

International Human Resource Policies and Practices in Japanese, European, and United States Multinationals

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This article presents the results of a survey comparing international human resource policies and practices in Japanese, European, and United States multinational companies. The survey focused on the use of expatriates over local nationals in overseas management positions, adoption of nonethnocentric policies, and incidence of international human resource management problems. Regression analysis using the entire sample indicated that ethnocentric staffing and policies are associated with higher incidence of international human resource management problems. Also, Japanese companies as a group are shown to have more ethnocentric staffing practices and policies, and they experience more international human resource management problems than do American and European firms. © 1994 by John Wiley & Sons, Inc.

PURPOSE OF THE STUDY

This paper examines differences between Japanese and western (United States and European) multinationals in the area of international human resource management. The goals of this study are twofold: The first is to examine whether international human resource management—in terms of staffing, policies, and problems encountered—varies by the nationality of the firm. This examination was motivated in part by recent accounts which suggest that Japanese firms have more ethnocentric international human resource practices than do western multinationals, and accordingly experience greater incidences of the problems associated with ethnocentrism. The second goal of this article is to explore, using data from multinationals based in various countries, the efficacy of nonethnocentric human resource management policies and staffing practices in preventing international human resource management problems.

CONCLUSIONS OF THE STUDY

First, Japanese companies do have international human resource practices that are relatively more ethnocentric than are those of American and European companies, and they do tend to experience more international human resource management problems. Second, in general, the less ethnocentric a firm's international policies and practices, the less likely it is to experience international human resource management problems. These conclusions have important implications for the international human resource management practices of all multinationals, particularly Japanese companies.

BACKGROUND

Ethnocentrism, Polycentrism, Regiocentrism, and Geocentrism

Perlmutter (1969) introduced the concept of classifying multinationals into categories based upon their attitudes toward management. His distinctions among ethnocentric, polycentric, regiocentric, and geocentric international management styles were further elaborated in Perlmutter and Heenan (1974), Heenan (1975), and Perlmutter and Heenan (1979). In an ethnocentrically managed firm, the parent company nationals hold all key positions at overseas operations, and decision-making power is centralized at the head office. The operating assumption is that parent company nationals are the most skilled and that they can manage overseas operations using the methods that have been successful in the home country. In contrast, the other three paradigms listed above rely on decentralization and use of local nationals in managerial positions.

The literature on the ethnocentric classification of multinationals describes many problems engendered by this management style. Heenan and Perlmutter (1974) cite an inability to fully utilize the talents of non-home-country nationals, discontent among local national managers, high turnover rate of local national managers, and reentry problems for expatriates returning to the home country. In a study of ethnocentric multinationals' United States (US) operations, Zeira et al. (1975) and Zeira (1976) identified common morale problems among local employees, including dissatisfaction with communication and decision making, and frustration with limited promotion opportunities. Nowhere in this literature, however, is there an analysis of the relative incidence of these problems in ethnocentric firms vs. nonethnocentric firms. One goal of this study is to demonstrate an empirical link between ethnocentric policies and practices and the occurrence of international human resource management problems.

International Human Resource Management Issues Unique to Japanese Firms

As Japanese companies invested heavily overseas during the 1980s, they came to employ large numbers of people outside of Japan (over 700,000 in the United States alone) (U.S. Dept. of Commerce, 1993). The number of non-Japanese employees at Japanese multinationals is expected to continue growing rapidly, giving the international personnel policies of Japanese companies worldwide significance.

A body of literature has emerged recently which examines Japanese firms' management of their international human resources. In this literature a consistent pattern of ethnocentrism surfaces: Use of Japanese expatriates in a large proportion of overseas managerial positions combined with a reluctance to consider locally hired employees for those positions, frictions between Japanese expatriates and local employees, and difficulty recruiting and retaining high-caliber local employees (particularly managers and other white collar employees).

These observations occur consistently despite the wide variety of methodologies used by the researchers. Some have used surveys and structured interviews with Japanese and/or local management at Japanese firms operating in a particular country or region, ranging from developing countries to civilized nations: Yoshino (1976); Negandhi (1979); Trevor (1983); White and Trevor (1983); Negandhi, Eshghi, and Yuen (1985); and Inohara (1990). Others have conducted surveys and interviews focusing on the attitudes and opinions of local employees at a broad sample of Japanese firms: Pucik, Hanada, and Fifield (1989); Nishida (1991); and Kopp (1993). A third group has described observations and conclusions drawn from their extensive research and consulting experiences with unspecified numbers of Japanese multinational companies: Johnson (1977), Tsurumi (1978), Bartlett and Yoshihara (1988), Yoshihara (1989a), Yoshihara (1989b), Lifson (1992), and Byham (1993). A fourth group has explored human resource management issues in their case studies of United States operations of Japanese firms: Sethi, Namiki, and Swanson (1984) [Chapter 4]; Kidahashi (1987); Fucini and Fucini (1990); Shibuya (1990); and Dalbello, Madigan, Noble, Venkat and Bird (1991).

International Comparisons

One feature that generally is lacking either in the literature on Japanese multinationals or the literature on international human resource management is any detailed statistical comparisons between the international human resource practices of Japanese, United States (US), and European companies. Most authors addressing the subject of Japanese

multinationals have focused on the unique issues facing Japanese firms rather than the similarities to the issues facing western multinationals. Whenever comparisons are made, there often seems to be a tendency to compare Japanese firms to a general conception of how western multinationals operate. Where detailed international comparisons are available, they are limited by the fact that human resource management was not the primary focus of the research.¹

Rosalie Tung is the only researcher whose work has explicitly compared the international human resource management practices of multinationals based in different countries. Tung's studies have explored expatriate selection and training in multinationals based in Europe, the United States, and Japan. In Tung's original study (1982), she gathered survey data to compare: (1) the extent to which multinationals use expatriate managers in their overseas operations, (2) the criteria used for selecting personnel for overseas assignments, (3) the types of training programs used to prepare candidates for overseas work, and (4) the expatriate failure rate and reasons for failures. (Expatriate failure is defined as an expatriate tenure that needs to be cut short.) She found that Japanese companies are more likely to use parent country nationals in their overseas operations at the senior and middle management levels; US firms were less likely than European and Japanese firms to use training programs for managers about to be posted overseas; and US firms had higher rates of expatriate failure than did European and Japanese firms. A negative correlation was shown between the rigor of a company's selection and training process and its expatriate failure rate. Tung (1984, 1988) used case study interviews with international managers at European and Japanese companies to explore the conclusions of the 1982 study.

No work, however, has been done which goes beyond the issues of expatriate training and selection to compare explicitly the international human resource policies, degrees of internationalization of human resources, and international human resource problems of a broad sample of Japanese multinationals to those of a broad sample of western multinationals. Thus, there is little data to substantiate whether the international human resource management pattern observed in Japanese firms is indeed unique or is in fact similar to that of comparable western multinationals. Furthermore, no existing work has explored the relationship between a multinational's international human resource management problems and its policies and expatriate staffing levels. The aim of this study is to provide data from which such comparisons can be made.

SURVEY METHODOLOGY

A database of major multinationals from the United States, Japan, and Europe was compiled by merging three listings: the *Business Week* Global

1000 (July, 1991) and the *Fortune* domestic (April, 1991) and international 500 lists (July, 1991).² In order to bypass those companies unlikely to have multinational operations, all companies described as "utilities" were eliminated from the database. All American companies which were not also listed in the *Directory of American Firms Operating in Foreign Countries* (World Trade Academy Press, 1987) also were removed from the database. As a result, 918 firms remained: 272 headquartered in the United States, 309 headquartered in Japan, and 337 headquartered in Europe.

In order to facilitate a greater response rate, translations of the survey into Japanese, German, and French were prepared by native speakers familiar with business vocabulary.³ The Japanese version was sent to the firms headquartered in Japan; the German version to firms headquartered in Germany, Switzerland, and Austria; and the French version to firms headquartered in France and Belgium. The remaining firms, all headquartered in other countries, received English versions of the questionnaire.

The survey was designed to be completed by one individual at each firm. It was decided that the logical choice to receive the questionnaires would be the individual responsible for the international human resources function, who would be most familiar with the statistics, policies, and problem areas asked about in the survey. The choice of this type of respondent, presumably responding in his/her official capacity, also meant that the answers were likely to reflect the corporate employer's perspective. One response per firm was deemed adequate, as the majority of the questions in the survey were objective in nature and presumably would not vary widely among respondents. The first mailing yielded an inadequate response. A second mailing was mailed approximately three months later to the nonresponding firms.⁴

Eighty-one responses were received: 23 from Europe (3 from France, 3 from Germany, 1 from Italy, 1 from Switzerland, 13 from the United Kingdom, and 2 from the Netherlands), 34 from Japan, and 24 from the United States. The majority of the individuals completing the survey were managers in the human resources or international departments of their firms.⁵

The relatively low response rate (8.8%) reflects the underlying difficulty in obtaining corporate cooperation for survey projects which relate to potentially sensitive issues. However, the data obtained is sufficient to discern general trends and relationships.

The majority of the respondents to the survey were in the manufacturing/industrial sector: 79.2% of the US firms, 60.9% of the European firms, and 73.5% of the Japanese firms.⁶

Companies headquartered in different countries varied in terms of the percentage of their total sales which were derived from international operations. The average answer of the Japanese respondents to this question ($n = 28$) was 23.1%, while for the US respondents ($n = 20$) it

was 33.0% and for the European respondents ($n = 14$) it was 63.1%. In order to correct for possible distortions resulting from this factor, a sub-sample of 15 Japanese companies was prepared with international sales averaging 34.8%.⁷ In the results reported below, the data for this sub-sample are shown in parentheses following the results for the full Japanese sample. In most cases the data from the sub-sample does not contradict the conclusions derived from using the full Japanese sample.

ANALYSIS OF DATA

Staffing

This section of the survey inquired into the use of local nationals rather than home country nationals in overseas operations. The survey results indicate that there is a "glass ceiling" at any type of multinational, as home country expatriates occupy a certain percentage of managerial positions. The height of this ceiling, however, is significantly lower in Japanese organizations because, on average, they fill more of their managerial positions with Japanese. These results are generally consistent with those obtained by Tung (1982).⁸

- *Top management positions* (defined in Table I as positions such as Country Manager or President of the overseas operation).
- *Managerial positions* (defined in Table II as supervisory, white collar).
- *Nonmanagerial positions* (defined in Table III as all employees who are not managerial employees).

Policies

The survey contained questions concerning the use of four specific international personnel policies. A company implementing these policies may be considered to be coordinating its human resources on a global scale (or, conversely, nonimplementation of such policies would

Table I. Nationality of Top Managers in Overseas Operations.

Headquarters Country	% Home Country Nationals	% Local Nationals	% Third-Country Nationals
Japan ($n = 26$)	74% (75%)	26% (24%)	0.2% (0.6%)
Europe ($n = 21$)	48%	44%	8%
U.S. ($n = 20$)	31%	49%	18%

Table II. Percentage of Overseas Managers That Are Local Nationals.

Headquarters Country	% Local Nationals in Overseas Managerial Positions
Japan (<i>n</i> = 27)	48% (57%)
Europe (<i>n</i> = 17)	82%
U.S. (<i>n</i> = 22)	88%

indicate an ethnocentric international human resource policy). These four policies were suggested by the literature on the ethnocentric/polycentric/regiocentric/geocentric classification of firms described above. Respondents were asked to mark only those statements which accurately represented their company's international human resource policies.⁹ The specific rationale for selecting each of these policies is discussed in the following paragraphs.

Performance evaluation measures are the same in every one of our international operations.

Implementation of a standardized performance evaluation measure suggests that the head office is concerned with consistent human resource policies across its overseas operations, and that it is interested in having the ability to compare managerial performance across countries. Such an orientation would facilitate utilization of human resources on an international basis.¹⁰

A training program has been put in place to groom local nationals for advancement in our company's managerial ranks.

A company that implements such a training program views local nationals as candidates for management.

Table III. Percentage of Overseas Nonmanagers That Are Local Nationals.

Headquarters Country	% Local Nationals in Overseas Nonmanagerial Positions
Japan (<i>n</i> = 27)	81% (97%)
Europe (<i>n</i> = 17)	91%
U.S. (<i>n</i> = 21)	98%

Local nationals are often transferred to headquarters or to other international operations so that they can gain experience and learn more about the company as a whole.

Implementation of this policy suggests an even greater commitment to the utilization of local nationals in management than does the implementation of a training program. Transferring local nationals entails greater planning and commitment of resources. Implementation of this policy also suggests a broader view of the capabilities and role of non-home-country nationals, one that goes beyond their usefulness in their country of origin.¹¹

At headquarters we maintain a centralized roster of all our managerial employees (both home-country nationals and foreign nationals) throughout the world in order to facilitate worldwide managerial development.

Implementation of such a policy suggests that the head office is actively keeping track of local national employees and thus is better able to consider them when planning for international management needs as well as activities such as training programs.¹²

For each of these policies, Japanese firms had a lower implementation rate than the US and European firms. (See Table IV.)

Problems

As discussed in the literature review, many studies have documented the international human resource management problems of Japanese multinationals. At the same time, US and European companies are not immune to problems in the personnel area.¹³ In order to determine whether the incidence of specific international human resource problems was related to the national origin of the parent firm, each respondent was asked to indicate which of eight defined problems his/her firm currently faces. Three of the problems centered on expatriate personnel issues, and five centered on issues concerning local national personnel.

The specific problem areas were inspired by prototypical international human resource problems of ethnocentric firms described earlier in the literature on ethnocentric/polycentric/regiocentric/geocentric management and the prototypical international human resource problems of Japanese firms described in the literature on Japanese multinationals. The problems were phrased exactly as appears in Table V and in the italicized phrases below. Respondents were asked to check those problems currently faced by their company. Overall, a higher proportion of Japanese firms reported occurrences of the gamut of problems than did either the US or European firms, with the sole exception of expatriate reentry problems. Furthermore, the difference between Japanese firms and US and European firms was most striking in terms of problems

Table IV. Types of Personnel Policies at International Firms.

Description of Policy	Japanese Firms % Implemented (n = 34)	European Firms % Implemented (n = 23)	US Firms % Implemented (n = 24)
Performance evaluation measures are the same in every one of our international operations	24% (0%)	48%	58%
A training program has been put in place to groom local nationals for advancement in our company's managerial ranks	24% (27%)	43%	33%
Local nationals are often transferred to headquarters or other international operations so that they can gain experience and learn more about the company as a whole	15% (27%)	65%	54%
At headquarters we maintain a centralized roster of all our managerial employees (both home-country nationals and foreign nationals) throughout the world in order to facilitate worldwide managerial development	18% (13%)	61%	54%

related to local national employees. In general, these results confirm the hypothesis that Japanese companies experience more human resource problems in their overseas operations than do US and European multinationals.¹⁴

Expatriate Personnel Issues

Lack of home-country personnel who have sufficient international management skills: This was the most difficult problem facing Japanese companies and was one of the most difficult for US and European ones as well. This result implies that cultivating such skills is difficult and that they are relatively rare among businessmen in any country. Japanese compa-

Table V. Incidence of International Personnel Problems.

Type of Problem	% of Japanese Firms Reporting Problem (<i>n</i> = 34)	% of European Firms Reporting Problem (<i>n</i> = 23)	% of US Firms Reporting Problem (<i>n</i> = 24)
<i>Expatriate-related</i>			
Lack of home-country personnel who have sufficient international management skills	68% (60%)	39%	29%
Lack of home-country personnel who want to work abroad	26% (27%)	26%	13%
Expatriates experience reentry difficulties (e.g., career disruption) when returning to the home country	24% (20%)	39%	42%
<i>Average of expatriate-related problems</i>	39% (36%)	35%	28%
<i>Local national staff related</i>			
Difficulty in attracting high-caliber local nationals to work for the firm	44% (53%)	26%	21%
High turnover of local employees	32% (20%)	9%	4%
Friction and poor communication between home-country expatriates and local employees	32% (47%)	9%	13%
Complaints by local employees that they are not able to advance in the company	21% (20%)	4%	8%
Local legal challenges to the company's personnel policies	0 (0)	0	8%
<i>Average of local national staff related problems</i>	26% (28%)	10%	11%

nies may be particularly prone to this problem due to their heavy use of home-country nationals in overseas management positions, necessitating a larger expatriate corps.¹⁵

Lack of home country personnel who want to work abroad: This issue was equally as problematic for European firms as for Japanese firms, while it was less of an impediment for US firms.¹⁶

Expatriates experience reentry difficulties (e.g., career disruption) when returning to the home country: This problem was the one most often cited by US firms. This was also true for European firms, along with the lack of home-country personnel possessing sufficient international management skills. The relatively lower incidence of expatriate reentry difficulties reported by the Japanese respondents is surprising given the vivid accounts of such problems at Japanese firms by White (1988) and Umezawa (1990). However, the more active role of the Japanese personnel department in coordinating career paths, the tradition of semi-annual musical-chair-like personnel shuffles (*jinji idoh*), and the continuing efforts of Japanese stationed overseas to maintain close contact with headquarters might underlie the lower level of difficulties in this area for Japanese firms. In contrast, the decentralized structures of many US and European firms may serve to isolate expatriates from their home-country headquarters, making reentry more problematic. Also, recent downsizing at US and European firms may reduce the number of appropriate management positions for expatriates to return to, or may sever expatriates' relationships with colleagues and mentors at headquarters.¹⁷

A further possible explanation for the higher incidence of expatriate reentry problems in western multinationals is the greater tendency of those companies to implement a policy of transferring local nationals to headquarters or other international operations. Under such a policy, the definition of expatriate expands beyond home-country nationals to encompass local nationals who transfer outside their home countries. It may even be that local nationals who return to a local operation after working at headquarters or other international operations may have their own special varieties of reentry problems. The correlation between this sort of policy and the incidence of reentry problems ($\text{corr} = .32$, $r^2 = 10.2\%$, $p = 0.004$) underscores this inference.

Local National Personnel Issues

Difficulty in attracting high-caliber local nationals to work for the firm: Throughout the survey field, this was the most difficult local national personnel issue. Multinationals in general may face greater challenges in hiring high-caliber local employees than do domestic firms due to lack of name recognition and fewer relationships with educators or others who might recommend candidates. However, the survey results suggest that

this issue is significantly more difficult for Japanese than for US and European multinationals.¹⁸

High turnover of local employees: This issue was significantly more problematic for Japanese firms. It should be kept in mind, however, that turnover of any level would likely be perceived as a greater problem by Japanese firms due to the near-total absence of turnover to which they are accustomed in Japan. The incidence of turnover problems is correlated to the incidence of recruiting problems ($\text{corr} = 0.245$, $r^2 = 6.0\%$, $p = 0.027$) as well as to complaints by local employees that they are not able to advance ($\text{corr} = 0.285$, $r^2 = 5.1\%$, $p = 0.043$), thus suggesting that these are related issues.

Friction and poor communication between home-country expatriates and local employees: Again, this issue was significantly more problematic for the Japanese firms.¹⁹

Complaints by local employees that they are not able to advance in the company: This issue was also significantly more problematic for Japanese firms.²⁰

Local legal challenges to the company's personnel policies: Only a very small percentage of the respondents replied that they had experienced local legal challenges to their personnel policies; it was perhaps optimistic to expect companies to readily admit to this sort of problem. In particular, the absence of Japanese companies responding that they had experienced this problem was surprising given the large amount of press coverage given to lawsuits against Japanese companies in the United States and a Japanese Ministry of Labor Survey in which 57% of the 331 respondents indicated that they were facing potential equal employment opportunity-related lawsuits in the United States (*Wall Street Journal*, August 29, 1989, p. 1).

Efficacy of Staffing Practices and Policies in Minimizing the Likelihood of Problems

Regression analysis was used to explore the efficacy of staffing practices and policies in minimizing the likelihood of international human resource management problems. The goal of the analysis was to determine whether any statistically significant relationships existed between the respondents' staffing practices and policies and the international human resource management problems they reported. Statistically significant relationships uncovered in this analysis are discussed below.

Staffing Practices

One might expect that when more posts are shown to be open to local nationals, they will be less likely to perceive limits on their advance-

ment. The survey results confirmed this hypothesis, with the likelihood of complaints by local employees that they are not able to advance in the company inversely correlated with the representation of local nationals in top managerial positions at overseas operations ($\text{corr} = -0.241$, $r^2 = 5.8\%$, $p = 0.048$, $n = 68$). Meanwhile, the percentage of home-country nationals in top management positions was positively correlated with the incidence of such complaints ($\text{corr} = 0.294$, $r^2 = 8.7\%$, $p = 0.016$, $n = 67$). Also, the percentage of local nationals in nonmanagement positions was negatively correlated with this problem ($\text{corr} = -0.266$, $r^2 = 7.1\%$, $p = 0.032$, $n = 65$).

The number of local nationals in managerial positions at overseas operations was negatively correlated with frictions and poor communication between home country expatriates and local employees ($\text{corr} = -0.257$, $r^2 = 6.6\%$, $p = 0.03$, $n = 66$). Presumably, the smaller the number of expatriates in managerial positions, the fewer the opportunities for frictions and communication problems to occur between them and the local nationals.

Policies

Companies reporting that performance evaluation measures are the same in every one of our international operations were less likely to cite a lack of home-country personnel who have sufficient international management skills ($\text{corr} = -0.324$, $r^2 = 10.5\%$, $p = 0.003$, $n = 81$). This may be because standardizing performance measures makes it easier to compare home-country and non-home-country employees and to include them in the same selection processes.

Another policy that was inversely related to the incidence of this problem was the maintenance of a centralized roster of all managerial employees (both home-country nationals and foreign nationals) ($\text{corr} = -0.246$, $r^2 = 6.0\%$, $p = 0.027$, $n = 81$). Compiling such a roster and referring to it may make a company more aware of the existence of those local nationals who are managerial candidates. The benefit of having a centralized roster is underscored by the negative relationship between having such a roster and the percentage of top overseas managers who are home-country nationals ($\text{corr} = -0.405$, $r^2 = 16.4\%$, $p = 0.001$, $n = 67$). This implies that companies having such rosters draw upon them to consider managers of all nationalities for top international posts.

There was an inverse relationship between the number of home-country nationals in top overseas positions and the existence of a training program for local nationals ($\text{corr} = -0.259$, $r^2 = 6.7\%$, $p = 0.035$, $n = 67$). This relationship may indicate some efficacy of training programs in promoting the use of non-home-country managers in top posts.

A policy of transferring local nationals to headquarters or other international operations so that they can gain experience and learn more

about the company as a whole was negatively correlated with high turnover of local employees ($\text{corr} = -0.313$, $r^2 = 9.8\%$, $p = 0.004$, $n = 81$). This may be due to the positive signals that this practice sends to local national employees about their long-term potential in the company.

IMPLICATIONS FOR HUMAN RESOURCE MANAGEMENT

In addition to providing useful comparative data on international human resource policies and practices at US, Japanese, and European firms, the findings of this survey are significant because they demonstrate the linkage between ethnocentric staffing practices and policies and international human resource management problems.

The essence of the ethnocentric approach is the adoption of an international human resource management function that focuses solely on the overseas deployment of home-country expatriates. To overcome the ethnocentric orientation, headquarters should become active in the identification, training, and posting of local nationals in managerial positions.

Firms often think that local personnel issues are the concern solely of the overseas operations, thus leaving it to the managers on the scene to solve problems and develop local personnel. The results of this survey, however, show that human resource issues at overseas offices are impacted by the international human resource paradigm that is set at headquarters. Companies experiencing problems related to their local personnel should reexamine how their headquarters staffing and policy decisions affect the employment environment and career path development at overseas operations. The causes may be a monopolization of managerial posts by expatriates and a lack of policies at headquarters that are designed to internationalize human resources.

Where there is a greater utilization of local nationals in managerial posts, especially those at higher levels, firms are less likely to experience problems involving friction and poor communication between expatriates and local personnel, as well as complaints by local nationals of lack of opportunities for advancement. The international personnel function at headquarters needs to pay attention to this issue in its assignment of expatriates; the potential for using a local national instead of an expatriate should be considered explicitly when posts become available. Another reason for systematically considering local nationals for key overseas posts is the often-reported lack of home country personnel who have sufficient international management skills.

Given the shortage of the needed skills among home-country nationals and the problem-reducing benefits of using more local nationals in managerial positions, companies can benefit by increasing their selection pool to include local nationals. To do so, headquarters will need to become involved in the identification of promising locally hired manage-

ment candidates. This can be done through the creation of centralized personnel rosters and performance evaluation measures. A centralized personnel roster is a systematic means of tracking managerial talent throughout the world. Internationally standardized performance measures facilitate comparisons between home country and local nationals. In addition, headquarters can become involved in grooming local nationals who possess the requisite skills for managerial posts. This can be done by initiating activities such as training programs and experiential, international, rotation programs.

The significant incidence of expatriate reentry problems also suggests that another potential widening of the international human resource function's role is to expend more effort to help reintegrate returned expatriates. International rotation programs for local nationals are also creating a new group of expatriates whose reentry problems must be addressed.

The above suggestions are particularly applicable to Japanese multinationals, which are more likely than US and European multinationals to have the typical ethnocentric pattern of a low glass ceiling for local employees, low implementation of nonethnocentric policies, and international human resource management problems. Implementation of nonethnocentric policies and practices should enable Japanese companies to improve their international human resource management. This will require that Japanese multinationals strengthen their international human resource functions and become more active in setting international human resource policies that apply both to home country and local nationals. Those US and European multinationals which continue to use ethnocentric policies and practices will also need to make changes if they wish to improve their international human resource management.

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ENDNOTES

1. For example, Negandhi (1979) compares Japanese multinationals to European and American multinationals, but only in certain developing countries and with few questions relating to human resource management. Kobayashi (1985) compares Japanese firms to a small sample of US and European firms, but only asks two questions relating to human resource management.
2. The *Business Week* list ranked companies on the basis of stock market value, while the *Fortune* lists ranked companies on the basis of sales volume.
3. Resource constraints did not permit back-translation of the French and German questionnaires. The author's ability to read Japanese obviated the need for back-translation of the Japanese questionnaire.
4. The second mailing was directed toward the "Chief Personnel Officer—Int'l Div.," and "direct to the person responsible for international human resources" was hand-written in Japanese on the envelopes directed to Japan.
5. In addition, nearly 50 companies, primarily US and European, responded by indicating that they would not be able to complete the questionnaire. Approximately a third cited reasons of confidentiality, another third cited a lack of personnel to complete the many questionnaires they received, and the remainder indicated that the management of their international human resources was so decentralized that it would not be possible to gather the information requested. The respondents in the last category may in fact be highly polycentric firms.
6. The firms were categorized into industry sectors using Morgan Stanley Capital International's definitions. This categorization has 6 industry sectors: energy, materials, capital equipment, consumer goods, services, and finance. Due to data constraints, for the purposes of this analysis companies in the first four sectors were grouped together as "manufacturing/industrial," and companies in the last two sectors were grouped together as "service." Two American firms were of unknown category.
7. The sub-sample was created by removing the 6 Japanese respondents who did not give an answer to this question and also removing the 13 Japanese firms with the smallest responses to this question.
8. An exact comparison of Tung's data to that of the present study is not possible because the data was gathered in different formats; Tung gathered separate statistics for each region, and her survey asked whether management was "primarily staffed by" certain types of employees rather than asking for specific percentages of the different groups.
9. In the questionnaire, the policies were phrased exactly as they are italicized in the text below.
10. Perlmutter and Heenan (1974) discuss the adoption of worldwide performance appraisal systems as an alternative to ethnocentric appraisal systems.
11. Perlmutter and Heenan (1974) discuss the nonethnocentric policy of transferring local nationals for career development purposes.
12. Perlmutter and Heenan (1974) refer to such rosters as "managerial inventories."
13. See the case studies in Tung (1988), as well as the popular media, for example "As costs of overseas assignments climb, firms select expatriates more carefully," *The Wall Street Journal*, January 9, 1992.

14. It should be noted that there is a possibility of cultural bias in this set of questions; due to cultural factors Japanese managers may have a greater tendency to identify and acknowledge problem areas (*mondai ishiki*). A similar cultural bias has been observed in survey research comparing worker satisfaction in Japan and the US: Japanese workers consistently rate their satisfaction lower than that of Americans (Lincoln & Kalleberg, 1990). However, since the author does not have any firm evidence that such a bias does indeed exist in this context, the answers reported will be taken at face value in the analysis.
15. The relatively low number of Japanese businessmen who are fluent in foreign languages and the fact that international business is a relatively new area for many Japanese companies may also be a contributing factor to the high incidence of this problem reported by Japanese firms.
16. A recent report by the Japan Overseas Enterprises Organization (Nihon Zaigai Kigyo Kyokai, 1989) and a survey of mostly American corporations performed by the Conference Board (Weeks, 1992) list similar reasons why personnel might not want to go abroad: Family-related concerns and fears that an overseas posting would be damaging to one's career.
17. Furthermore, within the context of the lifetime employment system, individual Japanese employees have little to gain by voicing reentry concerns to personnel managers. In turn, personnel managers need not pay a great deal of attention to reentry problems because they will usually not result in a resignation. In western firms, reentry problems need to be taken more seriously by personnel managers because they frequently result in the loss of a valued employee.
18. This result is consistent with other statistical evidence on human resource problems at Japanese companies. When asked to describe problems encountered in establishing their US affiliates, 39.5% of the respondents to a Japan Society survey cited "finding qualified American managers to work in the affiliate" and 30.8% cited "hiring a qualified workforce" (Bob & SRI, 1990). Similarly, a survey of Japanese companies operating in the US conducted by a human resource consulting firm found that 35% felt recruiting personnel to be very difficult or extremely difficult, and 56% felt it to be difficult (The Wyatt Company, 1990).
19. This is consistent with Bob and SRI (1990), in which "frictions between American and Japanese staff" was the most often cited problem for US affiliates of Japanese firms surveyed, encountered by 50.8%.
20. This result is consistent with the fact that 31.1% of the respondents to the Bob and SRI (1990) survey indicated that they had encountered complaints of discrimination in hiring and promotion practices.