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Revolution or Evolution: The Transformation of Japanese Personnel Practices

Abstract

[Excerpt] Ever since Japan reemerged as an economic power from the ruins of the World War II, it is striking how the pace and magnitude of economic and social changes facing the country continue to increase. The rapid growth of the late 1960s, the successive of oil shocks, the revaluation of the yen, the changes in global competitive position in many industries, the spread of information technology, the aging of the society, the enlargement of the middle class and consequent increase in discretionary consumption, all these factors have had a major impact on the organizational culture and climate in Japanese firms.

Keywords

CAHRS, ILR, center, human resource, job, worker, advanced, labor market, revolution, evolution, personnel, practices, economic, social, change, culture, management, global, economy, compensation, Japan, retirement

Comments

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**REVOLUTION OR EVOLUTION:
THE TRANSFORMATION OF
JAPANESE PERSONNEL PRACTICES**

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Center for Advanced Human Resource Studies
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D R A F T

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This paper has not undergone formal review or approval of the faculty of the ILR School. It is intended to make the results of Center research, conferences and projects available to others interested in human resource management in preliminary form to encourage discussion and suggestions.

Ever since Japan reemerged as an economic power from the ruins of the World War II, it is striking how the pace and magnitude of economic and social changes facing the country continue to increase. The rapid growth of the late 1960s, the successive of oil shocks, the revaluation of the yen, the changes in global competitive position in many industries, the spread of information technology, the aging of the society, the enlargement of the middle class and consequent increase in discretionary consumption, all these factors have had a major impact on the organizational culture and climate in Japanese firms.

One of the results of the rapid environmental change is the continuing transformation of the Japanese management system, particularly in personnel policies and practices. It has been proposed, by Japanese and non-Japanese alike, that the systems developed and perfected over the several decades since the end of the second World War, which have served Japanese firms so well in the past, may not be suitable for the competitive conditions now emerging in Japan and in the global economy (Keizai Doyukai 1989). Modifications and adjustments to reflect the new environment may be necessary, but it is not yet clear how far the restructuring of the Japanese personnel system will go.

There is no doubt that major adjustments are under way in a number of personnel areas, from organizational design and recruitment of staff, to compensation and retirement systems. In particular, personnel management policies concerning professional and managerial employees may be facing a radical transformation. The maturing of the principal firms in a number of industries, the continuous technological change, the globalization of the

economy, the changing value system among young employees may all force a fundamental break from many past practices.

Some of the challenges to existing management practices are driven by changing business conditions. The rapid technological change puts a premium on new product development, organizational flexibility, and entrepreneurship as the key ingredients for success in global competition (Drucker 1988; Bartlett and Ghoshal 1989). Middle-managers hired in the expansionary years of the 1960s need to be retrained to prepare them to cope with new demands. In many firms, the internationalization of core business activities fueled by the revaluation of the yen requires a corresponding change in organization systems and management practices away from the traditional domestic orientation of the headquarter personnel policies.

Other challenges to the established practices result from on-going social change. Contemporary opinion surveys indicate dramatic shifts in the work-related attitudes of Japanese middle-managers in comparison to only a decade ago (Sekimoto and Hanada 1986). Life-goals outside work are becoming more dominant. The management class itself is gradually becoming more heterogeneous, as the number of women in its ranks grows. The surplus of aging middle-managers, driven partly by the slowing down of growth facing many established firms, is straining the traditional promotion and job transfer systems. In turn, younger employees strive for faster promotion and a corresponding faster rise in compensation.

How much and how fast will the system change? Is it possible to push through the necessary changes with incremental and case-

by-case adjustments, or, as many of the personnel functions are interrelated, will the coming decade see nothing short of a holistic transformation of Japanese personnel practices from what they are today?

LEAN ORGANIZATION: FROM RIGID HIERARCHY TO FLEXIBLE STRUCTURE?

In order to respond to the challenges of global competition, Japanese firms, just like companies in other parts of the world, have to become less bureaucratic. They have to act faster, without being burdened by the layers of staff accumulated during the expansionary years of the past. Corporate restructuring, based on the reduction of hierarchical strata and the elimination of many staff functions in order to promote organizational flexibility and innovation, is becoming an increasingly frequent occurrence among the major Japanese firms.

A major redesign of the organizational structure of Toyota is perhaps the best example of forthcoming trends. Focusing on white-collar managerial and professional jobs, the recently implemented changes in lines of authority cut 2-3 layers of hierarchy from the old corporate organization. This is done by greatly expanding the span of control of the remaining managers and by the removal of managerial authority and titles from senior employees without direct subordinates. Accordingly, no more than three vertical rungs should remain between any employee and a corporate officer.

The main objective of the reorganization is to revitalize the company by improving the communication flow from top to bottom. A flat corporate structure, together with a well thought out prioritization of business objectives, allows top management

to make quick decisions without being handicapped by a slow information-gathering process. Because of the improved access to top management, the new structure also encourages flexibility, initiative and a feeling of empowerment at the lower levels of the organization.

The reorganization of Toyota in effect retains the framework of a traditional functional organization, and focuses on creating corporate synergy through the actions of top management. Some of its domestic competitors, notably Honda, have chosen instead to reduce the weight of the functional organization by emphasizing multifunctional teams and task forces. The existing corporate culture, the difference in market position, and the respective sources of competitive advantage account for some of the differences in approach to corporate restructuring.

At any rate, however, one effect of the restructuring is the same in most firms: a reduction in the number of management positions available for employees progressing along the traditional career path. Similar consequences can be expected from the shift towards a so-called network organization: a relatively small core firm loosely linked to its affiliates. Again, the focus is on rapid decision making, flexibility and innovation, but as a net result, the number of managerial posts in the core firm will decline sharply.

The current efforts to reduce the number of management positions are in sharp contrast with past practices when many firms were bestowing nominal titles even to employees with no direct subordinates as a way to cope with a bulge of aging surplus middle-managers (Pucik 1985). Today, however, it is difficult to

advance according to traditional expectations. The title of "kacho", in the past virtually guaranteed to nearly all college graduates, is fast becoming, to a great many of them, an unattainable dream.

At the same time, it need be recognized that for many firms the number of employees who are reaching the threshold of eligibility for promotion to middle-management positions is actually shrinking in comparison to the past ten years. This is a consequence of the conservative recruitment policies of the post-oil-shock era, when hiring of new management-track employees was cut dramatically. This makes it easier today to implement lean organization designs, as the full impact of limited promotion opportunities will not show for at least another five to seven years.

LIFE-TIME EMPLOYMENT: WHO IS OPTING OUT?

Even more traumatic than corporate restructuring is the decline, or at least altered in meaning, of the practice of life-time employment. The top-heavy cohorts of the 1960s are causing a surplus of aging middle-managers; and therefore, many mature firms are forced to resort to a number of programs aimed at reducing the cost of carrying too many older middle-managers. Companies are transferring their senior staff to affiliated firms, setting an age limit on tenure in management positions, and, most dramatically, instituting large-scale "voluntary" early-retirement programs aimed at the reduction of older employees in middle-management ranks.

In other words, while there may be a significant shift in social values regarding life-time employment, it may be an error

to attribute it mainly to the shifting attitudes of the young. If life-time employment were to disappear, the "tap on the shoulder" at the end of one's career would be just as likely a cause as career mobility aspirations. These two trends are, of course, related. As companies strive to cope with the senior-management "glut", it is becoming obvious to young employees entering a typical firm that the probability of remaining there until regular retirement has greatly diminished in comparison with the past. It is therefore not surprising that an increasing number of them are taking more control over the direction of their careers by changing employers on their own.

While the increase in job mobility may seem dramatic, to a large degree it reflects the closing of the gap between the number of those who wished to change employers and those who actually changed jobs, especially for the younger employees who are in great demand across the whole economy. At the same time, since careers may be derailed by staying with the firm, as well as by leaving it, more young employees may be more willing to take the risk of changing jobs. The service sector boom continues to create many attractive jobs in the tertiary sector, and even in the manufacturing sector, the current diversification wave brings with it new job opportunities even in mature firms that in the past were closed to mid-career recruitment. In a more limited way, the number of desirable jobs, especially for the holders of prestigious MBA degrees, is also growing in foreign-owned firms that are increasing their presence in Japan.

The transformation of labor demand/supply conditions is, of course, only one of the multiple causes of increased job

mobility. The greater employment figures of women, whose mobility rates are traditionally higher, the social acceptance of more frequent job changes, and especially the emerging emphasis on individual-based, rather than company-based careers, which is visible in all affluent societies, push towards an increase in job mobility. Yet, while like in the 1960s the labor market favors the supply side, especially among the younger workers, it is far too early to conclude that job mobility will continue to increase across all age groups.

Future economic trends in the Japanese economy, as well as corporate policies with respect to the early retirement of senior employees, greatly influence the direction of the labor market. Although the shift in social values may support more flexible labor markets, the increasing reliance on an employer for adequate housing and other social needs may work in an opposite direction. In this sense, it is paradoxical than while many firms are attempting to loosen the life-time employment bonds and obligations vis-a-vis their older staff, at the same time they heap improved benefits on the newcomers they wish to attract as the new generation of "life-timers".

EMPLOYEE RECRUITMENT: FROM HOMOGENEITY TO DIVERSITY?

The current shortage of male university graduates is pushing many firms to explore new recruiting sources, in particular among female college graduates and employees with non-traditional educational background, such as Japanese graduates of foreign universities (Takeuchi 1988). Flexible business strategies may also require the opening of new career opportunities for mid-career hires who had traditionally filled only dead-end jobs. The

globalization of business is forcing the integration of overseas managers into the personnel system of Japanese headquarters. How significant is this trend towards diversity in management ranks, how far will it go, and what will be its impact on personnel practices in Japanese firms?

First of all, the professional and management class, formerly limited only to male university graduates hired fresh out of college, is gradually becoming more heterogeneous. Driven by immediate business needs as much as by changing social expectations, even the most conservative firms are recruiting more female college graduates for management-track careers. Having women in management jobs used to be the nearly exclusive domain of foreign-owned firms (which often had to make a virtue of necessity), but that distinction is disappearing fast. With women close to 30% of all university graduates, few companies can afford to ignore this vast pool of potential managers and high-skilled professionals. For the foreseeable future, the advancement of women in Japanese firms will continue to lag behind the U.S. However, the ratio of women in middle-management positions, in particular those with technical or language skills, may surpass Western Europe's within the next decade.

Secondly, even for male college graduates, the composition of the entering cohorts is becoming more diverse. Financial institutions are busily recruiting graduates with backgrounds in math, physics and engineering, manufacturers are shopping around for bright literature and history majors. Recruitment of graduates directly from foreign universities, Japanese as well as foreign nationals, also increased fast during the past several

years, as demand for employees with multicultural skills grew explosively. Some of the new demand may reflect only a current "fashion", but overseas "job fairs" now draw hundreds of firms that only a few years ago would not even consider looking seriously at a candidate with any but a traditional educational background.

Thirdly, the heterogeneity of employees is being further enhanced by the growing number of mid-career recruits. Again, it will probably take another decade to see whether a real change is indeed going on, not only in terms of how easy it is for them to join a new employer, but also with respect to their long-term career opportunities. Today, in spite of frequent corporate rhetoric to the contrary, mid-career entry is still a strong negative factor in the determination of one's promotion chances (see below).

Finally, it may be that the most dramatic change will come from the increased recruitment of foreign-born graduates of Japanese universities. As the national government is keen on expanding Japan's role as an international educator, the shortage of Japanese-born graduates will naturally lead many firms to focus on foreign students as a desirable source of new talent, especially in technical and scientific fields. This trend may not only have a major impact on the culture and work atmosphere within firms, but also could put Japan on a collision course with the United States, which has so far enjoyed advantage as the educational magnet for most of the Third World, and in particular for Pacific Rim countries from where most of the future students are expected to arrive.

MANAGEMENT DEVELOPMENT: FROM GENERALISTS TO PROFESSIONALS?

The heterogeneity of the management pool coupled with the strategic requirements of the rapidly changing businesses will force changes in the way Japanese managers are developed and trained. Responding to technological change through continuous education and upgrading of managerial skills is becoming a necessity even at the upper levels of management. The renewed emphasis on professional skills in a range of middle-management positions may result in a shift away from a generalist to a specialist career path, and to the emergence of multiple career domains within an organization (Nonaka 1988).

As this happens, it may become necessary to put in place alternative control mechanisms to maintain the cross-functional integration that until now has been one of the core ingredients in the success of Japanese management. To do this effectively requires the personnel staff to understand the costs and benefits of specific career tracks. It is also necessary to clarify how various career trajectories enhance individual and organizational learning, and thus contribute to personal career success as well as to organizational effectiveness.

Table 1 shows how specific career variables influence the career success (defined as salary after 20 years with the firm) of college-educated managers in a major electronics company C. The results illustrate some of the challenges that many firms will face when trying to redesign their career development programs. In many cases, the current impact of career-related variables is contrary to company culture and hinders, rather than enhances, attempts to increase career flexibility.

First of all, although the business of company C is technology driven, managers with an administrative background are more successful than those in technically-oriented careers. This is the case even though nearly all of the current top executives are technically oriented. The fact that the non-technical careers are, on average, more attractive also runs counter to current management culture and beliefs. However, as similar tendencies were observed before in traditional manufacturing firms (Pucik 1989), it may be that with economic maturity, career progression rules tend to favor managers with a finance and marketing orientation over those in technology and manufacturing.

A similar contradiction between top management beliefs and the current reality can be seen in the impact of the recruiting mode on career progression. Among the present crop of managers, mid-career recruits are still considerably handicapped. Again, there are some among the top executives who joined the firm later in their careers, but their success is still the exception that confirms the rules. If its renewed emphasis on more mid-career recruitment is to bear fruits, the company will have to take measures to improve the integration of mid-career recruits into the firm, such as expanding training and socialization programs that would help them learn about less formal, information-intensive aspects of their new jobs.

Another important factor influencing career development in company C is the accelerating process of internationalization. Overseas job experience is a powerful predictor of career success, especially for those in administrative jobs. It seems that an international assignment may more than ever be needed

before a young manager can hope for promotion to a higher-level position. In contrast to the impact of the mode of entry on career orientation, the benefits of foreign assignments are consistent with espoused corporate values.

Among the remaining career factors that were examined, generalist careers are rather predictably not attractive for managers with a technical background. Even among those in administrative careers, a middle-ground job span (3-4 functional fields) is preferable to a more generalist experience. With respect to shukko (assignment outside of the core firm), on average, this experience does not serve well even managers who eventually return to the mother firm. All these findings are similar to observations made ten years ago at other firms (Pucik 1981), indicating that the patterns of career mobility have not changed much.

APPRAISAL AND REWARD SYSTEM: FROM COMPANY-MEN TO ENTREPRENEURS?

In order to revitalize mature organizations, and to accommodate the aspirations of younger employees -- many of whom are seen as striving for faster promotion and a correspondingly faster rise in compensation -- seniority is out, and merit is in much earlier in a manager's career. The traditional promotion system that postponed a visible differentiation within a cohort of employees until relatively late after entry into the firm is being replaced with a promotion ladder that puts an emphasis on an early recognition of high-potential employees. New performance criteria that emphasize creativity and innovation are being introduced together with promotion rules that favor risk taking and initiative. Performance feedback, while still limited in

comparison to Western firms, is also a more common occurrence.

However, simply changing appraisal criteria or promotion timetable may not be enough to influence the traditional rules guiding the flow of managerial careers. An insight into the difficulties of transition to the new career system could be gained from comparing the career progression of two cohorts of managers in company C: those who entered the firm in 1960, and those who joined ten years later in 1970 (Figure 1).

Some differences are quite obvious. For the cohort of 1960, the first visible differentiation came after 11 years in the company, when the first batch from the group was promoted to kacho hosa. In contrast, for the cohort of 1970, visible differentiation occurred four years earlier at the kakaricho dairi level, although it was less severe than for the former group. In spite of differences in timing, however, one key career characteristic is shared by both groups: relative stability and few changes in internal rankings.

As has been observed before (Pucik 1985; Hanada 1987), once initial differentiation was made, the career progression lines in many Japanese firms are rather stable. Career recovery after slipping in one appraisal round is still rather difficult, even in so-called "progressive" firms. This is also true for company C. While for the 1970 cohort, some career path modification does occur at the point of promotion to kacho hosa -- matching the invisible differentiation of the older cohort with a two-year delay -- for most managers, switching career tracks is rather unusual. In particular, examples of "upward" mobility, or regaining the top ranking within the cohort, are rare.

It is significant that these results again contradict of what top executives believe the culture of their company stands for: innovation, risk taking, and continuous developmental opportunities. However, in spite of the company's cultural norms, the current promotion systems based on a "modern" performance appraisal point accumulation make it today virtually impossible for an employee to catch up in all but very unusual circumstances.

In many cases, new "early-identification" promotion systems only make obvious what was hidden before - namely that long-term decisions regarding the future of an employee's career are made rather early. However, while the chosen few may appreciate the extra recognition, for the majority of the employees this "adds insult to injury". Not only in their case promotions come later than before -- company C is not exceptional in this regard -- it is now also more obvious that they are falling behind. As the fundamental strength of many Japanese firms was in the past drawn from the strong commitment of the middle-management group, the costs of "early identification - no reselection" promotion strategies could be significant.

7. EMPLOYEE COMPENSATION: FROM SENIORITY TO ABILITY?

Twenty years ago, during my first visit to Japan, I interviewed a number of personnel managers about the key personnel practices and policies, and the challenges they will face in this area in the future. While responses were naturally conditioned by the specific circumstances of each company, a number of similarities in their responses emerged. One of them was the nearly universal agreement among the personnel managers

interviewed that their existing compensation system based on seniority will be substantially modified, with more weight given to performance and ability.

The rhetorical emphasis on ability rather than age has been strong ever since; yet it is remarkable how little the compensation system has actually changed. The age-related wage differences are only slightly smaller today than twenty years ago (JPC 1990). There are several reasons for this apparent rigidity. First of all, the tendency for wages to rise with age is fairly universal, especially for white-collar employees. Secondly, the limited influence of the external labor market dampens the need to introduce market-driven skill compensation internally. Finally, the reward system rests on career path differentiation more than on salary differentiation, with the latter playing more the role of a signalling device than a reward in itself.

This last point is important. While the compensation amount may not fully reflect differences in managerial performance, at least not to the degree customary in other advanced countries, the reward system, as reflected in differences in promotion rates, is fundamentally meritocratic. Seniority may be a necessary condition for promotion to a particular grade, but it is not by any means a sufficient factor. Thus, merit, ability, and performance are already influential determinants of career success, independently of monetary compensation.

The ranking differences influence compensation, but the impact is constrained by a widely-shared assumption that the ability/performance distribution should follow a right-skewed

"normal" pattern. For example, under the current salary system as applied in many Japanese firms, most employees within a single cohort are on the right side of a salary curve (company J in Figure 2). The salary differential between an average employee and the top performer is small, but the distance separating an average performer from a low performer is high.

In a typical Western firm (company A) the relationship is exactly opposite, under the assumption that the distribution of ability/performance declines exponentially (as in the picture of a horizontally-inverted organizational pyramid). In other words, in company A the emphasis is on making winners visible, while most employees may justifiably consider themselves losers, as the gap between them and the winning group is large. In company J, without sacrificing the internal merit-based differentiation, the emphasis is on "selecting" the losers, whereas the majority of employees can consider themselves a part of the "winning team".

When suggestions are made to modify the current Japanese compensation system, it should be made clear what kind of changes are advocated: reduction of age differentials among cohorts, or changes in salary distribution within cohorts. The former relationship is driven mainly by conditions in the labor markets, with firms responding to external supply/demand constraints. As for the latter issue, it may be shortsighted to believe that the intra-cohort salary-grade distribution can be changed without paying the price in employee motivation and morale. If such changes should lead to an increase in internal status differentiation, this could impact the traditionally strong cultural cohesion within a typical Japanese firm.

8. CORPORATE CULTURE: FROM COLLECTIVE TO INDIVIDUAL?

Perhaps, at least according to the popular press, the greatest challenge to the established management and personnel practices results from on-going social transformation. Two-day weekends, longer holidays are becoming the norm. The picture of the workaholic salaryman devoting most of his waking hours to the company is rapidly becoming obsolete. Individualism, rather than dedication to the company's collective is being heralded as the base of the new company order.

No doubt, traditional homogeneous social values are fast becoming fragmented. In particular, the young employees are thought to differ radically from their predecessors in terms of their lifestyle preferences, work values and commitment. Yet, such developments should not be overdramatized. Value differences between the old and the young are a constant feature in postwar Japanese society. But, the system has adapted remarkably well, and, in comparison to the radical youth of the 1960s, the integration of shinjinrui ("new breed") into corporate life may turn out a much easier proposition.

It may well be that many young professionals are not very keen to put in overtime, work through the weekend, or sacrifice their vacation (nor were their seniors, but they did not have any choice). However, as many firms are beginning to recognize, shorter working hours and more opportunities for leisure and relaxation may actually increase, rather than hinder, productivity. In addition, to enjoy the new leisure time often takes money; this makes a well-designed reward system an even more potent instrument of corporate management.

Among the older generation, emphasis on the quality of family life and self-actualization is increasing. From the corporate viewpoint, this may again be a positive development. The shift of one's life interest away from status and career progression inside the company to oneself, family, and society lessens the potential for friction and conflict as promotions become more difficult to attain. To give an employee an extra week's time off, or even an extended sabbatical, is far easier than to sustain past promotion rates.

In other words, the transformation of social values in contemporary Japan to a great degree dovetails, rather than contradicts, the changing needs of business. However, these new requirements go far beyond adjustments in promotion structures or reward systems. The character of managerial and professional work has also changed dramatically. Creativity, continuous learning, fast decision making, self-initiative are all essential characteristics of managers in the current competitive environment. Only a culture that encourages those fundamentally individual traits in the society at large can hope to have such skills in abundance in the workplace.

The new emphasis on the individual, rather than on the company collective, may have, on the other hand, serious consequences for social harmony within the firm. In the past, the commitment between employee and the company was, in principle, reciprocal. In exchange for loyalty to the firm, the firm was loyal to the employee. If this bond were to weaken, so naturally would the perceived obligations on the company's side to provide for an employee's basic needs. So far, there are very few signs

that a reevaluation of the traditional reliance on the firm as the guaranteed provider of the "middle-class" standard of living is actually going to happen. In many cases, such dependence is indeed increasing. However, if the economic circumstances facing Japanese firms were to change, such a reevaluation cannot be ruled out.

GLOBALIZATION: FROM SLOGANS TO IMPLEMENTATION?

In terms of the transformations in the context of the Japanese personnel system, there is no greater source of change than the ever-increasing process of globalization. The necessity to conduct business on a global scale impacts the full range of personnel practices, from changes in hiring criteria and career development centered around overseas assignments, to a complete integration of overseas managers and executives into the management culture of the Japanese headquarters (Yoshihara 1989). It is this aspect of globalization that will probably force the most dramatic adjustments.

Today, foreign employees are an increasingly common sight in Japanese offices and factories. In most cases they are in Japan on short-term visits, before returning to the local subsidiaries. Long-term assignments, in which foreign managers act as full members of the management team, are still rare. On the other hand, it is increasingly clear that without work experience in the headquarters, it is difficult for foreign managers to assume executive responsibility in their home countries. Only through such an experience can they learn how to effectively operate within the global network culture characteristic of a typical Japanese multinational firm.

To support the development of a global executive cadre a number of existing personnel practices will have to be modified in the head office as well in the subsidiaries (Pucik, Hanada & Fifield 1989). Among other measures, recruiting and management development overseas will have to be reoriented from a focus on filling the current jobs only, to responding to the long-term needs of the business. This would involve, in particular, a more active presence on foreign college campuses to attract the very best of the local graduates, and the introduction of training programs aimed at a smooth integration with the home office. At the same time, world-wide transfer rules have to be developed at the parent firm to facilitate cross-national mobility.

One increasingly common measure to increase the availability of foreign managers with linguistic and cultural capability to fit into a Japanese company is to hire young foreign employees directly into the Japanese parent company, so that after a few years of work experience they could be assigned back to their home countries. In principle, this policy is very practical. However, if it is perceived by other local managers that they are being excluded from executive positions because they were not hired in Japan and therefore never got the chance to learn the language, the culture, and most importantly the skills to operate in a Japanese-dominated global network, they will resent these "trained-in Japan" experts, and will make sure that the "transplants" will fail.

A truly global company secures opportunities for advancement to any employee with ability, irrespective of where he or she is hired. If language training is important to make this happen,

then it should be extended to all who have the required potential, with the same intensity reserved today for English language training in the Japanese parent firm. Career development tracks should be wide open, not just limited to token jobs in the parent firm or in the regional headquarters. "Think globally, act locally" is a very persuasive slogan, as long as the "thinking" does not become a privilege limited to the selected few in the Japanese parent firm.

True globalization presents a formidable challenge, as it may require a number of Japanese firms -- as the number of employees overseas will match, if not surpass those in Japan -- to shift the focus of their personnel organization away from the traditional domestic orientation to a more international, if not yet global framework. This may involve not only globally-focused recruitment and management development but also appraisal and reward systems that would fit the multicultural environment in which global firms operate.

An emphasis on "global" human resources would necessarily imply that recruitment and management development be conducted worldwide. A global personnel system may also include such "Western" features as appraisal interviews and direct feedback, as well as world-wide ranking systems. The executive compensation system would have to be made sufficiently transparent to assure that it will be accepted as fair, but also flexible enough to adjust national differences. Managerial and executive bonuses should reflect a company's global performance rather than business conditions facing a particular subsidiary. In summary: fairness, openness and flexibility will be the key.

THE TRANSFORMATION PROCESS: THE PERSONNEL STAFF ROLE

While it is debatable whether the on-going transformation is more or less profound than, for example, the postwar reforms or the upheavals of the 1960s, it is obvious that the social and economic pressures facing many Japanese firms today are indeed enormous. While the need to reform existing personnel practices is increasing, the available options are limited by several unfavorable trends in the environment.

The relative slow-down in the economy makes it difficult for many firms to "grow out" of the existing constraints. Often, the larger the firm, the more difficult the adjustment process. The revaluation of the yen also reduced the slack resources previously available to cover the surplus of middle-managers. Finally, the broadening of income differentiation in Japanese society caused by the recent real estate boom makes many middle-managers very sensitive about any radical adjustments in compensation policies.

At the same time, Japanese corporations have an excellent track record of flexible adjustment to obstacles in their environment, from the resource deprivation of the early postwar years, through the two oil shocks, up to the yen revaluation. The chances are good that many will rise to the challenge again. To be able to do that requires rethinking the traditional approaches to personnel management, and to push through with a thorough and rational analysis of the impacts and consequences of various personnel practices and policies.

A number of important questions remain to be answered. As a result of all these economic and social changes, are we seeing a

qualitative shift in personnel management strategies, or do the current adjustments in personnel practices represent only another gradual step in the never-ending cycle of policy fine-tuning? If major transformations are indeed occurring, what are the similarities and differences in the strategies for change pursued by individual firms? And finally, given the increasing diversity of approaches to managing people, does it make sense, from a comparative perspective, to continue referring to "Japanese" personnel management?

Many Japanese firms take pride in their "unique" company philosophy and culture, usually built around management beliefs and principles expressed by the company founder or other strong leaders during the firm's history. Yet, in spite of their great pride in being "different", in comparison to other countries, the personnel practices (not necessarily the outcomes) in Japan are still rather homogeneous, once one takes into account obvious sources of inter-firm differences such as company size or rate of growth. Some companies are known to take the lead in experimenting with new programs, other are known to cautiously follow. Still, until now few systemic differences have been observed.

Looking to the future, it is natural to wonder if such a homogeneity in systems and practices is going to continue. A company's cultural heritage, the degree of globalization, the speed of the surrounding technological change, the competitive environment of an industry, all will influence how specific opportunities and constraints will shape the transformation of the existing organization and personnel systems. The availability

of options makes it necessary to chose among different personnel strategies. On what basis should these choices be made? What role should be played by a company's top management and the personnel department staff? Can organizational scientists make a useful contribution?

With respect to the personnel department, its policy role will probably shift dramatically. On the one hand, the personnel staff will continue to lose the power traditionally derived from control over employees' career path, thus accelerating the current trends driven by business decentralization. On the other hand, new systems cannot be introduced without a thorough analysis of the strengths and weaknesses of existing conditions, and a well-founded knowledge of how suggested changes can impact on competitive strategy. It will become increasingly important for the personnel staff to have the capability to make their case for change to the top management clearly and succinctly. Such professional competence, linked with the understanding of the dynamism of the business, will define the future startegic role and influence of the personnel staff.

TABLE 1

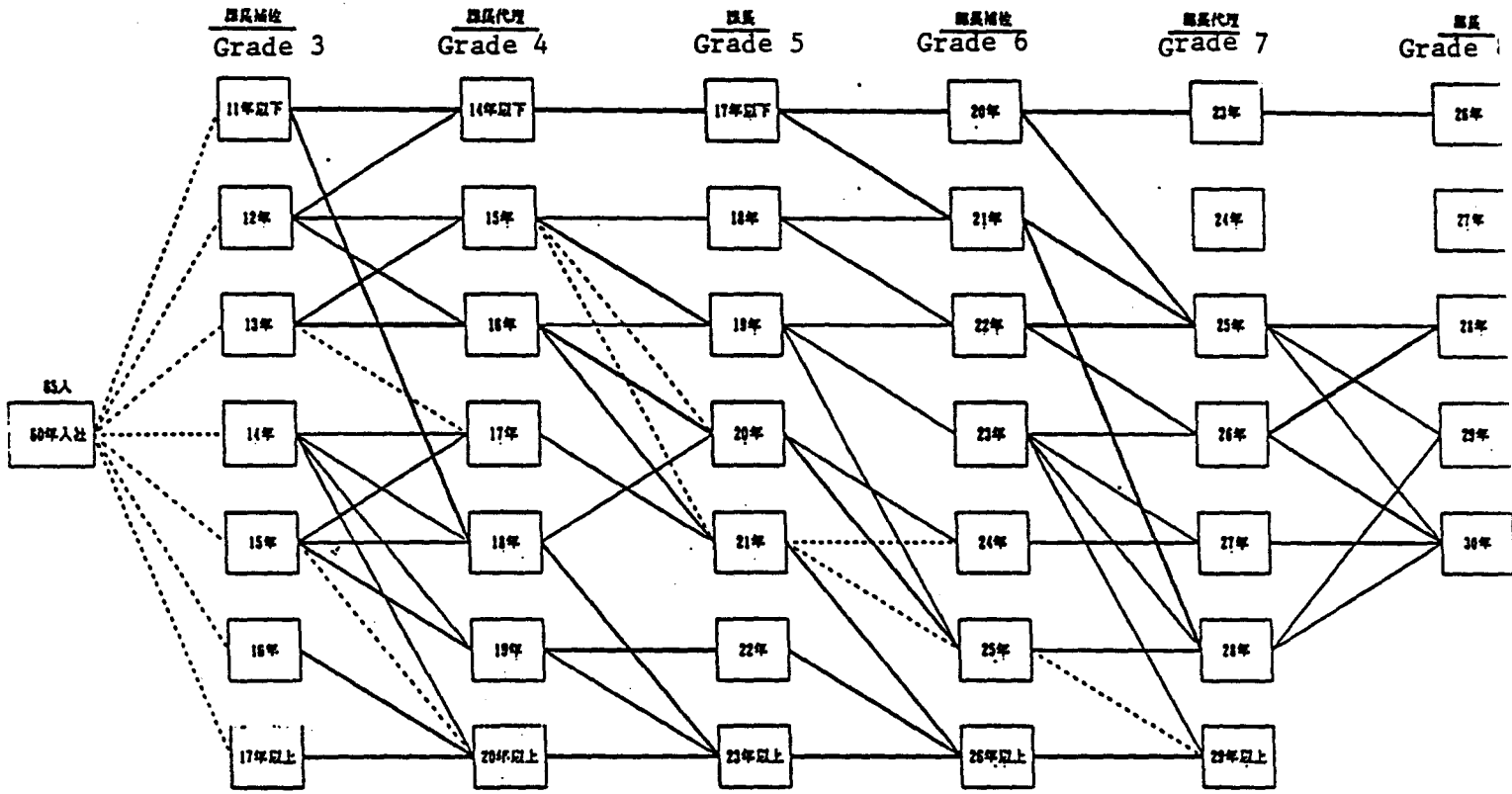
**IMPACT OF CAREER PATH VARIABLES
ON CAREER SUCCESS**

| | (% of average cohort salary) | |
|-------------------------------------|---------------------------------|-------------------------|
| | ADMINISTRATIVE BACKGROUND | TECHNICAL BACKGROUND |
| SALARY RATIO | 109* | 103 |
| COLLEGE RECRUITMENT | 109* | 102* |
| MID CAREER ENTRY | 98 | 93 |
| OVERSEAS EXPERIENCE | 115* | 103* |
| NO OVERSEAS EXPERIENCE | 102 | 101 |
| BROAD JOB SPAN | 104 | 99* |
| MEDIUM JOB SPAN | 112* | 103 |
| NARROW JOB SPAN | 103 | 103 |
| EXPERIENCE IN AFFILIATED FIRMS | 106* | 103 |
| EXPERIENCE IN THE CORE FIRM ONLY | 112 | 102 |

* Significant difference at $p < .01$

FIGURE 1
CAREER TREE CHANGE
(1960 -1990)

1960年入职



1970年入职

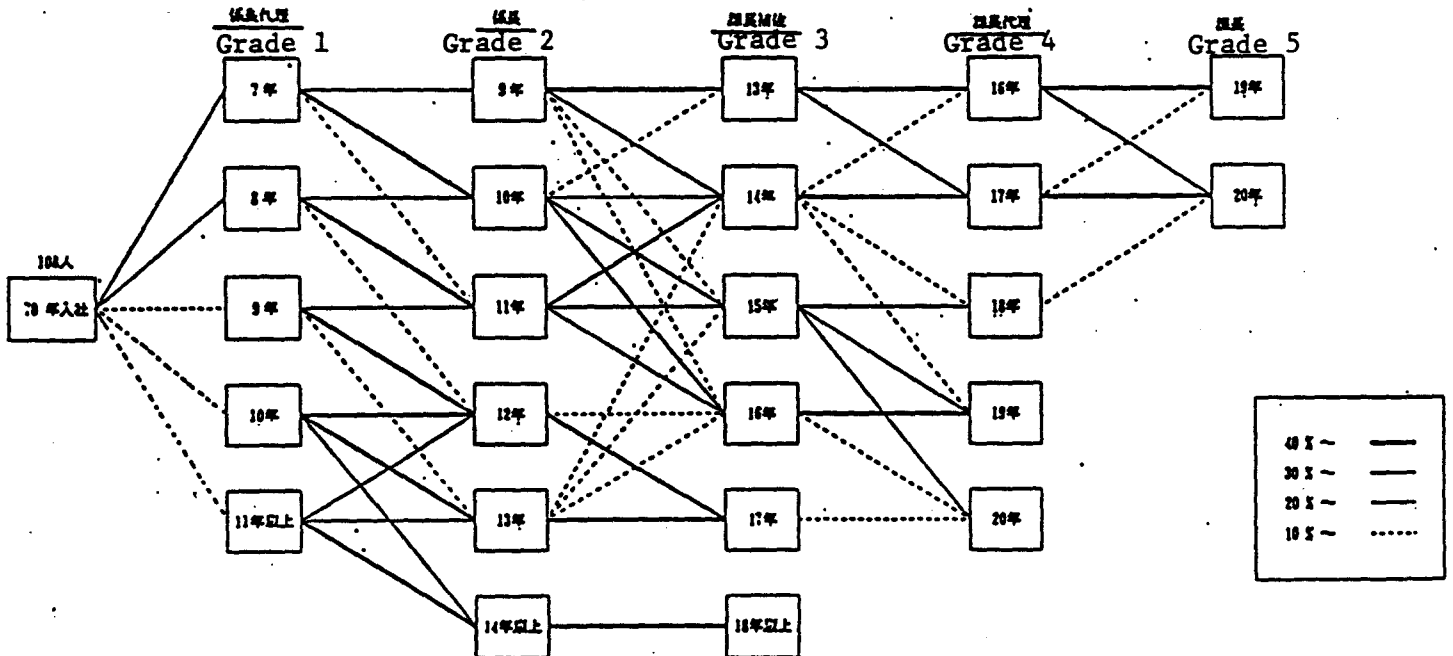


FIGURE 2

SALARY DISTRIBUTION
FOR MANAGERS WITH 20 YEARS
OF EXPERIENCE

