

Working towards Hybrid Solutions: The Possibility of an IHRM model in Japan

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Abstract

This paper offers guidance for creating and evaluating hybrid models in IHRM of transnational corporations. Using the foundations and the data of cross-cultural management provided by Hofstede, we assume similarities and compatibilities between Japanese and European management. In order to add a dynamic component we added the framework on intercultural synergy recently proposed by Adler. Within an IHRM graduate seminar we conducted a workshop with professional managers designing a hybrid model helpful to integrate the efforts of Japanese and European management. In order to test this model, we conducted interviews with a managing director of a Japanese-European joint venture. We could verify most of our expectations but also added new aspects to the hybrid model. Our investigation thus far has only addressed the European managing director who indicated the potentials of intercultural synergy. Based on this study, we will also observe Japanese management with other countries management under hybrid models in IHRM.

Keywords:

Hybridization, synergy, cross-cultural management, strategic IHRM

I. Introduction

In modern organizational theory the issue of culture has received a prominent position in factoring the different drivers of competitive advantage. Culture exists in several layers affecting both the inside and the outside of an organization (Trompenaars and Hampden-Turner 2006). Culture has the potential of affecting a company both positively and

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negatively. Culture is not static, yet it can be observed and produced by any participating socially engaged individual (Hofstede 1980, 1991; Hofstede and Hofstede 2005). Culture is somewhat prone to change, and can be influenced (Czinkota, Ronkainen, Moffett 1999). The importance of culture suggests that companies operating in a country with a different culture should be aware of cultural influence and opportunities. If culture is addressed properly by HR managers it can become the driver of synergies that create corporate competitive advantages for the foreign subsidiary and the parent company. On the other hand, if left unaddressed or if poorly managed, the danger exists that the transnational's overseas activities may be seriously jeopardized. Although there is evidence that culture cannot be ignored, foreign companies often fail to address the issue systematically and efficiently (Adler and Gundersen 2008). They may merely give culture second priority while remaining occupied with daily business. Foreign firms in Japan, for example, generally leave it to the ability and awareness of the foreign managing director. These individuals however often are only expatriated for a few years and therefore may lack language skills, cultural sensitivity, and even resources to address the cultural issue properly. Of course, it can be a serious mistake in a competitive marketplace like Japan to ignore cultural impact as the assignment may end prematurely and the business may suffer. Managers need to develop intercultural competences in order to succeed in the domestic and global market.

This paper describes output of an IHRM seminar at Ritsumeikan University touching on cultural hybridization. The idea of hybridization is based on a broad management literature (Koike 1988, Abo 1994, Schlunze 2002, Jackson 2004, Adler 2008, Fuller 2009). Reviewing this extended literature on cross-cultural management, we studied the challenges and opportunities that nowadays transnational companies are facing in many locations. The results of international management studies led the authors of this paper to infer that hybrid management structures are favorable for creating intercultural synergy (Abo 1994, Adler 2008).

To us and professional managers participating in the IHRM workshop in November 2009 at Ritsumeikan University¹⁾, the idea of hybridization as an agenda of organizational change posed intriguing and convincing implications, and we were eager to investigate our approach in a practical setting. We addressed questions such as how international managers address culture in a systematic way, and if an individual manager could assist a transnational organization to implement a strategic agenda that creates inter-cultural synergy in the foreign subsidiary.

These and other questions addressed enabled us to build a synthetic framework of *Cultural Fit* that will be discussed below. Our model derives from theoretical considerations of intercultural match making, but is also an outcome of the discussions we had with international managers.

1) See: IBC Workshop for collaborative development with international managers (<http://www.ritsumei.ac.jp/eng/news/2009/12/IBC.htm>)

Our model systematically and flexibly addresses the issue of identifying differences and similarities between the corporate culture of the home and host country corporations. This process of identification is an essential starting point for creating a successful hybridization strategy. International and local managers involved in creating strategies need to reflect on their particular environmental setting as they investigate the cultural elements and practices that can be facilitated for intercultural synergy creation. Our model of identification is closely linked to the theoretical propositions of creating synergy explained by Adler (2008).

Nevertheless, the starting point of our hybrid model is to discuss the theory of cultural dimensions and its implications for a certain intercultural setting. Thus, we build on the classical work of Hofstede. His framework allows students as well as professionals in international management to think about intercultural challenges in a systematic and constructivist manner.

We suggest that the international manager should compare home and host country from the perspective of Hofstede's cultural dimensions in order to recognize what may unify and divide the two cultures. Based on the understanding of Hofstede's cultural dimensions the international manager should discuss with local colleagues and the HR manager which managerial practices unify and create positive energy within the local subsidiary. The cultural elements and practices thus identified should then become the foundation of their strategy. This process sets the initial scope of a hybrid model creation that becomes a tool to create an original organization culture.

The purpose of this paper is to consider how to deal with cultures in a positive way that enables the HR manager to challenge his organization to create intercultural synergy. We propose a framework that is easy to operationalize for international managers who need to work in different cultural environments. We wish to encourage the international manager to approach overseas operations and strategies on the basis of a deeper cross-cultural understanding. We seek to guide the manager to think about a hybrid model as an IHRM approach that not only provides better Cultural Fit but also long-term growth opportunities. We argue that application of the proposed hybrid model maximizes the extent to which synergies can be achieved while minimizing frictions in an essential but often fragile starting-up period. The model helps the international manager to realize the relative advantage of the local culture, provides a tool for negotiation and therefore valuable strategies on how to implement a hybrid culture that enables both sides to create the mutual understanding needed to ensure corporate benefits.

To develop a manual to this strategic tool we begin by explaining the methodological background of the model. Building on the cultural specifications investigated by Hofstede, we will discuss options and limits in the cultural environments. We then will introduce the case of a European firm that operates in Japan. The identification of certain managerial practices and the intercultural competence of the managing director will be the starting point of a strategy creating intercultural synergy. We then attempt to test the

usefulness of the hybrid models in interviews with two foreign managing directors who are working in Tokyo and Osaka for European multinational corporations. Specifically, we will address how the implementation of hybrid solutions can lead to synergy effects.

II. The hybrid model

A literature review of IHRM issues shows that balancing global and local practice is still a widespread problem and that in many M&As or joint venture undertakings the Japanese culture prevails (Fuller, 2009; Bebenroth, Li and Sekiguchi, 2008; Dowling, Festing and Engle, 2008). Although a developmental approach in Human Resource Management (HRM) has been found within many Japanese corporations, recently a Western style competence approach seems to be gaining momentum, not only at foreign firms. Reconciling Western and Eastern worldviews, not in the form of global convergence but cultural cross-vergence (Jackson 2004) remains a sought after goal. In a phase of economic recession these evolving HRM approaches often led to worsening HRM as testified by Meyer-Ohle (2009). However, here we wish to discuss important solutions for HRM in Japan. The aims of our study were to understand different cultural approaches in Human Resource Management (HRM) and to think ahead about how to develop appropriate hybrid organizational forms and processes.

The first step toward building a synthetic hybrid model for European firms operating in Japan was to define similarities of the home and host country cultures. Therefore we addressed cultural issues systematically asking the following questions: What cultural differences would pose the biggest challenges? What similarities could be advantageously utilized for HRM? What kind of cultural elements can be facilitated to improve the HRM strategy and nurture a new organizational culture? Developing this cross-cultural management approach thoughtfully, the actors will easily discover the elements of the cross-cultural setting as depicted in Figure 1 by the overlapping area of the double-circle.

Legend

- A:** The circle represents the entire characteristics and HR practices that define the home-country's culture.
- B:** Characteristics and HR practices of the host country culture.
- C:** Characteristics and HR practices shared by both home and host country of the transnational corporation.

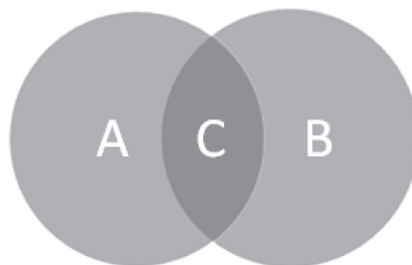


Figure 1: Hybrid model for developing a cultural Fit HR strategy

The discussion of cultural differences and similarities within a strategy team will help the international manager to educate local staff about the positive aspects of the host country practices and the local staff members to learn more about the international

managers' home country practices. The international manager and his local staff members should take the time necessary to think about cultural challenges of their organization. A supervised workshop provides a useful and practical setting for this process. The supervisor can be an academic and/or professional expert on cross-cultural management communication. Such workshops have been conducted at Ritsumeikan University in collaboration with a professional consulting company, Aspire Communications, since 2008.

Constructive outcomes of these discussions on cross-cultural issues include ongoing communication among all participants. Intercultural potential should be highlighted and utilized. With the awareness of new and combinable potentials, intercultural HR management can instantly improve the performance of the organization.

The Hybrid Model of Cultural Fit indicates that it is important to identify similarities and combinable potentials as the starting point of a customized and successful HR strategy. In the following we discuss aspects important to expand the reader's understanding of the scope and the limits of our framework. The model applies the dimensions developed by Hofstede in our framework as our cultural lens. In Figure 2, country characteristics are visualized by cultural circles guiding the discussion about home-country and host country managerial practices. Opportunities for synergistic collaborations should be identified and promoted in order to design a growth strategy tackling cultural limitations and barriers. The model helps to increase awareness of potentials, but it does not minimize cultural differences. Instead it can be used to formulate a strategy of cultural convergence and synergy. Furthermore the implications of the hybrid model help to build managerial practices that can be easily shared cross culturally. Finally we stress that the hybrid model should not be viewed as a deterministic one, but rather as one that helps to avoid feelings of superiority and other pitfalls of ethnocentricity. The inbuilt flexibility makes it possible to foresee problems and provide valuable insights on how to overcome them. As mentioned previously, culture is not a static feature of our life. Culture can deliberately be manipulated. Indeed this is often done in transnational companies in order to create an organizational culture that influences the behavior and interaction of employees. Therefore, the international manager should address differences and similarities consciously and be encouraged to think about synergy potentials. However, cultural

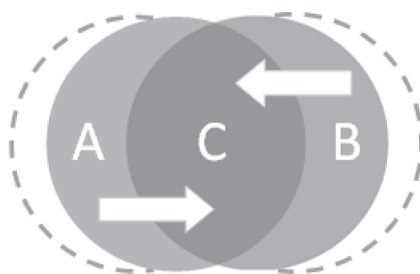


Figure 2: Maximizing the cultural space for synergy

convergence at the level of the foreign subsidiary should be undertaken with care since it is not isolated from the rest of the global organization. The international manager needs to employ global integration as well as local responsiveness (Bartlett, Ghoshal, Birkinshaw, 2005). Figure 2 attempts to illustrate this issue. One graphical interpretation of this figure could be that an optimal convergence strategy might involve a mutual cultural adaptation process minimizing the distance from both cultural origins.

An important learning process through intercultural convergence is indicated by the two arrows in Figure 2 above. The transformation of the area A towards A' is reached when cultural awareness about similarities is achieved. In that state, managerial practices that are suggested by the home-country manager for global integration strategies can be implemented more easily. The cultural learning of the host country managers should overcome attachment to the local business culture and the uncertainty to adapt to new practices (B'). As a result, area C' is maximized through cultural learning. Thus, from our perspective, cultural convergence should help to reduce the costs of knowledge transfer, global integration and local responsiveness and can increase synergy potentials.

Expanding our model with a dynamic component, we will discuss the hybrid model in relation to the issue of intercultural synergy. When we defined the hybrid model, we briefly addressed the issue of synergy through cultural learning and convergence. As noted at several points, the model's current orientation is to help the international manager to address the task of identification while saying little about how actual implementation should be carried out and how this task relates to the dynamics of culture. In this sub-section we will try to make up for that fact by relating the model to the work on synergy management by Adler (2008). She distinguishes five situations to consider when evaluating intercultural interactions in transnational organizations.

- 1) *Cultural avoidance*: It has been observed that Asian and Western managers use this approach often. They work and manage as if no conflict of cultures exists. This approach emphasizes saving face and is most often used when unresolved issues are less important than the final outcome of the situation or negotiation.
- 2) *Cultural dominance*: This situation occurs when one organization is in a more powerful position than the other. The more powerful organization dominates, usually continuing to do things as they are done in the home culture: "On an individual level, managers often choose the cultural dominance approach when they strongly believe their way is the only right way and especially when they perceive the situation to involve a fundamental ethical issue" (Adler 2008, p.120).
- 3) *Cultural accommodation*: This option is the opposite of cultural dominance. Managers implementing this option tend to imitate the host culture, attempting to blend in. Fears may surface at headquarters as to whether such a manager can properly represent the interests of the organization abroad. Examples of cultural accommodation are suggested when managers learn or become fluent in the native language or construct contracts using the local currency of the host culture instead

of the home culture's.

4) *Cultural compromise*: This approach is a combination both abilities conceding to work together more successfully together. Most often the most powerful partner gives up less, however both sides make concessions.

5) *Cultural synergy*: This situation develops new solutions that respect all cultures involved often increasing the options available for working effectively in a trans-cultural business environment.

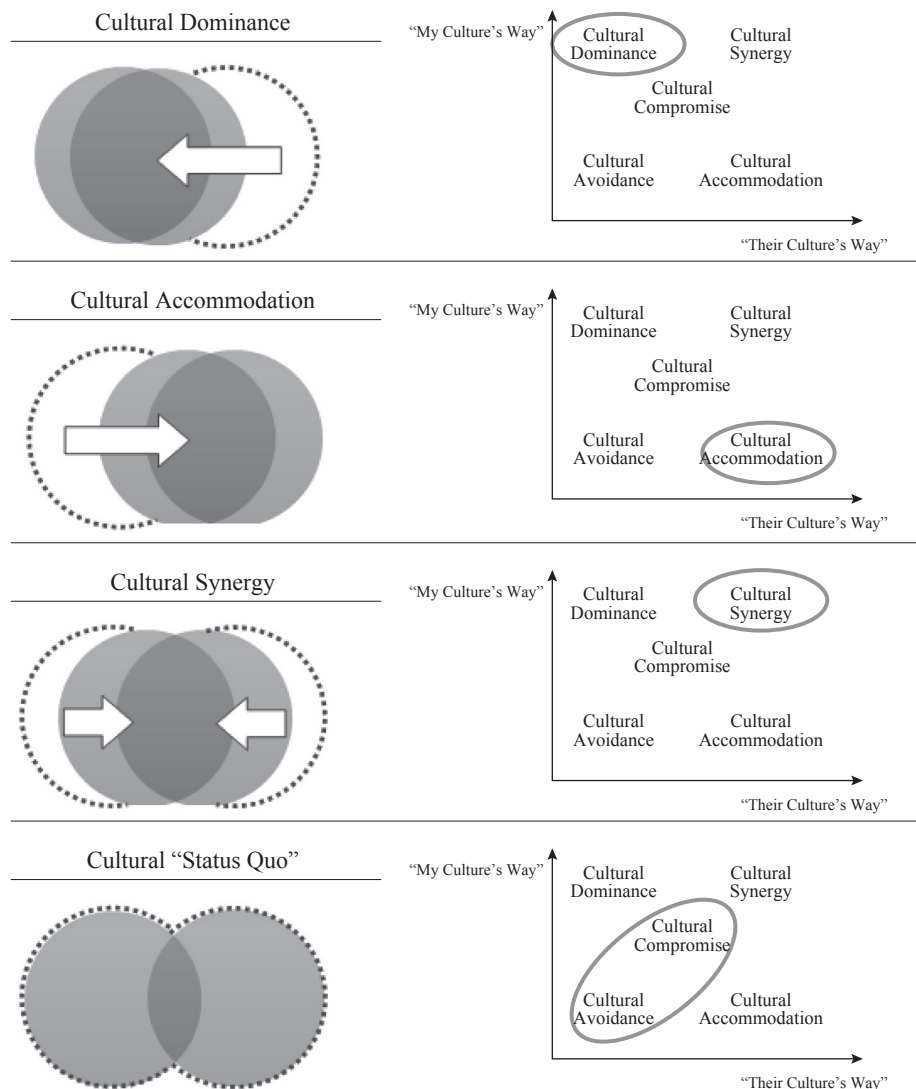


Figure 3: Cultural synergy dynamics and different global strategies

Source: Adler (2007) modified by the authors

We related the five different strategies to the hybrid model of 'Cultural Fit' under investigation. This comparison is made in Figure 3 which illustrates the five different

situations. As noted previously, the risk of home and host country isolation is highlighted. We have thus deliberately drawn the cultural origin of both circles. The arrows reflect the learning process of cultural awareness as observed in our case study. The longer the arrow, the further the company is from its origin.

a. Applying Hofstede's dimensions

Hofstede's theory introducing cultural dimensions for cross-cultural management analysis has sparked several criticisms over the years. Nevertheless, his empirically derived theory on cultural values has become a standard for subsequent studies and has helped to overcome cultural stereotyping seen in many pure or isolated 'descriptions' of national cultures. Therefore, we have integrated Hofstede's Five Cultural Dimensions theory as an important part of our theoretical foundation. While the framework of Hofstede was an obvious choice for defining each country's cultural circle, the model is perfectly capable of allowing other cultural dimensions or even features as language, geographical distance, or educational tradition. Depending on the situation, the management team can decide to include other dimensions.

Hofstede's survey at the level of the multinational company IBM, an early arrival to this stage, generated an assessment tool investigating cultural differences with high reliability due to the high response rate and total number of respondents. Hofstede found that managers and employees vary on four primary dimensions across cultures: individualism/collectivism (IDV), power distance (PD), uncertainty avoidance (UA) and Masculinity/Femininity (MAS). Later, Hofstede and Michael Bond identified a fifth dimension, Long-term/Short-term Orientation (LTO), which seeks to distinguish Western and non-Western (Confucian) orientations. Hofstede scored each country using a scale ranging from roughly 0 to 100 for each dimension. The higher the score, the more that dimension is exhibited in society. In Table 1 below the scores for a selected group of countries are presented. About the mean scores between Germany and Denmark, after WW II, West-Germany was much influenced by the Scandinavian model. Therefore, it is useful to take the average scores between Germany and Denmark in purpose to represent the corporation culture of a joint venture firm like Sauer-Danfoss, we will introduce this in the case study.

Table 1: Northern European countries in comparison to Japan

Dimension	Scale	W. GERM.	DENMARK	MEAN (W.GERM. & DENMARK)	JAPAN
Power distance	[11-104]	35	18	27	54
Collectivism- Individualism	[6-91]	67	74	71	46
Uncertainty avoidance	[8-112]	65	23	44	92
Femininity- Masculinity	[5-95]	66	16	41	95

Source: itim International.

1. Power distance index (PDI) - This index refers to the degree of inequality that exists between people with and without power. A high PD score indicates that society accepts unequal distribution of power. People are willing to understand and accept their hierarchical place in the system. Low PD means that power is shared and well dispersed. It also means that members of the society generally view themselves as equals.

Japan is said to have a high power distance, where inequalities are expected and desired. Hierarchies in organizations reflect the natural order of inequalities between the higher-ups and the lower-downs, centralization is popular, and subordinates expect to be told what to do. Privilege and status symbols are also expected.

Sauer-Danfoss scored low on this scale, where the people have a belief that inequalities within a group should be minimized. Hierarchies in work organizations are established as a convenience intended only to manage inequality of roles. Decentralization is popular, subordinates expect to be consulted, and privileges are frowned upon.

2. Individualism (IDV) - This index refers to the strength of the ties people have to others within the community. A high IDV score indicates a loose connection. In countries with a high IDV score, like Denmark (74), there is a lack of interpersonal connection and little sharing of responsibility, beyond family and perhaps close friends. On the contrary, Japan is a society with a low IDV score showing strong group cohesion. There, a large amount of loyalty and respect for group members can be observed.

Japan is a collectivistic society. To the Japanese businessman, organization really means relating to people and to put all balls into one basket (Ohmae, 1982, p.216) Japanese companies are run for the benefit of their employees. Rather than purely a contract, the employer-employee relationship is seen as a moral one such as a family relationship, and when hiring or firing, the employee's in-group fit is considered. Managers manage groups, and relationships are more important than tasks.

Sauer-Danfoss scored high on this dimension. In individualized societies people look after themselves and the immediate nuclear family. Speaking one's mind is respected. The employer-employee contract is assumed to be based on mutual advantages, and hiring decisions are supposed to be based on individual competence. Managers manage individuals, and tasks are more important than relationships.

3. Uncertainty avoidance (UA) - This index explains the degree of anxiety a society's members feel in uncertain or unknown situations. This dimension runs from being comfortable with flexibility and ambiguity to a need for extreme rigidity and situations with a high degree of certainty. People in a nation with high UA-scoring tends to avoid ambiguous situations whenever possible. They are governed by rules and order and they seek a collective "truth". Low UA scores indicate the society enjoys novel events and values differences. There are very few rules and people are encouraged to discover their own truth. According to Hofstede, Japan scores a very high 92. This implies that

an international manager operating with Japanese staff needs to take actions to avoid situations involving high levels of risk which may generally require more planning prior to action.

Japan scored the highest on this dimension. Japanese prefer to share responsibility and they avoid individual decision-making. Japanese companies are characterized by low labor turnover and greater amounts of ritual behavior. The decision is taken after a careful examination of the environment inside and outside the organization.

Weak uncertainty avoidance cultures accept uncertainty as a feature of everyday life, there is generally low stress and people feel comfortable in ambiguous situations. People are curious about what is different. Rules should be kept to a minimum; people may be lazy and may work hard only when necessary. Punctuality has to be learned, and people are motivated by achievement and esteem or by belonging to a group.

4. Masculinity (MAS) - This index refers to the dimension that describes how much a society sticks to traditional male and female roles. High MAS scores are found in countries where men are expected to be tough, assertive and bear the role of the provider in the family. Women working outside the home tend to occupy other professions than men. Low MAS scores however do not reverse the gender roles. In a low MAS society, the roles are broadly blurred. Women and men work together equally across many professions and home activities. Men are allowed to be sensitive and women can work hard for professional success. Japan is said to be highly masculine with a score of 95. This implies that a European company operating in Japan might have fewer difficulties in HRM, if they appointed a male employee to lead the team and contributed a largely male contingent to the team.

Japan can be defined as a 'masculine' society. Men are expected to be assertive and ambitious, and women tender and concerned with relationships. People live in order to work. Managers are expected to be decisive and assertive, and there is a stress on competition, performance and resolution of conflict by direct means.

Sauer-Danfoss shares the 'soft' or 'feminine' values of personal relations, quality of life and caring about others. People and good relationships are more important than money and things, and people are expected to be modest. Both men and women are expected to be concerned with relationships. Managers use intuition and try to gain consensus. There is a stress on equality, solidarity and quality of work life. Conflicts are resolved by compromise and negotiation.

5. Long Term Orientation (LTO) - This index refers to the dimension that explains how much society values long-term versus short term strategies. This is the fifth dimension which Hofstede added in the 1990s after finding that Asian countries have a unique and strong link to Confucian philosophy. Hofstede connected these Confucian traditions and

cultural habits to a different way of doing business in Asian companies as compared to Western companies. Especially companies from the U.S. and the U.K. were identified as having low LTO scores. According to Hofstede, this infers that we can expect much in terms of creative expression and novel ideas but less in terms of long-term perspective in business orientation.

Japan is described as a long orientation country. In Japan, individuals are subordinated to their companies. There is also a lower turnover of labor and a tendency to stay with the same employer. Lifetime employment creates a bond between employer and employee and encourages loyalty. On the part of the company, long term contracts are perceived as an investment with higher overall return due to the loyalty of the employee. In apparent conflict to this orientation. Cost pressure and increasingly volatile demand have forced Japanese companies to employ more part-time and short-term workers in recent years (OECD, 2008). In Japan the interests of managers and shareholders are more aligned, with return to shares often paid on par value not on earnings, and board members are usually all senior executives of the company, not outsiders. Managers therefore do not have to serve the passive interests of workers with little stake in the company. Japanese employees are often tied to the company for lifetime employment and managers are less subject to the short-term contingencies of the labor market, and of meeting union demands for competitive pay. Managers are therefore not pressured to meet short-term earnings requirements and can take a longer strategic view, also in financial terms and in relation to the employees. Japanese on-the-job-training can decrease the job-shopping rate while building flexibility and knowledge sharing, and for this reason it has historically been widely applied. As was noted in the presentation of Hofstede's dimensions, long term orientation was only created later to address special Asian cultural characteristics, specifically those associated with the Confucian way of life.

Sauer-Danfoss was not formally tested by Hofstede regarding this dimension. We extended the model to North-European companies because they often associate themselves with a long-term perspective which they hold to be more appropriate for maximizing the overall value of operations. This observation is supported by our interview results, as we shall later see, and we claim that it is indeed a feature that unifies the two cultures to a relevant extent. In general management in longer-term-oriented cultures may require a greater commitment to relationships in the corporate network and market environment.

Hofstede's (1980, 1991) work has been influential in cross-cultural management, but did also attract methodological and conceptual criticism. For example, Hui and Triandis (1986) suggested that because collectivism is target specific, an appropriate emphasis of study is not the degree to which individuals are concerned with each other, but on the way this involvement is distributed in society. Criticism has been directed at the fact that the study was undertaken entirely within IBM questioning the validity of the data.

Pudelko and Harzing (2007) point out that “the culturalist tradition leans heavily on the work on Geert Hofstede, and in particular the indices of national cultural dimensions he developed”. Compared the study by Trompenaars & Hampden-Turner (1998) which covers fewer respondents and most participants have been clients of the consultant’s cross-cultural management training programs. However, instead of using Hofstede’s framework Trompenaars’ approach could be also employed to investigate similarities and combinable potentials within intercultural management projects.

b. Building a hybrid model

Throughout the discussion of cultural similarities and differences guided by Hofstede’s cultural dimensions we created a synthetic model. We now turn to applying our hybrid model of ‘Cultural Fit’ to that of a specific European company setting up operations in Japan. In the following we will take the simplifying step of thinking of Germany-Scandinavia as one cultural zone unless specifically stated otherwise. The first effort is to define the expected ‘Cultural Fit’ of the two ‘countries’ – i.e. the task of identification. This work can then be used to establish the opportunities and challenges facing the European company when trying to make the two cultural circles converge. In practice this work relates to the HR practices of the subsidiary company. The four dimensions listed below represent our attempt at ‘identification’, and represent the ‘C’ in Figure 1:

1. **Job security:** Japanese and European management share similar management practices, such as on-the-job-training (OJT) and standardized reward system for regular workers. Job security makes the job turning rate lower and good security systems can suit both employer and employee. Both cultures aim to encourage stability, commitment and a sense of belonging to the corporation. Although there may be an element of obligation and even a sense of being tied-in or suppressed with negative effects on individual creativity, it allows a long-term development orientation. In Japan committed employees have proven willing to show flexibility doing the recent prolonged economic downturn, something that obviously benefits the companies. On important difference is that security in North-European countries is to a large extent the responsibility of the society. North-European countries can thus more easily lay off workers and this is associated with a considerable higher labor turnover rate than compared to Japan.
2. **Management by consensus:** In Japan, the *ringi* system of decision making is well documented (Chen, 1995). *Nemawashi* is a practice used by management to informally and initially sound out employees’ ideas on a proposed course of action, and *ringi seido* is a formal procedure of management by group consensus. In both cultures in this study the idea is to obtain a consensus, enabling employee involvement and participation in decision making. The final decision is often affected by the relationship between the participants. North-European managers also believe that communication is a key point to organizational success. Thus, they each day

take various opportunities to communicate with their co-workers. Management by consensus and acceptance is seen as an important motivational factor by many North-European managers and they put an emphasis on understanding and acceptance.

3. **Innovation creation:** Since adjustment to the changing market environment is essential, sharing ideas and knowledge to lead to innovation is seen as highly important in both Japanese and North-European management cultures. This is reflected in an emphasis on new projects, high investment, personnel development, and the use of innovation based compensation schemes. Both supporting and defining this focus on innovation is the relevance of LTO, which we have claimed to be present in companies of Germany-Scandinavia as well.

We argued that the Japanese and North-European management show similarities, but at the same time obvious differences exist between them and in the way managerial practices are carried out. The international manager must be aware of this problem when negotiating the hybrid model. A very general concern regarding this issue is the different dimensions' interrelatedness. Awareness of the characteristics of this interrelatedness might on the other hand be material in recognizing problems and solutions as well. One such difference relates to the issue of cultural practices. Though we would argue that this feature is shared by both cultures, it may be difficult for the European company to implement. In Japan, high power distance and uncertainty avoidance must be accounted for when establishing the processes that will lead to innovation. Open ended questioning and brainstorming can be problematic or even useless, and the European company will have to think about innovation and innovational learning processes in a more structured way.

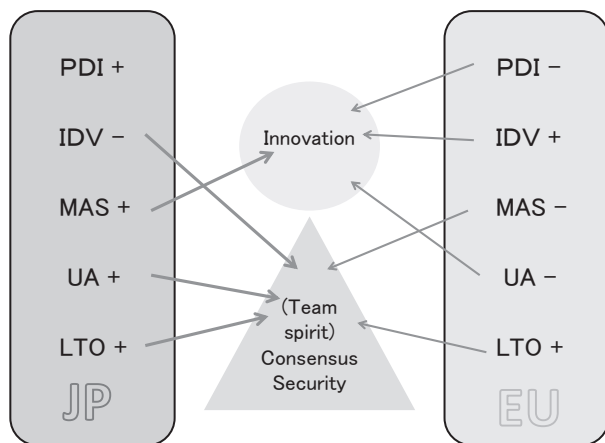


Figure 4: Building a hybrid model by cultural potentials

The above figure summarizes the essence of our hybrid model approach. We conclude that each side can contribute their cultural advantages to the prospects of the joint venture. According to Hofstede, the Japanese side contributes low individualism, strong uncertainty avoidance and long-term orientation. These cultural dimensions, especially the

strong tendency to adjust to group-orientation, tilt this side towards preferring team work. Northern European managers who have an understanding of and/or interest in long-term orientation, can potentially join the Japanese team while learning a new group mechanism and different kind of leadership system. This will help them to understand a team spirit that cannot be observed in Western cultures. At least they can learn to be patient and to trust that they are respected leaders due to ascription, i.e. that their authority is vested in their office and thus is not to be challenged. They also may learn about a different way of sharing responsibility and profits. If the headquarters has sufficient organizational flexibility and allows long-term strategies in certain areas, the international manager will also profit from integration in the team of local managers. In return, the manager can help to ensure job-security, by considering how to integrate any short-term strategies of the headquarters into long-term goals of the subsidiary. We expect that negotiation with the local managers would be very important to achieve this. Here the foreign manager needs to adjust to the Japanese style of decision making and must show stamina by participating in lengthy series of meetings to make sure that he does not miss any details.

We expect that European efficiency and innovation creation would be appealing to the Japanese management in a joint venture. High individualism, low uncertainty avoidance and a weak power distance are said to contribute to innovative thinking. We expect that this would appeal to the “young” generation of managers and engineers since masculinity scores high in Japan. Foreign managers need to learn that their Japanese co-workers’ attitude toward intra-team competition is different because of the strong embeddedness in their group or team. Nonetheless, Japanese managers are eager to compete. Here, potential exists to build cross-cultural relations that provide new and better opportunities for innovation creation.

As described above, these opportunities can be facilitated if a dynamic process of growing together is skillfully guided by the managers involved. Managers need to move away from the status quo, stop making concessions, not surrender to the verdict of a more powerful figure, but aim for cultural synergy by finding new solutions that respect the culture of the team members involved. Therefore, for working effectively in a trans-cultural business environment the awareness of other choices and broader categories are seen as an important goal of corporate learning.

III. Case study results

Our hypothesis throughout the seminar was that skillful international managers conduct critical and reflective IHRM; and preferably they search for hybrid solutions. To document the usefulness of the hybrid model, we wished to verify our theoretical considerations with empirical observations. Therefore, we interviewed an international

managing director expatriated by a European transnational company with sales and manufacturing operations in Japan. We also interviewed other European managers during a workshop at Ritsumeikan University about the same issues, using them as a control group. We compared their understanding of the core issues mentioned above.

Sauer-Danfoss-Daikin Ltd. (SDD) is a joint venture company that was established in October, 2001, under agreement between Daikin Industries Ltd. and Sauer-Danfoss Inc. in the field of Mobile Hydraulic Business. Daikin Industries, Ltd. and Sauer-Danfoss Inc. seek to effectively utilize a customer base currently existing mainly in Japan. Daikin Industries, Ltd. contributes its accumulated capability of supply and service of systems within Japan while Sauer-Danfoss Inc. contributes its capabilities for product development and marketing including its network of local sales companies throughout Asia as well as a factory in Shanghai. With the establishment of this joint venture supported by the strengths of both partners, the company aims to become the number one player in the mobile hydraulic market in Japan and the Asia Pacific Region under joint management of the manufacturing company Daikin-Sauer-Danfoss Manufacturing Ltd. (DSD). Since the managing director of SDD participated in our IHRM workshop, the members of the graduate seminar on IHRM including the authors had an opportunity to visit the factory of Daikin Sauer-Danfoss located in Suita in the proximity of central Osaka City in July 2009. In addition the general manager was interviewed in November 2009 in the regional headquarters of SDD in Shin-Osaka.

Interestingly the international (US-German-Scandinavian)- Japanese joint venture has two faces. At the level of the manufacturing plant, Daikin-Sauer-Danfoss appears to be a Japanese company. At the level of the sales headquarters, Sauer-Danfoss-Daikin instead appears to be a more international company, integrating their sales activities into the East Asian market. Nevertheless, the joint venture between Sauer-Danfoss and Daikin inspired the latter to pursue a more efficient production process in the manufacturing plant. It was said that the application of the core “5S system” at DSM was encouraged by overseas partners. The manufacturing company’s overseas expansion was supported by the joint venture including language courses for factory workers. We interviewed the managing director of the international joint venture about his intercultural competence and HRM strategy on November 5, 2009. The general impression from the interview was that he is a skillful and culturally sensitive leader. It appears that he performs his leadership with a hybrid approach in mind. He recognizes differences between his home culture and the host culture he operates in, and he has been able to build strategies on his awareness of these differences. We got the impression that he applies a managerial strategy utilizing the cultural characteristics of each side. Table 2 summarizes our main findings from the interview.

1) **Management by consensus** is an important feature of the SDD culture. However, it should not be confused with conflict avoidance even it feels as a “cozy” atmosphere by mistaken foreign managers. Management by consensus and acceptance is seen as

Table 2: Hybrid model in an international -Japanese company

	Problem	Advantage	Solution
Consensus	Slow top-down decision process	An important motivational factor	More acceptance for top-down decisions
Innovation	Conservative structure hinders the innovation process	Awareness of lack of innovativeness	Organizational change becomes acceptable
Security	Competition and governmental regulations forced DSD to lay-off part-time workers	<ul style="list-style-type: none"> - less difference in skills - temporary workers can be promoted - less stress for regular workers 	<ul style="list-style-type: none"> - Creation of a homogeneous workforce - Temporary workers join the regular workforce
OJT	Helps to standardize HRM but does not promote innovativeness necessarily	Awareness of the need for new practices of learning	Introduction of new modes of organizational learning to obtain flexibility and knowledge

an important motivational factor according to the European managing director. He recognizes however, that the aim for consensus can slow down progress by delaying important decisions. The current economic downturn and its calls for crisis management has led to changes in the decision making process from a “bottom-up” to a “top-down” strategy. This change is however perceived to be temporary and is therefore supported by an emphasis on understanding and acceptance. Though consensus is important to both cultures, this particular dimension is very much connected to the notion of power distance. Perception of power distance hinders communication and collectivistic orientation might hinder full benefit of individual skills, and international managers cannot just implement the European style of consensus.. Communicating to achieve understanding and acceptance at different levels, sometimes through unconventional channels, becomes important in these situations.

2) **Innovation:** Innovation is highly important in DSD, which is reflected in a continuous emphasis on new projects, a high investment share, personal development, and the integration with the company’s compensation scheme. The managing director predicts organizational changes in Japanese companies with a traditional HRM style, since a rigid hierarchical organizational structure can hinder the innovation process.. As noted earlier, high power distance and uncertainty avoidance in Japan must be accounted for when establishing the processes that will lead to innovation.

3) **Security:** Cost competitiveness in global markets has become increasingly important for Japanese manufacturing companies, which can be at times be contradicting to the life-long employment philosophy. Thus, Japanese companies are forced to use more non-regular workers, who normally do not share the same benefits as regular workers. As stated earlier, we claim that European companies generally share the ideal of LTO. In the opinion of the DSD managing director, this element should indeed be associated with the ideal business model and thus it is also core to the Sauer-Danfoss vision. However

being a publicly listed company, Sauer-Danfoss is also influenced by investor demand for short term profits and return on investment (ROI). The managing director pointed out that it is important that long term strategies are defined and followed, but achieving short term goals is as equally important. The tendency to always live in the future (e.g. we will be more profitable in two years when the new products are introduced) prevents management from addressing current issues with the required sense of urgency. We expect that the European manager will experience frictions when applying short-term profit targets. However, negotiating such goals the managing director told us that he had not experienced any dissonant communication from his Japanese co-workers. Instead, most Japanese employees perceive short-term targets as a necessity that needs to be addressed..

4) **Efficiency:** Differences in business environment and practices might translate into low efficiency when measured on a Western scale. International companies need to be aware of this difference and establish effective motivational mechanisms to inspire their local employees. In Japan this issue is influenced by both high masculinity and collectivistic thinking, and the management team must be aware of this link, e.g. the Japanese workers generally do not like to be singled out in front of the group, as they think they are taking the credit for something that was achieved by the group even it was due to their own performance. The managing director considers the widely applied and prevailing OJT as an important way to communicate this appreciation.

IV. Discussion

The current calibration of the hybrid model introduced here addressed the cultural potentials and their interrelatedness for strategic IHRM. We tried to define an initial condition that promotes a growth strategy of the joint venture firm. Such a growth strategy should be organic. The managers of international joint-ventures, alliances and cross-cultural M&A undertakings should anticipate the strength of host country management culture. Joining a company in the host country the foreign managers need to become aware that the employees' cultural beliefs will be resistant to change, if not addressed by a convincing IHRM strategy. Here, an organic HRM strategy enables the joint venture business to train existing staff members and recruit new employees with the higher adaptability necessary to conduct the changes. Even if cultural similarities are few, the foreign management will be more successful if they capably initiate organic developments promoting the convergence process by overcoming strategically the gaps between home and host country management.

The company's top management has used the economic downturn as an opportunity to emphasize top-down decision making. This is within the established trend of globalization and also suits an entrepreneurial style of business in which the foreign managers participate in the decision making process. To survive the economic downturn, technical

and managerial product and process innovation is necessary. The awareness of the lack of innovativeness ensures the willingness to collaborate with a Western partner bringing innovative engineering and management skills. Those local managers and engineers able to take the lead in the process of transitions are important to create the team spirit of the new company. They need to be included to implement the foreign partner's innovative products and practices. As a result the workforce can grow or decline healthily and equality among workers can create a positive and new working atmosphere more adequate to compete in the local and global market for talented people. OJT has been identified as a managerial element that brings value. However, in the negotiation process of the foreign partner, OJT also has a function allowing discussion of the new work ethics and new efficiency values at the shop floor level. OJT is justified by social changes as indicated by Meyer-Ohle (2009) but can contribute to the feeling of job security.

We do not assume that a convergence strategy should be broadly applied to all the activities of the subsidiary but we conclude that it is important to emphasize areas where the intercultural management is compatible and where core competencies can be created with an eye toward the long-term survival of the transnational company. Presumably optimal solutions can be reached by applying the strategy at numerous functional or operational levels. In our case study such a structural lens was beneficial, since cultural characteristics in the production unit differed from the sales and marketing units. However, in real business life, constructing strategies for good team working and innovation creation can be a big challenge. Interviews with other European managing directors revealed possible tensions between those preferring to emphasize innovativeness and those who prefer to emphasize team work. To create synergies in the Japan subsidiary of European businesses it is crucial to find modes of cross-cultural collaboration and incentives that bring the different interests together. The international manager of the foreign partner company needs therefore to address each group regarding the new corporate culture that he wants to develop. The international manager needs to do this with cultural sensitivity to avoid a counterproductive image of superiority or apparent dominance strategy.

As seen in our case study, the choice of the language and the location for conducting business is important for creating intercultural synergy. When international managers wish to work successfully together they need to share the "same language" and must decide on a location for their negotiation process. An amusing, but in fact actual case, was when a Scandinavian manager insisted on negotiating with a Japanese business partner in a sauna. According to Adler this would be assessed as an example of cultural dominance. If the Japanese were to agree at once, it would be an example of cultural accommodation. If both sides decide that a neutral place should be used, their choice reflects cultural compromise. In our case study, the European managing director and his Japanese co-workers agreed to negotiate in English. Adler (2007) showed that the process of developing culturally synergistic solutions to organizational problems involves three

steps: 1) describing the situation; 2) interpreting the situation in the cultural context; and 3) increasing cultural sensitivity and creativity. Relating Adler's concept to the hybrid HRM model, we can view hybridization as an intercultural negotiation process within IHRM with potentially optimal outcomes. The results of our case study infer that the foreign manager should start his work with cultural interpretations and aim for promoting new 'identification' while developing a hybrid HRM strategy that facilitates cross-cultural synergies.

Throughout our IHRM seminar the hybrid model created awareness about potentials of intercultural challenges for both the interviewers and the interviewed managers. Thus, the hybrid model functioned as a workshop tool within the seminar and a tool of HRM renewal within the real professional world of international management. Once potential obstacles and similarities had been identified, the next step was to consider practical solutions. Focusing on shared cultural practices and aims was a suitable starting point, but we also realized that the cultural awareness depends on the ability of the manager to think critically and to formulate HRM strategies that receive acceptance and can be executed in the intercultural workplace. We discovered another shortcoming is the risk of identifying shared cultural characteristics that cannot really be isolated from other cultural characteristics. An example of this issue was the discussion of consensus. This shortcoming suggests that it is important to compare case study observations within a general discussion of culture. Culture can be characterized by universal dimensions as introduced by Hofstede, but the dimensions do not have any currency by themselves. These characteristics are always integrated and interrelated and must be negotiated and comprehended in the context of workplaces, teams, and individuals. Again with reference to our discussion on consensus, cultural awareness can be instrumental in deriving the final cultural strategy. It is important to emphasize that methodological problems in the research design limit our interpretation. We only interviewed the foreign manager involved, therefore we cannot objectively evaluate the success of his management style considering the views of his co-workers and subordinates. We also cannot take into account any discrepancies between his views and the predictions of our model. Thus, our evaluation of the successful application of hybrid IHRM model or strategy needs to be perfected. The approach outlined in this study should be replicated addressing the perception of managerial problems and challenges perceived by Japanese managers and engineers involved in the promotion of the transformation of the Japanese company into a real transnational company. We recommend that this approach outlined by this study should be attempted with other national culture to implement hybrid solutions in IHRM, using Hofstede's data, and use his framework to produce original data investigate Japanese companies with foreign companies.

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