

# Convergence of Management Practices in Strategy, Finance and HRM between the USA, Japan and Germany

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**ABSTRACT** The issue of convergence of management practices as between national business systems and cultures is contentious but important given increasing cross-continental cooperation and competition. This article investigates comparative practices in strategy, finance and human resource management in the USA, Japan and Germany. For strategy and finance we used field research in over 70 companies to gain access to top-level decisions; for HRM we surveyed top 500 companies, again in all three countries, yielding responses from 232 HRM managers. Two hypotheses, derived from rich research literatures, are explored. The first hypothesis suggests diffusion of 'best practices' for all three management areas – strategy, finance and HRM – to the point of convergence, in spite of national institutional and cultural factors. More specifically, the second hypothesis suggests even greater convergence at the strategic and financial level, given pressures from increasingly common customer and capital markets, as compared with HRM where cultural factors might remain more influential. We found German practices in strategy, finance and HRM lie midway between those in the USA and Japan, and some convergence across all three management areas, particularly between Germany and the USA. Surprisingly, most convergence was found at the HRM level, where imitation of worldwide 'best practices' proved more common.

**KEY WORDS** • convergence • finance • Germany • HRM • Japan • strategy • USA

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Since the dawn of classical management thought, dominant schools have tended to assume that economic imperatives create pressures for 'world best practices' in management, irrespective of cultural or national context (Smith and Meiksins, 1995). Any gap or difference is often just seen as potential for improvement (Spendolini, 1992) – an essential spur for systematic learning in the context of globalization (Levitt, 1983; Mueller, 1994). 'Best practice' from more advanced countries flows to latecomers, following and adopting similar organizational approaches according to some universal 'logic of industrialisation' (Kerr et al., 1960). Such scholars perceive effective management as largely independent from national culture and institutions and therefore tend naturally to be positive about learning from best practice in order to increase national competitiveness and, as a consequence, about cross-national convergence (Child and Kieser, 1979; Kerr et al., 1960; Levitt, 1983).

Quite how any 'one best way' is to be integrated organizationally, given patterns of national diversity, is however rarely explained (Smith and Meiksins, 1995: 251). Researchers emphasizing the embeddedness of national management methods in their cultural and institutional context tend, therefore, to be sceptical about the desirability or likelihood of any cross-national convergence (e.g. Hickson and Pugh, 1995; Hofstede, 2001; Laurent, 1983; Whitley, 1999).

Rather than positing such a strict dichotomy between convergence and continuing diversity, recent contributions (including ours here) tend to be subtler and more integrative (Quintanilla and Ferner, 2003). Frenkel and Peetz (1998), for example, observe an increasing trend towards convergence, triggered by mainly globalization forces, yet substantially mediated by national culture, national industrialization strategies, and the role of the nation state in devising national institutions.

Resolving this controversy is of practical

importance. Cross-continental acquisitions and alliances and subsidiary management require sensitive understanding of remaining international differences. Cross cultural surveys still highlight deep-rooted differences pertinent, in particular, to human resource management (HRM) concerns. Yet examples like Nissan suggest signs of policy convergence towards the US model in areas such as strategy and finance, and even radical changes of corporate culture (Ghosn, 2002; Magee, 2003). How far has convergence gone and which functions have been most affected?

## Literature Review

Our analysis focuses on the USA, Japan and Germany as the three largest world economies, and as exemplifying the three main varieties of market economies: the free market economy of Anglo-Saxon countries (USA), the government-induced market economy of East Asia (Japan) and the social market economy of continental Europe (Germany). Convergence, if detected, would thus reflect convergence across continents and substantially different economic systems, rather than just across countries.

Furthermore, we decided to investigate possible convergence tendencies across three specific management areas: strategy, finance and HRM. Corporate strategy is about giving the company direction and purpose, deciding how resources are to be deployed and coordinating the flow of authority among all members of the organization. As the formulation of corporate strategy precedes and largely determines the organization of the various specific management functions and links them together, it is of particular interest to investigate if there are cross-national convergence tendencies in this area. As compared with the USA, German and Japanese companies have often been considered more strategic and less financial in orientation (Hayes and Abernathy, 1980; Hayes and

Limprecht, 1982; Lorrigan and Kenjo, 1996). Convergence pressures, though, may have arisen from international competition inducing similar global strategies (Ohmae, 1990, 2001), though not always (Baden Fuller and Stopford, 1991; Ghemawat and Ghadir, 2000), or from capital markets, encouraging more similar shareholder value-driven approaches (Rappaport, 1986). Such effects are likely to permeate through to all policy areas (including HRM), facilitated by improved communications and dissemination of best practices as management becomes more professionalized worldwide. On the other hand, such arguments downplay differences in national systems and cultures as sources of competitive advantage (Dawar and Frost, 1999; Hirst and Thompson, 1996: 186–7; Lane, 2001: 85; Porter, 1998: 197–287, 309–48; Streeck, 1992: 172, 175). These may merit subtler policy responses rather than radical convergence (e.g. Hall and Soskice, 2001: 222; Whitley, 1992, 1996, 1999).

Next to strategy, finance and HRM were chosen as two specific management functions to be investigated for convergence. Finance is considered to be more technical and less subject to country-specific influences of culture and the institutional environment (capital markets). However, assumptions underlying efficient capital markets in the USA (Modigliani and Miller, 1958) may still be violated by institutional and governance arrangements in countries such as Japan (Davis and Steil, 2001; Demircuc-Kunt and Levine, 2001; Hoshi and Kashyap, 2001; Stulz, 2001). There is evidence of institutional change in Germany and even some signs in Japan (Dore, 2000; Kitschelt and Streeck, 2004; Yamamura and Streeck, 2003); but some financial practices do seem to vary worldwide (O'Sullivan, 2000: 258; Solnik, 2000: 258; Strange, 1997: 237; 1998: 115). Strategy and finance are much discussed (Eisenhardt, 1990; Mintzberg, 1994; Noorderhaven, 1995; Nutt, 2002), but empirical

research on practices has tended to be more limited to strategic planning and investment appraisal, and mainly in Britain and the USA (Goold and Campbell, 1987a, b).<sup>1</sup> Jurgens et al. (2000) evidenced German management Boards placing comparatively less emphasis on 'meeting financial goals', but also some signs of greater shareholder value orientation. The same shift was noted in companies such as Bayer and Vebe by Beyer and Hopner (2004) who traced the effects of institutional changes; at DaimlerChrysler by Benoit and Barber (2000) and in more internationally orientated German companies by Meyer-Larsen (2000) who noted the infusion of American management models. On the other hand top executives at Siemens (certainly until recently) explicitly downplayed pressures from financial markets and such changes there have proved more limited.

HRM is arguably the management area that is most closely related to the respective country-specific cultural environment. Cultural differences seem remarkably consistent over time (Hampden-Turner and Trompenaars, 1994; Hofstede, 2001; House et al., 2002; Javidan and House, 2002) and might seriously inhibit any tendency to convergence. Some values, such as future orientation, where practices score respectively 4.29 and 4.27 in Japan and Germany compared to 4.15 in the USA, may reinforce resistance to convergence in respect to strategy and especially finance.<sup>2</sup> Yet such values would be expected to be even more influential in respect to the HRM function. Power distance scores, for example, are higher in Japan and Germany compared with the USA, though assertiveness and performance orientation scores are lower. Collectivist value scores are relatively higher in Japan, while uncertainty avoidance scores are higher in Germany.<sup>3</sup> As an institutional environmental factor, the industrial relations system is also frequently considered to be particularly country specific (Whitley, 1999). Evidence of cross-national transfer of management practices is, how-

ever, also found in the area of HRM (see e.g. Béret et al., 2003; de la Garza, 2001; Gamble, 2003). In Japan, for example, changes at Nissan following its alliance with Renault seem to have confounded the expectations of institutional and cultural experts, but again there is a need for more extensive research.

Our article addresses these important issues by examining first how practices in strategy, finance and HRM differ in the USA, Japan and Germany and, second, if and to what degree there are cross-national convergence tendencies. Given competing pressures from globalization and professionalization of management practices to adopt best practices, on the one hand, and institutional and cultural differences, on the other, we consider two broad hypotheses regarding 'convergence':

*Hypothesis 1* suggests diffusion of 'professional management' practices in strategy, finance and HRM leading to a degree of convergence, in spite of national institutional and cultural factors.

*Hypothesis 2* suggests greater convergence at the strategic and financial level, given pressures from increasingly common customer and capital markets, as compared with HRM where cultural and institutional factors might remain even more influential.

## Methodology

To facilitate international comparability and understanding of strategic and financial issues we focused on a single industry, vehicle components, where a highly international customer base afforded common strategic themes. Earlier field research from 1980 to 1983 in these same countries and the same industry established some longitudinal perspectives (Carr, 1985, 1990). From 1989 onwards this research focused more sharply on strategic investment decisions (SIDs), selecting generally just one such SID case study for each company visited, because of the complexity of such decisions and the

requirement for robustness (Barwise et al., 1986; Rajagopalan et al., 1993).<sup>4</sup> This delivered credible sample sizes, while enabling us to investigate the roles of strategy and finance in reasonable depth.<sup>5</sup>

Interviews were used here in preference to arms-length survey techniques, as executives considered their SIDs complex and commercially sensitive. Top-level strategic and financial decisions may even become politicized to the extent that many formal procedures and techniques become almost 'ritualized' (Kennedy and Sugden, 1986; Mintzberg, 1985; Pettigrew, 1987; Smith, 1992). Research methods therefore now tend to favour field research and deeper strategic investment decision case studies (Barwise et al., 1986, 1989; Butler et al., 1993). Interviews were based on the skeletal questionnaire constructed from earlier published pilot studies (Carr et al., 1991), covering the SID 'story' as shown in our Appendix. The 'story' comprised: the roles of key actors (particularly those of the chief executive, strategic planners and finance directors); techniques of formal strategic and financial analysis; the underlying strategies involved; subsequent control systems; decision-making processes and views on international differences.

In Germany 25 vehicle component companies were interviewed between 1989 and 1991, each offering one SID. Interviews were subsequently extended to the USA and Japan using the same skeletal questionnaire. In the USA 11 vehicle component companies were visited in 1994, followed by 11 in Japan in 1995, yielding 14 and 13 further cases respectively (with five companies being able to provide two SIDs in sufficient depth to justify their inclusion). Key differences between all 52 SIDs were analysed from the viewpoint of the finance function and published in Carr and Tomkins (1998). To update this picture further, and to provide some indication of convergence, a further 13 vehicle component companies were visited between 1996 and 1998: these were in

Germany and they yielded 17 SID cases. By country of ownership 12 were German, but five were multinationals (three US and two Japanese), affording some insight into more recent American and Japanese practices. Finally, we re-interviewed one major company in the USA in 2002 and another in Japan in 2003, to provide just some indication of even more recent developments. A total of 59 organizations were interviewed (excluding subsidiaries duplicated at head offices).

For our HRM investigation the heads of HR departments (usually vice president level) from the 500 largest companies in each of these same three countries were surveyed, using a questionnaire previously developed by one of the authors. It was assumed that managers at such a senior level had the best experience of, and insights into, the matters being surveyed. Large companies were chosen because knowledge and understanding of foreign management practices are likely to be greater in them than in small or medium-sized companies. Questionnaires were distributed by mail, in English, Japanese or German, depending on the receiver. The method of back-translation was employed in order to secure consistency among the three versions. Of the HR managers approached, 107 (21%) of the German managers, 68 (14%) of the Japanese, and 57 (12%) of American managers responded. Subsequent analysis will therefore be based on responses from 232 senior HR managers. To clarify survey responses, a series of follow-up interviews were carried out at headquarters and in subsidiaries, again in all three countries. Further information on methodology and statistical techniques is provided in our results sections (see also Pudelko, 2004, 2005a).

In the first two results sections we compare data from SID case studies to provide evidence about the extent of international differences in strategic and financial approaches, and possible indication of changes over

time. First we analyse financial techniques and targets critically influencing these SIDs; second, the relative weightings of strategic as compared with financial considerations; and third, the more specific influences arising from formal strategic planning procedures and techniques utilized. In the third results section we analyse HRM practices. We report data first on HRM models of all three countries; second on the adoption of HR practices from the respective other two countries; third on the specific attributes considered worth adopting; and fourth on perceived convergence tendencies. Finally findings are discussed in the light of theoretical themes and hypotheses already highlighted, leading to overall conclusions.

## Finance Findings

Our reporting approach first analyses key differences across all three countries, and then the extent to which these may or may not have diminished.

While all US vehicle component companies interviewed in the first period made *some* use of discounted cash flow (DCF) analysis when investing, confirming earlier US survey research (Klammer, 1972; Klammer and Walker, 1984), this was far less true of Germany (just 28%) and especially Japan (just 18%). However, to compare the real impact of finance and strategy, we need to establish which measure is the *critical* driver for any SID – an issue less amenable to survey research methods. Table 1 therefore analyses *key* financial drivers for 78 SIDs for the period 1989–95 and for 22 SIDs for 1996–98.

About half the US companies prioritized DCF as the *key* financial measures for SIDs, compared with around 20% of German companies. At the other extreme, not one Japanese company prioritized this financial measure, most favouring more traditional payback measures for strategic investments. The proportion of German companies



**Table 1** Key financial techniques used in SIDs by vehicle component companies and influences versus strategy<sup>a</sup>

Management practice	US companies & SIDs			German companies & SIDs			Japanese companies & SIDs		
	1994 HQ	96-98 Subsid	Tot/av <sup>b</sup>	89-91 HQ	96-98 Subsid	Tot/av	1995 HQ	96-98 Subsid	Tot/av
Company numbers	11	3	14	25	10	35	11	2	13
<i>Financial targets</i>									
SID nos	14	3	17	25	12	37	13	2	15
SIDs using DCF at all %	100			28			18		
SIDs using DCF as key %	50	33	47	16	25	19	0	0	0
SIDs using payback as key	14	0	12	52	50	51	69	50	66
SIDs using RoC as key	22	33	24	24	0	16	7	50	13
SIDs using other measures as key	14	34	18	8	25	14	14	0	12
IRR target %	20	20	20	14	17	15	na	na	na
Payback target yrs	4	na	4	5	5.3	5.1	5.5	6	5.6
% flexible on payback targets	50	na	50	86	100	90	100	100	100
RoC % sought	20	20	20	22	na	22	11	10	10.5
<i>Financial vs strategy influences</i>									
Influence of financial calculus %	49	45	48	15	18	16	15	5	14
Infl. of value chain relationship %	9	15	10	44	29	39	53	32	50
Infl. of cost driver analysis	3	3	3	7	7	7	3	50	9
Infl. of comp adv. analysis	46	37	44	31	41	34	29	13	27
Infl. of other factors % <sup>c</sup>	0	0	0	3	5	4	0	0	0

Notes:

<sup>a</sup> A hurdle rate is the financial target that an investment is expected to achieve. For further analysis, including differences as between public and smaller family firms, see Carr (2005).

<sup>b</sup> Averages are weighted, based on the number of SIDs involved, though subsidiary data should really be treated as more indicative as HQ data more reliably reflect the country of origin.

<sup>c</sup> Some investments were found to be influenced more by emotional/internal political factors to the extent that more rational, 'objective', financial or strategic targets were more ritual than reality (Kennedy and Sugden, 1986). Where this was clearly the case part of the SID influence score was assigned to this column.

prioritizing DCF measures has moved up from 16% to 25%, suggesting some convergence with US practices, but their predominant measure is still payback – being used by about half of them in both periods. By contrast very few US companies prioritized payback methods. Half the Japanese companies prioritized return on capital (RoC) measures, compared with around a quarter of both US and German companies, though some prioritized other general measures. One Japanese company was re-interviewed in Japan in 2002 but had not changed its key measure, a variant on the payback method, since 1995. Their strategic planner confirmed that they still made no use of DCF methods, which were considered difficult to use. The US company re-interviewed at Head Office in 2003 still prioritized DCF, but sometimes now gave more weight to payback methods (previously deemed crude and traditional) because of a turnaround crisis.

US targets have been consistent at 20% internal rate of return (IRR), with paybacks averaging four years. At the other extreme, Japanese companies' payback targets are longer term at just over five and half years, having increased slightly, and they still did not prioritize US-style DCF hurdles. RoC targets likewise remained at about 10% compared with 20% in the USA. The Japanese company re-interviewed in 2002 still used the same '3/5 rule' as in 1995: that is, 3 years to profit on a yearly basis and 5 years to pay back the investment. For domestic investments there was now pressure to shorten this payback to 3.5 years, but targets had not changed on larger green-field sites and this was still not considered to be 'a very strict rule'. The US company re-interviewed in 2003 still set the same formal IRR as before, but was now veering towards even shorter term paybacks than previously.

Any German model of financial practice sits midway between these two extremes, although here there has been some substantial convergence with the USA, particularly

in companies already prioritizing US-style DCF methods. Between 1989 and 1991 their IRR targets were some 30% lower than US companies interviewed in 1995, but by 1996–98, any remaining difference on IRR targets appears to have come down to just 3% in absolute terms – which is fairly consistent with cost of capital differences. (Interestingly German companies prioritizing RoC targets set these at virtually the same levels as in the USA.) This said, more traditional German companies prioritizing payback targets show little sign of convergence. Their payback targets at just over five years remain substantially higher than in US companies using this method, and they seem to display an orientation almost as long term as Japanese vehicle component companies. Furthermore, most German companies displayed some flexibility on these payback targets, as in Japan, compared with only about half the US companies.

Each SID was scored in terms of the percentage weightings placed on the financial calculus compared with other broader strategic considerations (for further details see Carr, 2005). Average scores, shown in Table 1, suggest the real *influence* of financial calculations (as compared to other broadly strategic considerations) has remained consistently at a little under 50% for US companies, compared with about 15% for German and Japanese SIDs. Financial influences had slightly increased in more recent interviews in Germany and in the Japanese company re-interviewed in 2002, where executives raised the previously assigned score of 20% to 25%.

## Strategy Findings

The real influence of strategy (as opposed to finance) appeared correspondingly higher for German and Japanese SIDs. Table 1 scores indicate though also very different attitudes to the importance of customer relationships. Indeed in earlier German and Japanese

SIDs financial calculations were sometimes explicitly ignored or over-ruled where they conflicted with valued customer relationships. (For further executive quotes explaining their attitudes and reasoning here, again see Carr, 2005.) However, strategic planners in two German companies interviewed more recently indicated some change in attitudes. One felt that: 'two thirds of my job is now finance'. Another stated 'there is no business strategy which has no good [shareholder] value', though he felt that what they did on the broader strategy side was '10 times, if not 100 times more important than the financial side'.

Up to 1995, formal techniques of strategic planning were most evident in US SIDs: 85% of US companies used SWOT (strengths, weaknesses, opportunities and threats) analyses on SIDs; 69% used formal competitor appraisals; 62% claimed to be pursuing some form of market leadership strategy; and about half were aware of Porter's (1980) techniques though not all found his messages convincing. Formal strategic reviews also seemed well integrated in investment decision-making processes. By contrast only 24% of German SIDs (between 1989 and 1991) made substantial use of formal strategic planning techniques, and German executives were often sceptical of bureaucratic planning methods and generalized strategy techniques such as Porter's. One German CEO commented: 'The Americans have all these techniques and MBAs but, if they are so good, why is it that we are beating them in the market place.' Formal strategic planning, including SWOT analysis, was used in half the Japanese SIDs researched, but was probably only really influential in about a third, and only one company made any use of Porter's techniques.

US subsidiaries interviewed in 1996–98 all asserted explicit strategies directed towards worldwide market leadership. Formal SWOT analyses seemed well integrated in all three SIDs. By comparison we scored the two Japanese subsidiaries at an average of 9.5 out

of 10 in terms of their assertion of explicit worldwide leadership strategies and 8 out of 10 in terms of having formal SWOT analyses well integrated in SIDs; not really such a big gap. The 12 German SID scores conducted on the same basis averaged a little lower at 8 and 7.5 on the same issues.<sup>6</sup>

To guard against mere rhetoric, we scored SIDs again out of maximum 10, first in terms of the thoroughness evidenced in strategic decision-making processes and, second, on the real impact of this formal process on SIDs.<sup>7</sup> US average scores on both these bases fell to about 8.7; Japanese average scores were again a little lower at 7 and 7.5 respectively, though a little higher than German scores at 6.9 and 6.1 respectively. Finally we scored SIDs, first for evidence of utilizing competitive strategy or industry analysis techniques as developed by Porter and, second, for their acceptance of this approach (a score of 0 implying total rejection). US scores averaged 7.3 and 4.7, implying usage blended with a fair degree of scepticism, and Japanese scores averaged 6.5 and 2, compared with 4.6 and 2.6 for German SIDs, implying even greater scepticism. Japanese approaches may not really have changed very much in relation to sharper distinctions observed earlier. Our Japanese company re-interviewed in 2002 was quite as explicit about its worldwide strategy as US companies but suggested that its 'long-term stance is not so much changed'.

Overall, we would conclude that US companies still place more weight on *formal* strategic planning approaches than Japan or Germany, though the differences may have narrowed slightly. There is however a fair degree of 'lip service' in German and particularly Japanese SIDs.

## Human Resource Management Findings

A set of 20 pairs of opposing statements, covering seven areas of HRM, was devel-



oped on a fairly comprehensive basis to form a questionnaire. HR chiefs were asked to indicate on a six-point scale between these pairs of opposing statements how they perceived HRM practices prevalent in their own countries. The survey items were developed on the basis of the relevant literature, but not taken directly from it. Using content-oriented scale anchors and a six-point scale avoids the acquiescence effect often found in scales expressing agreement and the medium response effect found with scales with a distinct mid-point. Table 2 depicts the opposing statements, the arithmetic means in between those statements, calculated for the responses from each country, and the degree of statistical significance of the collectively tested differences between responses from all three countries. The lower (higher) the mean, the more the data lean to the left (right) side of the scale.

The three countries display statistically significant differences in 16 of the 20 opposing statements, with the USA and Japan lying at opposite poles and with Germany in the middle, though slightly closer to the USA.<sup>8</sup> This is a striking similar pattern to our findings on strategy and finance. Broadly speaking the American HRM model appears to be oriented toward 'short-term performance efficiency based on flexible market structures and profit orientation', while the Japanese model emphasizes what could be labelled 'long-term behavioural effectiveness based on cooperative clan structures and growth orientation'.

To pick up any signs of past or future convergence tendencies, HRM managers were then asked whether companies from their own countries had oriented themselves toward, or adopted, particular HRM practices from either of the other two countries since the 1980s. This question was subsequently repeated, this time also inquiring about any expected orientation toward the other country models in the forthcoming years.

Regarding the time period from the 1980s to the present, the data from the 232 respondents suggest that Japanese and German companies have oriented themselves to some degree toward American HRM practices. In comparison, the orientation of American and German corporations toward the Japanese model has been significantly less. Neither American nor Japanese companies have oriented themselves in any meaningful way toward German HRM.

With regard to the HR managers' prediction about the orientation toward the other models in the near future, the results strongly resemble those relating to the past. American HRM practices were again perceived as the strongest source of inspiration. The Japanese HRM model came in second, but was rated more negatively by both American and German HR experts as compared with data referring to the past. Japanese HRM seems to have become less attractive as a role model. Scarcely any US or Japanese HRM managers turned to German HRM for inspiration.<sup>9</sup>

HR managers were subsequently asked open-ended questions to determine more specific attributes of the other HRM models that they considered worth adopting. Of 495 items raised by the respondents, 353 referred to practices to be adopted from the USA, 131 referred to practices to be adopted from Japan and just 11 to practices to be adopted from Germany (reinforcing comments above). There is again a striking decline in attributes provided by American and German HR managers for learning from Japan in the future in comparison to those given by them for the past.

With regard to the *adoption of American HRM practices by Japanese companies*, 169 items were mentioned. It should be noted here that the rather inclusive attribute 'due to globalization and liberalization adoption of American management is unavoidable' was given just once for the past but eight times for the future. This increase indicates that

**Table 2** HR managers' assessment of the main characteristics of their own HRM system (arithmetic means)

	USA	GER	JPN	
<i>1. Recruitment and release of personnel</i>				
1.1 Finding the best qualified candidate (from within the company or externally) for a predefined position (job-oriented)	2.68	2.70 ***	4.74	Recruitment of new graduates to a permanent employer-employee relationship; more senior positions are filled exclusively using internal personnel (people-oriented)
1.2 Selection based on performance and expertise in a given area	2.51	2.70 ***	4.90	Selection based on interpersonal skills
1.3 High labour turnover (low degree of loyalty between employer and employee)	2.96	4.63 ***	4.97	Low labour turnover (high degree of loyalty between employer and employee)
<i>2. Training and development provided by the company</i>				
2.1 Training focused on specific knowledge for narrowly defined tasks (goal: to create a specialist)	3.35	3.50 **	4.00	Widespread training for broadly defined tasks (goal: to create a generalist)
2.2 Tendency to be limited and focused on the individual	3.19	3.52 ***	4.34	Tendency to be extensive and focused on the work group
2.3 Little effort to mould the employee in accordance with the company's culture	4.11	3.56 ***	3.87	Much effort to mould the employee in accordance with the company's culture
<i>3. Employee assessment and promotion criteria</i>				
3.1 Heavy weight on individual achievements	2.09	2.48 ***	3.03	Heavy weight on seniority and contribution to collective achievements
3.2 Primarily formal, quantifiable promotion criteria (results oriented)	3.07	3.01 -	3.10	Primarily informal, non-quantifiable promotion criteria (behaviour-oriented)
3.3 Career path usually confined to one department or area	3.25	3.49 ***	4.25	Career path encompassing several departments and areas
<i>4. Employee incentives</i>				
4.1 Primarily material incentives	2.84	3.08 -	3.15	A mix of material and non-material incentives
4.2 Pay depends on individual performance	2.30	2.76 ***	3.04	Pay depends on seniority
4.3 Very large difference in pay between top managers and average workers (more than 100-fold)	1.98	3.61 ***	5.59	Little difference in pay between top managers and average workers (less than 20-fold)
<i>5. Communication within the company</i>				
5.1 Coordination primarily through vertical communication	2.61	3.09 ***	3.13	Coordination primarily through horizontal communication
5.2 Brief, highly structured and efficient communication	3.31	3.39 -	3.63	Detailed extensive communication, also in order to promote a harmonious work environment

*continues*

**Table 2** Cont.

	USA	GER	JPN	
6. <i>Decision making within the company</i>				
6.1 Top-down decision making	2.49	2.21 ***	2.97	Bottom-up decision making
6.2 Authoritative, individual decision-making behaviour where conflict is accepted	3.46	3.22 ***	4.31	Participative, collective, and consensus-oriented decision-making behaviour
6.3 Tendency to base decisions on quantitative variables ('hard facts')	2.50	2.75 ***	3.74	Tendency to base decisions on qualitative variables ('soft facts')
7. <i>Superior-subordinate relationship</i>				
7.1 Task-oriented	2.72	3.24 ***	4.18	Person-oriented
7.2 Characterized by regulations	3.40	3.41	3.76	Characterized by common values
7.3 Superior is concerned only with the performance of the subordinate	3.28	3.51 ***	4.35	Superior is also concerned with the well-being of the subordinate

Notes: The computation of the significance level is based on the Wald test for equality of coefficients. \*\*\*, \*\* and \* indicate statistical significance at the levels of 1%, 5% and 10%, respectively, - indicates no statistical significance.

Japanese managers desire a major change of their own management system. A reorientation in Japanese HRM can also be inferred from the mention of the following closely connected attributes: 'performance, result and objective orientation, respectively turning away from the seniority principle' (mentioned 59 times in total). This is by far the most frequently brought up set of attributes of the American HRM model that the Japanese HR managers wish to adopt. Other attributes suggesting a major reorientation are: 'turning away from lifelong employment, respectively flexibility of recruitment, release of personnel and change of employer' (15) as well as 'increased formation of specialists and turning away from the formation of generalists' (7). Thus, with the seniority principle (mentioned in the context of both HRM areas, *employee assessment and promotion criteria* as well as *employee incentives*), lifelong employment (HRM area: *recruitment and release of personnel*) and the formation of

generalists (HRM area: *training and development*) three key elements of the traditional Japanese HRM model appear to be significantly in decline. The move (or convergence) toward American practices appears of such fundamental order that the term 'paradigm shift' seems justified.

Regarding the *adoption of American HRM practices by German companies*, 184 items were raised. Similar to the ranking of the Japanese managers described above, the 'performance and result orientation', with regard to the HRM areas *employee incentives* (17) as well as *employee assessment and promotion criteria* (10), was the most frequently named attribute for the German managers as well. This was followed by 'more individuality, flexibility and variability concerning remuneration' (12) (HRM area: *employee incentives*) and 'participative leadership and team work' (13) (HRM area: *superior-subordinate relationship*). Finally, it is of interest that the general statement 'flexibility, promptness and mobility' was mentioned just

once concerning the past, but 16 times with a view to the future. Overall, performance orientation and the need for more flexibility, individuality and mobility are the most striking features the German HRM managers perceive as attractive about the American HRM model. These answers are similar to the ones provided by the Japanese respondents, suggesting cross-national convergence tendencies going very much in the same direction. However, unlike the situation in Japan, the move toward the American model by German companies should not be perceived as a paradigm shift, given the fact that German HRM practices were already significantly closer to American practices than were the Japanese (see Table 2).

Regarding the *adoption of Japanese HRM practices by American and German companies*, the following statements can be made. The American respondents mentioned only 21 items, of which 17 were referring to a past orientation and only 4 items to a future orientation. The German experts raised many more items, in total 110, but again most were mentioned in the context of the past (87) as opposed to the future (23). 'Kaizen/continuous improvements', for example, dropped as an attribute worth adopting from 19 to 2 and 'quality orientation and total quality management' fell from 12 to 1. Consequently, there is no convergence toward the Japanese model taking place, to the contrary it appears that American and German HR managers lose interest in this model. This observation only confirms the decline of the Japanese model, which even the Japanese HR experts themselves appear to have judged increasingly critical.

As for *adoption of German HRM practices by American and Japanese companies*, so few items were mentioned (11, all by the Japanese and none by the Americans) that clearly German HRM practices offer no inspiration for either American or Japanese HRM managers.

The American HRM model thus provides something of a reference point for

convergence. Two measures correspondingly merit further interest: the actual and current 'distance' of the Japanese and German practices from the American model and the degree to which Japanese and German practices are expected in the near future to (further) approximate the American model. As key characteristics of the American model, the statements on the left side of Table 2 have already been identified (with the right side essentially describing the key characteristics of the Japanese model). Table 3 replicates these 20 pairs of opposing statements, and in between them two sets of ratings are provided. On the upper row between each pair of opposing statements the level of statistical significance is depicted, indicating the degree to which the Japanese and German HRM practices are currently statistically different from the American practices. The rating on the lower row between each pair of opposing statements shows the degree to which convergence toward American practices can be expected in the near future for this particular practice. This second rating, in contrast to the first, is not a statistical computation, but a rating provided by the authors on the basis on the information provided by the respondents. For example, as many of the Japanese and German respondents strongly expressed the wish to adopt from the American HRM model more performance orientation with regard to promotion and remuneration, statements 3.1 and 4.2 in Table 3 received the highest rating for both countries. A comparison of the current differences (upper row) and expected convergence tendencies in the near future (lower row) shows we cannot conclude that one leads to the other. We find examples of strong current differences from the American practices combined with weak expectations of convergence (e.g. for Germany statement 1.3 and for Japan statement 2.2) as well as strong expectations of convergence (e.g. for Germany and Japan statement 4.2); and we also find examples of



**Table 3** Current difference from American HRM practices and expected convergence tendencies toward American HRM practices

	GER/ USA	JPN/ USA	
<i>1. Recruitment and release of personnel</i>			
1.1 Finding the best qualified candidate (from within the company or externally) for a predefined position (job-oriented)	—	***	Recruitment of new graduates to a permanent employer-employee relationship; more senior positions are filled exclusively using internal personnel (people-oriented)
	—	**	
1.2 Selection based on performance and expertise in a given area	—	***	Selection based on interpersonal skills
	—	**	
1.3 High labour turnover (low degree of loyalty between employer and employee)	***	***	Low labour turnover (high degree of loyalty between employer and employee)
	*	***	
<i>2. Training and development provided by the company</i>			
2.1 Training focused on specific knowledge for narrowly defined tasks (goal: to create a specialist)	—	**	Widespread training for broadly defined tasks (goal: to create a generalist)
	—	***	
2.2 Tendency to be limited and focused on the individual	—	***	Tendency to be extensive and focused on the work group
	—	—	
2.3 Little effort to mould the employee in accordance with the company's culture	**	—	Much effort to mould the employee in accordance with the company's culture
	—	—	
<i>3. Employee assessment and promotion criteria</i>			
3.1 Heavy weight on individual achievements	*	***	Heavy weight on seniority and contribution to collective achievements
	***	***	
3.2 Primarily formal, quantifiable promotion criteria (results oriented)	—	—	Primarily informal, non-quantifiable promotion criteria (behaviour-oriented)
	—	—	
3.3 Career path usually confined to one department or area	—	***	Career path encompassing several departments and areas
	—	—	
<i>4. Employee incentives</i>			
4.1 Primarily material incentives	—	—	A mix of material and non-material incentives
	—	—	
4.2 Pay depends on individual performance	***	***	Pay depends on seniority
	***	***	
4.3 Very large difference in pay between top managers and average workers (more than 100-fold)	***	***	Little difference in pay between top managers and average workers (less than 20-fold)
	—	—	
<i>5. Communication within the company</i>			
5.1 Coordination primarily through vertical communication	**	***	Coordination primarily through horizontal communication
	—	—	
5.2 Brief, highly structured and efficient communication	—	*	Detailed extensive communication, also in order to promote a harmonious work environment
	—	*	

continues



**Table 3** Cont.

	GER/ USA	JPN/ USA	
6. <i>Decision making within the company</i>			
6.1 Top-down decision making	*	***	Bottom-up decision making
	–	–	
6.2 Authoritative, individual decision-making behaviour where conflict is accepted	* *	*** **	Participative, collective, and consensus-oriented decision-making behaviour
6.3 Tendency to base decisions on quantitative variables ('hard facts')	– –	*** –	Tendency to base decisions on qualitative variables ('soft facts')
7. <i>Superior-subordinate relationship</i>			
7.1 Task-oriented	***	***	Person-oriented
	–	–	
7.2 Characterized by regulations	–	**	Characterized by common values
	–	–	
7.3 Superior is concerned only with the performance of the subordinate	– –	*** –	Superior is also concerned with the well-being of the subordinate

*Notes:* For the first row \*\*\*, \*\* and \* indicate statistical significance at the levels of 1%, 5% and 10%, respectively; – indicates no statistical significance. These significance levels are calculated on the basis of the data already discussed in connection with Table 2, using again the Wald test for equality of coefficients. For the second row \*\*\*, \*\* and \* indicate the degree to which convergence toward American practices appears to take place, – indicates no sign of convergence. We based our ratings on the answers provided by the Japanese and German HR managers regarding to what extent they like to see specific attributes adopted from American companies. The key findings have been reported in the text.

weak current differences from American practices combined with weak expectations of convergence (e.g. for Germany and Japan statement 3.2) as well as strong expectations of convergence (for Germany statement 3.1).

Significance levels in the upper rows of Table 3 indicate that Japanese HRM practices are significantly more different from the American ones as compared with Germany. This is not surprising as the American and Japanese HRM models have already been described as largely opposing each other, with the German model in between. The lower rows demonstrate that Japanese managers expect a greater degree of convergence towards the American model than do the Germans. That does not necessarily mean the Japanese practices will end up closer to the American practices than the German

ones, after all their current position is clearly much 'further away'. Furthermore, convergence tendencies seem unlikely to be 'across the board'. *Communication, decision making* and the *superior-subordinate relationship* appear to remain largely unaffected by convergence tendencies. And even within one HRM area, specific practices might be subject to very strong convergence, while other practices in the same area are expected to remain largely unchanged. For example, with regard to *employee incentives* there are clear signs of convergence towards more performance orientation. In contrast, the substantial pay differences that exist between American workers and top managers (more than 100-fold) are not likely to be replicated in either Japan or Germany.

This conclusion is very much in line with

the predictions of the questioned HR managers themselves: 75% of the American, 87% of the Japanese and 80% of the German respondents foresee that the HRM models 'will become in some ways similar, without converging on an essentially common model'. In contrast, only 16%, 6% and 19%, respectively, expect that the HRM models 'will always remain very different'; and just 10%, 7% and 1% predict 'convergence on an essentially common model'.

In summary, we find *some* support for Hypothesis 1, which suggested diffusion of 'professional management' practices in strategy, finance and HRM leading to a degree of convergence. However, our findings surprisingly contradict Hypothesis 2, which suggested greater convergence at the strategic and financial level as compared with HRM, where cultural and institutional factors would have remained more influential. German and particularly Japanese companies show some convergence toward the American HRM model, but the process here is selective and focuses just on specific HRM practices.

## Discussion

In the following we will discuss the findings with regard to any gap between Japanese and German practices in strategy, finance and HRM as compared to American practices and highlight where convergence towards the American model takes place. Table 4 summarizes the key findings.

In interpreting our first set of strategy and finance findings, we must recognize that while 'matching' on a sector basis affords greater access and depth on strategic decisions, they cannot be as representative of all sectors as our second set of data from the HRM surveys.

On the financial side, formalized techniques such as DCF (discounted cash flow) were less influential as key drivers on SIDs (strategic investment decisions) than sug-

gested by financial theory or by recent surveys (Butler et al., 1993). They proved critical in about half the US SIDs, and we found no indication of any increase. For German SIDs the proportion is only a quarter, but this proportion has increased from just 16% almost a decade earlier. Furthermore German IRR (internal rates of return) targets, where set, have moved up to 17%, much closer to US targets which have remained steady at 20%.<sup>10</sup> This confirms some remaining differences (as suggested by Whitley, 1992, 1999, 2001), but also substantial convergence towards the US model as suggested by more recent examples and research (Meyer-Larsen, 2000; Whittington and Meyer, 2000: 209). From 1995 to 2002, however, not one Japanese SID investigated prioritized the DCF method, indicating extreme and continuing differences.

Moreover, a substantially higher proportion of German SIDs (about 50%) were still based on traditional payback methods and this has not changed over the decade. Neither have payback targets changed, as they are still set at just over five years, compared with four years for US SIDs. Most Japanese SIDs (about two thirds) also prioritize traditional payback methods. Their targets are even longer (more than five and a half years) and there is no sign of any shortening. Indeed both German and Japanese payback targets also remain extremely flexible as compared with US targets. Where Japanese SIDs prioritized RoC targets, these were still set at around half the levels set in US SIDs. Overall we see *some* convergence of German practices with those in the USA, but absolutely no sign of convergence of Japanese practices in the same direction.

Less convergence in Japan as compared with Germany may reflect less progress towards liberalization of financial markets (Vitols, 2003: 247, 260). Mergers and acquisitions have taken off more rapidly in Germany (Hopner and Jackson, 2001; Jackson, 2003: 283) and so have changes at

**Table 4** Extent of differences and convergence: Germany and Japan as compared with the USA

Management practice	Germany		Japan	
	Distance to USA	Convergence toward USA	Distance to USA	Convergence toward USA
<i>Finance</i>				
Key techniques prioritized	**	**	***	—
IRR/RoC targets	*	***	***	—
Payback targets	**	*	***	—
Influence of finance function	**	*	***	—
Finance overall	**	**	***	—
<i>Strategy</i>				
Strategy (in terms of being explicit and worldwide)	*	*	*	*
Strategic planning	*	**	*	*
Attitudes to planning	*	**	**	—
Influence of relationships	**	**	***	—
Strategy overall	*	**	**	*
<i>HRM</i>				
Recruitment and release of personnel	**	*	***	***
Training and development provided by the company	*	—	**	**
Employee assessment and promotion criteria	*	**	***	***
Employee incentives	***	***	***	***
Communication within the company	*	—	**	*
Decision making within the company	*	—	***	*
Superior-subordinate relationship	*	—	***	—
HRM overall	**	*	***	**

Notes: \*\*\*, \*\* and \* indicate statistical significance at the levels of 1%, 5% and 10%, respectively; — indicates no statistical significance.

Board level. Hopner (2001) found that even internationalized Japanese companies had been more reluctant (as compared with Germany) to adopt shareholder value policies, having so far encountered less pressure from international competition and capital markets.

The role of formal strategic planning in really influencing strategic decisions has been controversial (Campbell and Alexander, 1997; Goold, 1996; Mintzberg, 1991, 1996a, b; Quinn, 1980). We would however expect it to be more important in a relatively mature industry such as vehicle components (Mintz-

berg, 1994: 398) and in SIDs entailing major resource commitments (Ghemawat, 1991). Their extent, influence and thorough integration (alongside financial analysis) indeed proved extremely pervasive in all US SIDs examined (including subsidiaries).<sup>11</sup>

Our data revealed that in 1989–91 less than a quarter of SIDs in Germany entailed significant integrated formal strategic planning.<sup>12</sup> This earlier contrast was consistent with critiques of US-style professional management, highlighting resistance to America's 'love affair with professional management' (Mintzberg, 1994: 415), resulting from insti-

tutional and cultural differences (Djelic, 1998, particularly pp. 224, 233; Kipping and Bjarner, 1998; Locke, 1996). Some cultural factors in Germany might of course favour greater attention to strategic planning: for example, thoroughness, concern with 'technik' and tendency towards bureaucracy (Hickson and Pugh, 1995: 96–104; Lawrence and Edwards, 2000: 99–106). By 1996–98, however, German strategic planning practices had converged far more closely with the USA. Many SIDs exhibited explicit worldwide market leadership strategies and well integrated formal strategic planning processes. We found some acceptance of corporate capitalism, as suggested by Djelic (1998: 278), though attitudinal differences continued. German executives remained relatively more sceptical about generalized strategy concepts and techniques, as noted in other comparative studies (Lawrence and Edwards, 2000: 99–106). Financial calculations were of less real influence as compared with the USA. Close customer and supply chain relationships mattered more, albeit to a lesser extent than in 1989, still reflecting cultural issues such as trust (Lane and Bachmann, 1996).

Such attitudinal differences were even sharper in Japan and showed *no* signs as yet of any diminishment. Yamamura (1997: 347–8) noted an increase in strategic planning in Japanese companies. Interestingly formal strategic planning (as exemplified by SWOT, portfolio or Porter, 1980 techniques) proved slightly more extensive in Japanese SIDs as compared with Germany, though less so as compared with the USA. It may be that, even more so than in Germany, there is a certain amount of 'lip service' here: certainly the Japanese company re-interviewed in 2002 remained as sceptical as ever.

Just as in strategy and finance, Germany's HRM model seems clearly located midway between practices in the USA and Japan (see Table 2) – a finding in line with other studies (Conrad and Pieper, 1990; Ebster-Grosz and Pugh, 1996; Glouchevitch, 1992; Lawrence,

1980, 1994; Meyer-Larsen, 2000; Randlesome, 1994; Turner, 1998; Thomas and Waring, 1999; Warner and Campbell, 1993). This still underplays many subtler complexities, requiring some qualification. In the context of co-determination, Germany is, unlike the USA or Japan, subject to a high degree of labour laws, regulations, contractual agreements with the unions, and participation rights in the context of works councils. This inherently limits managerial discretion (see also Lawrence, 1994; Brewster and Holt Larsen, 1993; Wächter and Muller-Camen, 2002). Intuitively it has appeal as an ideal combination model, endorsed by the world's most pre-eminent social market economy. In spite of this, we found that it was *only* to the USA first, and Japan second (mainly limited to the past) that HRM managers looked when learning from practices cross-nationally. Yet what surprised us most was the extensiveness of transfers of HRM practices (though mainly from the USA to Japan), implying substantial convergence in some HRM areas.

Table 4 summarizes for the HRM section the findings presented previously in more detail in Table 1, and highlights the HRM areas most affected. The area of sharpest differences and greatest convergence in Germany and Japan is *employee incentives*. However, as has been already stated, the high rating for both countries is almost exclusively due here to the strong attraction of performance orientation, whereas all other criteria of American-style employee incentives proved to be much less attractive. *Recruitment and release of personnel* as well as *employment assessments and promotion criteria* are two further HRM areas for which Germany and in particular Japan show distance from and convergence toward US practices. For the latter HRM area it was again the American-style performance orientation that stood behind convergence. Beyond these three areas, Germany displayed some differences, but less substantial ones. Japan, however, showed equally extreme differences

with the US in *decision making* and *superior-subordinate relations* and slightly less in *training and development* and *communication*. What is of interest is that Japanese *decision making*, *superior-subordinate relations* and *communication* all indicate significant differences with the US, but little sign of convergence. Apparently, in Japan only those HRM areas that deal with the relationship between the company and its employees (*recruitment*, *training*, *employee assessment* and *employee incentives*) are subject to convergence toward US practices, while those HRM areas that concern the social relations among company employees themselves (*communication*, *decision making* and *superior-subordinate relations*) remain strongly different.

Reviewing Table 4 overall, paradoxically we found *less* convergence in the 'hard' policy areas of strategy and finance, where we would have expected direct external pressures from world competition and capital markets, particularly in Japan. But we found far *more* convergence, and perceived willingness to learn, in the 'softer' policy field of HRM, where institutional and cultural constraints (so much the centre of academic discussion) might have been expected to be highly influential.

## Conclusion

Some will see our findings as vindication of former arguments for differentiated strategies aimed at exploiting national divergences (Piore and Sable, 1984; Streeck, 1992: 172). They may see this as making the case for 'continued diversity and divergence between firms from different institutional contexts', in place of any quest 'towards a single "global company" firm model' (Morgan et al., 2001: 1).

Financial methods and targets used on strategic decisions by companies examined from Germany and Japan diverged substantially in the early 1990s from those in the USA. We found virtually no signs of convergence in Japan, but substantial convergence

in Germany, though most particularly for roughly a quarter of companies who have now shifted to US-style discounted cash flow methods.

In terms of strategic as opposed to financial orientation, US companies have remained consistent over the periods investigated. In the early 1990s German and Japanese decisions were far more sensitive to strategic and customer considerations. Yet several German companies have also moved closer towards more formalized US-style strategic planning reviews, incorporating several strategic planning techniques, though again we see important attitudinal differences and greater scepticism. There has been some adoption of formal techniques in Japan, but in terms of real impact there has been even less convergence on strategy than in Germany. Institutional changes (Kitschelt and Streeck, 2004) appear to have at least begun to bite in Germany, but far less so in Japan.

It seems that the lesser significance of shareholder value in Japan as opposed to Germany and in particular the USA continues to shield Japanese finances and strategies from more energetically pursuing short-term profit maximization. For Japanese companies longer term growth is still relatively more important. As a result, Japanese managers appeared in our interviews more confident about their strategies and financial policies, but they felt significantly more uneasy about the current state of their HRM. A further change in the corporate environment, particularly on the capital markets, might exert more pressure to follow shareholder value, which in turn could result in more convergence on the financial and strategic side.

What surprised us most in our findings were the partly substantial convergence tendencies of Japanese HRM toward American-style practices. Given that adoption of foreign HRM practices is associated with steeper cultural and institutional barriers,



such as in strategy or finance, this result was not necessarily to be expected. A move toward more performance orientation and away from seniority was singled out by the Japanese HR managers as their most urgent priority for change.

In more general terms, this leads us to two conclusions. First, much cross cultural literature perhaps over-emphasizes identifying 'problem areas' for cross-national transfer of management practices (such as HRM), while underplaying the question of where managers actually perceive a real need for change. Japanese managers here were willing to take inspiration from western countries where they perceived this necessary: that is, in HRM (no matter how intractable), rather than in finance or strategy. Second, the fact that convergence tendencies were highly selective signals the need for more nuanced understanding and research approaches.

Even in these selective areas of greater convergence tendencies, what we are seeing falls a long way short of full convergence with US-style practices. The seniority system, for example, emerged as the Japanese management technique most in decline, but Japan will certainly remain more seniority oriented than the USA, reflecting cultural issues such as Confucian respect for age and the *kohai-sempai* relationship (Pudelko, 2005b).

Some limitations in our study have already been discussed. Results for strategy and finance were confined to the automotive sector – a sector that is more mature and globalized than many, though with a reputation for state-of-the-art management practices. Longitudinal internationally comparative field research has allowed more depth and direct evidence of practices over many years, but not simultaneously in all countries. HRM results, on the other hand, benefit from comprehensive large-scale survey data from a wide range of sectors, but depend more on managerial perceptions from large companies only, and at just one point in time. Different research methods

may have slightly distorted our picture of developments in strategy and finance versus HRM. Field interviews may have uncovered a little more scepticism beneath the rhetoric of what may be claimed to be happening in our surveys (despite our follow-up checks). Also, however, we suspect non-automotive sectors (given less globalization and professionalization) might have revealed (if anything) slightly less convergence in respect of strategy and finance.

For future research, it would be helpful to extend the first part of the study to other sectors. It would also be helpful for all three policy areas to be researched again at some future point to provide more reliable evidence of practice changes over time. It would be interesting to extend our study to other key functional areas, particularly marketing, operations and supply chain management, and also to include other key countries. Conceptually, there is increasing consensus that convergence versus continued diversity is not simply an either/or question. More ideas are needed to determine how to integrate these seemingly opposite arguments, while considering the causalities that determine whether a specific management practice is suitable or not for cross-national application.

## Notes

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- 1 An exception is Carr (2005), delving further into these issues in the vehicle components industry including Germany and Japan. For US and UK surveys of investment appraisal techniques see Klammer and Walker (1984), Pike (1983 and 1988).
- 2 See House et al. (2002), though even this tendency is ambiguous. In respect to values, as opposed to practices, the same 'GLOBE' study scores Japan, Germany and the USA respectively 5.25, 4.85 and 5.3!
- 3 Power distance practice-based scores for Japan, Germany and the USA are respectively 5.11, 5.25 and 4.88. The same figures for performance orientation are 4.29, 4.27 and 4.55; for societal assertiveness 3.59, 4.55 and 4.55; for uncertainty avoidance 4.07, 5.22 and 4.15; for in-group collectivism 4.63, 4.02 and 4.25; for societal collectivism 5.19, 3.56 and 4.27 (House et al., 2002: 250–1, 304–5, 36–56, 410–11, 468–71, 539–40, 622–3). However, GLOBE scores for 'values' as opposed to 'practices' again display considerable differences, so predictions from GLOBE remain somewhat ambiguous. Many readers will prefer to stick with far older data provided by Hofstede, which has the virtue of relative simplicity! However, we feel our interpretation of these studies taken as a whole is reasonably consistent in terms of the broader hypotheses derived.
- 4 SIDs were selected on the basis of three criteria. Size was of most importance: ideally a SID was one of a company's largest investments over the previous five years; if not, high value of the investment/typical annual level of all investments was the critical ratio. Second, there had to be reliable knowledge and willingness to discuss the investment in spite of concerns about confidentiality. Third, SIDs should have contributed to any shift in a company's overall strategic direction. Companies were generally selected on the basis of industry trade lists, writing systematically to all major companies. Timings of interviews were restricted by schedules. The US 1994 interviews, for example, entailed 10 weeks full-time field research in the USA, but such long periods had to be pre-planned, given other commitments, and could typically be carried out only once or twice a year.
- 5 The requirement for good sample sizes in the major countries examined, and the difficulty of obtaining access to SIDs, particularly internationally, typically limited interviews to between 2 and 3 hours. In every case access to the Chief Executive or a senior executive knowledgeable about the strategic aspects of the decision was requested, and also to the Finance Director or a senior finance representative strong on the financial aspects and techniques employed. Most companies complied, although in Germany and Japan chief executives and senior executives frequently stated that finance executives had minimal impact on such strategic decisions. It was not always possible to obtain interviews with finance staff in these situations. On the other hand, a few companies provided more extensive interviews, and over considerable periods of time.
- 6 This may, however, just reflect the fact that MNC subsidiaries are likely to have fairly explicit international strategies, whereas German companies were interviewed at Head Office and not all were MNCs.
- 7 It was not possible to corroborate these scores, which were made by one of the authors after going through all the transcripts. Any interpretation of results here should therefore be treated more cautiously.
- 8 Of the remaining four statements that do not follow this pattern, three are statistically significant (2.3, 6.1 and 6.2) and the other is not (3.2). Among the 16 statements for which Germany is ranked in the middle, only three (statements 4.1, 5.2 and 7.2) did not prove statistically significant.
- 9 When asked why the German HRM practices in particular are of so little importance to HR managers from the other countries, the answer was unambiguous. Neither the American nor the Japanese managers have any significant knowledge of the German HRM model. By contrast, the American and Japanese model is far better known by the HR managers of the other two countries.
- 10 Any difference is now almost in line with cost of capital differences between the USA and Germany, and is thus fairly consistent with modern financial theory.
- 11 These findings mirror those of other comparative studies examining the USA: see Lawrence (1996: 49–60).
- 12 Carr et al. (1994) provide more detailed analysis of these 49 UK and German SIDs, including 15 matched, elaborated case studies.

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## Appendix: Skeletal questionnaire interview guidelines for strategy and finance

*Primary purpose of visit:* Investment decision making in the context of global competition?

*Secondary purpose of visit:* Influence of recent developments on costing and financial controls?

Trying to compare worldwide practices, especially in Germany, the USA and Japan, and mainly in the automotive industry to improve comparability and our understanding of strategic issues.

*Investment story* Please explain your approach, taking the example of just one major investment decision which you are comfortable to discuss on the basis of confidentiality:

Type, capital outlay, etc.? Significance in total investment over last 5 or 10 years, size, strategic?

How was project need perceived, and by whom?

Take me through stages of the project:

- Triggering
- Screening possibilities
- Developing and defining
- Financial evaluation
- Implementation and control
- Post investment audit

- For each stage:
- What was done?
  - How?
  - By whom?

Has it been a success?

Track record of success with investments in past, company performance?

How typical of other investment projects?

Implications of organizational structure, of business units position and role?

*Probe for depth of strategic analysis*

Broadly what techniques of strategic planning or themes have really proven useful in this decision-making process?

How useful are strategic planning techniques e.g. SWOT (illustration charts of all such techniques provided)?

How useful are techniques of competitive analysis (illustrative charts will be provided including US ideas such as Porter's)?

What are the implications of any global concentration trend that may be taking place in this industry?

What key order-winning criteria become vital in the context of increased global competition?

How useful are techniques designed to assess your position as against rival's cost structures?

How can you tap people's contributions more widely and effectively?

Constraints on decision due to organizational politics?

Where, if at all, does the finance function get involved in strategic analysis?

Have recent approaches to such strategic decisions entailed changes in your overall control approaches?

Are new US ideas such as the Balanced Score Card, simplified one page 'Strategic Maps', Activity Based Costing, or Target Costing (as opposed to traditional costing methods) proving potentially useful? (again illustrative charts will be available)

*Probing depth of financial analysis*

How quickly does analysis move into detailed capital budgeting?

What is the required hurdle rate – how is this specified, Rol, DCF, payback . . . ?

Is it specified after corporation tax and does this relate to your corporation calculated cost of capital?

Are different hurdle rates set for different projects – how, by project type and how, by business unit?

How appropriate are US-style 'Shareholder Value' approaches? Does pressure to produce short-term Rol restrict investment?

How is risk analysis performed – by whom?

How are less tangible benefits evaluated, e.g. flexibility?

How influential is the financial function and is this changing?

Is there a need for a wider sense of controllership function to ensure that a full strategic and financial review is well integrated?

Are post-investment audits appropriate or useful? How do you establish collective decision-making responsibility?

*National cultural differences?* (Tables of key international differences available to support discussion)

How much impact do these have on the appropriate way to make decisions, or on appropriate control systems?

Your observations on differences between Japanese approaches and those in the USA, the UK,

Germany or other countries? How important are differences, or how far are approaches converging?

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## Résumé

### **Convergence des pratiques de management en stratégie, finance et GRH entre Etats-Unis, Japon et Allemagne (Chris Carr and Markus Pudelko)**

La question de la convergence des pratiques de management ainsi qu'entre les systèmes commerciaux nationaux et les cultures est controversée mais importante si l'on considère l'accroissement de la concurrence et de la coopération transcontinentales. Cet article étudie les pratiques comparées du management en stratégie, finance et gestion des ressources humaines aux Etats-Unis, au Japon et en Allemagne. Pour la stratégie et la finance nous utilisons une recherche sur le terrain de plus de 70 entreprises afin d'accéder aux décisions prises au plus haut niveau ; pour la GRH nous avons étudié 500 des plus grandes entreprises, à nouveau dans chacun des trois pays, produisant des réponses de 232 managers en Ressources Humaines.

Deux hypothèses sont explorées, provenant de la riche littérature de recherche. En dépit des facteurs institutionnels et culturels nationaux, la première hypothèse suppose la diffusion des « meilleures pratiques » vers un point de convergence dans chacun des trois domaines du management : stratégie, finance et GRH. La deuxième hypothèse suppose plus particulièrement une plus grande convergence au niveau stratégique et financier, compte-tenu des pressions des clients et des marchés financiers de plus en plus communs, comparée à la GRH où les facteurs culturels pourraient demeurer plus influents. Nous avons trouvé que les pratiques allemandes en stratégie, finance et GRH se situent à mi-chemin entre celles des Etats-Unis et celles du Japon, ainsi qu'une certaine convergence dans chacun des trois domaines du management en particulier entre l'Allemagne et les Etats-Unis. Étonnamment, on a trouvé le maximum de convergence au niveau GRH, où l'imitation des « meilleures pratiques » dans le monde entier s'est avérée la plus fréquente.

## 摘要

美國、日本和德國之間戰略、財務與人力資源管理實踐的趨同

Chris Carr and Markus Pudelko

人們對於不同國家商業體系和文化之間的管理實踐趨同問題向來頗有爭議，這一問題隨著跨洲界合作與競爭的日益增多而顯得十分重要。本文調查並比較了美國、日本和德國在戰略、財務與人力資源管理方面的實踐。在戰略和財務管理方面，我們在 70 多個公司進行實地調研以獲得接近最高決策層的渠道。在人力資源管理方面，我們對於這三個國家中排名前 500 家的公司進行了問卷調查，並獲得了 232 位人力資源經理的反饋。

通過豐富的文獻資料，本文提出兩個假設並進行論證。第一個假設表明，儘管國家制度和因素存在差異，戰略、財務和人力資源管理三個領域的“最佳實踐”模式日益趨同。第二個假設更加具體地提出在來自日益增多的共同顧客和資本市場的壓力下，戰略和財務管理方面的趨同性更加明顯，在人力資源管理方面，文化因素相對而言保持更大的影響力。我們發現，德國在戰略、財務和人力資源管理方面的實踐位於美國和日本相應的實踐之間，而三個國家在某些方面的趨同性在德國和美國之間表現得尤為明顯。令人驚訝的是，在人力資源管理層面發現了大多數趨同之處，因為世界範圍內對於人力資源管理領域“最佳實踐”的模仿已變得日益普遍。