in India, though future empirical research is needed to confirm this.

Through our findings, we can see the Japanese companies are integrating the opposing approaches of standardization and localization into one set of HR practices, and low attrition rates suggest that Japanese companies are successfully managing their employees. However, the financial performance of the companies gives the most accurate and reliable results in this regard, which is beyond the scope of this paper. We hope to see the future research in this issue.

Implications for practice

Our findings on the HR practices of Indian subsidiaries of Japanese MNCs have implications for the practice of HRM by Indian firms. The findings suggest that Japanese-style HRM is compatible with the Indian context. Thus, although Western-style HRM is becoming more popular and prevalent, Indian firms can benefit greatly from learning and adopting Japanese-style management strategies, especially with regard to Japanese work

culture characteristics such as team-based approaches, employee empowerment through participative management, and the social value of seniority. Doing so can enable Indian firms to avoid a high level of employee turnover and increase labor productivity through employee motivation and commitment. Thus, while Japanese-style management is less popular and not welcomed in some Asian countries like China, it actually could be welcomed by Indian people.

Our findings have also implications for MNCs from other countries that are currently operating (or will operate) in India. By learning how Japanese MNCs develop HR practices in their Indian subsidiaries, these companies may be motivated to utilize some of the Japanese-style management techniques in their Indian subsidiaries.

Conclusion

This paper contributes towards understanding the processes by which Japanese MNCs develop the HR practices of their Indian subsidiaries. Through the understanding of how and why various HR practices in Japanese companies in India has been originated, adjusted and integrated, our findings shed light on the role of institutional and cultural factors that influence the transfer of Japanese HR practices from headquarters to the Indian context. Especially, our findings suggest that some practices (e.g., recruitment and selection) are greatly influenced by institutional factors in the process of transfer and adjustment whereas other practices (e.g., performance appraisal) are mainly influenced by cultural factors. We also identified that similar cultural characteristics and social norms such as valuing seniority and a willingness for participative management cement the adoption of the Japanese way of management in India. These findings add value to the standardization—localization framework by understanding how institutional and cultural factors differently influence the standardization or localization of particular HR practices in MNCs. In closing, we believe this paper has opened several avenues for future research in the field of international HRM.

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Table 1. Company profile.

Company Name	Establishment Year	Number of Employees (Number of expatriates)	Business Type	Interviewee
C1	2003	1500(19)	Manufacturing & Sales (electronics)	1. Deputy General Manager, HR (I)* 2. Assistant, Sales and Marketing (J) 3. Deputy Manager, IT (I)
C2	1997	100(50)	Sales and Marketing (wide range; from industrial equipment to TVs)	1. Deputy General Manager, Human Resources Group (I) 2. Manager, Corporate Planning and Research Office (I) 3. Research Specialist, Human Resources Group (J)
C3	2006	50(15)	General Trading and Investment	1. Senior General Manager (I)
C4	2007	64(10)	Information and Communication Services	1. General Manager, Administration and Finance (J) 2. HR Manager (I)
C5	2008	40(6)	Sales and Marketing (Chemicals)	1. Director (J)
C6	1996	99(17)	General Trading	1. Assistant Vice President, HR & General Affairs (I) 2. Deputy Planning and Coordination Officer, Corporate Staff Section (J)
C7	2005	40(10)	Sales and Marketing (Machinery and Equipment)	1. Assistant General Manager, Corporate HR (J)
C8	2007	60(1)	Employment Agency	1. Managing Director (J) 2. Vice President (I)
C9	1995	300(8)	Manufacturing & Sales (Chemicals)	1. HR Manager (I)
C10	2005	53(16)	General Trading	1. General Manager, Accounts-Finance & Admin. (J)

Source: Toyokeizai DataService, homepage of the target companies and interview hearing.

* Interviewee "I" refers to Indian employee, "J" refers to Japanese Employee

Figure 1. Origin, adjustment and integration of HR practices in India by Japanese companies.