

A TYPOLOGY OF INTERNATIONAL HUMAN RESOURCE MANAGEMENT IN JAPANESE MULTINATIONAL CORPORATIONS: ORGANIZATIONAL IMPLICATIONS

Allan Bird, Sully Taylor, and Schon Beechler

This article outlines a typology of approaches to the design of international human resource management (HRM) systems in multinational corporations based on a ten-year study of Japanese affiliates in the United States, Europe, and Asia. After outlining four different approaches based on the dimensions of parent company imprint, problem attribution, and diffusion of HRM innovations, the article discusses the implications for organizations in the areas of flexibility, organizational learning, integration and coordination, and cost. © 1998 John Wiley & Sons, Inc.

Introduction

As the overseas affiliates of multinational corporations (MNCs) have become important economic players in their own right, the formulation and implementation of an effective strategy at the affiliate level have become increasingly critical determinants of the MNC's overall performance (Bartlett & Ghoshal, 1986; Gupta and Govindarajan, 1991; Kogut, 1985). Although researchers have explored numerous internal and external issues related to affiliate management, one critical area that has only begun to be investigated is international human resource management (IHRM) (Schuler, Dowling, & DeCieri, 1993; Milliman, Von Glinow, & Nathan, 1991; Rosenzweig & Nohria, 1994; Taylor, Beechler, & Napier, 1996). The lack of attention to IHRM is surprising given that it is the management of people which is the most critical component of a MNC's ability to implement

its strategy effectively and compete in an increasingly complex and dynamic global economy (Tichy, Brimm, Charan, & Takeuchi, 1992; Ulrich & Lake, 1990).

Our article is focused on this human organization, presenting a typology of IHRM approaches and the organizational implications of each approach. The IHRM typology is based on our extensive research of Japanese MNCs over a ten-year period, as well as other scholars' work in this area. This typology provides an organizing framework that can be used by both practitioners and academics, and although the research used to generate the typology was focused on Japanese organizations, additional research we have conducted on non-Japanese MNCs leads us to believe that this typology is generalizable to all MNCs, regardless of their nationality. *For international managers*, an understanding of the different approaches available to MNCs in designing their IHRM systems and the implications for

The IHRM typology is based on our extensive research of Japanese MNCs over a ten-year period, as well as other scholars' work in this area.

strategy implementation can assist in the design and evaluation of their own IHRM systems. *For academics*, the framework and organizational implications provide a guide for future research and theoretical development in the area of IHRM system design as well as in predicting organizational outcomes.

We begin by outlining the research program and the data that have led us to the development of the typology. In the second section we describe a typology of IHRM developed inductively from our research findings. This is followed by a discussion of the impact of each IHRM approach on four organizational features considered key to international competitiveness today: (1) the ability of the organization to learn; (2) the ability of the organization to respond quickly to environmental changes; (3) the ability of the organization to coordinate and integrate across borders; and (4) the ability of the organization to minimize costs relative to competitors (e.g., Bartlett & Ghoshal, 1989). We conclude with a discussion of the overall performance implications of each IHRM approach.

Methods

Beginning in 1987, we carried out a series of studies to explore how Japanese MNCs manage human resources in their overseas subsidiaries (see Table I). The studies focused on Japanese MNCs for several reasons. First was the increasing importance of Japanese firms in international business and the field's relatively superficial understanding of these important economic players. Second, by concentrating on MNCs from one country, we were able to focus on firm-level similarities and differences found in the approaches. Finally, given the preponderance of research that assumed that Japanese corporations have an identifiable and common "Japanese style of management" (e.g., Ouchi, 1981; Pascale & Athos, 1981), we believed that another benefit of the research would be to examine the degree to which Japanese MNCs actually do approach the management of human resources in a similar fashion.

Employing mostly semi-structured, open-ended interviews, we collected data as part of a comprehensive project to understand the

nature of HRM systems in Japanese overseas subsidiaries. In a few studies (e.g., Beechler & Bird, 1994), surveys were used that were based on the questions of the interview protocols and were followed up with interviews. (Surveys were also administered in some of the other studies to capture data on variables not of direct interest to the questions addressed in this article—for example, surveys to measure satisfaction and commitment in Taylor and Beechler, 1993.) Firms were drawn from both the manufacturing and service industries, although our results showed no patterns by industry. The first study was conducted in 1987 and was based on interviews at 26 Japanese affiliates located in Singapore, Malaysia, Thailand, Indonesia, and the Philippines (Beechler, 1990). The second study was undertaken in 1989 when we surveyed 60 senior-most American personnel managers and their immediate Japanese superiors in United States (U.S.)-based affiliates and conducted follow-up interviews (Beechler & Bird, 1994). For 1991 and 1992, a study of four Japanese maquiladoras (in-bond assembly plants) was carried out in Mexico using interviews with respondents at the top levels in the organizations (Beechler & Taylor, 1994; Taylor & Beechler, 1993). In 1991, we carried out interviews and surveys at 39 additional Japanese subsidiaries based in the U.S. (Bird & Beechler, 1995). This study was followed in 1992 by interviews with managers at Japanese affiliates in two European countries—eight in the United Kingdom (U.K.) and seven in Spain. Finally, in 1993-94, interviews and surveys were conducted in 61 Japanese affiliates in Southeast Asia (Beechler, 1996; Beechler, Najjar, Ghosh, & Dirdjosuparto, 1996). Combining data from all of the studies, a total of 205 Japanese affiliates comprise the sample set.

In all of the studies, interviews with respondents were tape-recorded, and extensive notes were taken by the research team. In each case, we collected qualitative data through open-ended personal interviews. Except in the U.S. study, where 15 of the U.S. affiliates participated in follow-up interviews via phone, all interviews were conducted face-to-face. As with their on-site counterparts, phone interviews were guided by the same protocol of questions.

TABLE I Studies Comprising the Basis of the Typology.

<i>Year Study Conducted (published)</i>	<i>Number of Companies</i>	<i>Industries</i>	<i>Study Method</i>	<i>Interviewees/ Respondents</i>	<i>Key Focus</i>
1987 (Beechler, 1990)	26 Japanese affiliates in Southeast Asia	consumer electronics	interviews; surveys; company documents	HQ's regional directors; affiliate top management	Control of overseas affiliates HRM
1989 (Beechler & Bird 1994)	60 Japanese affiliates in U.S.	service (e.g., banking); manufacturing (e.g., consumer electronics)	surveys and interviews	senior HR managers & their Japanese supervisors	relationship between business strategy, HRM & performance
1991 (Bird & Beechler, 1995)	39 Japanese affiliates in U.S.	manufacturing (e.g., consumer electronics; photocopiers/ photographic equipment))	interviews and surveys	senior HR managers & their Japanese supervisors	relationship between business and HRM philosophy, policies & practices
1991-1992 Taylor & Beechler, 1993; Beechler & Taylor, 1994)	4 Japanese maquiladoras	consumer electronics; other manufacturing	interviews; surveys of workforce	general managers; HRM directors; other top managers	transfer of HRM from parent
1992	15 Japanese affiliates in U.K. and Spain	consumer electronics	interviews; surveys of managers & employees	general managers; HRM directors; other top managers	transfer of HRM; satisfaction & commitment
1993-1994 (Beechler, 1996; Beechler, Najjar, Ghosh, Dirdjosuparto & Sieh, 1996)	61 Japanese affiliates in Southeast Asia	electronics; automotive; chemicals; pharmaceuticals	interviews and surveys	managing directors; top line managers; HRM directors	relationship between global strategy, coordination, control, HRM, performance

Interviews were generally conducted in the mother tongue of the interviewee (English, Japanese, or Spanish) except in Southeast Asia where interviews were conducted in either English or Japanese. In each affiliate, one to three informants were interviewed. In almost all sites, the general manager was the primary informant. In more than 50% of the cases, the HRM director was also interviewed. Finally, a third respondent was often interviewed and was drawn from such senior level positions as assistant general manager, public relations officer, and manufacturing operations director.

Each manager participating in the study was interviewed for one-and-a-half to two hours regarding the types of HRM policies in place in the affiliate; whether HRM philosophies, policies, and practices were transferred from the parent company to the affiliate or between affiliates; and how this transfer was actually carried out in practice. In addition, we gathered demographic and background information on the affiliate, the parent company, and affiliate employees, both local and Japanese. Supplemental questions explored the types and origin of policies in the affiliate

This typology is comprised of four distinct, mutually exclusive archetypes which can be differentiated on three key dimensions.

regarding human resource planning, staffing, training, compensation, and performance appraisal. We then asked participants to discuss the process surrounding the establishment of the affiliate and the manner in which the HRM department or the HRM functions had been created. Finally, each participant was asked to discuss a key policy event, that is, how a particular HRM policy came into being.

To ensure inter-interviewer reliability, all the early studies and most of the subsequent studies used pairs of interviewers to collect the data. In addition, the research team frequently shared notes and discussions of results in meetings, and “switched” partners throughout the study. The only significant difference in the conduct of the interviews in the different countries consisted in the manner of obtaining the interviews. In Spain, for example, the managing director or president of the Japanese affiliate was approached directly by the interviewer, while the respondents at the U.K. sites were obtained through contacts at the companies’ headquarters in Japan.

In analyzing the data collected through interviews, we employed a “grounded research” approach in which we examined notes from earlier rounds of interviews to guide us in the development of questions for subsequent rounds (Glaser & Strauss, 1967). As part of this iterative process, we induced “working theories” that were explored and tested as we moved forward. These working theories were developed using a two-step approach. First, they were tested for internal consistency by applying them against data from earlier interviews to determine if they could be logically induced from those observations. The second step involved a “negative case analysis” approach (Kidder, 1981) in which the working theories were applied to new observations, diverse from those previously analyzed, and subsequently modified.

Results

The outcome of our iterative analysis process was the construction of a typology of approaches to IHRM used by Japanese firms in the establishment of their overseas affiliates’ HRM systems. This typology is comprised of

four distinct, mutually exclusive archetypes which can be differentiated on three key dimensions: (1) the degree to which the affiliate’s HRM system reflects the parent company’s system, that is, has been “imprinted” by the MNC, (2) the source to which the affiliate management attributes problems when the system fails, and (3) the degree to which the MNC shares HRM innovations developed at the affiliate level with other affiliates and/or with the parent firm. While the first dimension has received some attention in both the theoretical and empirical literature (e.g., Rosenzweig & Singh, 1991; Yuen & Kee, 1993), the other two dimensions have received little attention and thus represent important additions to our understanding of IHRM. As we discuss later in this article, the source to which the affiliate attributes problems has an important influence on the degree to which the affiliate learns from those problems. In addition, the degree to which the MNC shares HRM knowledge across the firm has important consequences for the organization’s ability to learn.

Work in international management generally (e.g., Rosenzweig & Singh, 1991; Westney, 1990) as well as in international human resource management specifically (e.g., Beechler & Yang, 1994; Bird & Beechler, 1995; Taylor et al., 1996) suggests that one key question a MNC faces is the degree to which home management systems will be replicated abroad. There are at least two reasons why home management systems may be transferred. First, when facing the greater uncertainty of operating internationally, a MNC (particularly when it first ventures overseas) will choose to use those practices that are well-known and have worked successfully at home (Bartlett & Ghoshal, 1989; Rosenzweig & Singh, 1991). In our research, we found one U.S. maquiladora in Mexico that had adopted the performance appraisal system of the U.S. parent firm so completely that it used the same English-language forms. Second, to the degree that a home management system represents a distinctive competence, a resource that is unique to the firm and enables it to compete effectively against competitors (Barney, 1991; Taylor & Beechler, 1993), the system will be transferred to overseas ventures as a way of duplicating that advantage.

The alternative to imprinting of the parent company HRM system on the affiliate, of course, is to adopt local practices (Rosenzweig & Nohria, 1994). While we have framed them as alternatives, in reality the level of parent imprinting versus local imprinting represents a continuous dimension. The affiliate system can be imprinted at the philosophy, policy, and/or practice levels (Bartlett & Ghoshal, 1989; Beechler & Taylor, 1994).

The second critical dimension identified by our research is the source to which managers attribute critical HRM problems when they arise. HRM problems reported by respondents included such issues as lower than expected productivity, higher than normal turnover, the affiliate's inability to recruit good employees, shopfloor conflicts, stealing by employees, conflict, lack of trust, and poor communication among managers as well as between managers and workers. When managers encounter problems, they search for either external or internal causes (Lant, Milliken, & Batra, 1992). External causes are those outside the organization and are consequently generally outside management's control. External attributions include local labor market conditions, poor worker skill quality, poor employee work attitudes, government constraints, lack of local infrastructure, competitors' policies and practices, and so forth. When the causes of a problem are perceived as external, organizations often seek to insulate the firm from their effects (Thompson, 1967). For example, many of the maquiladoras in Mexico tried to insulate themselves from the uneven educational and industrial skills of the local labor force, which they believed to be the primary cause of the high turnover, by utilizing the simplest of technologies that often required only three hours of training for new employees. On the other hand, when a problem's cause is perceived by management to be due to internal factors, management usually attempts to modify the HRM system, making it more responsive to the local environment.

The third dimension of the IHRM system is the degree to which HRM innovations developed within one affiliate in the MNC are shared with other affiliates or with the parent company ("diffusion"). This dimension is similar to the concept of "knowledge flows" within

MNCs (Gupta & Govindarajan, 1991; Malnight, 1995). In addition to the degree of sharing, our research suggests that direction of sharing is also important ("direction"). That is, in some MNCs we found that affiliates reported only the sharing of HRM innovations from the parent company to the affiliates, with no sharing between affiliates or any transfer of knowledge from the affiliate to the parent firm. For example, one Japanese electronics maker holds regular meetings of the HRM directors of all its European affiliates so that new ideas can be shared or, in some cases, created by teams drawn from different affiliates. This is an example of multilateral sharing. In many other companies, however, affiliate managers reported no sharing of HRM innovations with other units of the company. In summary, there can be either *low diffusion* or *high diffusion* of HRM innovations, and sharing can be characterized as *unidirectional* (from the parent company to the affiliate) or *multilateral* (between affiliates, as well as between parent company and affiliates).

The Typology

Using the three dimensions described above, we next describe our typology of IHRM. Table II presents a comparison of the four archetypes on the three defining dimensions. While more permutations of the three dimensions are possible, all of the affiliates in our sample can be categorized clearly into one of the four types.

The Exportive Model

Imprinting. In establishing the overseas affiliate's HRM policies and practices, some MNCs seek a wholesale transplant of the HRM system from the parent company to the affiliate. This approach has as its implicit assumption that parent company ways of doing things are inherently more appropriate, if not superior to other approaches. We label such an approach "Exportive" because its orientation is one of exporting parent company HRM practices to the overseas affiliate. It is clearly similar to the "Ethnocentric" approach identified by Perlmutter (1969). Firms following

TABLE II A Comparison of Four Models of IHRM.

	<i>Exportive</i>	<i>Adaptive</i>	<i>Closed Hybrid</i>	<i>Open Hybrid</i>
<i>Imprinting</i>	Parent Company HRM Philosophy, Policies & Practices	Local Companies	Parent Company HRM Philosophy	Dual
<i>Attribution of Problems</i>	External	Internal	Internal/External	Internal/External
<i>Organization of Sharing of HRM Innovations</i>	<ul style="list-style-type: none"> • Uni-directional • Moderate Diffusion 	<ul style="list-style-type: none"> • No Diffusion 	<ul style="list-style-type: none"> • Low Diffusion • Uni-directional 	<ul style="list-style-type: none"> • High Diffusion • Multilateral

this IHRM model tend to view their management of human resources as superior, and our research indicates that this belief stems from the perception that the home HRM system is a core competency that provides competitive advantage to the firm, and is, therefore, universally applicable.

This was evident at an auto parts manufacturing affiliate in the Philippines. At this plant, all workers are sent to Japan for training, and this allows the company to basically have the same HRM system as the parent company. For example, the company is very strict about tardiness. As at the company's plants in Japan, the front gate closes each day at 7 a.m. sharp. No one, not even a manager in a car, can come through the gate after 7 a.m. until the opening ceremony is finished.

Attribution. When Exportive firms encounter HRM problems, the search for causes of the problems is externally directed. If, for example, a firm is experiencing higher than normal levels of turnover, the causes of turnover are immediately assumed and, not surprisingly, often found to be located in local factors such as the quality and commitment of the local labor force or the nature of local labor norms and practices. For example, in one Mexican maquiladora there was a severe problem with low morale, acknowledged by both internal and external informants. Interviews at multiple levels within the affiliate revealed severe dissatisfaction by the Mexican workers, both at the managerial and assembly line level, with how they were being treated by Japanese expatriates. Yet in discussions with

Japanese upper management, the morale problem was attributed to a lack of work values among Mexican workers. Japanese expatriates believed this situation would change if the affiliate just persisted in its paternalistic Japanese approach to managing human resources. Interestingly, little more than a month after these interviews, the maquiladora was almost shut down by a strike of the workers.

Sharing. In Exportive firms, sharing of HRM innovations is unidirectional from the parent company to overseas affiliates. Because only parent-company created HRM innovations are shared, from a systems-wide perspective the level of HRM innovation sharing is moderate. That is, because innovations in the affiliates are shared neither with the parent nor among affiliates, there are strong constraints on the amount of sharing. Moreover, what little formal cross-affiliate sharing of HRM knowledge occurs is strictly controlled by the parent company, although some non-systematic, informal sharing may occur.

The Adaptive Model

Imprinting. Rather than adopting an approach that assumes the superiority and efficacy of parent company ways of administering HRM, some firms decide to adapt as much as possible to the local situation, eschewing the notion that parent company approaches might be useful, except in areas of minor importance. This approach leads to relatively disparate sets of policies and practices across overseas

Because innovations in the affiliates are shared neither with the parent nor among affiliates, there are strong constraints on the amount of sharing.

affiliates. Perhaps not surprisingly, many of the firms we studied that employ this model do not view the parent company's human resource management system as a key competence. Adaptive MNCs believe that while human resources ought to be managed as effectively as possible, parent company policies cannot and should not be imposed on overseas affiliates since these operations face considerably different legal, social, and cultural conditions.

At an affiliate of an electronics firm in Spain, for example, the Spanish managing director was emphatic that the HRM system in place in the plant was totally Spanish in design and implementation. While the firm used quality circles, the technique had been learned from other Spanish firms. No HRM materials or personnel from headquarters had ever been sent to the affiliate, and no one from the plant had gone to Japan to study the HRM system there. Moreover, there were very few Japanese expatriates at the affiliate, and those that were there were mostly in the technical area and had no input on HRM.

Attribution. When Adaptive firms confront problems in the course of implementing HRM policies overseas, their inclination is to search first for the cause of the problem internally, seeking to discern in what ways their approach or the actions that flow from their approach are flawed. Managers examine what other firms in their local environment are doing with regard to a particular HRM issue and freely borrow what seems to be effective in local firms. One consequence of taking this approach is that Adaptive firms learn a great deal about the local environment.

Sharing. For Adapters, however, what is learned cannot easily be extended beyond the individual affiliate because of perceived differences in host country environments and a prevailing belief that environmental differences preclude cross-affiliate sharing. Consequently, these firms have relatively low levels of diffusion of HRM innovations. Each affiliate has to learn on its own with little if any transfer among or between affiliates and the parent company. A natural outgrowth of this perspective is that there are few systems set up to facilitate sharing of HRM, and what sharing occurs tends to happen by chance.

The Closed Hybrid Model

Imprinting. A third group of firms adopts a model that we label the Closed Hybrid. This approach is characterized by an affiliate's reliance on a parent company template in the initial development of their HRM system but also by subsequent efforts to adapt to local requirements after the affiliate is established. The Closed Hybrid model is similar to the Exportive model with respect to its reliance on a template of the parent company's HRM system as a starting point for creating the affiliate's HRM system. MNCs following a Closed Hybrid model, however, while believing the HRM expertise residing in the parent firm is of utility to their foreign affiliates, do not slavishly attempt to replicate the parent company's HRM system as closely as they can, but rather base their system on the overall philosophy of the parent and, over time, adapt policies and practices to suit their particular local environments. This type of firm is called a Closed Hybrid because although the HRM system is a hybrid of parent company and host country practices, as we will see, adaptations are often made reluctantly.

Attribution. When Closed Hybrids initially encounter HRM problems, they generally seek external causes. Unlike Exportive firms, however, over time these firms tend to accept that some of their problems may be caused by internal factors, and to address the issues by looking within the firm. For example, in one Closed Hybrid firm, a maquiladora in Mexico, the Japanese managers were appalled that local employees were stealing wood left over from the production process. Japanese managers attributed the problem to worker dishonesty and were uncertain how to manage the problem except through shame, admonition or, when pushed, punishment. Then, after hiring a Mexican HRM director who had spent many years working at the parent company's head office, they began to understand that Mexican workers often see a company's resources, particularly unused resources, as "free goods" to which they are entitled. The HRM director addressed the issue in a way that preserved the pride of the workers but decreased the incidence of stealing, and the Japanese managers came to understand that their

Japanese system of dealing with worker discipline problems was ineffective in this context.

Sharing. With regard to sharing HRM innovations, the Closed Hybrids most closely resemble the Adaptive firms. That is, they acquire and incorporate substantial learning about how to accommodate the affiliates' HRM system to the local environment. The learning and innovations that occur, however, are largely confined to that affiliate, and thus, there is low diffusion of knowledge across the MNC.

The Open Hybrid Model

Imprinting. The final type, which we label the Open Hybrid model, includes MNCs that approach their IHRM system for overseas affiliates from a variety of starting points. Firms adopting this model may or may not have originally begun with a parent company template as the basis for their system. Nevertheless, they tend to move very quickly from either a parent-company-focus or a host-country-focus to a position that seeks a duality in outlook—a simultaneous emphasis on parent company and local perspectives. In this sense, these firms are hybrids of both local and parent company HRM systems. These firms are labeled Open Hybrids because the HRM system is a hybrid of parent and local practices, and the firm is open to adopting innovations and good ideas regardless of where they originate in the firm.

At the Singapore affiliate of a Japanese electronics company, the Japanese managing director described a system in transition to an Open Hybrid. Unlike in the past, the parent company currently provides product support, but the operation is left quite independent. Nonetheless, the intention over the long-term is toward greater similarity between the parent company and the overseas affiliate. This will be accomplished partly through changes in the parent company itself in Japan. Beginning three to four years ago, the company decided to change company-wide from its traditional way to a "New Work Way." The dual impetus for this change was to spark creativity in the company, and the business need to start venture business to promote corporate

growth. "In Singapore, we are first trying to instill traditional Japanese fundamentals such as punctuality. At the same time, we are attempting to apply the New Work Way," reported the Japanese managing director.

Attribution. When HRM problems occur in Open Hybrids, the search for causes is both external and internal. Internal management decisions concerning HRM policies and practices are examined as potential causes, as are external labor market characteristics and other environmental conditions. One consequence of this internal and external search for causes is that these firms tend to identify problems and causes very quickly, while they are still in gestation and before the problems have time to develop into full-blown crises.

Sharing. Generally, the parent company and the affiliates of firms in this category share their HRM philosophies, policies, and practices with other units of the MNC. It is this openness to sharing that distinguishes Open Hybrids from the Closed Hybrid model. In addition, there is a high level of diffusion and multilateral sharing of HRM. In one Open Hybrid electronics affiliate we visited in Europe, the affiliate's HRM director spoke of a meeting with some of his colleagues from other affiliates in Europe and from the U.S. that *they* had arranged in order to share ideas about selection and career development policies and practices. Because these managers did not feel that the head office had much that was relevant to share with them, they initiated the sharing of ideas on their own and were particularly interested in learning more about a number of innovations they had heard the U.S. affiliate had developed. Headquarters was simply informed that the meeting was going to take place, and of the subsequent results from the meeting so that the parent firm could ensure some unity of HRM approach, as well as share the information with other affiliates, if appropriate.

Implications for the Organization

Each IHRM approach is likely to have an impact on organizational characteristics that in turn affects the MNC's international competi-

Each IHRM approach is likely to have an impact on organizational characteristics that in turn affects the MNC's international competitiveness.

tiveness. Four characteristics that research on international strategy has identified as important to global competitiveness are: (1) the ability of the organization to learn (Bartlett & Ghoshal, 1989), (2) the ability of the organization to respond quickly to environmental changes (Baird & Meshoulam, 1988; Bartlett & Ghoshal, 1989; Milliman et al., 1991), (3) the ability of the organization to coordinate and integrate across borders (Bartlett & Ghoshal, 1989; Prahalad & Doz, 1987; Martinez & Jarillo, 1989), and (4) the ability of the organization to minimize costs relative to competitors (Kogut, 1985; Porter, 1986). In this section, we discuss the implications of each type of IHRM approach for each of these organizational determinants of global competitiveness.

Implications for Organizational Learning. Organizational learning has been defined as “. . . an organization skilled at creating, acquiring, and transferring knowledge, and at modifying its behavior to reflect new knowledge and insights”. As shown in Table III, Open Hybrid affiliates have the highest organizational learning capability, particularly with regard to diffusion of ideas (Huber 1991). Although Adaptive and Closed Hybrid firms experience moderate levels of learning, repeatedly in conversations with managers in Open Hybrid firms, we were struck by the emphasis on the sharing of ideas across unit boundaries. These affiliates seem predisposed to view their HRM systems as “works-in-progress” rather than as finished products. On the other hand, Exportive affiliates only receive HRM innova-

tions, and the few modifications they make at the local level are usually instituted under duress and are rarely shared with other units. For example, in one Exportive affiliate in Mexico, the Japanese expatriate managers had fought vigorously against permitting employees leaves of absence for the death of any but an immediate relative. Even then, the restriction was a three-day maximum. This was consistent with parent company policy in Japan, but not consistent with Mexican cultural norms. The HRM Director, a Mexican, had to argue long and hard to negotiate a longer leave period for immediate relatives and unpaid leaves of absence for non-immediate family members. The Japanese expatriate managers did not understand the primacy of the family over any other group in Mexico (Kras, 1989), the importance of *all* family members, even distant ones, to a Mexican, and the difficulty of traveling to often remote hometowns in a country where the transportation system is not as efficient as in Japan. While Japanese expatriates finally accepted this deviation from the parent company norm, they viewed it as a unique situation and in no way considered it an improvement to be shared with other units of the MNC.

Organizational learning is also high in Open Hybrid affiliates because they reject the wholesale imprinting of the parent firm's HRM system while freely borrowing whatever is useful. In addition, these firms tend to look for causes of HRM problems in *both* the internal and the external environments. This search leads to more sources of information, which increases information generation, a key aspect

TABLE III Effect of IHRM Approach on Organization.

	<i>Exportive</i>	<i>Adaptive</i>	<i>Closed Hybrid</i>	<i>Open Hybrid</i>
<i>Organizational Learning</i>	Low	Moderate	Moderate	High
<i>Cost</i>	Moderately Expensive	Least Expensive	Inexpensive	Very expensive
<i>Coordination and Integration</i>	High	None	Low	High
<i>Flexibility</i>	Constrained	High	Constrained	High

of organizational learning (Huber, 1991; Nevis, DiBella, & Gould, 1995). As a consequence, Open Hybrids are able to continuously develop expertise at managing human resources effectively in their local environments. These solutions, as mentioned above, are then shared with other units of the MNC. As a consequence, from the viewpoint of organizational learning, the Open Hybrid model is the most effective, while the Exportive is the least.

Cost. The cost of an IHRM approach can be conceptualized in two ways. The first is the costs associated with the implementation and utilization of an IHRM approach. These include both the systems (e.g., HR data banks, telecommunications networks) and the personnel costs (regional meetings of HR directors, training and use of expatriates as conduits of HR info) that the company incurs when it chooses a particular approach. Costs can also be viewed from the standpoint of what a company loses by not adopting a certain approach. For example, a company that does not disperse its HRM expertise throughout its network of affiliates will lose performance gains that it might otherwise have achieved through wider use of effective HR practices. Due to the difficulty of measuring such potential performance losses, in this article we only discuss cost from the viewpoint of implementing and utilizing a particular IHRM approach.

The Open Hybrid approach is the most costly while the Adaptive approach is the least expensive. Because there is little parent company influence over the affiliate's HRM system, the Adaptive approach does not require development of systems to share HRM expertise of the parent company with the affiliate. In addition, there are no costs associated with learning how to adapt parent company policies and practices to the local environment. Instead, each affiliate simply institutes local HRM practices, imitating policies and practices that appear to be successful locally, usually through the hiring of a local HRM director who is given control of the function.

The Open Hybrid approach is the most costly because transfer of HRM expertise is multilateral, from affiliate to affiliate as well as parent to affiliate and, on occasion, from affiliate to parent. The transaction costs of

transferring this knowledge in personnel time is considerable. The company frequently uses expatriates, who cost a firm approximately \$250,000 per year (Black, Mendenhall, & Oddou, 1992) as transmitters of HRM knowledge. In addition, Open Hybrid firms in our sample often hold meetings of HRM managers at the regional and global levels to discuss innovations and to share ideas. The costs of sending top level HRM managers include transportation, lodging, and the managers' time, as well as coordination time needed to plan and set up the meeting.

Coordination and Integration. The degree to which the HRM systems of the affiliates are coordinated and integrated within MNCs is affected by the overall approach to IHRM of the parent firm. In Exportive and Open Hybrid firms, the coordination and integration of HRM systems is fairly high, while in Adaptive firms it is almost nil and in Closed Hybrids it is low. In Exportive firms, the imprinting of the parent firm's HRM system on the affiliates naturally leads to a high degree of coordination and integration. Because integration is achieved through adherence to the parent model, however, any change in policies or practices at the affiliate level is resisted and conceded by the parent only grudgingly. In Open Hybrid model firms, on the other hand, integration is achieved through high diffusion of HRM innovations in a multilateral fashion. Thus, coordination is achieved not through imprinting but through a sharing of innovations, many of which are developed at the local affiliate level. While monitored and evaluated for their ability to "fit" into the overall approach of the MNC to HRM, we found that there is little resistance to innovation and change of HRM policies and practices at the local affiliate.

In Adaptive firms, the lack of imprinting and the lack of diffusion of innovations means there is little need for coordination or integration of HRM systems in the MNC. The Closed Hybrid model requires somewhat more integration than the Adaptive firms to facilitate the initial borrowing of the parent company HRM template. Since the local affiliates move away from the template over time, however, and there is little ongoing sharing of HRM innovations, integration is lower than

The degree to which the HRM systems of the affiliates are coordinated and integrated within MNCs is affected by the overall approach to IHRM of the parent firm.

in either the Exportive or the Open Hybrid model firms.

Flexibility. Of the four types of approaches, the Open Hybrid system and the Adaptive are the most flexible while the Exportive is the least. Because Open Hybrids are able to borrow ideas from three sources—local firms, parent company, or other affiliates—there is substantial flexibility built into their approach to IHRM. Adaptive firms may in fact be even more flexible than Open Hybrid systems since the parent company neither monitors nor cares about whether the affiliate modifies its HRM system. The source of innovations and ideas is limited to local firms, however, and consequently the flexibility is constrained by the reduced pool of new ideas as compared to the Open Hybrid system which can draw on ideas generated by local firms, the parent company, or other affiliates.

On the other hand, both the Exportive and the Closed Hybrid systems are constrained in their flexibility. The Exportive model affiliates must often obtain permission from the parent company to adopt a change in HRM policies and practices and hence are dependent on only one source of ideas for HRM innovations. The insistence on adherence to the parent company HRM template also entails tight control by the parent company over the affiliate and a resultant loss of affiliate flexibility. Closed Hybrid systems are somewhat more flexible as they are permitted to move away from strict adherence to the parent company template. The lack of sharing of ideas between the affiliates, however, leads to a restriction on the number of new ideas the affiliate can access in order to make changes.

Discussion

The typology of IHRM presented above and the discussion of the impact of the different dimensions of the typology on critical organizational characteristics has important managerial and theoretical implications. These implications can be divided into two categories: (1) managerial implications for matching the IHRM approach to the international strategy of the MNC and (2) the typology's implications for theory and research on organizational learning in MNCs.

IHRM is the critical system that enables MNCs to implement their strategies; therefore, it is important to consider the impact of an MNC's IHRM approach on the firm's ability to enhance organizational learning, organizational flexibility, and integration (Bartlett & Ghoshal, 1989; Porter, 1986; Yip, 1992). This is particularly true for firms operating in global industries. For example, for firms that are operating in global industries which follow a global strategy (Porter, 1986), the use of an Adaptive approach will be ineffective since it leads to uncoordinated, unintegrated policies and low sharing of ideas and innovations. If a global firm has already adopted an Adaptive approach, then steps should be taken to move toward an IHRM approach that has more positive impact on the firm's ability to learn, to be flexible, and to integrate across borders.

In addition, each dimension of the IHRM approach—imprinting, attribution, and sharing—can be affected by the particular configuration of countries in which the MNC operates. Parent company imprinting, for example, may be more difficult to contemplate or achieve when the affiliate is in a country that is culturally distant from that of the parent company (Hofstede, 1980; Taylor et al., 1996). Whether internal or external attribution occurs can be affected by the environmental conditions of the countries in which the MNC is operating. For example, if the local labor environment in the host country is extremely different from that of the home country, expatriate managers may be more likely to attribute problems to external rather than internal causes due to their lack of familiarity with the skills and customs of the local workforce. Finally, the level of sharing also can be affected by the local environment. For example, local cultural norms concerning the desirability of sharing information may affect the MNC's ability to disseminate HRM innovations even when it wishes to. One of the key complaints of Japanese managers in the U.S., for example, is the hoarding of information by U.S. managers (Taylor, 1991). The effectiveness of an IHRM approach is thus potentially influenced by both the firm's strategy and the local environments in which the MNC operates.

In addition to considering whether the IHRM approach fits the strategy of the firm,

the decision of which approach to adopt must be made with a consideration of the cost of each approach in mind and be balanced against the resources of the firm. For example, a small MNC with a global strategy may not be able to incur the costs of an Open Hybrid model which involves considerable coordination time as well as meetings and communication among affiliate managers. Instead, the MNC may opt for an Exportive or a Closed Hybrid model, both of which would incur lower costs since diffusion is unilateral, and hence, coordination costs are low.

For researchers in this field, the typology also provides an important example of the effect of system design on the global learning capability of firms. In particular, it points to the impact of systems on the organization's ability to go beyond single-loop learning and utilize double-loop learning (Argyris, 1993; Fiol & Lyles, 1985; Nevis, DiBella, & Gould, 1995). For example, in our research we found that Exportive firms are particularly constrained in the organization's ability to examine the underlying assumptions of HRM philosophy, policies, and practices. Because only parent-company-created HRM innovations are shared and because local affiliate managers are not allowed to make independent decisions concerning the viability of new ideas, the organization remains locked in a parent-company-dominated way of approaching the problem of managing human resources. Even when innovations are made at the local level, they are seen as deviations from the norm and are made grudgingly. If the MNC encounters HRM difficulties in the parent company—as has happened with many Japanese firms facing the need to lay off substantial numbers of “permanent” employees in recent years—the parent company decision-makers have two weaknesses that other firms do not. First, because they have not engaged in double-loop learning, they are unaccustomed to evaluating their own assumptions about the management of human resources. Second, because they have blocked the sharing of affiliate HRM innovations with either the parent firm or between affiliates, they are short of ideas and knowledge of how to respond to such situations.

Another aspect of organizational learning illuminated by this study is the extent to which

learning can be transmitted to others (i.e., its transferability). Nonaka (1991) points out that knowledge can be classified into two types—explicit and tacit. Explicit knowledge is easily explained or transmitted to others. Tacit knowledge is difficult to state or explain and is embedded in understandings that cannot be codified easily. We found that much of the learning that Adaptive and Closed Hybrid firms experience is tacit; it cannot be explained easily or transmitted outside the affiliate. Often it is embedded in the experiences of individual managers who understand how things are done locally but see neither the need nor the way to explain it to the parent. “Things are simply done different here; headquarters doesn't understand,” was a phrase one manager used to characterize this learning in his firm. Exportive firms, on the other hand, acquire explicit, albeit shallow, knowledge. Many of the changes to policies they make are straightforward and transparent, for example, the development of an overtime policy that needs to be modified to conform to host country regulations. Finally, Open Hybrid affiliates acquire both explicit and tacit knowledge. Because they experience double-loop learning, the tacit knowledge is both about how the affiliate can be effective locally as well as how different policies fit together or coincide with the management philosophy. Explicit learning also focuses on two aspects of learning: (1) on specific policies and the ways in which they worked within the affiliate and (2) on how they would work in other settings. Quite often the latter type of explicit knowledge was developed through parent-designed workshops that brought together personnel managers from different affiliates within a region.

While we have based our typology on Japanese firms, as stated at the outset of this article, we believe this typology is generalizable across firms. Future research is needed to determine the applicability of this typology for MNCs from other countries. Given the relatively homogeneous home institutional context of Japanese MNCs (Lincoln, Hanada, & McBride, 1986), it is possible that further research on non-Japanese MNCs will find that the typology needs to be expanded. In addition, other research methodologies should be used to test the findings found in the present research, particularly with regard to

While we have based our typology on Japanese firms, as stated at the outset of this article, we believe this typology is generalizable across firms.

the relationship between the different IHRM approaches and other organizational characteristics and subsequently on affiliate and MNC performance. In addition, our extensive research program has led us to induce a

typology and a number of theoretical propositions, but we have not confirmed its or their validity. Future research is needed to refine and test the relationships that we have described.

ALLAN BIRD, Ph.D., University of Oregon, is Professor of Management and International Business in the College of Business, California Polytechnic State University. His research interests include issues relating to international assignments, aspects of Japanese HRM practices in overseas affiliates, and the application of natural science theories—quantum theory, field theory, and chaos theory—in analyzing organizational phenomena. His work has appeared in the *Academy of Management Journal*, the *Strategic Management Journal*, the *Journal of Organizational Behavior*, and the *Journal of International Business Studies*. He co-edited, with Schon Beechler, a forthcoming volume, *Japanese Multinationals Abroad: Individual and Organizational Learning*.

SULLY TAYLOR, Ph.D., University of Washington, is Associate Professor of International Management in the School of Business Administration, Portland State University. Her previous research has addressed international human resource management, with particular emphasis on Japanese multinationals as well as expatriate women. Her work has appeared in the *Academy of Management Review*, *Advances in International Comparative Management*, and the *Human Resources Planning*.

SCHON BEECHLER, Ph.D., University of Michigan, is Professor, Executive Education, Columbia Business School. Her current research projects focus on international management and strategy, specifically management of Japanese and American multinational firms in Southeast Asia and organizational competitiveness and the role of globalization and corporate culture in multinational firms. Previously she has published in the *Academy of Management Review* and the *Journal of International Business Studies*. More recently, she co-edited, with Allan Bird, *Japanese Multinationals Abroad: Individual and Organizational Learning*.

REFERENCES

- Argyris, C. (1993). *Knowledge for action*. San Francisco: Jossey-Bass.
- Baird, L., & Meshoulam, I. (1988). Managing two fits of strategic human resource management. *Academy of Management Review*, 14, 116–128.
- Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17(1), 99–120.
- Bartlett, C., & Ghoshal, S. (1986). Tap your subsidiaries for global reach. *Harvard Business Review*, Nov.–Dec, 87–94.
- Bartlett, C., & Ghoshal, S. (1989). *Managing across borders: The transnational solution*. Boston: Harvard Business School.
- Beechler, S. (1990). International management control in MNCs: The case of Japanese consumer electronics subsidiaries in Asia. University of Michigan Doctoral Dissertation.
- Beechler, S. (1996). Corporate strategies of Japanese and American MNCs in Southeast Asia: Key success factors. Paper presented at the annual meeting of the Academy of International Business. Banff, Canada, September.
- Beechler, S., & Bird, A. (1994). The best of both worlds? An exploratory study of human resource management practices in U.S.-based Japanese affiliates. In N. Campbell and N. Holden (Eds.), *Japanese Multinationals: Strategies and Management in the Global Kaisha*. London: Routledge.
- Beechler, S., Najjar, M., Ghosh, B.C., Dirdjosuparto, S., & Sieh, M. (1996). Influences on affiliate HRM systems in Japanese and American MNCs in Southeast Asia. Paper presented at the International Management Division, annual meeting of the Academy of Management, August.
- Beechler, S., & Taylor, S. (1994). The transfer of human resource management systems overseas: An exploratory study of Japanese and American maquiladoras. In N. Campbell & F. Burton (Eds.), *Global Kaisha* (pp. 157–185). London: Routledge.

- Beechler, S., & Yang, J. (1994). The transfer of Japanese-style management to American subsidiaries: Contingencies, constraints and competencies. *Journal of International Business Studies*, 25(3), 467–491.
- Bird, A., & Beechler, S. (1995). Links between strategy and human resource management strategy in U.S.-based Japanese subsidiaries: An empirical investigation. *Journal of International Business Studies*, 26, 23–45.
- Black, S., Mendenhall, M., & Oddou, G. (1992). *Global assignments*. San Francisco: Jossey-Bass.
- Fiol, C.M., & Lyles, M.A. (1985). Organizational learning. *Academy of Management Review*, 10(4), 803–813.
- Glaser, B., & Strauss, A. (1967). *The discovery of grounded theory: Strategies or qualitative research*. Chicago: Aldine.
- Gupta, A., & Govindarajan, V. (1991). Knowledge flows and the structure of control within multinational corporations. *Academy of Management Review*, 16(4), 768–792.
- Hofstede, G. (1980). *Culture's consequences*. Newberry Park: Sage Publications.
- Huber, G. (1991). Organizational learning: The contributing processes and the literatures. *Organization Science*, 2(1): 88–115.
- Kidder, L.H. (1981). *Selltiz, Wrightsman & Cook's research methods in social relations*. New York: Holt, Rinehart & Winston.
- Kogut, B. (1985). Designing global strategies: Comparative and competitive value-added chains. *Sloan Management Review*, 26, 15–28.
- Kras, E.S. (1989). *Management in two cultures*. Yarmouth, ME.: Intercultural Press.
- Lant, T., Milliken, F., & Batra, B. (1992). The role of managerial learning and interpretation in strategic persistence and reorientation: An empirical exploration. *Strategic Management Journal*, 13, 585–608.
- Lincoln, J., Hanada, M., & McBride, K. (1986). Organizational structures in Japanese and U.S. manufacturing. *Administrative Science Quarterly*, 31, 338–364.
- Malnight, T. (1995). Globalization of an ethnocentric firm: An evolutionary perspective. *Strategic Management Journal*, 16, 119–141.
- Martinez, J., & Jarillo, J. (1989). The evolution of research on coordination mechanisms in multinational corporations. *Journal of International Business Studies*, 20, 489–514.
- Milliman, J.M., Von Glinow, A., & Nathan, M. (1991). Organizational life cycles and strategic international human resource management in multinational companies: Implications for congruence theory. *Academy of Management Review*, 16(2), 318–339.
- Nevis, E., DiBella, A., & Gould, J. (1995). Understanding organizations as learning systems. *Sloan Management Review*, Winter, 73–85.
- Nonaka, I. (1991). The knowledge-creating company. *Harvard Business Review*, Nov.–Dec., 96–104.
- Ouchi, W. (1981). *Theory Z: How American business can meet the Japanese challenge*. Reading, MA: Addison-Wesley.
- Pascale, R., & Athos, A. (1981). *The art of Japanese management: Applications for American executives*. New York: Warner Books.
- Perlmutter, H. (1969). The tortuous evolution of the multinational corporation. *Columbia Journal of World Business*, January–February, 9–18.
- Porter, M.E. (1986). Competition in global industries: A conceptual framework. In M. Porter (Ed.), *Competition in Global Industries* (pp. 15–60). Boston: Harvard Business School Press.
- Prahalad, C.K., & Doz, Y.L. (1987). *The multinational mission*. New York: The Free Press.
- Rosenzweig, P.M., & Singh, J.V. (1991). Organizational environments and the multinational enterprise. *Academy of Management Review*, 16(2), 340–361.
- Rosenzweig, P.M., & Nohria, N. (1994). Influences on human resource management practices in multinational corporations. *Journal of International Business Studies*, 25(2), 229–251.
- Schuler, R., Dowling, P., & DeCieri, H. (1993). An integrative framework of strategic international human resource management. *International Journal of Human Resource Management*, 1, 717–764.
- Taylor, S. (1991). American managers in Japanese subsidiaries: How cultural differences are affecting the work place. *Human Resource Planning*, 14(1), 43–49.
- Taylor, S., & Beechler, S. (1993). Human resource management integration and adaptation in multinational firms. In S. Prasad & R. Peterson (Eds.), *Advances in International Comparative Management*, 8, 155–174.
- Taylor, S., Beechler, S., & Napier, N. (1996). Toward an integrated theory of strategic international human resource management. *Academy of Management Review*, 21(4), 959–985.
- Thompson, J. (1967). *Organizations in action*. Chicago: McGraw-Hill.
- Tichy, N., Brimm, M., Charan, R., & Takeuchi, H. (1992). Leadership development as a lever for global transformation. In V. Pucik, N. Tichy, & C. Barnett (Eds.), *Globalizing management* (pp. 47–60). New York: John Wiley & Sons.
- Ulrich, D., & Lake, D. (1990). *Organizational capability*. New York: John Wiley & Sons.
- Westney, D.E. (1990). Internal and external linkages in the MNC: The case of R&D subsidiaries in Japan. In C. Bartlett, Y. Doz, & G. Hedlund (Eds.), *Managing the Global Firm* (pp. 279–300). London & New York: Routledge.
- Yip, G. (1992). *Total global strategy*. Englewood Cliffs, NJ: Prentice-Hall.
- Yuen, E., & Kee, H.T. (1993). Headquarters, host-culture and organizational influences on HRM policies and practices. *Management International Review*, 33(4), 361–383.