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# Transferability of Japanese Management Systems Overseas: A theoretical jungle

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*Since the 1980s, transferability of Japanese management systems (JMSs) abroad has become an increasing focus of research. However, the conclusions emerging from studies in this field have been conflicting. The main reasons for discordance have been the use of vague definitions of terms and varying methods employed by researchers to measure the international transferability of the JMSs. This paper first identifies the different streams in literature, and then discusses how these differences emerged. It proposes a research agenda to expose critical issues that one needs to consider in future research regarding international transfer of JMSs.*

## Introduction

Studies regarding international transfer of management started at the end of 1950s when managerial know-how was recognized as a critical ingredient for economic growth. In this period, the US had a much higher per-capita Gross National Product than any other country in the world (Koontz, 1969). Consequently, the need for developing countries to improve their technical and managerial knowledge for the purpose of economic advancement compelled scholars to assess which elements of American management were transferable and which were not (Negandhi, Eshghi & Yuen, 1965, p.309). Research regarding the international transfer of American management systems was conducted during this period by several authors such as Harbison and Myers (1959), Gonzalez and McMillan (1961), Negandhi, Eshghi and Yuen (1965), Oberg (1965) and Koontz (1969). Likewise, since the 1980s, transferability of Japanese management systems (JMSs) to a non-Japanese setting has been examined extensively. Transfers were performed primarily because JMSs were considered one of the main reasons for the high level of performance attained by Japanese companies, particularly in the car manufacturing industry (e.g. Schonberger, 1982; Womack, Jones, & Roos, 1990). The subsequent rapid increase in Japanese firms' foreign direct investment into industrialized and developing countries during the 1980s gave rise to two questions: 1) Are Japanese companies attempting to transfer their management systems to their foreign counterparts? 2) To what extent are those systems transferable? Existing

research has already answered the first question: Japanese companies are certainly working on transferring their management systems overseas. However, the question regarding the transferability of JMSs is still open to discussion.

## Japanese management systems

The Japanese management system is generally viewed from one of two perspectives (Sours, 1982). One is the cultural perspective which characterizes Japanese management as being rooted in concepts such as groupism, long-term relationships, and consensus stemming from the historical and cultural background of Japan (Abegglen, 1958; Dore, 1973; Hayashi, 1984). The aspects pertaining specifically to management include lifetime employment, seniority-based pay system, and consensus decision-making (Jain, 1990). The other is the universal perspective that states that JMSs were transferred from the US after World War II, were adopted by the Japanese people and integrated into the Japanese context. These practices include TQM, JIT, and QCC (Cole, 1979; Oliver & Wilkinson, 1992). Various definitions exist for what constitutes a JMS. We turn to the literature regarding Japanese management (Abegglen, 1958; Ueki, 1982; Shimada, 1990; Kenney & Florida, 1993; Oliver & Wilkinson, 1992; Abo, 1994; Chen, 1995) to propose a general definition for JMSs. JMSs is commonly associated with Japanese large companies. The major practices found in literature include:

### *HRM practice*

#### **Hiring**

- Lifetime employment (Abegglen, 1958; Ueki, 1982; Oliver & Wilkinson, 1992; Kenney & Florida, 1993)
- Hiring directly from school (Abegglen, 1958; Ueki, 1982; Oliver & Wilkinson, 1992; Kenney & Florida, 1993; Abo, 1994)
- Systematic hiring procedure (Abegglen, 1958)

#### **Training**

- Internal training system, OJT (Ueki, 1982; Shimada, 1990; Abo, 1994)

### **Promoting**

- Seniority based promotion (Abegglen, 1958; Ueki, 1982; Abo, 1994)

### **Compensating**

- Seniority based payment (Abegglen, 1958; Ueki, 1982; Oliver & Wilkinson, 1992; Kenney & Florida, 1993)
- Bonus as incentives (Abegglen, 1958; Kenney & Florida, 1993)
- Public welfare (Ueki, 1982; Abo, 1994)

### **Evaluating**

- Evaluating achievements as well as abilities and potential (Ueki, 1982)

### ***Employee participation practices***

- Quality Control Circles (Ueki, 1982; Oliver & Wilkinson, 1992; Kenney & Florida, 1993; Abo, 1994)
- Consensus decision making (ringi system) (Ueki, 1982; Chen, 1995)
- Information sharing (Ueki, 1982; Abo, 1994)

### ***Production management practices***

- Total Quality Management (Oliver & Wilkinson, 1992; Abo, 1994)
- In-Process management (Ueki, 1982; Oliver & Wilkinson, 1992; Abo, 1994)
- Just In Time inventory control (Ueki, 1982; Oliver & Wilkinson, 1992; Abo, 1994)
- Multifunctional skills (Ueki, 1982; Shimada, 1990; Abo, 1994; Kenney & Florida, 1993)
- Job rotation (Shimada, 1990; Kenney & Florida, 1993)
- Small lot production (Ueki, 1982)
- Kaizen (Oliver & Wilkinson, 1992)

### **Streams in literature**

The international transfer of management has been studied for over 40 years from now, with the focus slowly shifting from American management during the 1960s and 1970s to Japanese management from the 1980s onwards. Since numerous ways have been developed to approach the study of international transferability of management systems, researchers frequently get confused as to how to study it. There also seems to be a lack of clear directions for practitioners, due to differing opinions and findings among academic researchers. Therefore, it is important to recognize and classify the various approaches to analyzing the international transferability of management systems. Scholars in the past have attempted to approach the transferability of management systems from one of five different points of view: 1) Rationalist, 2) Culturalist, 3)

Universal management theorist, 4) Contingency theorist, and 5) Hybridization theorist.

### ***Rationalist***

Some authors assert that management systems can be transferred regardless of cultural differences (rationalist). Harbison and Myers (1959) studied the management practices in twenty three countries and made number of generalizations about management and management development. They suggest that management systems are not fundamentally different from one country to another (Harbison & Myers, 1959). The authors conclude that the development of management is based on general logic and thus is transferable overseas (e.g., Harbison & Myers, 1959). Womack, Jones, and Roos (1990) abstracted a model for 'lean production' from the Toyota case: the core of Japanese production methods which consists of production organization, design, and supplier relations. They concluded that these management systems are universally transferable.

### ***Culturalist***

Opposite to the rationalists, culturalists assert that management systems are difficult to transfer abroad because the environmental context is different from one country to another (e.g., Oberg, 1963; Fukuda, 1988; White & Trevor 1983). In fact, several studies based on empirical evidence indicate that companies failed in their attempts to transfer their management practices to overseas counterparts. Oberg (1965) conducted a survey among managers in Brazilian and US companies and revealed that there is a gap in understanding regarding the major problems they were facing. He concluded that no general strategy or any set of principals could easily be applied to both situations. Researchers such as White and Trevor (1983) and Fukuda (1988) concluded that JMSs are difficult to transfer overseas because they are closely tied to the prevailing culture. White and Trevor (1983) conducted case studies in both the manufacturing and financial sectors in the UK and found that Japanese firms were having difficulties transplanting Japanese practices such as: lifetime employment, enterprise unions, seniority-based payment systems, elaborate welfare provisions, life-time training, constant job rotation, and group decision-making. They concluded that none of those practices were to be found in either the manufacturing or financial sectors in the UK. White and Trevor (1983) stated that if the British firms would wish to establish the same management systems used in the Japanese firms, a considerable change would be needed (White & Trevor, 1983, p.136). Fukuda (1988) investigated more than one hundred Japanese subsidiaries in Hong Kong and Singapore to examine the extent to which features of Japanese-style management (i.e. ideologies and practices) were applied. The result of the survey revealed that only little over ten percent of the

companies in both Hong Kong and Singapore expressed a strong conviction that Japanese-style management could be transferred (Fukuda, 1988).

### ***Universal management theory***

Universal management theory asserts that particular management systems (often associated with the terms 'best practice' and 'high-performance work practice') are applicable across all nations (Koontz, 1969; Ouchi, 1982; Kono, 1992). The difference between rationalist and universal management theory is that the former believes management techniques are developed through rational thinking and therefore are applicable across borders. The latter theory separates the science component (practices developed based on the rationale) and the artistic component (practices rooted in the culture) of management and asserts that the science part of management is universally applicable (Koontz, 1969). Many authors conclude that not all but some Japanese management practices have appeared to be universally transferable. Ouchi (1982) mentions that Type Z organization which refers to an ideal mixture of American (Type A) and Japanese (Type J) forms of organization is particularly appropriate for many situations in the United States. He concludes, "The underlying similarity in tasks between Japanese and American business suggests that some form of the essential characteristics of Japanese companies must be transferable (Ouchi, 1982, p.viii) and this supports the universal management theory perspective. Kono (1992) asserts that some JMSs are based on rational thinking and are therefore transferable overseas in spite of cultural differences. Based on the observation of practices of Japanese subsidiaries in the UK, the US, Malaysia, Philippines and other countries, he concluded that even though some management practices related to cultural core values are hard to transfer, many of them were developed through logical judgement and thus are universally effective and transferable (Kono, 1992).

### ***Contingency theory***

The contingency theory approach indicates that there are several major strategic, organizational and environmental factors that affect the transfer process of management systems overseas (Beechler & Yang, 1994). That is to say, the transferability of management systems depends on the situation. The central theme of contingency theory is that a 'good fit' between strategy, policy, practices and context will ultimately lead to good performance. Beechler and Yang (1995) studied the international transferability of Japanese human resource management from the perspective of contingency theory. They addressed specific organizational characteristics and host country environmental contingencies that predicted both whether a company would want to transfer human resource management practices overseas and whether it would be

able to do so. These contingencies are 1) local environment, 2) existence of labour union, 3) strategic role of subsidiaries 4) resource dependence, 5) administrative heritage and competency of the parent company. By presenting the data obtained from case studies in Japanese subsidiaries in the US, they confirm these factors are affecting both the decision of headquarters whether a company wants to transfer human resource management practices overseas and the transferability of these practices.

### ***Hybridization theory***

Finally, the proponents of the hybridization theory assert that management systems are neither rejected nor accepted but hybridized with locally used management systems. Authors such as Abo (1994), Itagaki (1997), and Kumon and Abo (2004) have conducted a set of research projects since the mid 1990s. Hybridization theorists use the 'Hybrid evaluation model' to evaluate the degree to which JMSs have been adapted to locally used management systems. They found that distinct hybridization patterns exist among countries researched.

Lillrank (1995) explains how the management innovation practices have been successfully transferred from one country to another which appears to support the view of hybridization theory. He states that management principles need to be abstracted to a high level of generality and then translated back to fit the local environment and cultures. Lillrank (1995) concludes that direct transfers of ideas and methods often fail because of not only geographical, but also mental (culture, history and strategic paradigms) distance.

## **Discussion**

Five streams have been identified in the study of international transferability of JMSs. This section discusses how these differences could have emerged.

Firstly, Koontz (1969) argues that different conclusions are caused by vague concepts or definitions that researchers utilize. For example, concepts of "management philosophy," "management know-how" not mentioned nor clearly defined (Koontz, 1969). He mentions this as one of the biggest reasons for different conclusions. With regard to international JMSs' transfer, there is discussion about what the Japanese model actually is. Humphrey (1995) identified two approaches that each has their own effect on the conclusion. The first approach to the issue of transferring the Japanese model has been to present it as a best practice not restrained to any one institutional context. This Japanese management model is employed by rationalists such as Womack (1990) and Kaplinsky (1995). In contrast, the second approach stresses the importance of a broader Japanese context in defining and sustaining a Japanese model, which is to include not only the organization of production, but also human resource management systems,

supplier relations and even the wider institutional framework. This second approach is often employed by culturalists, universal management theorists, contingency theorists and hybridization theorists.

Secondly, the various types of transfer are feasible to different extents. The main distinction between the types of transfer can be made between companies transferring their own management systems to overseas counterparts, and companies emulating management practices developed in a different cultural context. This distinction is important because it affects the end conclusion of the transferability of management. Oliver and Wilkinson (1992) indicate that Japanese firms sending their management systems to their overseas subsidiary tend to be more successful than the British companies emulating them. The main reason for this is that Japanese companies have advantages in terms of 'greenfield' sites and by implication (selected) 'green' labour which means they are not restricted by history and traditional industrial relations in the UK (Oliver & Wilkinson, 1992).

Finally, different approaches to measuring the transferability of management systems abroad affect the conclusions as well. The universal management theory seems to combine the view of the rationalist and the culturalist. However, it has to be said that even management systems characterized as universal were rejected in some environments (Abo, 1994). One of the reasons for this incongruity lies in the different methodologies that authors employ to determine the transferability of management practice abroad. Kono (1992) identifies two approaches. One is to observe practices in the subsidiaries located in foreign countries. The other is to observe well-managed companies and find the similarities. Universal management theorists such as Kono (1992) and Ouchi (1982) employ the second approach. The choice for a certain approach has an effect on the conclusions. While the first approach is about investigating the transferability of management by defining the term 'transfer' as 'move from one place to another,' the second approach is hypothesizing that JMSs are transferable because similar management systems are used in a different cultural context.

To sum up, theories regarding the international transferability of the management systems can be categorized into five schools. We find the contingency theory perspective plausible because empirical evidence suggests that indeed there are several contingency variables affecting the transfer process (Kujawa, 1983; Oliver & Wilkinson, 1992; Kenney & Florida, 1993). Culturalist, rationalist, and universal management theorists assume that it is environmental distance alone which influences transferability of management systems and in doing so they tend to ignore the impact of other variables such as headquarter strategies. Existing theories have identified several contingency variables that are relevant such as not only the environmental differences but also administrative

factors. Table 2 shows a summary of the major factors affecting the process and the corresponding researchers.

Table 1 – Contingency variables

Influencing Factors	Author (s)
Culture	Fukuda, 1988; Taylor 1999
Attitude and ethics of the employees	Jain, 1990; Ueki, 2003
Education and Training	Humphrey, 1995; Kaplinsky, 1995
Unions	Jain, 1990; Shimada, 1990; Beechler & Yang, 1994; Humphrey, 1995
Industry and sector	Abo, 1994; Beechler & Yang, 1994; Purcell, Nicholas, Merrett & Whitwell, 1999; Taylor, 1999
Communication difficulties	Ueki, 1982; Jain, 1990; Hayashi, 1994
Legal, economic consideration	Jain, 1990; Shimada, 1990; Abdullah & Keenoy, 1995; Humphrey, 1995
Locally used management practices	Ueki, 1982; Jain, 1990; Oliver & Wilkinson, 1992; Abo, 1994; Beechler & Yang, 1994; Kaplinsky, 1995; Purcell, Nicholas, Merrett, & Whitwell, 1999
Administrative heritage and competencies	Beechler & Yang, 1994; Dedoussis, 1995; Purcell, Nicholas, Merrett & Whitwell, 1999; Taylor 1999
Subsidiary resource dependency	Beechler & Yang, 1994
Size of the company	Purcell, Nicholas, Merrett & Whitwell, 1999; Taylor, 1999
Headquarter strategy	Kujawa, 1983; Oliver & Wilkinson, 1992; Kenney & Florida, 1993

Moreover, the hybridization theory is also a plausible basis because several authors indicate that management systems are modified to correspond to the local environment (Ueki, 1982; Negandhi, Eshghi & Yuen, 1985; Jain, 1990). The culturalist perspective does not have an explanation for the fact that some management systems developed under a certain culture have been successfully transferred overseas. The rationalist also does not explain the culturalist's view on why many organizations are facing difficulties or have in fact failed in transferring their management systems overseas. The universal management theorists have had to admit that management systems which they had categorized as universal have been rejected in certain different environments.

The 'Hybrid evaluation model' used by hybridization theorists can show us to what extent management systems have been modified or adjusted to the local environment but provides little explanations on how and why the hybridization occurred nor why hybridization takes place to different degrees (Taylor, 1999). Moreover, the authors do not connect Japanese systems that had been modified to the performance of the subsidiaries (Humphrey, 1995).

Based on the analysis of approaches, it seems that none of them considers the international transfer of management systems as a process. Since it is conceived as a sequence of events that occurs over time, many authors in the field of technology transfer (Teece, 1976; Miles, 1995; Steenhuis, 2000) and knowledge transfer (Gilbert & Cordey-Hayes, 1996; Szulanski, 2000) do analyze transfer as a process. Management transfer can also be conceived as a sequence of events. For that reason, it could be argued that studying it as a process will provide a different perspective. This perspective is important because it gives the practitioner an opportunity to assess which context-specific barriers are influencing each stage of the management transfer process, which is the first step in being able to develop and apply appropriate action to overcome them.

## Conclusion

Research into international transfer of management systems has been ambiguous. It has caused quite some confusion among not only academic scholars but also practitioners attempting to apply the findings to their practical situations. Classifying and recognizing the various approaches will provide us with a tool to analyze the international transferability of management systems. We have identified five distinct streams in literature. The different conclusions of research occur due to vague definitions of terms, different types of transfer, and the various approaches used for measuring transferability. In future research into international transferability of JMSs, the following points will need to be stated clearly: 1) A definition of management systems, 2) the type of transfer management, 3) the approach chosen to measure the transferability of the management systems. Currently, the transferability of JMSs is not well understood due to the factors indicated. To obtain a better insight into transferability, it is necessary to analyze the international transfer management as a process. This approach is expected to be of great benefit to those interested in management transfer, scholars and practitioners alike.

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