

Investigation of Change in Japanese HRM: Analysis based on Comparison with
Overseas Subsidiaries Operating in Japan

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Abstract

This research investigated the extent of change in two aspects that represent the characteristics of Japanese HRM based on a comparison with overseas subsidiaries operating in Japan. The reason for the selection of overseas subsidiaries as the target of the comparison is that the home country effect and host country effect function in their decisions. One aspect investigated was the person- and seniority-based system, and the other was centralised decision-making on HR issues. These characteristics complemented each other and strengthened Japanese HRM in the past. Thus, the research tried to capture whether or not the strength of Japanese HRM still remains. As a result, the research found that person- and seniority-based system has changed to job- and performance-based system characterised as the global standard of HRM, but centralised decision-making on HRM issues has been strongly maintained. Therefore, complementarity between the two characteristics of Japanese HRM may collapse.

1. INTRODUCTION

The main characteristics of Japanese HRM include organisation-, person- and seniority-based system. At the same time, many surveys have found that performance- and job-based system has been increasing since the late 1990s, and this change also means a change towards Western HRM, which represents the global standard type of HRM (JPC, 2000, 2007, 2013, 2019; ILA, 2005, 2010, 2018). However, Japanese HRM has not completely changed to Western HRM; the current situation of Japanese HRM is in the middle position between Japanese HRM and Western HRM, and some researchers call the current situation a hybrid type (Hirano, 2016; Miyamoto, 2014).

This research compares HRM between Japanese companies and overseas subsidiaries operating in Japan to capture what aspects and extent of Japanese HRM have changed thus far. Both parent companies and local contexts influence overseas subsidiaries; the former is called the “home country effect”, and the latter is called the “host country effect” (Ferner and Quintanilla, 1998; Rosensweig and Nohira, 1994; Tayeb, 2009; Sparrow, et al., 2004). As a result, the type of HRM in overseas subsidiaries may be different from that in Japanese companies. Therefore, we determined that overseas subsidiaries are suited to be the target of the comparison.

This paper focuses on two areas among various characteristics of Japanese HRM: one is the person- and seniority-based system, and the other is centralised decision-making on HRM issues (Suda, 2004, 2007, 2010, 2015; Ichimori, 2017; Hirano, 2006). Changes in person- and seniority-based systems may be larger than other aspects of Japanese HRM. In contrast, the change in centralised decision-making may be small, and this characteristic may be maintained. This is because there is little discussion on this issue, and people are unlikely to change issues that they do not recognise (DiMaggio and Powell, 1983; Scott, 2014, Greenwood, et al., 2008, 2017). This research focuses on contracting aspects; one is the changing aspect, and the other is the unchanging aspect. The reason why the research selects the contrast aspects is to examine whether complementarity among various characteristics composing Japanese HRM is broken or not.

2. Changes in Japanese HRM in terms of person- and seniority-based systems

The person- and seniority-based system, which represents characteristics of Japanese HRM, effectively functioned in the past, at least until the 1980s, but these characteristics have lost their effectiveness. The seniority-based system has been particularly criticised since the 1990s. *Seika shugi jinji* (performance-based HRM) was emphasised to overcome problems derived by the seniority-based system (JPC, 1997, 2000, 2007; Suda, 2004, 2010). Management by Objectives (MBO) was focused on as a concrete method to realise performance-based HRM. MBO was developed by Drucker (1954) and introduced to Japan in the middle of the 1960s. The introduction rate of MBO schemes was 24% in 1965 and increased to 45% in 1970 according to surveys by the Japan Productivity Centre (JPC), and the introduction rate reached 50% during the 1980s according to surveys by the Sanno Institute of Management (SIM). Since the early 1990s, the introduction rate of MBO schemes has increased to 64.8% in 1991 and 82.6% in 1995 (SIM, 1991, 1995). Furthermore, the purpose of the MBO schemes changed from development to the measurement of individual performance in the 1990s (SIM, 1995). In

the 1980s, the highest rate for primary purpose for the MBO schemes was “motivation by participation” (50.0%) (SIM, 1985), and the highest rate for primary purpose was replaced by “method of performance measurement” (32.9%) in 1991 (SIM, 1991). Furthermore, the rate of answer as “method of performance measurement” increased towards 60.3% in 1995 (SIM, 1995).

Many MBO schemes were introduced under the person-based grade and pay system in the 1990s, and they caused problems in many cases since performance-based HRM is not compatible with the person-based system (Hirano, 2006; Suda, 2004, 2007, 2010, 2015). The main reasons for the problems are difficulties in deciding objectives that provide the base of performance measurement because *shokumu shikaku toukyu* (employee grade based on job-related ability) and *shokunou kyu* (job-related ability pay) are not directly linked to job levels but are loosely related (Suda, 2004, 2007, 2010, 2015). The solution to this problem is the introduction of a job-based grade and pay system, and the introduction rate of the job-based grade and pay system increased.

According to a survey by the JPC, the introduction rate of *shokunou kyu* (job-related ability pay, which is an indirect cause of seniority-based pay increase because job-related ability is generally considered to improve with years of service in Japan) was 82.4% in 2000, 74.5% in 2007, 69.2% in 2013 and 57.8% in 2019 for managers and 87.7% in 2000, 80.9% in 2007, 81.1% in 2013 and 76.5% in 2019 for non-managers. The introduction rate of job-based pay was 43.9% in 2000, 72.3% in 2007, 76.3% in 2013 and 78.3% for managers in 2019, 24.9% in 2000, 56.7% in 2007, 58.0 in 2013 and 57.8% in 2019 for non-managers. The introduction rate of *zokujin kyu* (personal characteristic pay, which is the direct cause of the seniority-based pay increase) is 72.8% for managers and non-managers, 33.5% for managers and 61.9% for non-managers in 2007, 25.8% for managers and 62.3% for non-managers in 2013, and 26.7% for managers and 47.1% for non-managers in 2019 (the reason that the total percentage of person-based and job-based pay systems exceeds one hundred percent is that many firms used *heizongata chingin*, which is pay comprising more than two types of pay).

Table 1 : Change in type of pay composing base-pay (%)

	2000	2007	2013	2019
<i>Shokunou kyu</i> (job-related ability pay) (Manager)	82.4	74.5	65.8	57.8
<i>Shokunou kyu</i> (job-related ability pay) (Nonmanager)	87.0	80.9	77.3	76.5
Job based-pay (Manager)	43.9	72.3	79.2	78.3
Job based-pay (Nonmanager)	24.9	56.7	58.4	57.8
<i>Zokujin kyu</i> (Personal characteristic pay) (Manager)	72.8	33.5	22.7	26.7
<i>Zokujin kyu</i> (Personal characteristic pay) (Nonmanager)		61.9	48.1	47.1

Source: Japan Productivity Centre *Nihon Gata Jinji no Henyou ni Kansuru Couse* (Survey on Change of Japanese HRM)

As described, person-based pay in both job-related ability pay and personal characteristic pay has been decreasing, and the decline in personal characteristic pay is particularly large. On the other hand, job-based pay has increased. In the latest survey in 2019 in the series of the JPC survey, the introduction rate of job-based pay is higher than the introduction rate of person-based pay in both job-related ability pay and personal characteristic pay for managers. However, the introduction rate of person-based pay in terms of job-related ability pay is higher than the introduction rate of job-based pay for non-managers. While job-based pay has been increasing, person-based pay still remains, particularly for non-managers. The current position is the middle position between the person-based and job-based systems, as indicated above.

Other aspects also changed in relation to the change towards the job- and performance-based system. The research focuses on the change of *shokumu suikou nouryoku* (the ability to perform job), which provides the base for decisions in the employee grade of individual employees towards concrete and specific content among various changes (ILA, 2017, 2018), and investigates the extent of the change.

3. Characteristics of Japanese HRM in terms of centralised decision-making on HR issues

The other characteristic of Japanese HRM examined in this research is centralised decision-making on HRM issues. That is, the decision-making power of the HR function is relatively strong compared with that of line managers (Jacoby, 2005; Suda, 2004, 2007, 2010, 2015; Aoki 1989; Hirano, 2006). For example, the Cranet Survey¹ (2011) surveyed “who is the decision-maker on HR issues” in various aspects, such as recruitment and selection, pay determination and industrial relations. The survey found that the HR function in only Japanese companies was very strong decision-making power. The survey question method is to select the fittest choice among four choices: “Line manager decide”, “Line manager decide supported by HR function”, “HR function decides supported by line manager”, and “HR function decides”. The paper focuses on pay determination and selects seven countries among the participant countries because the number of participant countries is too large.

Table 2: Who is the decision-maker for individual pay determination (%)

	France	Germany	UK	Russia	Japan	US	Taiwan
Line managers decide	7	9	20	48	4	4	9
Line managers decide supported by HR function	29	45	28	20	10	16	22
HR function decides supported by line managers	50	38	34	21	9	39	39
HR function decides	14	8	18	0	77	41	30

Source: Cranet Survey (2011)

The rate of answers that select “HR function decides” is very large only in Japan, and the rate of answers that select “Line managers decide supported by HR function” and “HR function decides supported by line managers” are higher than the rate that selects other choices in other countries except Russia, and the rate of answers that select “line managers decide” is the highest rate in Russia (Table 2). These results show centralised

decision-making on HR issues in Japan. That is, the decision-making power of the HR function is relatively strong compared with that of line managers.

While the paper focuses on individual pay determination, other question items such as recruitment and selection, and industrial relations show the same results that centralised decision-making in Japan. Moreover, whilst the paper focuses on seven countries, the results of the other participant countries show the same result that the rate of answers that select “Line managers decide supported by HR function” and “HR function decides supported by line managers” are higher than the rate that selects other choices. Accordingly, Japan is characterised by centralised decision-making on HR issues.

Some researchers claim the rationality of centralised decision-making in Japan. Three claims are pointer out here. The first claim is regarding complementarity among characteristics of Japanese HRM (Suda, 2010, 2015, 2018). First, complementarity between long-term employment and centralised decision-making is mentioned. If line managers have strong decision-making power, some problems can happen. One of the main problems is that line managers carry out people management according to their own interests and/or preferences. For example, line managers hesitate to allocate important tasks to their subordinates whose abilities are higher than those of the line managers, and/or line managers under-evaluate these subordinates because they feel threatened. Another example is that even though the subordinates show high abilities, the line managers fail to allocate important tasks that the subordinates can fully spend their abilities. This is because managers do not have enough abilities to understand the abilities that their subordinates hold. One of the methods to solve these problems is for subordinates to change their jobs to companies that properly evaluate their abilities. In other words, the market principle solves the problem. However, the market principle hardly functions in the labour market, where job changes are difficult, such as in Japan. In this situation, line managers’ power is overwhelmingly strong compared with their subordinates’ power, and it is difficult to stop the problems arising by line managers. An alternative method is centralised decision-making on HR issues in which the HR function has strong decision-making power on HR issues. This is because the HR function does not have direct interests, unlike line managers, and it can judge individual employees more objectively and fairly than line managers. In addition, if the HR function has relatively strong power and leads the rotation policy, individual employees are evaluated by many line managers. As a result, degrees of objectivity and fairness can increase in the long term. Therefore, centralised decision-making is complemented with long-term employment.

Centralised decision-making on HR issues is also complemented by seniority-based HRM. Because age and years of service are representative factors of seniority-based HRM, on-site information such as job content and performance is not important for judging each employee’s contribution to the organisation. Therefore, the HR function can use seniority factors such as age and years of service instead of job content and performance. As discussed, centralised decision-making is complimented with long-term employment and seniority-based HRM (Suda, 2010, 2015, 2018).

The second claim is based on a comparison between Japanese companies and US companies. Jacoby (2005) found that the HR function in Japanese companies had stronger decision-making power than that in US companies. He pointed out the following four reasons. (1) Organisation-based employment system (spread of long-term employment), (2) focusing on the main business areas and diversifications are not progressing, (3)

enterprise union, which covers new employee to middle management, and (4) type of corporate governance characterised by stakeholder type, and these characteristics are complemented with a centralised decision-making system on HR issues.

The third claim is based on complementarity between the type of decision-making and the type of HRM. Aoki (1989) noted that there were two types of complementarity: one is centralised decision-making and decentralised HRM, and the other is decentralised decision-making and centralised HRM. The former applies to US companies, and the latter applies to Japanese companies.

4. Characteristics of overseas subsidiaries

While there are several characteristics inherent in overseas subsidiaries, this paper focuses on two characteristics. One is the characteristic derived from the “footloose nature” of MNCs about their investments in overseas countries. MNCs select their investing country according to various conditions, such as market, cost, supply chain and human resources. Furthermore, these conditions can change. For example, the market of a country was small and not attractive in the past, but if the scale of the market increased and the attractiveness of the market increased, MNCs decided to invest in the country. In contrast, if the market of a country was large and attractive in the past, but if the market has shrunk, MNCs should withdraw their investment. This tendency of MNCs is called a “footloose nature” (Marginson, 1994; Gorg and Strobl, 2003; Hutchinson and Persyn, 2002; King and Welling, 1991).

The number of employees in overseas subsidiaries tends to change more than that in the home countries due to the footloose of MNCs. Consequently, employments tend to be less secured than those in the home countries, and mid-career and job-based recruitment are more likely to be popular. Therefore, the type of HRM tends to be different between parent companies and overseas subsidiaries. However, the type of HRM in overseas subsidiaries is not necessarily different from that in their parent companies. Many elements, such as the degree of globalisation of parent companies, the positions of individual overseas subsidiaries and the positions of individual employees, affect the treatment of employees in overseas subsidiaries (Taylor, et al., 1996). For example, if the degree of globalisation is high and international HRM is established, MNCs tend to treat employees in overseas subsidiaries in the same manner as employees in parent companies.

The other aspect is the home country effect and the host country effect. The home country effect is influenced by parent companies, and the host country effect is influenced by the local context. As overseas subsidiaries are influenced by the parent companies and local situation, overseas subsidiaries can be considered the middle position between the home countries and the host countries. Therefore, overseas subsidiaries in Japan should implement Japanese HRM to some degree and implement widespread types of HRM in their home countries to some degree. This research applies Western HRM as the widespread type of HRM in their home countries. Although Japanese HRM has idiosyncratically evolved and is very unique on the global scale and job- and market-based systems are widespread in many countries, not only Western countries but also other countries, Western HRM can represent a wide type of HRM (or global standard type of HRM) because national data are not gathered in developing countries. In addition, the majority of participants in the survey for the overseas subsidiaries in this research were subsidiaries of Western MNCs, as indicated in the next section (Table 3).

5. Research purpose and research method

5.1 Research purpose

The purpose of the research is largely divided into two. The first is examination of the extent to which Japanese HRM has changed. The research examines the seniority- and person-based system and centralised decision-making on HR issues. The method used in this research is a comparison between Japanese companies and overseas subsidiaries. The second is a comparison between the extent of change in the seniority- and person-based system and centralised decision-making on HR issues in Japanese companies. If the extent of the change in the two characteristics is different, it can be judged that complementarity between the two characteristics may be broken.

5.2 Research method

The concrete question used for the examination concerning the seniority- and person-based system is “important factors to decide in individual base-pay levels”, and seven factors of age, years of service, ability to perform job, value of job, performance, role and behaviour (evaluated by competencies) were set as the important factors. Research participants were asked to select the fittest number from 1= “We do not emphasise at all” to 6 = “We emphasise very much”. Age, years of service and the ability to perform job are considered the characteristics of Japanese HRM, and value of jobs, role, performance and behaviours (evaluated by competency) are considered the characteristics of Western HRM among the seven factors.

Concrete questions about decision-making on HR issues are (1) final decision-maker for graduate recruitment, (2) final decision-maker for mid-career recruitment, (3) final decision-maker for personnel change within the same job-family, (4) final decision-maker for personnel change across the job-family, and (5) final decision-maker for promotion. The method to answer is to select the fittest number for each question among the four options as = “HR department in head office”, 2= “Somewhat HR department in head office rather than line managers”, 3 = “Somewhat line managers rather than HR department in head office”, 4 = “Line managers”.

The data gathering method used by the research was the questionnaire method. Two surveys were conducted: one for Japanese companies and the other for overseas subsidiaries operating in Japan. The time of the research for Japanese companies was between December 2016 and January 2017. Targets of the research were companies with more than 500 consolidated employees listed on the stock market in Japan. The number of targets was 2164 companies, and questionnaires were gathered from 170 companies (response rate was 7.9%). Large companies were selected because large companies should implement more characteristics of Japanese HRM than SMEs. The time of research for overseas subsidiaries was between October and November 2017. Targets of the research were companies with more than Y50,000,000 capital or more than 50 employees. In addition, companies whose foreign capital rate is more than 50.1% were condition. As a result, the number of targets was 1647 companies, and 215 companies answered the questionnaire (response rate was 12.8%). Large companies are desirable for the target comparison because the target of the survey for Japanese companies is large

companies, and small companies tend to not establish a formal HR system. The target companies in the survey for overseas subsidiaries are smaller than those in the survey for Japanese companies. Although the scale of the targets in the survey for overseas subsidiaries is relatively small, it is considered that they are enough to be as large as the whole company group on the global scale. Therefore, we judged the target of the survey for overseas subsidiaries to be suited to the comparison. The capital nationalities of the parent companies of the respondents are shown in Table 3.

Table 3: Number of participating companies by capital nationality of parent companies

US	80	Canada	5	Philippines	2
Germany	30	Singapore	5	India	2
Taiwan	12	Sweden	4	Spain	1
Switzerland	11	Denmark	4	Norway	1
UK	10	Finland	4	Bermuda	1
France	9	Korea	4	Luxembourg	1
Hongkong	6	China	4	Russia	1
Italy	5	Australia	2	Capital nationality unknown	1
Holland	5	Thailand	2	Total number	211 companies

6. Research findings on “important factors to decide individual base-pay levels”

6-1. Comparison between Japanese companies and overseas subsidiaries

Comparing the answers gathered from Japanese companies and overseas subsidiaries on each factor of “important factors to decide individual base-pay levels”, Japanese companies put higher priority for age and years of service than overseas subsidiaries, and overseas subsidiaries put higher priority for ability to perform job, value of job, role, performance and behaviour than Japanese companies (Table 3). On the one hand, because statistical significance levels are 10% in role and behaviour, the statistical significance levels are not high enough. Therefore, we cannot necessarily conclude that the degree of significance of these factors is different between Japanese companies and overseas subsidiaries. On the other hand, as the statistical significance levels reached the 5% level in the other five factors (age, years of service, ability to perform pay, value of job and performance), the research revealed that the statistically significant difference in the five factors is sufficiently high, and we can conclude that the degree of significance of these factors is different between Japanese companies and overseas subsidiaries. In particular, statistical significance levels reached the 1% level in age, value of jobs and performance.

One important finding is that overseas subsidiaries put higher priority for the ability to perform jobs than Japanese companies, although the ability to perform jobs is often pointed out as the representative characteristic of Japanese HRM. Then, the research analysed the decision-making structure of individual pay levels for Japanese companies and overseas subsidiaries.

Table 4: Comparison of “important factors to decide individual base-pay levels” between Japanese companies and overseas subsidiaries

	Japanese companies Overseas subsidiaries	Number of responses	Average	S.D	t value
Age	Japanese companies	170	3.54	1.269	3.242***
	Overseas subsidiaries	212	3.12	1.222	
Years of service	Japanese companies	212	3.37	1.296	1.975**
	Overseas subsidiaries	169	3.12	1.146	
Ability to perform job	Japanese companies	169	3.80	0.503	-3.342***
	Overseas subsidiaries	212	5.42	0.715	
Value of job	Japanese companies	169	4.45	0.906	-5.487***
	Overseas subsidiaries	211	5.05	0.958	
Role	Japanese companies	170	5.01	0.958	-1.771*
	Overseas subsidiaries	213	5.16	0.793	
Performance	Japanese companies	170	5.01	0.853	-3.225***
	Overseas subsidiaries	213	5.29	0.840	
Behaviour	Japanese companies	170	4.72	1.049	-1.947*
	Overseas subsidiaries	213	4.92	0.926	

(note) t values indicate test statistics on mean difference, *=10%, **=5%, ***=1% indicate levels of the statistical significance

6-2. Analysis of how to determine individual pay levels in Japanese companies

Factor analysis was carried out on the answers gathered from Japanese companies to analyse how to decide individual pay levels. As a result, two factors are extracted. The first factors are named job/performance factors because the factor loadings of the ability to perform job, value of job, role and behaviour are high. The second factor is the seniority factor because the factor loadings of age and years of service are high (Table 5).

Table 5: Results of factor analysis in important factors
to decide individual base-pay levels (Japanese companies)

	Job/performance factor	Seniority factor
Age	-0.109	0.970
Years of service	0.141	0.674
Ability to perform jobs	0.421	0.057
Value of Job	0.792	0.169
Role	0.678	-0.029
Performance	0.463	-0.022
Behaviour (evaluated by competency)	0.509	-0.173

(Note) The number of factors is determined according to maximum likelihood, promax rotation, and eigenvalues greater than one. The figures whose factor loadings are more than 0.4 in absolute value are indicated by bold in Table 5.

The content of the ability to perform a job has probably changed towards content that is highly related to the value of the job, role, performance and behaviour based on the results of the factor analysis. We can consider that the content of the ability to perform the job became concrete and specific and the ability required to perform the assigned job

for each employee (in accordance with the name). This funding is very significant because there have been strong debates about this issue since the 2000s in Japan (Hirano, 2006; Miyamoto, 2014; JILPT, 2005, 2008, 2015). The author considers that this change indicates that the change towards person specification extracted by job analysis is widespread in Western countries (Cassio, 1998, 2011; Armstrong and Brown, 2019; Newman, et al., 2017, Gerhart and Newman, 2020; Cafaro, 2021). Therefore, the ability to perform a job should be highly related to performance and behaviour as well as the value of the job and role.

6-3. Analysis of how to determine individual pay levels in overseas subsidiaries

Factor analysis was also carried out for the answers gathered by overseas subsidiaries. Three factors were extracted: the first factor is as person factor consisting of the ability to perform job and behaviour, the second factor is job factor consisting of value of job and role, and the third factor is seniority factor consisting of age and years of service. While both the first and second factors are related to personal characteristics, the reason why the author divided them into two names is that the first factor is highly related to performing job-like person specifications, but the third factor has weak relationships to performing jobs.

Table 6 : Results of factor analysis in important factors to decide individual base-pay levels (overseas subsidiaries)

	Person factor	Job factor	Seniority factor
Age	0.077	-0.144	0.709
Years of service	-0.045	0.108	0.910
<i>Shokumu Suikou Nouryoku</i> (Ability to perform job)	0.477	0.207	0.016
Value of job	-0.077	0.884	0.004
Role	0.142	0.725	-0.045
Performance	0.806	-0.055	-0.087
Behaviour (Evaluated by competency)	0.678	-0.013	0.119

(Note) The number of factors is determined according to maximum likelihood, promax rotation, and eigenvalues greater than one. The figures whose factor loadings are more than 0.4 in absolute value are indicated by bold in Table 6.

Next is an analysis based on the home country effect and host country effect of overseas subsidiaries and the footloose nature of MNCs. First, the home country effects are considered. The research used Western HRM as a representative type of home country effect, as explained before. In western HRM, the basis of individual pay determinations is traditionally job assigned for each employee, and person-based pay, such as skill-based pay, performance-based pay and competency-based pay, has been increasing since the 1980s and 1990s (Armstrong and Brown, 2019; Kessler, 1994, 1995; Newman, et al., 2017). Now, job-based pay and person-based pay are concurrently considered for decisions on individual pay levels (Newman, et al., 2017; Armstrong and Brown, 2019; Cafaro 2021). Therefore, the home country effect functions in overseas subsidiaries in

Japan. The second is the host country effect. The factor analysis reveals the host country effect because it extracted seniority factors consisting of age and years of service. The third is footloose nature. The survey finds that overseas subsidiaries put high priority on jobs and roles. These results indicate the footloose nature of the MNCs because the footloose nature leads HRM in overseas subsidiaries towards the direction that overseas subsidiaries emphasise job and role, as discussed before.

6-4. Analysis for the ability to perform job

Next is an investigation of why overseas subsidiaries emphasise the ability to perform jobs characterised by Japanese HRM. This tendency may show a home country effect for overseas subsidiaries because person specifications extracted based on job analysis are spread in western HRM. Although Japanese companies also use the ability to perform jobs, the extent to which Japanese companies emphasise the ability to perform jobs may be lower than that in overseas subsidiaries for the following reason. On the one hand, the content of the ability to perform jobs has recently changed from general and abstract content to concrete and specific content in Japan. Therefore, concrete and specific content is a recent phenomenon and may not be established in Japanese companies. On the other hand, emphasis on person specifications has been institutionally established for a long time in Western countries. The influence of the institutionally established method should be stronger than that of the newly introduced method. The research concludes that is the reason why overseas subsidiaries place more emphasis on the ability to perform jobs than Japanese companies.

7. Research findings on “decision-making on HR issues”

The results of the research on “decision-making on HR issues” reveal large differences between Japanese companies and overseas subsidiaries in all five questions (Table 6). The HR function has somewhat strong decision-making power compared with line managers even in the two questions of “final decision-maker for mid-career recruitment” and “final decision-maker for personnel reassignment within the same job-family”, which are generally predicted as line managers have strong decision-making power. The mean values of the other three questions of “final decision-making for graduate recruitment”, “final decision-maker for personnel assignment across job-family” and “final decision-maker for promotion” were 1 point, and these points show strong decision-making power of the HR department in the head office. The characteristics of Japanese HRM as centralised decision-making on HR issues are strongly maintained. This may be the reason for the large difference between Japanese companies and overseas subsidiaries.

Table 7: Results of the answers gathered from Japanese companies and overseas subsidiaries on “final decision-maker on HR issues”

	Japanese company Overseas subsidiary	Number of responses	Mean	SD	t value
Final decision-maker for graduate recruitment	Japanese company	168	1.67	0.964	-11.832***
	Overseas subsidiary	59	3.10	0.736	
Final decision-maker for	Japanese company	169	2.44	1.090	-9.730***

mid-career recruitment	Overseas subsidiary	213	3.39	0.735	
Final decision-maker for personnel reassignment within the same job-family	Japanese company	170	2.32	1.123	-6.095***
	Overseas subsidiary	172	3.02	0.976	
Final decision-maker for personnel reassignment across job-family	Japanese company	169	1.95	0.996	-9.824***
	Overseas subsidiary	79	3.13	0.822	
Final decision-maker for Promotion	Japanese company	170	1.64	0.950	-11.226***
	Overseas subsidiary	210	2.79	1.029	

(Note) t value indicates test static on test for difference of mean. ***=1% indicates a 1% level of statistical significance.

8. Collapse of complementarity among the main characteristics in Japanese HRM

The finding on “important factors to decide individual pay levels” revealed that emphasis on performance and job factors has strengthened in Japanese companies. Moreover, the research found that decisions regarding individual base-pay levels were connected with a series of flows from job analysis to job evaluation and further to performance evaluation. This change is seen as the change towards Western HRM, which represents the global standard type of HRM, and Japanese HRM may change towards qualitatively different types of HRM from traditional Japanese HRM. In contrast, this research found that the characteristics of centralised decision-making on HR issues in Japanese HRM are strongly maintained. Therefore, complementarity between the main characteristics in Japanese HRM may be collapsed.

Then, the research compared the results of “important factors to decide individual base-pay levels” and the results of “final decision-maker on HR issues”. First, the answers that selected “1= we do not consider at all” and the answers that selected “2=we do not emphasise” are added and make one scale. The answers that selected “5= we emphasise” and the answers that selected “6=we emphasise very much” are added, and one scale is used for easy comparison. As a result, the number of the scale for both “important factors to decide individual base-pay levels” and “final decision-maker on HR issues” becomes the same as four steps (Table 8).

Table 8: Descriptive statistics: Four-step version of the results on “Important factors in individual pay determinations” (Japanese companies)

	Number of answers	Mean	SD
Age	170	2.57	1.087
Years of service	170	2.45	1.83
Ability to perform job	169	3.80	0.503
Value of job	169	3.33	0.955
Role	170	3.72	0.636
Performance	170	3.72	0.606
Behaviour	170	3.54	0.793

The mean values of the five factors of the ability to perform job, value of job, role, performance and behaviours categorised by the job/performance factor are 3 points

concerning “important factors to decide individual base-pay levels”. The levels of the mean values are in the middle position between “we somewhat emphasise” and “we emphasise + we emphasise very much”. This result shows that Japanese companies emphasise these factors. In particular, the mean values of the ability to perform job, performance and behaviour reach more than 3.5 points. These results indicate that the rate of the answers that selected “we emphasise very much” is high. We can consider that Japanese HRM has changed towards Western HRM, which emphasises job and performance. In contrast, the mean values of the answers for “final decision-maker on HR issues” are very low, as discussed in the previous section. Accordingly, it can be concluded that complementarity between person- and seniority-based systems and centralised decision-making on HRM issues has collapsed.

9. Future research on Japanese HRM

The research found that the characteristics of Japanese HRM in terms of the person- and seniority-based system have surely changed. At the same time, the research also found that the characteristics of centralised decision-making on HRM issues are strongly maintained. As a result, these findings show that complementarity between the main characteristics in Japanese HRM collapses. Changes in social institutions established in societies are extremely complicated. The changes do not happen uniformly, and aspects that easily change and aspects that do not easily change simultaneously exist (Greenwood et al., 2008, 2017; Scott, 2014). Centralised decision-making may be the area that does not easily change. However, if the change from the person- and seniority-based system towards job- and performance-based system continues, decision-making on HRM issues may change towards decentralised decision-making in the long-term.

Therefore, the research team continues to pursue complicated changes in Japanese HRM. In particular, future directions of the decision-making system on HRM issues are discussed. If the decision-making system changes, the reasons for the change will be investigated, and if the decision-making system does not change, the reason for the stability will be investigated.

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