

The Changing HRM Practices of Japanese Firms and the Impacts on Compensation Practices of Japanese Affiliates in Malaysia

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Abstract

The purpose of this article is three-fold. First, it explains the reason behind the fading importance of conventional Japanese Human Resource Management Systems (CJHRMS) in Japan and the implementation problems following the adoption of pay-for-performance system (PFPS) by Japanese firms. Secondly, the author tries to identify general HRM practices of Japanese affiliates in Malaysia, in particular, the compensation system and performance appraisal system. Lastly, the third purpose is to obtain a more complete understanding of the issues facing Malaysian employees of Japanese affiliates as well as to find whether or not ethnocentric Japanese affiliates are encountering human resources (HR) problems similar to those in Japan as a result of CJHRMS.

The research reveals that most of the HRM practices in the Japanese affiliates are ethnocentric. However, a minority of them adopt polycentric orientations on compensation schemes to a varying degree. The HR orientation to attract highly-competent Malaysian workforce is mainly driven by policies and strategies of the parent firm and organizational background of the Japanese affiliate. As a result of CJHRMS, Japanese affiliates with ethnocentric compensation practices are facing structural, operational and motivation problems similar to those of parent firms. Even when Japanese affiliates adopt PFPS in accordance with parent firms' practices, research reveals that formal policies and actual practices are different. Japanese affiliates should continue modifying their CJHRMS to appeal to Malaysians and fine-tune their retention strategies to secure and motivate highly-competent Malaysian workforce.

I. Introduction

Many scholars currently criticize the conventional Japanese HRM Systems (CJHRMS), in particular, seniority wage system (SWS), lifetime employment system (LES), and seniority promotion. Some have claimed that CJHRMS are simply incompatible with a globalized future (Sethi et al. 1984). In particular, they note the tendency of Japanese firms to lose highly-competent staff to other multinational corporations (MNCs) due to less attractive SWS (Mroczkowski and Hanaoka 1989). Cornered by various changes such as globalization, prolonged recession, high fixed labor cost and the changing work values (JIL 1994), Japanese firms have begun to recognize the need to modify CJHRMS to secure a highly-competent pool of workforce for sustaining a competitive edge. Among the various strategies, two most relevant to HR issues in Japan are (1) the shift from SWS to pay-for-performance system (PFPS); and (2) the growing significance of performance appraisal system (PAS) in compensation

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practices as well as in relation to transparency.

Past research on HRM issues has largely compared Japan and United States. However, such research on Malaysia has been rare and small in sample size. Such investigation is therefore useful and also timely given the significant change from CJHRMS to PFPS in Japan.

The author attempts to examine and understand the changing CJHRMS by drawing upon both motivation theories and HRM practices of MNCs. Given: (1) the different work environment in Malaysia; (2) the tendency of Japanese firms to be home-country oriented; and (3) the change from SWS to PFPS in Japan, the purpose of this paper is (1) to explain the reason behind fading influence of CJHRMS and the trend towards PFPS in Japan; (2) to identify general HRM practices of Japanese affiliates in Malaysia, in particular, in compensation practices and PAS; (3) to find whether ethnocentric Japanese affiliates are encountering similar HR problems similar to those in Japan as a result of practicing CJHRMS.

There are a few reasons for this research to focus on white-collar workers and exclude the discussion on labor unions. Generally, labor unions in Japan represent both blue-collar and white-collar workers and engage in negotiation of salary and employee benefits. However, company-based labor unions in Malaysia only represent blue-collar workers and they are so restricted by labor laws that their roles do not translate into commensurate power at the bargaining table.

The research was conducted in Malaysia during July-August 2002 and January 2003. Interviews of managers were carried out including both Japanese expatriates and Malaysian staff at 19 Japanese affiliates. The paper is organized as follows. Section 2 presents literature review. Section 3 and 4 cover the changing practices of CHJHRMS in Japan. Section 3 briefly explains the reasons behind the fading influence of CJHRMS while Section 4 explains the growing popularity of performance-oriented incentive system and its implementation problems. Section 5 discusses the general HRM practices of Japanese affiliates in Malaysia. Section 6 examines the problems arising from CJHRMS in foreign countries and Malaysia.

II. Strategic International Positioning

Embracing globalization in search of organizational effectiveness brings various effects on organizational practices that may require some degree of adaptation to local standards in consideration of both employee motivation and organizational performance (Schuler et al. 1993).

In managing MNCs abroad, there are three primary attitudes, namely ethnocentric, polycentric and geocentric. Some firms might run the organization as local firms (polycentric) while others might prefer to follow a system of management resembling that of the parent company (ethnocentric), or some form of hybrid management (geocentric) as described by Perlmutter's (1969) typology. Ethnocentric organizations are country-oriented, applying home-national criteria to foreign subsidiaries. Instructions flow from headquarters to the subsidiaries regularly, and people of the home

nationality fill key positions in the foreign subsidiaries, indicating a high degree of authority and control lying within headquarters. Polycentric organizations are host country oriented and function with standards and policies that are adapted to the host country. Local environmental factors hold greater importance and management may be relatively independent. Local executives are trained for top designations, and decision-making is relatively limited in headquarters. Geocentric organizations are global oriented and interdependent organizations. Best employees are sought after regardless of nationality for global assignments and responsibility. Standards adopted are universal and local. Such organizations exert collaborative efforts to meet both global and local objectives.

Stopford and Wells (1972) noted that increasing foreign involvement often leads to organizational change. However, Japanese MNCs have a stronger tendency than other MNCs in transferring practices of parent companies to foreign subsidiaries (Kopp 1994; Kawabe 1991). Numerous investigations have noted the difficulty of introducing CJHRMS to overseas operations. According to Bartlett and Yoshihara (1988), CJHRMS poses serious problems to the international operation of Japanese firms. Despite the vast differences in U.S. HRM², Japanese affiliates were found to be reluctant in adapting their HR policies, resulting in loss of highly-competent HR. Issues of concern were SWS, slow promotion, lack of career mobility, minimal feedback on performance, lack of autonomy and empowerment (Chang 1989; Kleinberg 1989; Mroczkowski et al. 1992; Zhuang 1992; Milliman et al. 1995).³ Given all these, CJHRMS were found to be less motivating to Americans. Yoshihara (1989) found that CJHRMS were not welcomed by white-collar workers in Western companies while another research revealed that CJHRMS were very problematic in Japanese firms operating in Germany (Heise 1989).

This could be explained using expectancy theory (Vroom 1964). To effectively motivate people, this theory asserts that rewards should have significant value that responds to employees' expected valence. Priorities of some people in work may be for job security, challenge or self-development while others may solely work for the money. Hence, it is vital to manage the different motivating valence to effectively retain highly-competent workforce. Given the different cultural and work values of Malaysian workforce, the introduction of CJHRMS is expected to affect employee motivation in a different manner.

III. The Fading Influence of Conventional Practices in Japanese HRM Systems

This section explains the reasons behind the fading influence of CJHRMS- SWS, LES and seniority-based promotion practices in Japan, mainly by drawing from past research.

3.1 Seniority Wage System (SWS)

In Japan, the SWS that was widely practiced from the 1950s rewarded employees on the basis of cumulative on-the-job experience, and internal training over the years that are strongly related to

their tenure (Koike 1991; Umemura 1980; Takada 2000). The practice aimed to secure and retain skilled labor (Ono 1980; Befu and Cernosia 1990). Wage levels under SWS do not necessarily reflect the degree of individual contribution.

However, the economic pressure and social constraints induced numerous firms to move away from SWS (Clark and Ogawa 1992; Morishima 1999; Peterson and Sullivan 1990). In particular, the slower growth of the Japanese economy which dropped from an average annual growth rate of 10 percent in the sixties and seventies to a mere 1.4 percent and 3.5 percent in 1995 and 1996 respectively (JPC 1998). The severe economic downturn following the collapse of the bubble economy in the early nineties put firms under enormous pressure to rationalize office design and reorganize of work (Morishima 2002b; Yamada 2000). This brought about cost reduction and shift of emphasis from market share to profitability as a criterion for improving corporate performance. This shift encouraged careful evaluation and stronger emphasis on individual performance in salary decisions. Also, given the majority of the ageing Japanese workforce are at the peak of their earning curves, SWS leads to high fixed labor cost that hurts capital gains. It also results in a stark wage difference that may demotivate younger Japanese workforce, in particular, highly-competent workforce that prefer more PFPS.

3.2 Lifetime Employment Systems (LES)

Considering the scarcity of skilled labor and intensive poaching during the industrial revolution, LES was strategically emphasized in the 1950s to gain full employee commitment. LES that promotes a lifelong employer-employee relationship via the integration of employer-employee goals also promotes employee motivation and stable employment till mandatory retirement age (Yoshino 1968; Morishima 1992). However, LES is less in favor now especially among the large firms (Takeuchi and Wakabayashi 1998) owing to prolonged economic slump and application of advanced technology. Given the higher urgency in securing a competitive workforce to improve organizational competitiveness, an increasing number of firms limit the entitlement of LES among regular employees. Moreover, the unemployment rate in Japan that continues to hover at around 5 percent (JPC 2004), indicating that there is an abundance of manpower, making LES less important as a strategy in securing and retaining employees. Only slightly more than half of the 376 listed companies in a survey were still adhering to LES (JPC 1999).⁴

3.3 Seniority-based Promotion System

Seniority promotion is a form of recognition of achievement based on accumulated job experience and tenure that was once effective in motivating employees in Japan (Tsuda 1977). In this system for introducing status, it takes seven to ten years of employment in the same firm for the first promotion, without much difference in authority and income (Wakabayashi and Graen 1989; Koike 1988).

Performance-based fast track promotion is an exceptional case (Inohara 1990). Owing to limited real opportunities for promotion, management titles empty of substance were eventually created (Mroczkowski and Hanaoka 1989) only to backfire as it resulted in steeper hierarchy structure that hindered organizational effectiveness. Moreover, the payroll of senior employees is high, and thus seniority promotion further jeopardizes profit (Yamada 2000).

In a competitive market with slow growth, it is of utmost importance to secure highly-competent workforce to improve organizational performance. However, the faltering effectiveness of slow promotion in retaining high-performing employees further spurred numerous firms to change their management values and HRM policies to performance-oriented policies (e.g., PFPS, rapid advance promotion) that include promotion of high-performing employees regardless of age or tenure. A recent report on 301 companies by JPC (2001) revealed that employees were promoted to managerial positions at younger age with an average of 34.6 years at the earliest for *kacho* position.

In view of the external forces in Japan: (1) high fixed labor cost; (2) economic downturn and competitive business environment; (3) increased importance of profitability as a measure of corporate performance; (4) changing work values of younger workforce; and (5) change of management values to securing and retaining highly-competent employees, it is not surprising that Japanese firms put less priority on CJHRMS than on alternative strategic options (e.g., performance-based incentive systems) to enhance organizational performance.

IV. Performance-oriented Incentive Systems

4.1 Adoption and Trends

For the reasons described in Section 3, CJHRMS were gradually modified to incorporate some management principles of the West (Pucik 1985; Ishida 1986). Performance-based assessment is a new tool for HR development and evaluation that is gaining widespread attention (JPC 2003) in managing employee motivation. Most of the JPC survey findings showed positive trends of PFPS adoption (20% and 25% of adoption rate on annual pay system in 2000 and 2001).⁵ Nearly 40 percent (39.4%) of the 376 listed companies in a survey responded that they would maintain seniority system at a minimal level but would also create a system that emphasizes performance while 38.3 percent responded that they have almost completely adopted a performance-based merit system (JPC, 1999).⁶

Another survey covering 4932 companies revealed that 65.8 percent of these companies attached more priority to achievement and 40 percent of them introduced individual goals for individual employees (JIL 1999).⁷ To improve on accuracy and transparency of appraisal, some companies in this survey took extra efforts to send appraisers for training (24.9%) and make appraisal criteria openly available (24.6%).

Most notably, in terms of appraisal and reward practices, there has been a shift of focus from skills and seniority to individual employee performance over the years, recording at 5.6 percent, 11.2

percent and 15.8 percent in three surveys from 2001 to 2003 respectively (JPC 2003).⁸ Criteria for PAS were also designed towards more objective criteria instead of heavily relying on characteristics that are subjective in nature (Table 1).

Table 1 Weight Attached to Various Criteria in Assessing Employees (in Percentage)

	Performance	Skill/ Ability	Effort	Job Content	Education/ Age	Total
Total sample	41.0	26.8	13.8	14.4	4.0	100.00
Manufacturing	43.9	25.2	12.4	15.0	4.3	100.00
Non-manufacturing	39.1	27.9	14.7	14.0	3.5	100.00

Source: Fuji Research Institute, 1998, p.70

4.2 Implementation Problems

Despite the popularity of merit pay for enhancing productivity, the establishment of payout mechanisms proved difficult. At the core of PFPS is PAS that greatly determines the success of incentive system. Employees would be satisfied with PAS given the understanding that performance gets more priority and will ultimately be reflected in their annual pay accordingly. Hence, employers adopting PFPS need to ensure that PAS function fairly before it can help improve efficiency. The failure to project fairness and transparency of the evaluation and reward system will only lead to employee distrust. A survey revealed that only 50.8 percent of the companies in the survey had formal PAS (JIL 1999).⁹ Unlike the West where PAS are largely used for facilitating salary decisions, PAS are conventionally used in Japan for identifying training needs. This is due to the fact that the Western approach leads to great disparity in pay among employees, a departure from past practice that was regarded as undesirable for employee morale and teamwork.

Morishima's (2002a) research found that even after the introduction of PFPS schemes, intra-firm wage disparity has not substantially increased because employers are not confident of such PAS. This is not surprising as 89.5 percent of companies in a survey complained that their PAS had problems (JIL 1999).¹⁰ Given the limited initial role of PAS in Japan, Japanese firms face problems in the area of standard design of PAS, fairness and transparency. In other surveys, the implementation problems commonly cited by managers were the followings:

(1) Absence of standardized measures

The absence of standardized measures suggests that the PFPS is still in its infancy in Japan. In Japanese firms, manuals, if there are any, are not detailed since employers set loose limits to work and leave details to the discretion of employees. A survey covering 376 listed companies (JPC 1999) revealed that evaluation system was not functioning effectively and needed immediate improvement (11.2%).¹¹ Another survey covering 317 listed companies (JPC 2000) revealed that it was difficult to evaluate people whose jobs differ in substance (55.6%).¹² This problem is worsened with the variation

in evaluating skills among evaluators (27.8%). Furthermore, appraisal criteria heavily emphasize subjective standards and personal traits.

(2) Vagueness of yardsticks for assessing performance

The vagueness of yardsticks for assessing performance further leads to confusion among subordinates. PAS are mostly operated in closed systems owing to a lack of reasonably objective standards for evaluation and justification (Yamada 2000). Moreover, managers are restrained from distributing the appraisal results to minimize accusation of subjectivity and demand for justification. In regards to unclear and inconsistent appraisal criteria, the results cited by participating companies of two separate surveys showed a slight improvement from 45.7 percent (JIL 1999)¹³ to 37.5 percent (JPC 2000).¹⁴

(3) Averaging of evaluation

Averaging of evaluation often takes place in Japanese firms (Sumihara 1994). It is hard to satisfactorily establish the validity of evaluation results as appraisal criteria are not inherent in the jobs themselves although they affect on organizational performance as a whole. Thus, supervisors can easily manipulate rating, either by inflating or deflating scores (Berggren 1992). By averaging the appraisal result, employers may keep wage differentials narrow in order to ease problems arising from vague appraisal criteria, lack of experience and commitment of appraisers. Moreover, in view of the great importance of harmony in Japanese social systems, evaluators tend to be lenient in PAS in exchange for cooperation in work and harmonious human relationship.

In addition to the aforementioned, another concern is the effects of PFPS on promotion decisions in Japanese firms that practice CJHRMS in view of the strong influence of human relations and cliques for faster promotion (Sethi et al. 1984). It was reported that only half of the managers were satisfied with the degree of transparency in PAS (JPC 1999). Given all these concerns, it is understandable that Japanese were not reaping the effectiveness of PFPS.

V. Implementation of Japanese HRM Systems in Oversea Operations

This section concerns the intercultural work environment and HRM practices of Japanese affiliates in Malaysia, as experienced and perceived by both Japanese expatriates and national top managers working for Japanese firms in Malaysia. The primary objective here is to identify the general HR practices of Japanese affiliates in Malaysia, in particular, the compensation and PAS practices. It also aims to understand the adaptation efforts made to fit into local environment, considering the different work and cultural values that form the social system and the work motivation of Malaysians. A total of 19 firms were researched through open-ended interviews. All except two were large firms and corporate personnel included seven Japanese top managers, eleven Malaysian top HR managers and

five Malaysian middle managers in Malaysia (Appendix 1).

Owing to some comparative examples raised in this section, a brief introduction to HRM practices in Malaysia is first presented to facilitate better understanding of the discussion. Presumably, there is no distinct style of management that can be exclusively identified as Malaysian (Ahmad and Singh 2001). The early development of HRM practices in Malaysia was instrumentally influenced by the British HRM style, as a result of the introduction of British systems into governmental bodies, legal and education system during the colonial days. Till now, management leaders in Malaysia have yet to clearly identify what Malaysian HRM is (Chin and Maniam 2001), given that: (1) the basic structures and administrative nature of HRM practices in Malaysia are replicas of a simple form of HRM systems introduced during colonial days; (2) the heavy influence of diverse cultures and individual indigenous values of Malaysia's multi-ethnic society on various management practices, in particular of those family businesses; and (3) the increasing number of Malaysian companies that are modifying their administrative oriented HRM practices to strategic ones, by replicating modern Western HRM practices while maintaining general cultural values commonly shared by Malaysians.

Some of the distinctive characteristics of British HRM practices that are still visible in modern HRM practices in Malaysia are a basic set of HRM approaches (e.g., salary and promotion practices) that are characterized by seniority (although to a lesser extent than CJHRMS) and education level, although performance emphasis is gaining more importance. Because of the diverse types of HRM practices in Malaysia (administrative or strategic; indigenous or Western), cultural work values and expectations commonly shared by Malaysians at the workplace include PFPS, a mix of performance and seniority-based promotion, harmonious work relationship, feedback and discussion of appraisal results, face-saving, job autonomy, and a mix of contractual and relation orientations in employment relationships. Kawabe (1991) concluded that Malaysians: (1) are money-oriented; (2) share certain western individualistic values; and (3) are less hesitant than Japanese to job-hop for better salaries or career advancement.

Given the complicated nature of managing a diverse and multi-ethnic workforce in Malaysia, the following subsections present interview findings on the general HRM practices of Japanese affiliates in Malaysia at the 19 Japanese firms participating in this study.

5.1 Local Perspective: Implementation of Japanese HRM Systems in Malaysia

There are more than 1000 Japanese affiliates operating in Malaysia (JETRO 2002). Given the huge number of Japanese firms and Japan's status as the second largest investor in Malaysia, this research will be useful in providing a general picture of HRM practiced by the 19 Japanese affiliates in Malaysia.¹⁵

(1) Recruitment and Selection

Recruitment and selection practices vary across Japanese affiliates. Even though recruitment of fresh graduates was once much emphasized, most of the participating firms currently depend on real time HR needs and vacancy opening. Interviews found that external hiring takes place when suitable candidates from within are not available. Selection process varies. For instance, Japanese affiliates without formal human resource department (HRD) tend to heavily rely on the immediate superior or finance department. Although formal institutions such as Shunto or Spring Labor Offensive do not exist among Japanese affiliates in Malaysia, there is close cooperation that functionally resembles such institutions. Close coordination among Japanese affiliates of the same industry are managed informally to: (1) minimize job-hopping of Malaysian employees via discussion and agreement on competitive pay decision; (2) exchange information on job applicants; (3) allow for discussion and negotiation that may lead to harmonious exchange of employees when one firm intend to poach staff of other Japanese firms.

(2) Promotion Practices

Promotion practices in some Japanese affiliates are similar to those of parent firms whereby seniority promotion is given utmost priority in order to solicit loyalty and full employee commitment. However, Malaysia's management styles resemble those of Britain, with less seniority promotion (CJHRMS) and less egalitarian systems (Kawabe 1991). My interviews reveal that Japanese affiliates tend to lose highly-competent HR to Western multinationals, owing to the time-consuming seniority promotion practice. Before doing away with CJHRMS in 2001, Co14 previously practiced guaranteed seniority promotion system that promoted employees in lock-step, time-consuming fashion, to the extent that loyalty is appreciated even in the face of incompetence.¹⁶ This conventional practice considered employee's age and years of service. However, given that in Malaysia, fresh graduates who perform well tend to get their first promotion after three years of service, and given the changing social values of the workforce, the conventional Japanese promotion practice became a threat to organizational effectiveness and organizational performance. High performers left for firms that reward rapid advancement whereas less competitive employees continued to stay. According to top personnel of Co14, most of the excellent managers that left the firm for better career development elsewhere are currently directors of well-established companies through a fast-track upward advancement that could hardly happen in the conventional system. With the adoption of new HRM systems, Co14 takes an active role in identifying highly-competent managerial workers and tracking performance for promotion decisions. Moreover, a performance management system introduced to effectively manage performance process (short-term and mid-term objectives with clear descriptions on the "what", "when" and "how") also assisted in the performance tracking exercise.

Table 2 shows the high annual turnover rate of executives by industry type in Malaysia (MEF 2003). An average of 17.7 percent of the annual turnover rate is estimated in Malaysia for the year

2004 (Rioux and Brenthal 2000). In consideration of such misfit, adaptation to local needs and efforts to reduce emphasis on seniority could be seen in Japanese affiliates that adopt an expansion strategy (e.g., Co14, Co17) or employ western styles of management in their HR policies and procedures, creating a hybrid management style (e.g., Co4, Co5, Co6, Co9, Co13, Co16).

Table 2: Annual Turnover Rate of Executive (2002) by Industry in Malaysia

Types of Industry		Number of Firms	Rate (%)
Manufacturing	Transport/Parts/Manufacturing/Assembling	10	21.00
	Electric/Electronic	23	15.24
	Personal Care	4	14.52
Non Manufacturing	Diversified/Holdings	11	28.92
	IT/Communication/Advertising	6	22.20
	Property	15	21.12
	Banking/Insurance/Investment	7	20.16

Source: Malaysian Employers Federation, Salary and Fringe Benefits Survey for Executives 2002, 2003, pp.34

(3) Compensation Practices

In addition to statutory compliance, salary decisions are generally based on the combination of external market offer while determination of annual salary increment and bonuses depend on the internal agreement among the same Japanese industry players. However, interviews also reveal that the majority of Japanese firms tend no longer to pay competitive market rates (e.g., Co3, Co8, Co11, Co14, Co15, Co16).

Wage incentives vary, ranging from simple wage policies to highly performance-oriented types in relation to: (1) corporate business strategies; (2) the degree of intention to adapt to local practices; and (3) the nature of functional role of the HRD. Based on the interviews, it appears that Japanese affiliates that place utmost importance on performance in compensation and promotion decisions tend to have the following characteristics: (1) are eager to be the market leader; (2) adopt expansion strategy; and (3) attempt to delegate their operation in Malaysia to national managers and attempt to adopt more local practices (polycentric).

For firms favoring PFPS, salary calculations tend to be more precise, reflecting the specific quantitative provision of various incentives to promote productivity, creativity and initiative efforts. Salary calculation also tends to be closely linked to appraisal results via merit point system, reflecting close practice of PFPS. For instance, illustrating the wide difference in compensation practices, Table 3 presents two salary formulas of two wholly owned Japanese affiliates of the same industry. Malaysian top managers were assigned to manage HR matters in both Japanese firms. The huge difference in salary calculation is due to the different HRM practices and the different functional (administrative or strategic) roles of local HRD.

Even though Co7 has not established a formal HRD, and leaves HR matters to the Senior

Marketing Manager, its HR policies are adapted to local environment and the components of salary calculation are classified in detail. Its HR policies resemble those of Malaysian companies in that: (1) it practices PFPS; (2) it promotes transparency of PAS; (3) it delegates to employees a high degree of job autonomy; and (4) it pays employees at market rate. On the other hand, Co8 has a formal HRD, but its functional role is mainly administrative and HR practices are ethnocentrically oriented to the parent firm which favors CJHRMS. Interview findings suggest that systems and procedures in Co8 are not well-organized. Having a vaguely defined PAS and heavy reliance on sole appraiser (immediate superior) for performance appraisal, the firm had been facing severe problems for some time. Matters such as unfairness of its subjective PAS and issues of favoritism further aggravated employee perception of unfairness on pay decisions and other grievances. These difficulties had spurred Co8 to reexamine its PAS.

Table 3: Salary Structure of Two Japanese Affiliates of the Same Industry

Company	HR Department	HR Practices	Salary Structure
Co7	Handled by senior marketing manager who is a Malaysian	Polycentric: HR practices resemble those of Malaysian HRM	Base salary (qualification, skill) + Position allowance (accumulated experience) + Design allowance (project, scale of project), Hardship allowance
Co8	Formal department exists but mainly in charge of administration roles	Ethnocentric: HR practices resemble those of parent firm and CJHRMS	Base salary (experience, qualification, age) + structured increment (rank/performance)

Source: Author, 2002.

Some of the Japanese firms continue offering attractive salary increment and generous fringe benefits even when business is slow. In addition to attractive compensation package, most of the HR personnel (e.g., Co1, Co2, Co3, Co4, Co5, Co7, Co8, Co12, Co13, Co14, Co16, Co17) concluded that Malaysian employees value the sense of security, stability and conducive working environment provided by large Japanese affiliates. Moreover, the appreciation and internalization of Japanese work culture seems to successfully result in employee loyalty and sense of belonging.

Nevertheless, Japanese affiliates are concerned with the high tendency of job-hopping and turnover owing to the desire for fast promotion and salary increment within the younger Malaysian workforce. Frequent loss of highly-competent employees poses significant HR problems as Japanese affiliates cannot optimally reap the benefit of investment on training Malaysian employees. As part of the countermeasures, Japanese affiliates of the same industry collectively determine an acceptable range of financial incentives on an annual basis to create attractive pay package so as to simultaneously minimize incentive gaps among Japanese affiliates and yet remains sufficiently competitive in retaining highly-competent workforce against staff poaching by non-Japanese MNCs.

Interview findings also reveal that in general large Japanese affiliates, whose initial businesses were established as green-field projects and had around 30 years of business history in Malaysia, tend to be highly ethnocentric in their HR practices. In other words, seniority has more influence than individual performance on compensation and promotion decisions. Given the extensive global business or globalization strategy of Japanese affiliates, one would have expected HRM practices of Japanese affiliates to at least move away from CJHRMS, if not to adopt an universal system that meets the needs of global operations. However, these Japanese affiliates place utmost importance on CJHRMS regardless of their simultaneous emphasis on globalization strategy (e.g., Co1, Co2, Co4, Co11). Looking at the majority of the practices, it is clear that seniority still plays a significant role in compensation decisions within Japanese affiliates in Malaysia. This could be owing to their strong belief in the effectiveness of SWS in retaining employees and improving productivity, given that SWS promotes harmonious working environment as well as creates relative “equality” of pay that well-responded to the needs of Japanese workforce (Levine, 1991).

(4) Performance Appraisal Systems (PAS)

It is difficult to identify a typical PAS practiced by the Japanese affiliates in Malaysia as there are diverse approaches, in particular, with the recent shift to PFPS. PAS within the Japanese affiliates in this study are highly similar to those of parent firms in terms of the use of vague and subjective standards, low degree of transparency and the lack of avenue for negotiation. Japanese affiliates that face structural problems in PAS and compensation practices as a result of CJHRMS tend to be more reluctant to implement an open system. As for the small and medium-sized enterprises (SME) among the participating Japanese affiliates, it is found that even the parent firms themselves are without institutionalized PAS.

The form of measurement criteria is an area of concern. Most of the participating Japanese affiliates are more comfortable with subjective measures and put more emphasis on tenure and traits. Objective measurement criteria are rare (Co4, Co9, Co14, Co17). While most of the participating Japanese affiliates in my study have institutionalized formal PAS (Table 4), it is equally surprising that the formal system and actual practice are different. In other words, institutionalized PFPS may not be employed in reality since some top HR managers may hold stronger belief in the effectiveness of SWS and hence may reapply SWS in reaching appraisal decisions. Hence adoption is left to the discretion of each unit manager, provided that the unit manager can convince his subordinates of the benefit and fairness of his personal preference.

The degree of transparency of PAS is another issue for concern. Among those that have formal PAS, Japanese affiliates of conglomerate are less keen on explaining the details or appraisal results deemed important to Malaysian employees even though clearly defined performance criteria and well-designed PAS are formally instituted. This is evident in those firms that practice CJHRMS, holding

the belief that tenure or seniority is objective and undisputedly clear (based on the numerical number representing year of tenure), and hence pay less attention to complicated formal feedback process (e.g., Co1, Co2, Co15, Co19).

In addition to the low transparency of information on PAS (63% in Table 4), justification difficulties are another main concern because some Japanese affiliates (e.g., Co1, Co2, Co3, Co4, Co6, Co10, C11, Co15) find it hard to justify appraisal results to the satisfaction of Malaysian appraisees. This is due to different individual perceptions and further, the feedback process is complicated by the variety of communication styles of different multi-ethnic cultures in Malaysia (Table 4). As highlighted by some managers (Co1, Co3, Co6, Co11), more often than not, it is rather difficult to capture the full meaning of home country policies in the making of English and Malay manuals. Meanings are lost or less accurately interpreted. Given such feedback complexity and the preference for indirect approach in the case of negative feedback, Japanese expatriates show centralized tendencies in handling appraisals.

Table 4: HR Practices on the Fairness of PAS by Japanese affiliates in Malaysia (N=19)

Industry	PAS Practices (Numbers of firms with respective practices in PAS)				
	Transparency			Complaint Handling	
	Goal-Setting	Criteria	Appraisal Result	Avenue for Negotiation	Adjustment after Negotiation
Conglomerate (5)**	3	3	1	0	0
Construction (3)	2	2	2	2	0
Electronics Manufacturer (3)	2	2	1	1	0
Retail Department (2)	2	2	1	1	1
Personal Care (1)*	1	1	1	1	1
Automobile parts (1)	0	1	0	0	0
Bank* (1)	1	1	1	0	0
Insurance (1)	1	1	1	Situational	Situational
Food and Beverage (1)	1	1	1	1	0
Consultancy (1)	0	0	0	0	0
Number of firms in total	13	14	9	7	3
PAS Practice Ratio	13/19	14/19	9/19	7/19	3/19
PAS Practice (%)	68%	74%	47%	37%	16%
Average PAS Practice (%)***	48%				
Average Transparency (%)***	63%				

Source: Author, 2002.

Notes: * The bank interviewed has just started PAS with the assistance of management consultant while the one in personal care industry revamped its CJHRMS in late 2001 by first, adapting to Malaysian HRM practices before introducing global HRM.

** The numbers written in the respective brackets under 'industry' column represent the number of firms interviewed in each industry. The numbers displayed in the respective column of transparency criteria shows the number of firms that practice open door policy on the respective criteria.

***The figure for Average PAS Practice is derived by averaging the total of all five results of PAS practices. The figure for Average Transparency is derived by averaging the total results of goal setting, criteria and appraisal result.

As illustrated in Table 4, around 70 percent of participating Japanese affiliates in the study allow access of information on areas such as goal-setting and criteria measurement. However, less than half of these Japanese affiliates (47%) share appraisal results with their Malaysian employees, indicating a low degree of transparency in appraisal feedback. Astonishingly low are the percentages for the remaining two areas in PAS, namely, avenue for negotiation and possible adjustment after negotiation (37% and 16% respectively). Overall, it can be concluded that the degree of transparency in PAS among the participating Japanese affiliates in Malaysia is low (63%). This is understandable considering that most of the Japanese affiliates participating in the interviews mainly practice CJHRMS.

(5) Training and Development Practices

On-the-job training (OJT) is practiced by all Japanese affiliates to equip the staff with necessary skills. In general, all manufacturing firms in Malaysia are required to set aside 1 percent of payroll as required by Human Resource Development Fund Act 1992. Supervisors generally provide OJT coaching and guidance. Some Malaysian employees are sent to Japan for higher training. Most of the extensive trainings are pre-selected by management. Some Japanese affiliates in this study provide subsidies to encourage employees to further develop themselves. However, job rotation is not practiced to the same degree as at parent firms, and job rotation across departments (e.g., finance, marketing, sales, distribution) is rare. Job rotation is more commonly carried out on production floor level in manufacturing industries.

(6) Layoff

In addition to compliance with local employment law, some Japanese affiliates in Malaysia also implicitly avoid employee termination, as practiced in the parent firms. Only one of the five Japanese affiliates in Thong's (1991) study has explicit layoff policies. Interview findings parallel Thong's research (1991) which found that Japanese affiliates do not easily give up on unproductive employees. Unproductive employees are retrained or relocated to a new job. However, one Japanese human resource manager (Co3) highlighted the impracticability of retaining unproductive employees in view of organizational effectiveness and prompted the parent firm to reconsider this practice.

(7) Managerial Decision-Making

Application of decision-making style varies among Japanese affiliates. Nevertheless, some core practices of parent firms are delegated solely to Japanese expatriates, particularly in firms with ethnocentric orientation in Malaysia. In general, Malaysian top managers often are not involved in strategic business decisions. Interviews reveal that language (e.g., Co1, Co4, Co10, Co16) and communication barriers are among the biggest hindrance towards empowerment and full-scale

localization, as most of the Malaysian employees are severely lacking in Japanese style communication skills sufficient for meaningful engagement in the rather subtle interaction of the *ringi* system (a formal decision-making in which proposal is circulated up through the hierarchy to acquire personal stamps of manager as an indication of their participation and commitment) and *nemawashi* practice (a practice of laying the groundwork in terms of informal consensus building before formal discussion take place).

Upon the review of the findings, it seems that the Japanese affiliates adopt a combination of HRM practices, those of parent firms as well as the local British or American oriented HRM practices in Malaysia, indicating that the current HRM practices employed by Japanese affiliates are not purely ethnocentric. In summary, the following findings suggest that the firms are generally ethnocentric oriented in that: (1) HRD of Japanese affiliates tend to be functionally more administrative than strategic; (2) compensation decisions are still strongly influenced by CJHRMS although efforts have been made for local adaptation; (3) strategic decision-making is still mainly handled by Japanese expatriates; and (4) areas such as control and layoff practices resemble those of parent firms.

VI. How Japanese HRM Systems Fare in Malaysia: Problems and Implications

This section attempts to examine organizational problems faced by national employees as a result of CJHRMS in Malaysia as well as to identify if these problems bear any similarities to those experienced in Japan. It also briefly introduces the nature of Malaysian HRM. As discussed above, CJHRMS implemented in oversea operations faced various problems, ranging from SWS and slow promotion to subjective PAS.

According to some studies (Kawabe 1991; Yamashita 1991), Malaysian employees hold various standards and values as a result of the multi-ethnic society, the vast exposure to British management, and western-oriented education. Because of this, Japanese affiliates face many challenges in understanding and managing Malaysian employees. Company policies and procedures are more complicated than those of other more homogenous ASEAN countries. During the British colonial period, numerous companies were managed the British way. Legislation and education system was shaped after British systems. Nowadays, it is common that companies manage their operations by integrating Western practices and indigenous ways. In a study on Southeast Asia, Hirano (1991) categorized Malaysian into two mainstreams, namely, British-oriented values and ethnic-oriented values (e.g., Malay, Chinese and Indian values). Companies were managed either the British way or in indigenous way.¹⁷ Nowadays, young Malaysians are less collective and frequently job-hop for better compensation and career advancement. Chin (2003) notes that, as materialism is on the ascendancy the social bonds that have made for a cohesive society are beginning to fracture.

Kawabe's (1991) research found that executive and senior management that hold British-oriented values are less in favor of egalitarian systems while Malays welcome group activities. While career

development was rated highly, CJHRMS such as LES and SWS were not well-accepted. It was also understood that both Japanese expatriates (43.8%) and Malaysian employees (50%) cited the impossibility of effective application of LES. Japanese expatriates (31.3%) and Malaysian employees (25%) also indicated the inadaptability of SWS in Malaysia. Malaysians were described as money-oriented and inclined to job-hop with less hesitation, implying the difficulty of implementing CJHRMS effectively (Kawabe 1991; Malaysian Institute of Management 2003). The following subsections will discuss the findings from the author's research.

(1) Conventional Practices of Japanese HRM Systems

Interviews reveal that most of the Japanese affiliates (Appendix 1) strongly follow CJHRMS whereby SWS, LES and seniority promotion system are adopted as keys to employee motivation and commitment. Other industries adopt different HRM in accordance with their global business plans in addition to the adaptation and localization efforts.

Having said the above, most of the conventionally oriented conglomerates (e.g., Co2, Co3, Co5) in Malaysia are facing structural and cost effectiveness problems similar to those in Japan. Firm age seems to influence the content and intensity of CJHRMS as well as its resistance to change. Some Japanese expatriates (e.g., Co1, Co3, Co9) in the interviews shared the view that Japanese affiliates with about 30 years of establishment in Malaysia tend to heavily practice CJHRMS since their establishment in Malaysia. They are more ethnocentric in their compensation and promotion systems as compared to others in the sample.

These ethnocentric conglomerates are experiencing structural and wage distribution problems attributed to the early recruitment approach. Soon after establishment, unskilled Malaysian employees were primarily employed to handle office equipment. Owing to the seniority system, they were promoted in spite of poor performance. Such promotion has inherent problems such as low productivity and employee morale. Senior Malaysian employees are likely to experience frustration with this system, similar to the CJHRMS in which such promotion brings about narrow disparity in income and authority, since promotion commonly comes with increased responsibility and substantial salary increase in Malaysia. These frustrated employees tend to measure salary with those in the external labor market in accordance to their titles and often conclude that they are underpaid. While this is partly a result of the initial flat curve of salary scale of SWS, they often fail to attribute the low pay to their own poor performance.

Besides monetary issues, senior employees are also frustrated with their less meaningful work. Japanese expatriates argued that significant responsibilities could not be delegated to poor-performing senior employees, especially to those that lacked self-initiative in skill improvement. In these ways, senior employees in ethnocentric conglomerates perceived unfairness of the management. Senior employees also tend to perceive the presence of incoming juniors as a threat since the juniors possess

tertiary qualifications and tend to be more competent at work. On the other hand, juniors also tend to have negative perceptions of the management since they are suppressed by the promotion gridlock and less competitive salary resulting from CJHRMS. They then tend to look for other employers.

(2) Performance Appraisal System (PAS)

a. Transparency and Avenue for Negotiation

Like their parent firms, most of the participating Japanese affiliates in Malaysia are also encountering the issues of objectivity and transparency in PAS since most of the formal PAS that are based on management-by-objectives are extensions of practice from parent firms. Although the 19 participating Japanese affiliates have some basic form of PAS (Table 4), interview findings show that not all of them share measurement criteria (74%) and appraisal results with employees (47%), indicating the transparency level is not high (63%). In general, Malaysian employees prefer to be informed of their appraisal results. According to a Malaysian top personnel (Co4), performance appraisal is solely conducted by the Japanese expatriates in his firm. As the top personnel for managing administration, he cannot evaluate staff directly under his supervision. Hence, he finds it rather difficult to convince his subordinates when being questioned on their latest revision of salary that is supposedly based on appraisal results. A Japanese director (Co15) in this investigation even asserted that appraisal exercises are not necessary since SWS itself is sufficient.

The interview also found that there is very little effect or adjustment on appraisal result (16%) even though employees are given the opportunity to voice their disagreement and complaints (37%). A Japanese top personnel (Co1) noted that firms are in a better position when a certain degree of confidentiality of PAS is maintained. He mentioned that, making a formal channel for complaints and grievances may only aggravate difficult situations or encourage employees to file complaints. Therefore, there is no avenue for negotiation of appraisal results in his firm.

Malaysian employees may accept the closed-door policy on PAS as practiced by Japanese affiliates, however, it may be rewarding for Japanese affiliates to consider providing frequent feedback on Malaysian employees' work performance so as to give employees better understanding of the practice. This may at least reduce their dissatisfaction with the closed-door policy, if not solicit higher trust level. The sharing would also provide employees with ample time for improvement.

b. Inconsistency of Policies and Practices

As mentioned earlier, inconsistency is another problem which occurs when senior managers who prefer seniority as the yardstick for salary and promotion decisions tend to ignore the institutionalized performance-oriented procedures. This suggests that in practice the determination of financial and non-financial rewards is not standard throughout the organization. In other words, at a glance, most of the institutionalized PAS seem to be performance-oriented and polycentric, but further research

reveals that seniority may still be the prominent criteria in compensation practices. One of the Japanese expatriates in the interviews mentioned that SWS is fair and objective since tenure is presented numerically and hence is non-manipulative.

It is understandable that Japanese expatriates and senior managers feel comfortable using seniority as the primary measurement in PAS. According to the Malaysian HR top personnel (Co14) of one participating firm, seniority-based practices work well in Japan in that, most of the Japanese employees are very hardworking, committed and devoted to their employers beyond the contractual requirements. However, CJHRMS cannot function in Malaysia as effectively as in Japan, in that, Malaysian employees hold different work values. Hence PAS that can differentiate individual performance is important in managing employee motivation and retention in Malaysia.

c. Changing Measurement Criteria

The change of measurement criteria as a result of the routine transfer of the new management head in Japanese affiliates also poses a severe problem to effective PAS (e.g., Co2, Co4, Co5, Co8, Co14). The routine transfer that generally takes place every five years makes it difficult to evaluate employee performance accurately. This is because the new management head often brings in new ideas and business concepts that require redesign of measurement criteria and considerable time for national employees to grasp, leading many to perceive that the earliest evaluation is only appropriate or fair in the third year under the new leadership.

d. Language and Cultural Sensitivity

Unlike Japan's highly homogeneous society, Malaysia is a multi-ethnic society with different value systems and expectations. The very same procedures of PAS may be interpreted differently due to different language proficiency level and work value systems. Given the difficulty of appraisers in diligently justifying appraisal results with sufficient versatility and sensitivity to the different cultural values, Japanese affiliates prefer to maintain a closed policy.

As mentioned by Sumihara (1994), cross-cultural learning is a constant effort where a large part of cultural knowledge is tacit and often taken for granted. Therefore, in such a cross-cultural setting justification of appraisal results can be very taxing. This is especially true for ethnocentric oriented Japanese affiliates. The Japanese affiliates are even more reluctant to discuss results as appraisal exercises tend to be conducted by Japanese expatriates even though they are not the immediate superiors.

Careful selection of words for expression and reasoning are also important for constructive feedback or it may lead to demoralization and dispute. Therefore, considerable investment of time is necessary for meaningful feedback sessions. According to a Japanese expatriate (Co1) in this study, even though negotiation of appraisal results can be informally arranged upon special request, the firm

insists that the institutionalization of such a channel is deemed unwise as it may encourage escalation of complaints. He also mentioned that the management could not see much positive outcome of the feedback session as the 10 percent of a manager's time invested in feedback session could have been put to better use for business generation.

Such perception shows that issues of fairness surrounding PAS are yet to be viewed as one of the forces driving employee motivation. Simply, the avenue for negotiation is seen as a cost center since its effectiveness is not visibly related to profitability and the required time for such exercise is perceived to be better off invested in business generation. Given such perception, it is not surprising that only seven out of 19 Japanese affiliates (39%) in the interviews provide avenue for negotiation. Only three Japanese affiliates (16%) provide an avenue for adjustment after negotiation, suggesting the limited effectiveness of negotiation (Table 4) and the low significance it is assigned by Japanese affiliates.

VII. Discussion and Conclusion

Past research on the formation of CJHRMS has provided us with additional insights into the issue of the ailing popularity of its practices. Compared with MNCs of other nationalities, Japanese MNCs have a stronger tendency to transfer Japanese HRM and control subsidiaries through expatriate parent country nationals. This study reveals that CJHRMS continue to be adopted. More importantly, the results of this study suggest that there is variation of HRM practices among Japanese affiliates, and they adapt foreign concepts and institutions to the Japanese setting on a selective basis.

Concerning organizational size, interviews revealed that SME tend to be more ethnocentric in HRM practices where: (1) HRM of SME strongly resembles those of parent firms; and (2) HRM tend heavily toward CJHRMS such as SWS, LES and seniority promotion system. Likewise, criteria in PAS are measured with traditional indicators (age, length of service, traits and educational background), indicating the high emphasis of firms on efficiency through accumulation of experience.

On the other hand, HRM practices of certain large Japanese affiliates view geocentric orientation as the appropriate approach towards organizational effectiveness besides the effort to fit into the local environment. The preference for ethnocentric approach also depends on the intention and degree of localization efforts, which determines the degree of participation of local top managers in strategic decision-making. Nevertheless, Japanese firms operating in regulated industries such as banking were found to closely follow CJHRMS. Interviews reveal that: (1) unproductive staff are not terminated due to LES; (2) seniority is heavily emphasized in incentive systems; and (3) PAS was only instituted recently.

It was found that ethnocentric oriented Japanese affiliates are also facing similar HR problems to those in Japan. These are, (1) unproductive and less competent senior staff with relatively higher

salary than the juniors; (2) seniority promotion that demotivates ambitious juniors; and (3) ambiguity of PAS and salary determination methods due to absence of PAS or low transparency on information disclosure. All of these problems result in difficulty in retaining highly-competent employees.

On a different note, continued reliance on Japanese expatriates prevents Japanese firms from having ready access to highly-competent workforce in Malaysia, and it will obviously place a heavy strain on the managerial resources of the parent firms, especially in terms of costing. Taking into account of the link between highly-competent workforce and organizational performance, it is anticipated that Japanese affiliates may want to consider motivating Malaysian employees by implementing a higher degree of localization. This can be done by managing Japanese affiliates in Malaysia at a higher degree of polycentric orientation.

In addition, it is also foreseen that top Japanese expatriates in Malaysia facing HR problems would play a more active managerial role by suggesting effective HR practices to the parent firms in solving problems arising from SWS, LES and PAS. Having said this, it does not imply that CJHRMS is totally unsuitable to Malaysian context. Thong (1991) mentioned that CJHRMS could be applied in Malaysia if it is undertaken with great patience and sufficient understanding of basic cultural values of Malaysians. Taking the various factors into account, it is also anticipated that Japanese affiliates in Malaysia may gradually settle on a more acceptable and well-balanced incentive system that best promotes employee motivation and attracts and retains highly-competent workforce. Japanese affiliates may want to improve on performance feedback systems.

As for future research, in view of the increasing importance of fairness in compensation practices and transparency of PAS, one related area of inquiry would be the extent to which the perception of fairness of Malaysian employees towards their compensation scheme (both financially and procedurally), may significantly affect their work motivation. Such research could be useful for firms by promoting better understanding of Malaysian workers and hopefully, facilitating strategic use of the findings to retain highly-competent workforce via a new complementary non-financial means – the management of perception of fairness. Also, considering the importance of global business and the increasing trend towards convergence, it would be beneficial to investigate hybrid management.

Notes

- 1 In this paper, the author defines as “ethnocentric” those Japanese affiliates in Malaysia where the HRMS resembles that of the parent companies.
- 2 Western MNCs tend to have HRM practices that are close to their national values. This can be identified in the reward practices that emphasize greatly on performance, in particular, is credited in the reward systems. U.S. management systems are characterized by high individualism, impersonality in relationships, emphasis on pay as a main motivator (money-oriented), and high intra-firm mobility.
- 3 Based on a total of 88 valid responses obtained from service industries in the United States in December 1989,

Mroczkowski et al. found that about a quarter of Americans working in Japanese firms described promotion prospects as poor (25.3%) and more than half of the respondents (51.2%) said that they would likely or very likely leave. These findings showed an alarming level of HR problems.

4 The Second Survey on Changes in the Japanese-style Personnel System dated 23rd March 1999 was conducted by Japan Productivity Center (JPC) with 376 responses from executives of personnel administration affairs of listed companies.

5 The responses for the Third and Fourth Surveys on Changes in the Japanese-style Personnel System are 317 and 301 responses respectively. These surveys were conducted by JPC on 10th March 2000 and 23rd January 2001 respectively. All the responses were from executives of personnel administration affairs of listed companies.

6 *Ibid*, p.5

7 4932 private firms (82.2% of response rate) with 30 or more employees of all industries (except domestic service, education, overseas government service and agriculture) were included in this survey conducted by Japan Institute of Labor (JIL) in 1999.

8 The responses for the Fourth, Fifth and Sixth Surveys on Changes in the Japanese-style Personnel System are 301, 339, and 303 responses respectively. These surveys were conducted by JPC on 23rd January 2001, 31st January 2002, and 17th January 2003 respectively. All the responses were from executives of personnel administration affairs of listed companies.

9 *Ibid*, p.7

10 *Ibid*, p.7

11 *Ibid*, p.6

12 *Ibid*, p.6

13 *Ibid*, p.7

14 *Ibid*, p.6

16 A coding scheme is used to refer to sample firms for confidential purpose of not revealing their identity. Hereafter, each code corresponds to those sample firms listed in Appendix 1.

17 Owing to the multiracial (Malay, Chinese, Indian) society of Malaysia, Malaysians tend to run their businesses in indigenous ways although convergence of work values is taking place. Some integrate indigenous styles with Western HRM. In other words, Malays tend to manage business the Malay way, guided by religion and value consensus, cohesiveness, harmony and groupism. The Malaysian Chinese tend to run their business the Chinese way or the Western way, from case to case.

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Appendix 1: Corporate Details of Participating Japanese Affiliates in the Interview Research (N=19)

Firm	Industry	Set-up Year	No. of Staff	Capital Investment	Ownership	Interviewee (J/M)*	Interview Date	HR Practices (SWS, LES, PAS, promotion)
Co1	conglomerate	1989	>1000 (7)	>RM 50m	wholly Japanese	Coordination Manager (J) Senior Executive (M)	26.08.2002 08.01.2003	polycentric since 2002 with global standards
Co2	conglomerate	1988	>10 (1)	>RM 500k	mainly Japanese	Corporate secretary (M) Project executive (M)	15.01.2003	ethnocentric
Co3	conglomerate	1986	>10 (4)	>RM 250k	about equal share	Financial Controller (J)	24.07.2002	ethnocentric
Co4	conglomerate	1980	>20 (5)	>RM 500k	about equal share	Assistant General Manager (M)	26.07.2002 13.01.2003	ethnocentric with global standards
Co5	conglomerate	1984	>150 (2)	>RM 300k	unknown	Senior HR Executive (M)	09.01.2003	polycentric
Co6	construction	1992	>30 (1)	>RM 100k	wholly Japanese	HR President (J)	08.08.2002	ethnocentric
Co7	construction	1983	>20 (3)	>RM 300k	mainly Japanese	Senior Marketing Manager (M) Senior Engineer (M)	20.07.2002 13.01.2003	polycentric
Co8	construction	1982	>10 (2)	>RM 10m	mainly Malaysian	HR Assistant Manager (M)	23.07.2002	ethnocentric
Co9	electronics	1989	>1000 (13)	>RM 68m	wholly Japanese	Industrial Relation Manager (M)	30.01.2003	in transition to polycentric since 2003
Co10	electronics	1988	>10 (4)	>RM 500k	mainly Japanese	Managing Director (J)	23.07.2002	ethnocentric
Co11	electronics	1965	>2000 (19)	>RM 35m	about equal share	General Manager (J) HR Director (J)	17.01.2003 21.01.2003	ethnocentric
Co12	retailing	1990	>700 (10)	>RM 20m	about equal share	HR Manager (M)	26.07.2002	polycentric
Co13	retailing	1985	>4000 (3)	>RM 200m	about equal share	HR Manager (M)	22.08.2002	polycentric
Co14	personal care	1973	>200 (1)	>RM 16m	wholly Japanese	HR President (M)	03.01.2003 22.09.2003	in transition to polycentric since 2002
Co15	automobile parts	1989	>1000 (7)	>RM 35m	wholly Japanese	Managing Director (J)	15.01.2003	ethnocentric
Co16	banking	1994	>200 (9)	>RM 200m	wholly Japanese	HR Assistant Manager (M)	16.08.2002	ethnocentric
Co17	insurance	1999	>300 (5)	>RM 100m	wholly Japanese	HR Manager (M)	22.07.2002	polycentric
Co18	beverages	2000	>10 (1)		wholly Japanese	Operation Manager (M)	22.07.2002	ethnocentric
Co19	consultancy		<10 (1)		wholly Japanese	Assistant to Director (M)	09.07.2002	ethnocentric

Source: Syuukan Toyo Keizai, *Kaigai Shimmyutsu kigyou souran: Kuni beitsu henn nemibam 1994 and 2004* and information gathered from interviews.

Note * Alphabet "J" or "M" indicated in brackets stand for Japanese and Malaysian respectively.