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Discussion Paper No. 142

How Japanese Firms Make a Competitive  
Advantage in South Asia: The Experience of South  
Asian based Japanese Subsidiaries/Joint Ventures and  
Indigenous Firms

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March 2006

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The present paper is an output of the research work entitled, “*How Japanese Firms Make a Competitive Advantage in South Asia: The Experience of South Asian based Japanese Subsidiaries/Joint Ventures and Indigenous Firms*,” ( Host Researcher: Yuto Kitamura Ph.D. and Research Fellow: Md. Khasro MIAH Ph.D.) conducted at the Graduate School of International Development (GSID), Nagoya University, Japan. This research was fully funded by a research grand from the Japan Society for the Promotion of Science (JSPS), postdoctoral fellowship program for foreign researcher. We are grateful for the cooperation of JETRO officers in New Delhi, Karachi and Dhaka. We thank the JVCs and SACOs managers and employees who participated in this research for without their contribution the research would not have been possible.

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# How Japanese Firms Make a Competitive Advantage in South Asia: The Experience of South Asian based Japanese Subsidiaries/Joint Ventures and Indigenous Firms

M Khasro MIAH\*

## ABSTRACT

Competitive advantage of HRM strategies at Japanese firms has increased the strategic value of skilled, motivated and adaptable human resources, and the HRM strategies to support and develop it. A strategic perspective of HRM requires the firm to identify and adopt human resource initiatives likely to enhance competitiveness and firm performance. A key topic considered in this research to investigate by qualitative study among eighteen domestic and foreign firms (nine firms selected from each group) in South Asian (i.e., India, Pakistan, Bangladesh) is to extent how South Asian based Japanese subsidiaries and joint ventures (JVCs) adapt human resource management strategies across national boundaries to address these issues. In addition, this case study presents data on how Japanese subsidiaries and joint ventures in South Asia apply HRM strategic approaches to make a competitive advantage. Findings show that South Asian based Japanese subsidiaries and joint ventures operating their plant apply ethnocentric HRM strategy while South Asian local firms considering polycentric oriented HRM strategy to operate their domestic organization.

**Keywords:** Competitive advantage, HRM strategy, culture, Japanese subsidiaries and Joint ventures, and South Asia local Companies

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## **Introduction**

Globalization, new technology, growth of multinationals, mobility of labor, capital and technology and increased global competition, have arguably led to increased convergence of managerial and HRM practices (Brewster and Tregaskis 2001, Dowling, Welch and Schuler 1999; Edwards 1998). The notion of convergence is tempered by opposing theoretical constructs of divergence/ particularism relating to country and local context, including cultural variables, regulatory environment, labor market attributes, skills supply and level, and industry structure (Porter 1987). These may limit or aid implementation of strategic HRM practices. Although there is some diversity of taxonomy and possible interpretation, e.g. ‘organizational effectiveness’ and ‘high commitment work cultures’, all these systems may help to improve a firm’s performance. Inadequate attention is given to the importance of organizational context and enabling/disabling organizational factors (Jackson and Schuler 1995; Marchington and Grugulis 2000). Implementation may vary in respect of ‘what and how’, thus limiting the value of comparative survey research, the latter could be enhanced by in-depth qualitative work, including case-study research. The need for integrative frameworks for effective cross-cultural diffusion and adoption requires critical evaluation of variables key to implementation (Warner 2000). There is a need to focus on contingency approaches and mediating variables affecting organizational level application. Rigorous theoretical approaches also add to the importance of ‘context’ frameworks such as integration/divergence or universalism versus local particularism, and ethnocentric, geocentric, regiocentric and polycentric managerial strategies (Heenen and Perlmutter 1979). A number of works examines the relationship between human resource practices and firm performance (Becker and Gerhart 1996, Delaney and Huselid 1996, and Pfeffer 1998). Some studies consider SHRM in comparative findings between domestic and multinational firms (Dowling, Welch and Schuler 1999; Horwitz et al. 2002; Paik, Vance and Stage 2000; Chew and Putti 1995).

In this regard, this research cautions against hasty conclusions given evidence of the importance of contextual factors in implementation. There is thus a need for closer attention to process dynamics in the design and implementation of SHRM, given the more likely hybrid of human resource systems and practices in the South Asian context, and the allied concept of reverse diffusion, where host-country practices may influence those of the parent company. International human resource managers in these firms have the challenging task of trying to

maintain congruence with the overall strategic plan of their MNC while balancing economic, social, political and legal constraints of the host countries. The more autonomy foreign subsidiaries have to act independently and respond to local demands, the less integrated the worldwide organization becomes and vice versa (Prahalad and Doz 1981; Tung and Punnett 1990), and the more likely that hybrid models of parent corporate culture will be adopted. As foreign subsidiaries mature, they may become resource dependent on strategic resources such as technology, capital and specialized skills (Prahalad and Doz (1981, 5). With less dependency on the parent organization, MNCs seeking to maintain control may do so by fostering a global corporate culture with associated human resource and HPWPs. Ethnocentric MNCs place expatriates in key executive positions, centralizing parent company control in decision-making. In polycentric and regiocentric MNCs subsidiary host nationals manage foreign operations. Geocentric MNCs aim to staff positions worldwide with the best recruits regardless of nationality (Heenen and Perlmutter 1979; Kobrin 1988).

Given the competitive and future environment surrounding both domestic and foreign subsidiaries/joint venture companies, which are highly dependent upon the abundant and low cost human resources, establishing effective human resource management (HRM) constitutes a major challenge for gaining potential viable improvement in South Asian human resources( Miah, Wakabayashi &Takeuchi 2003). Despite growing concern over this issue, however, little case has been conducted to investigate the way in which manufacturing companies; both foreign and South Asian local companies can manage South Asian human resources and build up new theories of HRM strategy aspect as proposed in this study “HRM Strategy.” There is clearly a need for systematic research on the relationships between HRM strategy, and culture in South Asia. This research will make a valuable contribution to the extant theory in the field of strategic human resource management (SHRM) in general and the management of developing Asian countries in particular India, Pakistan and Bangladesh.

Since Japanese firms started their overseas operations in the 1960s, studies have been conducted to examine how their foreign affiliates can remain competitive advantage in the global market by implementing the parent human resource management (HRM) strategy. Numbers of studies have its merits in demonstrating that Japanese style management systems work rather well within the transplants in given countries. However, few studies were attempted regarding how it was possible for Japanese companies to increase effectiveness in

their overseas operations by transferring their parent system of HRM to South Asia. (Miah, Wakabayashi & Tomita 2001, Hoque, K.B., 1994).

Some subsidiary and joint ventures prefer to transfer their HRM strategy to all of their overseas firms; others prefer to trust the locals with the development of their own HRM strategy that suits the local environments and cultural situation (Bird, A., 1999). Recently, it has become evident that companies can adopt hybrid approaches. Therefore, hybridization, which we are applying in this study generally, refers to any of a number of forms of adaptation. First, approaches to specific facets of HRM can be hybridized when firm share some aspects with host country approaches and other features with home-country approaches. Second, the overall design of HRM approaches of a given organization can be hybridized if some or all its components are hybridized or if some components are adopted from the home country while others are directly patterned on local approaches. Every organization incorporates a strategy, which guides how it attempts to achieve competitive advantage with respect to its competitive environment. This strategy has to be realized by important tasks and objectives carried out through an interaction between three factors namely: firm operational attributes (exogenous and indigenous factors), cultural complexity and employee work attitude.

In developing HRM strategy some researchers adopting a contingency perspective argue that: “the central issue for Japanese subsidiaries/joint ventures are not to identify the best international HRM policy per se, but rather to find how the Japanese companies adapted their HRM strategy like traditional bureaucratic cultural system in South Asia ( India, Pakistan and Bangladesh) between the firm’s corporate cultural situation, and how corporate cultural approach and its HRM strategy ( are implemented) Adler & Ghadar, (1990, 245).” Therefore, central focusing point of this study is to investigate by interviews with the respective company managers and employees and investigate what factors impact on HRM strategy and their effectiveness and how south Asian based Japanese subsidiaries and joint ventures in South make a competitive advantage in the national and cultural context.

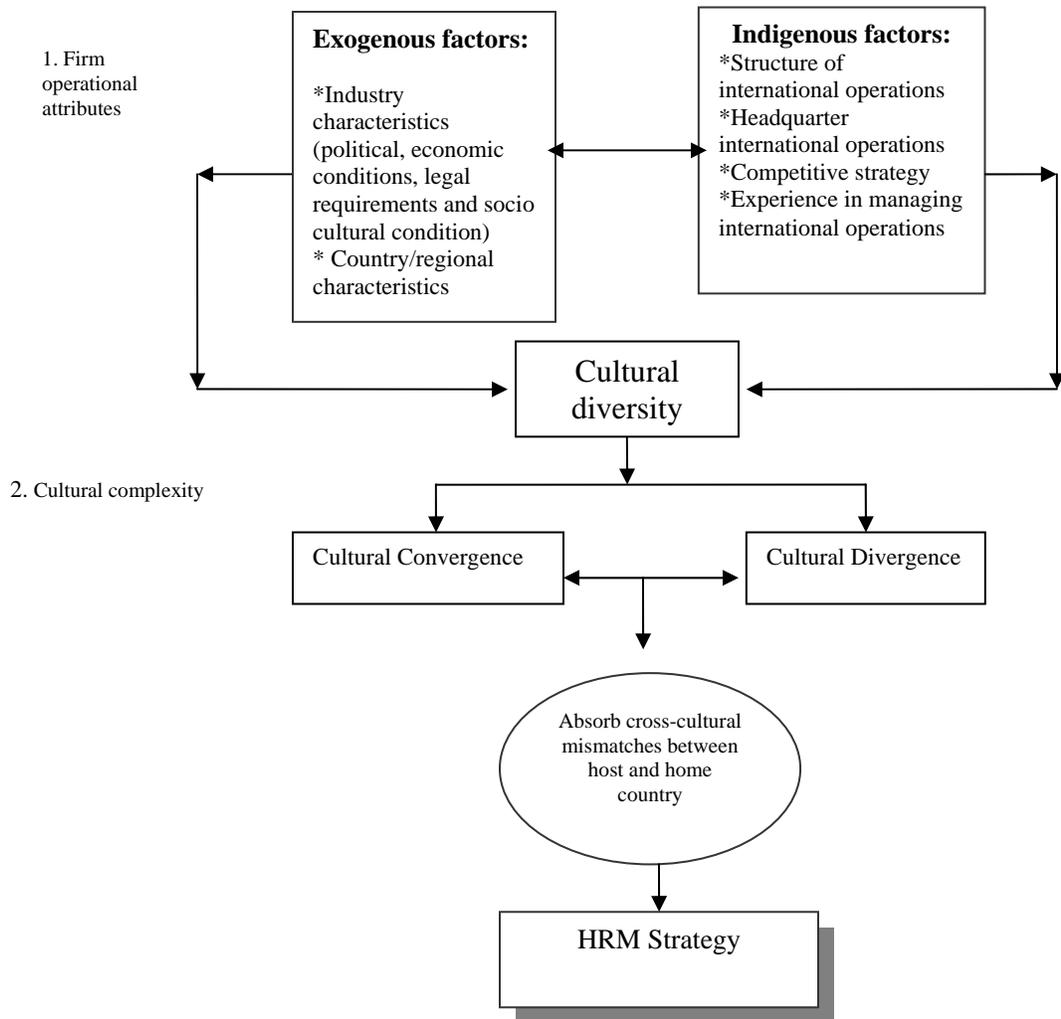


Figure 1: HRM strategy in the context of national and corporate culture

Figure 1 represents the surrounding environments and cultural situation of local and foreign subsidiaries/joint venture in South Asia. In this regard, firm operating attributes, cultural complexity and its resulting idiosyncrasies constitute the third culture or hybrid cultural influence on the company. The parent company environment home country corporate culture and the host country corporate culture represent the major sources of influence on the company’s HRM strategy. At a macro level, the global context surrounding these entire

cultural contexts is an indirect source of influence on the joint venture HRM strategy. In addition, discussions on the HRM strategy dilemma lead to the questions; how can the HRM strategy effectively be utilized? Should the parent company try to impose centrally developed HRM strategy uniformly across all locations (global consistency) or should it allow for more locally developed practices, tailored to each location (local integration)? What kind of HRM strategy brings the best results for the firm performance of India, Pakistan and Bangladesh employees in South Asia? In short, should the HRM function be localized, hybridized, or transferred? Numbers of past research often tried to provide a “one best solution” to the dilemma. Facing host country and parent country culture influences, overseas joint ventures could either adopt the HRM approaches of the head quarters or instead adopt approaches prevalent in the host country e.g., Doz et al. (1981); Perlmutter, (1969); Prahalad and Doz, (1987), Doz, and Prahalad, C. K. (1991).

In the theoretical field, authors Bartlett and Ghoshal (1989) have gone forward by conceptualizing the possibility of a co-existing of cross-border integration and local responsiveness, the so-called transnational solution or current theoretical concept of a “third culture or hybrid” HRM strategy Wakabayashi and Graen (1991). In practice, many MNCs exhibit combined systems, creating “hybrid factors.” Abo’s research recognizes that subsidiaries can “hybridize” parent systems with host country systems (1994). These authors showed that the most successful approach, both in terms of MNCs performance and employee commitment and satisfaction, was achieved by a hybrid organization that succeeded in balancing both internal and external consistency demands. Cultural elements also come to play a strong role, such as the cultural proximity between the host and the home country of the MNCs. Contingency theories, relying on the basic pillars of the open-system method, put forward the idea that the issue is not to find the best HRM strategy technique per se but best fits between the cultural influence of the firm and its internal goal and strategies. In addition, the impact of culture varies with the type of environment and the firm’s overall strategy.

## **Methodology**

The present qualitative study by using an interview method was carried out to explore the HRM strategy and systems in South Asia (India, Pakistan and Bangladesh). In this consider, we carried out an interview study and observed firms at their head offices in New Delhi,

Karachi and Dhaka eighteen factory plants ( where three joint ventures and three local companies in each country) locations over the course of four weeks at the beginning of May 2005. The in-depth interviewing process was conducted in three steps: 1) preliminary focus individual interviews, 2) follow-up structured interviews, and 3) ongoing informal unstructured dialogue. With this the intention, JVCs, and SACOs in South Asia were visited and resulted in the collection various types of data regarding HRM strategy and practices and the level of transfer from several sources. We also were collected organization charts, annual reports gathered and other information about the company establishment year, main products, total assets, average monthly salary, company size, structure, and corporate philosophy, sales and business growth and employee turnover (Table 1 and 2). We identified Japanese subsidiaries and joint ventures from a Directory of JICA in Japan (2004), the investment list of India, Pakistan and Bangladesh. With a list of nine foreign Japanese companies in India, Pakistan and Bangladesh and nine local firms of over 100 full time employees, I first call HRM managers to check their participation and introduced myself and explained the purpose of the research and the characteristics of questionnaire items.

### **Qualitative Study Facts for Testing Competitive Advantage of the Effect of Culture in India, Pakistan and Bangladesh**

South Asian based on Japanese firms is striving for high participation in HRM strategy among South Asian managers through adapting their home country and host country corporate values, which are related to the “polycentric culture” based on a parent country national relationship. Due to reason of the above scenario, the present study proposed a diagram called “Competitive Advantage” which illustrates strong continuous training process to be used by hiring fresh graduate employees’ with careful screening to improve the South Asian based Japanese companies total quality management (TQM) and enhance employee participation of managers regarding HRM strategy and practices. On the other hand, many scholars have found that the South Asian HRM strategy is very much autocratic oriented e.g., Habibullah, M., (1974); Rahman, A., (1986); Razzaque, A. M., (1991); Kanungo, R.N. and Jaeger, A.M. (1990).

Through *job rotation* a typical worker at a Japanese firms in South Asia, where is likely to spend their entire working career, will modify tasks and learn new skills such that employees will eventually have worked on, or managed the work of, a number of lines or task areas. Over the course of his career, his broad, hands-on knowledge of the factory will make him a more competent manager. In South Asian local firms, I observed almost no cases of job rotation among workers in the factories I studied. South Asian local firm employees were extremely reticent to change tasks, because they interpreted it as an indication that they were judged incompetent in their current jobs, and they did not want to separate themselves from the social relationships they had established with their co-workers. However, JVCs in Japanese managers were satisfied with this arrangement as it generated stability on the production line and did not require that they train workers for new tasks. The calculation by Japanese subsidiaries and joint ventures managers on how intensively to rotate South Asian managers was based essentially on whether it was best to spread out limited work force by frequent rotation or keep good managers focused on tasks they could manage consistently. The latter option was viewed as safer and overwhelmingly prevailed. *On the job training* (OJT) may be considered characteristic of Japanese manufacturing, forming part of a system in which workers in Japan are given the responsibility for quickly learning new tasks on a functioning line – where mistakes immediately affect output -- under the tutelage of an individual or group of experienced co-workers. Awareness of the effect on all the line members of his or her failure to quickly learn new tasks is deliberately used to motivate new line members. It should be recognized that in Japan the basic skills that even new recruits bring to the factory generally surpasses other industrialized countries. On the job, training overwhelmingly predominated in South Asian factories.

However, this was explained in interviews as a response to high demand for output. Japanese managers felt that South Asian workers had plenty of potential but were inexperienced and poorly trained. As a result, in addition to OJT, limited classroom work on assembly in the automobile plant was conducted by Japanese supervisors flown in from Japan with a South Asian manager translating. With materials in Japanese or English, the experience was frustrating for all involved. In the consumer electronics plant, manuals had been translated into South Asian and South Asian mid-level managers conducted some training. However, they were insecure in their knowledge of Japanese methods, a topic I will explore below. In

practice Japanese managers in South Asia were forced, or chose, to limit the use of Japanese shop floor methods. Perhaps this is normal and explainable by the fact that the plants I studied in-depth were start-ups, in operation for around five years, with a largely inexperienced labor force. In these plants many Japanese managers told me that they fully expected that within 10-12 years shop floor and production systems in their South Asian factories would match those in place at "sister plants" in Japan. Therefore, the inclusion of a Japanese subsidiary that had been manufacturing locally for over 20 years was significant among my case studies. Whereas the average age of workers in the start-ups was 12 years, in the older plant the majority of workers "grew up with the company;" they had joined young and stayed, averaging 28 years of age. The observation of serious limits on the extensiveness of "Japanese management techniques" was consistent in this older plant (and others) with an experienced labor force. One president of Japanese firms told me that, try as he had, he simply could not get these systems in place in India, Pakistan and Bangladesh to any degree that approached their use in Japan.

Since no product may be released from the factory at below standard quality, intense production pressures, combined with human and physical resources on the ground, have produced a set of manufacturing methods in South Asian subsidiaries and joint ventures very much at odds with the Japanese ideal. The production system in South Asia is managed from above, with decisions controlled tightly by a centralized cadre of managers and employees oriented to a top-down flow of information. It appears that Japanese firms in South Asia have reproduced the atomization of labor and strong centralization of decision-making authority -- the --"fordism" -- that they managed to avoid in postwar Japan. What Is Happening, or What Is Not Happening, at Japanese Subsidiaries/ joint ventures in South Asia? While there is a literature, largely focused on North American and European cases, addressing shop floor activities at Japanese multinationals abroad, very little is written on local management and their interactions with Japanese supervisors. The more I studied it the more confident I became that exploring local management and its interactions with Japanese supervisors would ultimately yield the most comprehensive explanations of my specific observations concerning the shop floor and my general analysis of how Japanese firms go through the process of adjusting to cross-cultural conditions. Margins of factory organizational charts, but they are in the highest positions of authority in these firms. They ordinarily spend little time on the shop

floor itself, relying on their higher-ranking local colleagues to carry managerial decisions and information forward and keep it consistent as it moves through the corporate structure. It should be noted that information about what is to be transferred down the hierarchy is making its most critical cross-cultural leap in the communications between expatriate and top, local managers. This may be the most important structural point in the managerial technology transfer process: The capacity of local and expatriate personnel, typically at an upper level, to share information strongly affects the development of capabilities among lower level, local staff to successfully handle technology closer to the production line.

Thus, I considered evidence of "insecurity" or "under-confidence" over technical matters among South Asian managers and employees in Japanese firms as extremely significant. It contrasted with my knowledge of conditions among managers and, especially, employees in Japan and my understanding, based on interviews with South Asian managers and the statements of Japanese managers, that South Asian managers in the plants I studied were generally competent. How would these "insecurities" be explained? My findings suggest that Japanese managers controlled decisions that their South Asian colleagues were -- technically speaking -- capable of making, thus preventing them from gaining experience and confidence in specific tasks. Supporting evidence comes in the form of a simple arithmetic of expatriate personnel, in this case from microchip manufacturers: Japanese chip manufacturers in South Asia typically have three to four times the number of expatriate as their Western counterparts using similar technologies in similar scale plants. Japanese engineers are deeply involved in controlling engineering tasks in South Asia.

The interview results of the present case study (Table 2 and Figure 2) revealed that traditional South Asian local HRM strategy still prevails and the standardization of HRM strategy is very poor. The prime cause results from local company managers and employees who are poorly trained or have negative attitude and beliefs (Work avoidance). However, current interview study results (Table 2) indicate that South Asian based Japanese firms do have a effective HRM strategy showing consistency with the well-known early evidence by Haire, Ghiselli and Porter (1966).

Table 1: Background data of company JVCs to be interviewed for case study in India, Pakistan and Bangladesh

| South Asian based Japanese Subsidiaries and Joint ventures |                                |  |   |   |                                |  |                                |                                |                                   |
|--|--------------------------------|--|---|---|--------------------------------|--|--------------------------------|--------------------------------|-----------------------------------|
|  | Company JIN <sub>1</sub>       | Company JIN <sub>2</sub>   | Company JIN <sub>3</sub>                                | Company JPA <sub>1</sub>                  | Company JPA <sub>2</sub>       | Company JPA <sub>3</sub>               | Company JBA <sub>1</sub>       | Company JBA <sub>2</sub>       | Company JBA <sub>3</sub>          |
| Industry types   | Automobile                     | Automobile   | Automobile  | Automobile                                | Automobile                     | Automobile                             | Electronics                    | Electronics                    | auto industry                     |
| Interviews   | General Manager                | General Manager  | General Manager   | General Manager                           | General Manager                | General Manager                        | General Manager                | General Manager                | General Manager                   |
|  | Manager HR                     | Manager HR   | Manager HR  | Manager HR                                | Manager HR                     | Manager HR                             | Manager HR                     | Manager HR                     | Manager HR                        |
|  | Manager factory and production | Manager factory and production   | Manager factory and production                          | Manager factory and production            | Manager factory and production | Manager factory and production         | Manager factory and production | Manager factory and production | Manager HR factory and production |
| Main products  | Six workers                    | eight workers  | eight workers   | Six workers                               | five workers                   | five workers                           | Six workers                    | Ten workers                    | Ten workers                       |
|  | Motor cycle,                   | car produce<br>compact car,<br>sport car,<br>ultra luxury<br>vans and trucks | photocopiers<br>scanners<br>bubble jet<br>semiconductor | car produce<br>1300 cc, 2000 cc<br>800 cc | car produce<br>800cc, 1300cc   | Car produce<br>800cc, 1300cc<br>2000cc | electronics<br>goods           | Auto industry                  | auto industry                     |
| Establishment year   | 1984                           | 1982   | 1997  | 1993                                      | 1985                           | 1992                                   | 1985                           | 1993                           | 1998                              |
| Number of employees  | 4500                           | 3453   | 400   | 2100                                      | 1200                           | 750                                    | 450                            | 180                            | 600                               |
| % of foreign capital                                       |                                | 67%  | 100%  | 100%                                      | 89%                            | 85%                                    | 90%                            | 49%                            | 100%                              |
| Number of foreign expertise                                | 12                             | 9  | 15  | 15  | 5                              | 8                                      | 5                              | -                              | 10                                |
| Total assets   | 2040mn                         | 1550 mn  | 2890mn  | 18.5bm                                    | 22.5bm                         | 20.8bm                                 | ¥ 3,331,7mn                    | 10.4mn                         | 22.5bm                            |
| market leader  | 76%                            | 62%  | 56%   | 80%                                       | 70%                            | 75%                                    | 80%                            | 65%                            | 95%                               |
| Export increase than previous                              | 5.5%                           | 4.5%   | 4.9%  | 52%                                       | 45%                            | 25%                                    | 30%                            | -                              | 15%                               |
| Sales growth 2004 -2005                                    | 35%                            | 20.1%  | 30%   | 25%                                       | 15%                            | 12%                                    | 14%                            | 12.75%                         | 15%                               |
| Growth in revenues ( USmn)                                 | 2751                           | 3299   | 5490  | 5895                                      | 4495                           | 16.8%                                  | 12.75%                         | -                              | 20.5%                             |
| Total turnover ( in crores)                                | 6257.14                        | 6789.18  | 4000  | 5000                                      | 6525.18                        | 5500                                   | 4500                           | -                              | 4500                              |
| Net profit ( US\$ Mn) 04-05                                | 186                            | 8536 rs. mn  | 6542mn  | 466mn                                     | 1378mn                         | 1250mn                                 | 2500mn                         | -                              | 210mn                             |
| Production increase  | 12%                            | 10%  | 15%   | 11.9%                                     | 8.75%                          | 10.45%                                 | 7.5%                           | 15%                            | 18%                               |
| employees remuneration (US\$)                              | 100                            | 96   | 105   | 95  | 92                             | 90                                     | 76                             | 65                             | 90                                |
| net revenue increase                                       | 12%                            | 8%   | 7%  | 9%  | -                              | 18.5%                                  | 5.8%                           | 2.6%                           | 10%                               |
| gross profit increase                                      | 22.28%                         | 18%  | 20%   | 12%                                       | 15%                            | 22.4%                                  | 12.75%                         | 6.5%                           | 16.5%                             |

N.B: JVC denotes Japanese subsidiaries and joint ventures in South Asia; Company JIN denotes Japanese firms in India; JPA denotes Japanese firms in Pakistan and JBA denotes Japanese firms in Bangladesh. One cror = 100 million; mn denotes million and bm denotes billion

Table 2: Background data of company SACOs to be interviewed for case study in India, Pakistan and Bangladesh

| South Asian Local Companies    |   |   |  |                                   |                                   |                                   |   |                                   |                                   |
|--------------------------------|---|---|--|-----------------------------------|-----------------------------------|-----------------------------------|---|-----------------------------------|-----------------------------------|
|                                | Company IND <sub>1</sub>                      | Company IND <sub>2</sub>  | Company IND <sub>3</sub>                                   | Company PAD <sub>1</sub>          | Company PAD <sub>2</sub>          | Company PAD <sub>3</sub>          | Company BDA <sub>1</sub>  | Company BDA <sub>2</sub>          | Company BDA <sub>3</sub>          |
| Industry types                 | Automobile                                    | Automobile  | Automobile   | Automobile                        | Automobile                        | Automobile                        | Electronics   | Electronics<br>General<br>Manager | auto industry                     |
| Interviews                     | General Manager                               | General Manager   | General Manager  | General Manager                   | General Manager                   | General Manager                   | General Manager   | General Manager                   | General Manager                   |
|                                | Manager HR                                    | Manager HR  | Manager HR   | Manager HR                        | Manager HR                        | Manager HR                        | Manager HR  | Manager HR                        | Manager HR                        |
|                                | Manager factory<br>and production             | Manager factory<br>and production   | Manager factory<br>and production                          | Manager factory<br>and production | Manager factory<br>and production | Manager factory<br>and production | Manager factory<br>and production                                     | Manager factory<br>and production | Manager factory<br>and production |
|                                | Six workers                                   | eight workers   | eight workers  | Six workers                       | five workers                      | five workers                      | Six workers   | Ten workers                       | Ten workers                       |
| Main products                  | Motorcycles<br>two wheelers<br>three wheelers | Soda ash<br>Sodium<br>Bicarbonate<br>nate, Fustian<br>Pure salt<br>Gypsum | Motorcycles<br>commercial vehicles<br>transmission<br>gear | Auto industry                     | electronics                       | Auto industry                     | PVC insulated<br>cables<br>telecommunication<br>cables<br>copper wire | electronics<br>goods              | Auto industry                     |
| Establishment year             | 1987  | 1939  | 1986   | 1952                              | 1960                              | 1964                              | 1978  | 1976                              | 1985                              |
| Number of employees            | 10914   | 2598  | 15080  | 4500                              | 6500                              | 2400                              | 3500  | 1800                              | 1200                              |
| Total assets                   | 355650mn                                      | 289287mn  | 20807mn  | 15850mn                           | 345760mn                          | 23400mn                           | 256091mn  | 442.5mn                           | 2089mn                            |
| market growth                  | 27.9%   | 30%   | 26%  | 35%                               | 25%                               | 16%                               | 15%   | 10.5%                             | 22%                               |
| export growth                  | 51%   | 21%   | -  | 25%                               | -                                 | 12%                               | -   | -                                 | -                                 |
| Export increase than previous  | 20%   | 10%   | -  | 16%                               | -                                 | 9.8%                              | -   | -                                 | -                                 |
| Sales growth 2004 -2005        | 20.9%   | 15.93%  | 12.5%  | 17.5%                             | 12.75%                            | 11.9%                             | 6.75%   | -                                 | -                                 |
| Growth in revenues ( US\$ Mn)% | 10%   | 8%  | 12%  | 12.75%                            | 9.5%                              | 10%                               | 5.5%  | 6.75%                             | 4.5%                              |
| Total turnover ( Rs. milion)   | 63.4bm  | 161242mn  | 18765mn  | -                                 | 57.75bm                           | 67856mn                           | 7860mn  | 2453mn                            | -                                 |
| Return on capital employed     | 12.5%   | 14.3%   | 11.5%  | 12.5%                             | 9.5%                              | 8.9%                              | 11.15%  | -                                 | 3.75%                             |
| Net profit ( Rs. Mn) 04-05     | 650mn   | 760mn   | 670mn  | 540mn                             | 640mn                             | 454mn                             | 540mn   | 340mn                             | -                                 |
| turnover growth                | 7.5%  | 5%  | 8.85%  | 4.5%                              | 6.5%                              | 7.5%                              | 8.5%  | 2.5%                              | 5.75%                             |
| Production increase            | 10%   | 7%  | 8.75%  | 8.9%                              | 12%                               | 11.5%                             | 7.5%  | 4.75%                             | 12%                               |
| Return on capital employed     | 3%+   | 2.5%+   | 4.4%+  | 4.4%+                             | 4.5%+                             | 20%                               | -   | 4.5%                              | 4.1%+                             |
| Net profit growth of %         | 6%  | 4.5%  | 5%   | 4%                                | 6.5%                              | 7.5%                              | 5.67%   | 5.5%                              | 3.5%                              |

N.B: SACO denotes South Asian domestic companies; IND<sub>1,2,3</sub> denotes Indian domestic companies; PAD<sub>1,2,3</sub> denotes Pakistani domestic companies and BDA<sub>1,2,3</sub> denotes Bangladeshi domestic companies bm denotes billion and mn denotes million

**Table 3: Summary Results of Case Study Based on Interview Survey among Japanese joint ventures and Indian, Pakistani and Bangladeshi Local Companies HRM strategy/Systems in South Asia**

| HRM Strategy   |  | HRM Systems   |   |
|--|--|---|---|
| JVCs   | SACOs  | JVCs  | SACOs   |
| <b>Hiring strategy</b><br>Fresh graduate   | <b>Hiring strategy</b><br>Not clear policy                               | <b>Leadership</b><br>Position power based leadership, skills and competencies   | <b>Leadership</b><br>External power relation based, less competencies most autocratic leadership          |
| <b>Training &amp; development</b><br>In-house training ( on the job and off the job) | <b>Training &amp; development</b><br>Rudimentary training and short-term |   |   |
| focus on continuous and long-term  |  | <b>Decision making:</b><br>Achievement oriented combative, participative and consensus decision making  | <b>Decision making:</b><br>Organizational goals oriented, decision always from boss                       |
| <b>Promotion criteria</b><br>Promotion based on performance                          | <b>Promotion criteria</b><br>Not clear policy                            |   |   |
| <b>Job rotation technique</b><br>Planned job rotation                                | <b>Job rotation technique</b><br>No plan or policy for job rotation      | <b>Communication:</b><br>Respectful, politeness openness and fearless, Communication always top-bottom, and bottom-top, horizontal and vertical | <b>Communication:</b><br>Most politeness, humbleness close and fearful, and always downward communication |
| <b>Performance appraisal</b><br>long term, team based reward                         | <b>Performance appraisal</b><br>individual and seniority considered      | <b>Job Condition:</b>   | <b>Job Condition:</b>   |
| <b>Control strategy</b><br>Improve total quality ( systems, service,                 | <b>Control strategy</b><br>very poor, no standard                        | Job flexibility and   | Individual achievement  |
| Product, staff, process and environment quality enhancement                          | measurement cost reduction   | group achievement, importance of group activities   | financial benefit oriented, and self-importance   |
| <b>Cultural context</b>  | <b>Cultural context</b>  | <b>Motivation:</b><br>Motivation on reached   | <b>Motivation:</b><br>Task oriented, financial  |
| Strong parent corporate culture  | Local traditional based national culture                                 | company targets and future profit and sharing information   | benefit and present profit based  |

On the contrary, the present case study (Table 3) has found that Japanese firms in South Asia to bridge strong corporate cultures of a parent company with the local organizational culture that creates an “open hybrid” or “Third culture” that suits the Japanese based joint ventures in South Asia. Japanese firms in South Asia subsequently initiates their affiliate management strategy using a customized style (template) - modified from the parent or host culture. This created “hybrid HRM strategy” by the Company J appears to be a better fit for South Asia organizational culture. This system brings willingness for South Asian managers to learn from Japanese parent sources within the South Asian organization. Numerous researchers in this area opine that the effect on the hybrid strategy/design on the global learning capability of firms policy and practices. In particular, it points to the impact of systems on the organization’s capacity to go beyond single-loop learning and utilize double-loop learning (Argyris, et al., 1978; Nevis, DiBella, & Gould, 1995). The pioneering research by Bird et al. (1999) has found that home firms are mainly constrained in the organization’s ability to examine the underlying assumptions of HRM strategy and practices.

Our qualitative study results of the present research indicate that Japanese subsidiaries/joint ventures and South Asian domestic companies are culturally very different, but it is interesting to note that Japanese joint venture and subsidiaries are strongly influenced by the Japanese parent country corporate culture, resulting in creation of a hybrid HRM strategy. This finding advocates that the Japanese corporate culture can be much stronger than the South Asian national culture in shaping the HRM strategy, in the Japanese subsidiaries/ joint venture in South Asia. On the contrary, South Asian indigenous companies are strongly influenced by the national culture than by the corporate culture in shaping the HRM strategy and practices.

These results suggest that through continuous training and work experience in Japanese joint ventures and subsidiaries corporations, South Asian managers could acquire positive beliefs about employees and adapt themselves to the participatory HRM strategy of the company. This is an interesting case of organizational learning in which the impact of the second (Japanese) culture on the first ( South Asian) culture creates a stimulating environment for South Asian managers to shed old ideas and generate new hybrid ones about how to manage effective and efficient way businesses and supervise employees. Whether this “third culture learning” could be applied more extensively by other ventures from American or European ones, in South Asia is a challenging question that requires further exploration.

According to proposed diagram (Figure 3) the establishment and development of a parent company's corporate HRM strategy, may be a pattern, or mould on which the new style can be demonstrated. In such case, South Asian based Japanese subsidiaries/ joint venture made significant steps, which involves commitment, based hiring of fresh graduates as employees' by careful screening procedures and a selection practice following the first step used in the replication of the parent-corporate HRM strategy. The first step involves choosing between two possibilities. Company J focuses on in-house training that is "on the job" and "off the job" which includes teaching managers and employees' to develop their skills, prevent traditional behavior, and simultaneously emphasize continuous training by using an indoctrination technique.

Designed to establish home country based HRM strategy, Japanese firms is trying to amplify positive beliefs (work commitment and group achievement orientation) among managers and employees' to utilize effective way of human resources in their organization. In order to teach this strategy, Japanese firms has adapted the following HRM strategy and styles: (1) promotion based on performance, (2) merit based payment, (3) planned job rotation (4) bonus and benefits on overall company performance (5) position power based leadership (6) consensus decision making (6) horizontal and vertical communication (7) Job flexibility and group achievement and (8) motivation on sharing information.

The basic mould into which policies will fit for the South Asian business environment is defined by the present case study utilizing HRM strategy and management corporate philosophy about their employees' and managers. For example, a widely accepted policy in the host country may also be congruent with its newly chosen corporate philosophy. For example, an extensively accepted Japanese HRM strategy or style is "resource accumulation" (Bird & Beechler; 1995, Kagono, et al. 1986; Schuler, 1989), which predicts Company J in South Asia bear overtime as a result of their ability to exploit home based human resources. Finally, Company J creates a strong corporate cultural pattern focusing on eliciting specific corporate behaviors. Company J has adopted the shape from their parent practice by paying attention to how their employees in the home country behave and comparing them to the similar points of Japanese employees back home. For that reason, In order to change South Asian traditional values and culture, Company J seeks parent company's corporate values by dealing with a climate of trust and fairness.

In conclusion, what is called “third culture system” or “open hybrid” corporate culture helps to established in South Asian based J Company both managers and employees’ teamwork relationship and rely on a sense of unity and a flat organization system. Clearly, training takes place through job rotations and ongoing educational activities both on and off the job. Loyalty to the organization is valued. Thus, decisions regarding the level at which the model is to be applied were strongly influenced by two factors: (1) the company’s perception of management as a core competency, and (2) the perception that the parent’s HRM strategy influence by the parent country organizational culture that create “hybrid HRM strategy” in Japanese based joint ventures in south Asia. There was a high perception in instances where management was seen as a core competence or the parent system’s fit with the local organizational culture.

In terms of useful implication, our case study results propose a wealthy image of HRM strategy in practice, made more plausible by the qualitative approach adopted. Enhance firm sustainability and internal cohesion, especially in a downturn cycle. This occurs through a strong emphasis on managing and diffusing core values and a particular corporate culture through HR systems support such as distinctive staffing strategies, performance management and continuous learning. Create a positive link between their HRM strategies and initiatives and firm performance, and confirm that a strategic approach to HRM is aimed at enhancing competitive advantage. These findings support studies such as those of Becker, Huselid and Ulrich (2001),

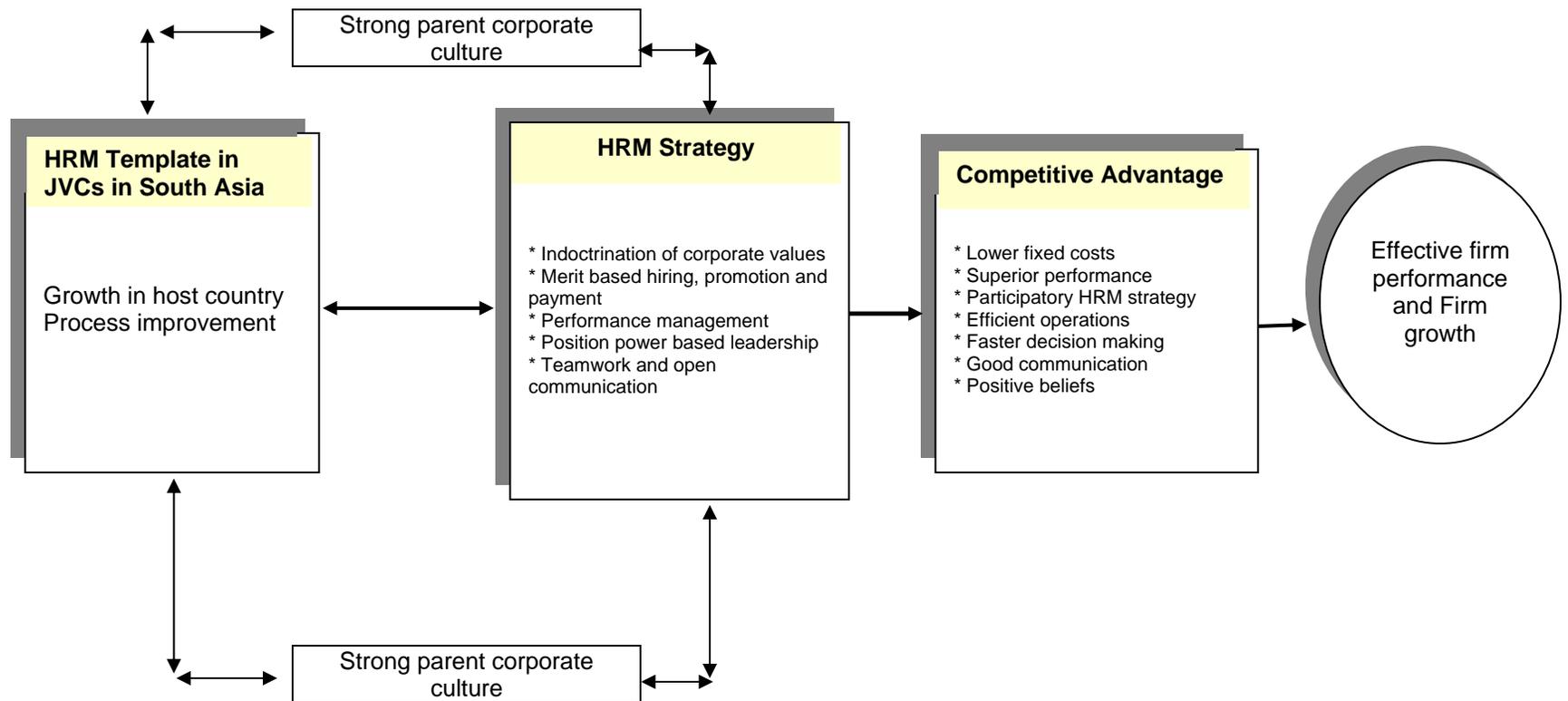


Figure 3: Proposed diagram by in-depth interview study based on Japanese subsidiaries/joint ventures in India, Pakistan and Bangladesh

Becker and Gerhart (1995), Huselid, Jackson and Schuler (1997), Kallenbach and Moody (1994) and Pfeffer 1998), which consider the link between HR effectiveness and firm performance. Innovate both differentiated and strategically aligned HR systems and initiatives, which create value for south Asian managers and employees. Integrate host or home-country initiatives adaptively and with sensitivity to local context, including institutional environment, culture and labor relations systems. In conclusion, there is a need for further research on 1) variables, which impact on the diffusion of SHRM initiatives especially in emergent economies in the South Asia and other regions; and 2) the effects of these interventions on MNC performance, work and organizational commitment, and procedural and distributive justice. Whether and how these factors are similar or differ from contemporary research, which has occurred primarily in North America, is important both theoretically and practically.

Last of all, first, the present research proposed model has identified the salient futures of company J HRM strategy and styles based on cultural context, but advances in the present model or development of substitute models is needed for further broader study. Second, future research is needed to determine the applicability of the proposed model for MNCs in other Asian countries. Given the relatively homogeneous home institutional context of Japanese MNCs (Lincoln et al., 1986), it is possible that further research on non-Japanese joint ventures (Western MNCs) will find that the proposed model needs to be expanded.

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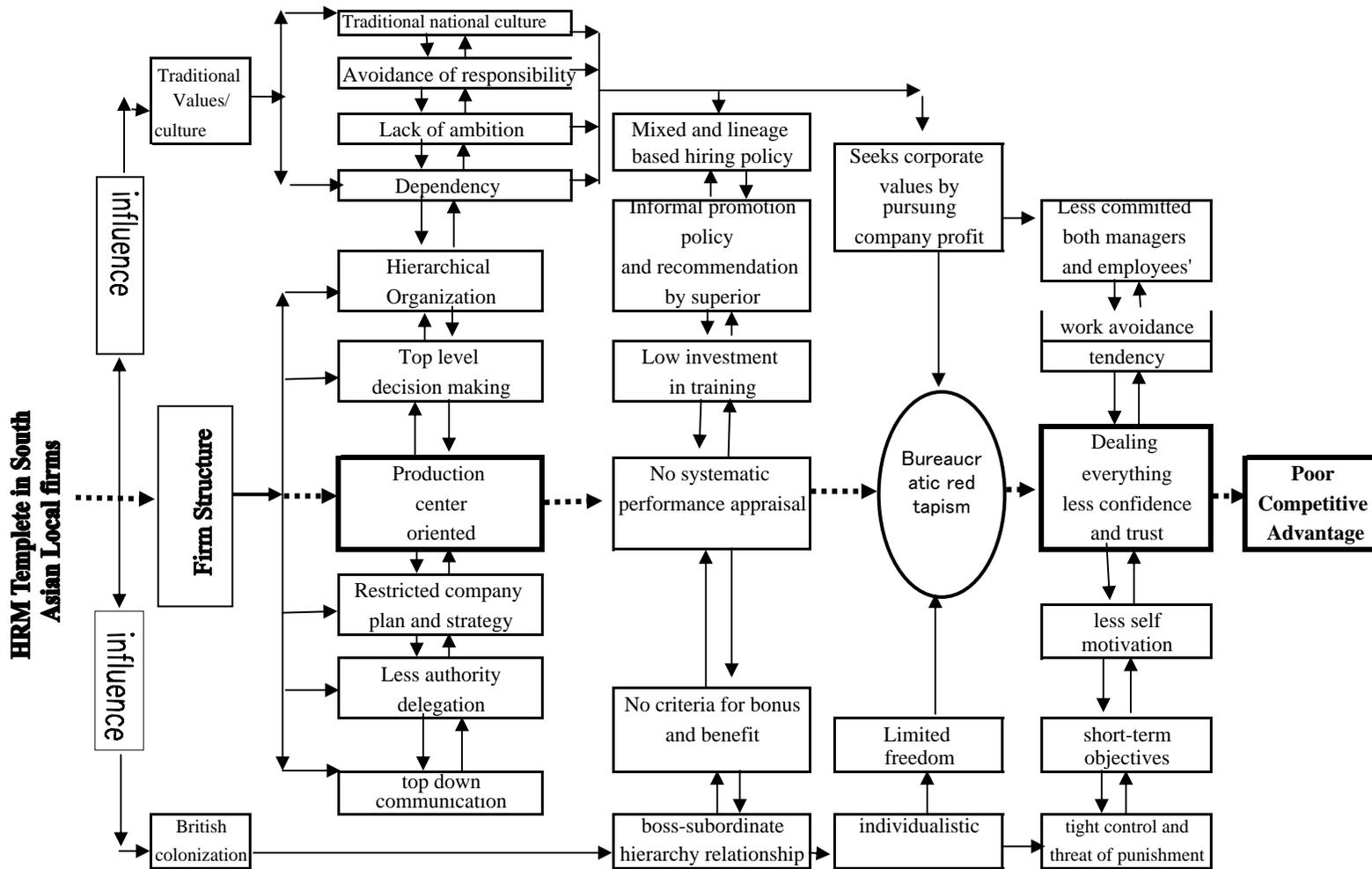


Figure 3: Diagram by in- depth interview study based on South Asian domestic companies