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# Overcoming the ethnocentric firm? – foreign fresh university graduate employment in Japan as a new international human resource development method

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## ABSTRACT

This article analyses a new and, by international comparison, distinct recruitment trend – the systematic hiring of foreign fresh university graduates (FFGs) into Japanese multinational enterprises' (MNEs) operations in Japan. Our explorative research, which is based on interviews with HR managers and FFGs, offers three major findings related to international HR development methods. Firstly, the in-patriate literature has identified the roles of foreign (subsidiary) staff as knowledge conduits and boundary-spanners between headquarters and subsidiaries. While such objectives do not drive Japan's FFG hiring trend, we find similar challenges in terms of the absorptive capacities of headquarters. Secondly, following a Varieties-of-Capitalism perspective, we argue that FFG hiring is an institutional answer to the particularities of Japan's employment system. Aiming at internationalizing headquarters from within, it contributes to resolving the internationalization conundrum of Japanese MNEs, but rather than overcoming the existing ethnocentric HR model it accommodates this orientation. Thirdly, we advance the general HR literature by proposing a new framework that addresses the viability of international personnel development methods in dependence of the workforce diversity and distinctiveness of employment practices in headquarters. We locate FFG hiring, in-patriation and self-initiated assignments within this framework.

## KEYWORDS

In-patriation; expatriation; self-initiated assignments; foreign fresh university graduates; third-country nationals; Varieties of Capitalism; Japan; human resource development methods; talent management; skilled migrants; headquarters employment system

## Introduction

Multinational enterprises (MNEs) worldwide are struggling with the development of human resources to fulfil the demands of globalizing production networks and markets. In terms of their talent pool or coordination of international

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activities, Japanese companies have so far largely relied on Japanese nationals, either employed in headquarters or delegated as expatriates to subsidiaries. Yet, a recent trend among Japanese MNEs has the potential to significantly change the status quo, namely the active and systematic hiring of foreign fresh university graduates (FFGs) from universities in Japan and abroad into operations in Japan. Participating corporations span a wide variety of industries, among them many of Japan's leading corporations. Our web search has shown that at least 37 out of Japan's 50 largest companies (by revenues as of 2016) have participated in career events in or outside of Japan that were organized to attract FFGs, with another five companies explicitly mentioning the recruitment of non-Japanese employees as a possibility. While our HR informants stated that recruitment is based on fit and merit and not nationality, many hinted that they had been given a target of 10–20% FFGs among a year's employee intake. Considering that many of these large companies hire a few hundred fresh university graduates every year, this is an ambitious objective. To the best of our knowledge, the combination of explicit numerical targets, the focus on fresh university graduates and the contractual employment and deployment of foreigners in home country MNEs' operations make this a unique human resource development initiative. Studying this new trend at a relatively early stage allows us to develop propositions about Japanese companies' efforts to internationalize their human resource bases and to contribute to the academic discourse on international personnel development methods in MNEs.

Focusing initially on the role of expatriates in the subsidiary management of MNEs, the international human resource management (IHRM) literature has in the last decade begun to investigate other types of international assignees, such as the employment of third-country nationals, self-initiated assignments and, in particular, the inpatriation of foreign subsidiary employees to home-country headquarters. Third-country nationals are experienced managers from neither home nor host-country who hold a managerial function in an MNE's overseas subsidiary (Reynolds, 1997). Self-initiated assignees are a heterogeneous group of workers who commonly seek temporary employment overseas to gain international experience (Suutari & Brewster, 2000). While the definition of inpatriates varies somewhat in the literature, the majority view conceptualizes them as international assignees who are transferred from an MNE's foreign subsidiary to headquarters for a limited time period. The purposes of such assignments include bilateral knowledge transfers, the building of global management teams or the provision of firm-specific training in preparation for future management tasks in the MNE. The target group is typically early to mid-career employees (Harvey, Novicevic, & Speier, 2000; Harzing, Pudelko, & Reiche, 2015; Reiche, 2006, 2011).

FFGs differ from self-initiated assignees and third-country nationals as they are employed permanently in headquarters and have no prior work experience. Moreover, in that inpatriation focuses on host-country nationals who have already accumulated work experience in a company's overseas subsidiary it differs from the recent focus of Japanese companies on hiring FFGs *without* subsidiary and

*without* work experience into headquarters' operations. However, as both inpatriation and FFG employment focus on the development of foreign staff in MNEs and FFG recruitment is yet little understood, our explorative study approached this phenomenon with similar questions to those raised by early explorative inpatriate research (e.g. Harvey et al., 2000; Reiche, 2006).

While the new Japanese trend can be investigated through an IHRM theoretical lens, it should also be considered in the context of its embeddedness within domestic Japanese employment practices and its complementarity with existing institutions, as has been highlighted by the Varieties-of-Capitalism (VOC) literature. The VOC literature focuses on the governance of economies and firm behaviour, which it considers to differ systematically between so-called coordinated market economies (CMEs), typically including countries like Germany, the Netherlands and Japan, and liberal market economies (LMEs), typically including countries like the U.K. and the U.S. (Delbridge, Hauptmeier, & Sengupta, 2011). In terms of industrial relations, LMEs are characterized by strong market relationships between employers and individual workers, substantial freedoms to hire and fire, weak employee representation in corporate governance, deregulated and fluid labour markets and less reliance on long-term employment relationships. Industrial relations in CMEs, on the other hand, are by and large characterized by longer term employment relationships, more work regulations, stronger employee representation in corporate governance and less fluid labour markets (Hall & Soskice, 2001). As we will discuss, some of the IHRM literature tends to make relatively strong normative and universalist assumptions about desirable human resource configurations in MNEs, which are often based on the study of companies from LMEs. However, Japan, as a CME, has a very distinct domestic employment system (e.g. Aoki, 1988). It is therefore important to investigate to what extent the new FFG hiring trend is influenced by these domestic configurations. We will argue that the new trend is a consequence of domestic institutional limitations faced by Japanese companies in internationalizing their human resources.

In terms of the implications of our research findings for HR practice, theory and future research, we argue that FFG employment should henceforth be considered and further investigated as a distinct IHR personnel development method – next to expatriation, inpatriation, self-initiated assignments and the employment of third-country nationals. Towards the end of this article, we present a new conceptual framework that considers the viability of these methods in relation to the level of workforce diversity and distinctiveness of employment practices in headquarters. Inpatriation, as the most commonly discussed alternative to expatriation, should thus not be seen as panacea to improve knowledge exchange in MNEs, but its suitability can be assessed with reference to our framework. The Japanese case shows that where inpatriation faces challenges as an international HR development method, FFG employment might be a potential alternative.

To pursue these issues in more detail, this article proceeds as follows. We first review the relevant IHRM and VOC literature about inpatriation in general and,

in particular, Japanese human resource management practices. Based on this, we develop the explorative research questions which underpinned our empirical investigation. After a discussion of our research design, the main sections present our findings and a discussion in which we develop propositions which should inform future research into this new Japanese employment trend and in which we contribute to theory building by proposing a new categorization of HR development methods.

## Literature review

One of the most enduring typologies in IHRM research (e.g. Caligiuri & Stroh, 1995; Schuler, Dowling, & De Cieri, 1993) has been Heenan and Perlmutter's (1979) categorization of MNE as being either *ethnocentric*, *polycentric* or *geocentric* in the way they manage their relationships with their foreign subsidiaries: the *ethnocentric* company having dominating headquarters staffed with home-country nationals and expatriates managing overseas subsidiaries, the *polycentric* MNE allowing for autonomy of subsidiaries and the involvement of host-country nationals in their management and the *geocentric* MNEs disregarding nationality and instead filling positions based on ability. The latter and Bartlett and Ghoshal's (1989) transnational MNE are, despite some criticism (e.g. Kobrin, 1994), regarded as something of an ideal norm (De Cieri, Cox, & Fenwick, 2007). Measured against the ideal norm, Japanese companies have been found wanting, as they have displayed strong *ethnocentric* orientations with companies trying to export their human resource management practices overseas, controlling overseas operations through the delegation of Japanese expatriates and leaving decision-making with headquarters in Japan. The recruitment, development and retention of foreign subsidiary workers pose significant problems (Harzing et al., 2015; Kopp, 1994; Legewie, 2002; Shiraki, 2014; Tung, 1982).

While Japanese companies have been singled out for ethnocentric tendencies, this does not mean that companies from other countries have fully managed to exploit the potential of multinational labour forces or have overcome all tensions in bringing together local responsiveness and global coordination. The realization of the insufficiencies of existing international human resource practices has in recent years led to a search for possible alternatives to expatriation, in particular the inpatriation of host-country nationals from foreign subsidiaries into home-country headquarters. Inpatriation research has investigated corporate motives, the effects of knowledge transfer, the absorptive capacities of headquarters (Harzing et al., 2015; Reiche, 2011), efficient socialization (Harvey, Novicevic, & Speier, 1999) and training (Harvey, 1997; Harvey et al., 2000). In the Japanese case, inpatriation can be found in some leading MNEs, which utilize it primarily to train and develop selected host-country employees. However, overall not many Japanese MNEs are practising inpatriation actively and systematically as an international human resource development method (Kim, 2013; Nakamura, 2016).

Our study, though not focusing on inpatriation, confirms this finding. While the internationalization of human resources in Japanese MNEs' headquarters has thus been slow, a recent review of the current challenges and future directions of the IHRM of Japanese MNEs has identified three ongoing initiatives to promote what the Japanese literature calls 'internal internationalization' (*uchinaru kokusai-ka*): (a) the increased hiring of non-Japanese graduates (what we call FFG recruitment), (b) efforts to develop Japanese 'global talent' and (c) language learning support as well as the designation of English as the official corporate language in a few companies like Rakuten or Fast Retailing (Sekiguchi, Froese, & Iguchi, 2016).

Japanese companies' efforts to hire FFGs focused initially on foreign graduates from Japanese universities. Around the year 2010, the trend widened to include students from overseas universities, first focussing on China and then expanding to South-east Asia and the rest of the world (SRGJISK, 2011).

While migration, education system-related and cultural aspects of the new FFG hiring trend have received some academic attention (e.g. Broaden, 2014; Fukuoka & Chou, 2013; Liu-Farrer, 2009; Moriya, 2012), HR research on the topic remains in its infancy. Maki, Ebisuya, and Sekiguchi (2015) seems to be the only HR-focused attempt to shed first light on the FFG phenomenon. Their comparatively small-scale study (using a sample of five companies) confirms some aspects of our research, namely that firms have not made changes to key HR practices such as long-term training and job rotation to accommodate FFGs and that they see FFG recruitment as a way to enhance the diversity and internationalization of their headquarters. However, their study does not delve deeper into the implications of these findings and focuses primarily on FFG perceptions, whereas our research aims to address in more detail company objectives, processes and challenges as well as organizational learning, thereby arriving at a more dynamic understanding of the FFG phenomenon and its implications.

Even though FFG recruitment differs from inpatriation, as it focuses on fresh graduates *without* both subsidiary and work experience, it shares similarities with inpatriation schemes by systematically introducing foreigners into home country operations with the aim to build capacities (Harvey et al., 2000; Reiche, 2006). This is the reason why we approached the FFG phenomenon with similar research questions as raised in the early explorative inpatriation literature.

*Question 1: What are the objectives of companies partaking in the new recruitment trend?*

*Question 2: How are FFGs selected, socialized and trained and how does this relate to the objectives of their employment?*

*Question 3: What challenges have companies identified and how have they responded to these challenges?*

Even though the inpatriation literature offers useful perspectives to the approach of the FFG recruitment trend, it does not identify the problems of compatibility of

the employment practices between sending and receiving organizations of international assignees sufficiently. Indeed, some of the IHRM literature has been criticized for unfounded normative and universalist assumptions about geocentric best practices and companies having a free hand in developing their HR systems (e.g. De Cieri et al., 2007; Delbridge et al., 2011). Delbridge et al. (2011) have argued that the IHRM discourse would benefit from a theoretical engagement with the VOC approach to reach a more nuanced understanding of the influences that shape MNEs' human resource management practices. VOC perspectives have long informed the study of the Japanese economy, resulting in its categorization as a 'coordinated market economy' (CME) (e.g. Dore, 2000; Hall & Soskice, 2001). For example, it has been shown how seniority-oriented pay and long-term employment practices have been highly complementary with dominant work practices such as frequent job rotations, broad job descriptions, teamwork and on-the-job training (Aoki, 1988). Recent research has shown some considerable changes to these traditional practices, but also has highlighted important institutional continuities based on complementarities and interdependencies with other parts of the company and its economic system (e.g. Conrad, 2010, 2011; Inagami & Whittaker, 2005; Meyer-Ohle, 2009). Incorporating a VOC perspective, we set out to investigate the relationship between Japanese companies' characteristics and the nature of the internationalization of their human resource management practices.

*Question 4: Which company characteristics and institutional constraints are shaping the FFG hiring trend?*

## Study design

This article is a first step in researching a new recruitment trend and thus explorative in character. The findings are primarily based on semi-structured interviews with the human resource departments of nineteen, mainly large-sized Japanese MNEs as well as thirty-three FFG recruits working for a Japanese MNE in Japan for no longer than four years (see Tables 1 and 2 of the [Appendix](#)). The merits of such a qualitative research approach are that one can discover empirical facts and generate theory when a phenomenon is yet little understood, while the richness of the data allows taking account of context-specific factors (Eisenhardt, 1989; Miles & Huberman, 1994). The interviews, most of them conducted in Japanese (some in English), took place between June 2014 and April 2016, lasting between one to two hours.

For the company sample, we followed a non-random selection approach by contacting HR departments of Japanese MNEs which are publicly known to hire foreign young graduates through channels such as specialized job fairs and recruitment firms. The rationale behind this approach was the assumption that firms which engage actively and openly in the recruitment of foreign workers are at the forefront of the new trend and thus best equipped to respond to our questions. The resulting sample was not particularly large in size, but did include many of

Japan's best-known MNEs from a wide range of sectors. We recruited informants for the sample of employee informants in two ways. Firstly, we started out with some existing contacts among the graduates of our respective academic institutions and then applied a snowball approach of introductions. This resulted in interviews with FFGs of different nationalities and company affiliations to those of our initial FFG contacts. Secondly, as Chinese nationals represent the largest group of newly hired foreign graduates (JASSO, 2014), we gained access to a Tokyo-based non-profit association of young Chinese graduates. This association, which organizes social events and supports its members' job-hunting activities, allowed us to contact a large number of potential Chinese informants. We were mindful that the selection of our employee informants via snowball referrals and one Chinese organization implied a potential selection bias and might result in a sample of informants holding similar views. However, we deemed this to be the best available method of informant selection as we wanted to ensure full candour in our interviewees' responses. This is the reason we refrained, with four exceptions, from referrals to FFGs via HR departments. While our approach did not always allow us to match and hear both sides, namely HR departments and employees of the same company, we concluded that what we would gain in terms of candour in responses would make up for the loss of such a 'comparative' perspective, which was, in any case, not the focus of our research. In the four cases where we did interview HR departments and employee informants from the same companies with their mutual knowledge, we took extra care to stress our general policy that all information would be handled anonymously and not shared with other informants. Nevertheless, these four FFGs turned out to be significantly less frank in their responses than the rest of the FFG sample, a finding which validated the strategy to recruit HR and FFG informants independently from each other.

The initial questions of our semi-structured interviews with the HR representatives reflected the research questions introduced above. We inquired about company objectives, selection criteria, socialization and training practices, organizational challenges and consequent changes as well as perceptions of institutional constraints in relation to FFG recruitment. The FFG informants were asked to report their perceptions and experiences relating to the same issues, but were additionally asked questions about their expectations and motivation for seeking employment in Japan, their interactions with and treatment by Japanese co-workers and supervisors, and their experiences with the Japanese employment system as well as their future career plans. While this article cites only quotes from the company sample, due to space constraints, we used the FFG sample, wherever possible, to validate the findings by triangulation (Yin, 2003). As FFGs were interviewed about their perceptions and experiences relating to the same issues that we explored with the HR informants, their responses allowed us to either verify or question accounts of HR officials. Obviously, FFGs were not always in a position to comment on all of these issues, especially on the subject of company objectives and selection criteria. In cases where triangulation across HR and FFG data was



not possible, HR accounts were taken at face value if they showed communality across the HR sample data.

Most interviews were recorded with the prior consent of the interviewees, transcribed and the Japanese recordings translated by the authors into English. Reflecting on Chidlow, Plakoyiannaki, and Welch's (2014) important critique of the use of translations in cross-language international business research, we responded to Venuti's (2008) call not to smooth over cultural differences in expression in our translations, but to retain the 'foreignness' of the source texts. As translations can never fully convey identical meanings in source and target languages, we aimed to maintain the original flavour of the informants' responses. After checking and discussing each other's translations, we organized the data in a Microsoft Access database based on an initial coding frame which reflected the research questions, followed by inductive coding to detect additional themes and commonalities across the sample.

## Findings

This chapter introduces the findings from our interviews and is structured along our research questions, focussing on company objectives, selection, socialization and training regimes, common challenges, institutional constraints and evidence of organizational learning.

### *Objectives of FFG recruitment*

When asked for the overall objectives of recruiting FFGs into their operations in Japan, companies named various and often multiple reasons. The most commonly cited objectives were 'increasing diversity' and 'the need to increase overseas sales'. Some companies also sought 'skills not available in Japan' and mentioned concerns of a 'shrinking domestic graduate pool'. Many companies in this study saw the hiring of FFGs as a logical extension of the local paradigm to hire the best graduates from the best universities in Japan. While smaller IT and engineering companies responded that they had hired young foreign employees for specific tasks, large corporations stressed that they were pursuing global long-term human resource development strategies. Even though few used the word 'life-time employment' (*shushin kōyō*), most shared the assumption that employees would stay with them for an extended period of at least ten to fifteen years. This thinking also strongly influences the ways in which companies select, socialize and train these workers, an issue which we will address in further detail below.

While the inpatriation literature has stressed the bridging function of international workers as conduits for increased knowledge exchange between headquarters and foreign subsidiaries (Harzing et al., 2015; Reiche, 2011), an immediate knowledge exchange objective did not seem to inform FFG hiring. Yet, companies stated that they needed to globalize and that these workers might work in overseas

subsidiaries in the future or in headquarter departments where their foreign language expertise and experience of headquarters socialization might contribute to improved knowledge exchange between headquarters and subsidiaries. However, few companies appeared to have already developed concrete FFG development plans. The companies in our sample believed that FFGs, just like their Japanese peers, should be developed over a longer period of time and that their future placements should be based on their individual fit and capabilities rather than on concrete short-term headquarter-subsidiary considerations.

### ***Selection, socialization and training***

Japanese MNEs' long-term focus in terms of HR development influences the way in which they select, socialize and train these workers. While many companies have lowered the initial contact barriers by allowing online submissions of job applications in English and by taking part in specialized recruitment fairs abroad, the subsequent selection, socialization and training processes are more or less identical to those used for new Japanese graduates.

Companies concentrate their hiring efforts on fresh graduates who join in April each year, with some companies having a second smaller intake in October. Larger firms have traditionally looked for Japanese graduates from the highest ranked Japanese universities, where the reputation of the institutions accompanied by the initial difficulty of joining them has functioned as a proxy for the abilities of their graduates – not the graduates' specializations or grades. A similar approach is taken in the recruitment of FFGs. With the exception of engineers or research staff, FFGs' degree subjects or a potential postgraduate degree do not make much of a difference. Rather than educational achievements, interviewees emphasized the importance of a candidate's potential, which appears to be the sum of perceived communicative abilities, drive and enthusiasm, ability to accept challenges and motivation for self-improvement. The analogy of a new graduate candidate as a 'white cloth' that can be dyed in any colour by the company, whereas it is difficult to re-dye an already dyed cloth (i.e. a worker with experience), was brought up by some interviewees and is often used in Japan (Nagano, 2014).

New employees, Japanese and foreigners alike, undergo an orientation programme (*kenshū*) that introduces the company's history and philosophy as well as necessary business manner and behaviour. Employees are subsequently assigned to their first positions, but continue to take part in regular centralized training programmes. While some companies allow trainees to express preferences for their first assignments, most HR sections emphasize that employees are not hired for certain positions and that companies are free to decide as to which divisions and functions employees are assigned to. Like their Japanese peers, many foreign employees find their initial positions in domestic sales, as companies judge this to be the best way to familiarize them with the core business.

HR manager of an electronics company: *From the HR point of view, in order to increase their skills or their technological knowledge, we put employess in three different positions in the first ten years. ... It stems from life-long employment... We can say that we are a building-type of company, we build people from scratch to be managers, to be leaders.*

After two to three years, FFGs are, just like their Japanese peers, commonly rotated to a new department within headquarters, which then might, but does not necessarily have to, include first exposure to international activities.

### **Challenges, institutional constraints and organizational learning**

HR representatives as well as FFGs report a variety of challenges which largely fall into two categories, namely problems in relation to Japanese employment practices and problems in the actual workplace. In terms of employment practices, HR representatives report discontent among FFGs about a lack of job descriptions, unclear evaluation standards and the slow pace of career advancement.

HR manager of a trading company: *In Japan positions are not clear, we can't say we have a job opening for this position, it is sōgō shoku [the generalist career path], employees do not know where they will be sent, what they will do – the career path is not clear.... Yet, talking to those we have recruited from overseas, they always say 'we would like to have this more clear-cut'.*

While being aware of these challenges, HR representatives pointed out that core work practices, such as seniority-oriented pay, long-term employment practices, generalist career paths, frequent job rotations, broad job descriptions, teamwork and on-the-job training, could not simply be changed for the FFG employee group. These HR fundamentals thus define the institutional constraints within which the new FFG hiring trend evolves. Company informants also talked frequently about the advantages of core work practices, often with reference to cultural arguments about their enduring suitability.

HR manager of a trading company: *This is culture-related. We hire for life-long employment from the beginning... Foreign companies do not develop people... In Japan, since the old days, we bring in young people and develop them over several years. I believe that this has value.*

As changing these practices is not considered to be possible or, in fact, desirable, companies are trying to be more explicit about these work practices during the hiring process so as to manage FFG expectations and induce a self-selection of applicants.

HR manager of a financial institution: *They are told all this [about the company's generalist career path, speed of promotion, seniority-pay] during the interview and the company visit, so we get to employ people who, in spite of this, still want to work in Japan – people who really fit into Japan.*

The second major category of challenges identified by our informants concerns the actual circumstances in FFG workplaces. HR departments are often instructed by the companies' top management to employ FFGs. Yet, lower level departmental

**Table 1.** The viability of international HR development methods in MNEs' headquarters operations.

		Distinctivness of headquarters employment system	
		Low	High
Workforce diversity in headquarters	Low	Inpatriation, self-initiated assignees	Foreign fresh university graduates (FFGs)
	High	<b>Inpatriation, self-initiated assignees</b>	Inpatriation, self-initiated assignees

Note: The highlighted fields show the best institutional fit.

managers might have little understanding of this new trend and limited interest in dealing with a foreign employee. Companies have come up with a variety of measures to improve this situation, such as involving the sections where employees are to be placed in the hiring process, carefully selecting superiors, or providing intercultural training for colleagues or supervisors. Yet, some companies have responded to such problems by tightening the selection criteria in terms of Japanese language and cultural fit. Here, some HR representatives displayed critical awareness that such organizational responses had moved them away from their initial objectives of initiating larger changes in their organizations by increasing workforce diversity.

HR manager of a chemical company: *It's a bit strange, but I think we have become a bit more conservative and now take only people that have a capacity to work in a Japanese cultural environment – a Japanese company. We had some problems with people who couldn't get used to this style of work and therefore have become more conservative.*

In terms of changes to organizational practices, some companies also have explored inpatriation schemes. However, overall, inpatriation only appears to be growing slowly in importance, remaining relatively small in size (e.g. 10–30 persons per year in a company of several ten-thousand employees and with significant overseas operations) and scope (e.g. only selected manager-class staff). While companies have plans to increase inpatriation in the future, and might even consider this to be part of a multipronged internationalization strategy, limited Japanese language skills of subsidiary employees as well as limited English skills among domestic Japanese staff members and the strong reliance on Japanese-language documentation still constitute severe challenges. In our interviews, headquarters' staff also raised doubts about the ability of subsidiaries to attract good local staff and questioned the suitability of subsidiary employees that have not undergone headquarters' selection and socialization.

Yet, there is some evidence that the FFG initiative might have a positive impact on inpatriation. Several FFGs in our sample reported that, while it did not constitute their main task, they had assumed some role in communicating with overseas subsidiaries. Employers also reported that Japanese employees, through more contact with FFGs, had become more confident in communicating and dealing with overseas employees and clients. In addition, some companies reported that they have been trying to use the added visibility that headquarter recruitment

gives them with graduates and universities overseas to increase the profile of their overseas subsidiaries among foreign applicants.

## Discussion and propositions

In this penultimate section, we draw the key findings of this project together and develop propositions, some of which might be further tested by future research into FFG hiring. Firstly, while inpatriate researchers have highlighted the potential bridging function of such workers between MNEs' headquarters and subsidiaries (e.g. Harzing et al., 2015; Reiche, 2011), Japanese FFG hiring appears not to be informed by this strategic objective. Instead, FFG hiring is driven by labour force shortages, aims of higher workforce diversity and globalization through the internationalization of headquarters from within. For most firms, the use of FFGs in developing particular markets or improving headquarter-subsidiary management are not an immediate objective. Yet, a higher number of FFGs in headquarters might in the long run lead to better headquarter-subsidiary communications.

**Proposition 1:** *The objectives behind FFG hiring differ from those discussed in the inpatriation literature. Improved knowledge exchange between headquarters and subsidiaries is not a primary objective. FFG hiring might contribute to solving localization issues at overseas subsidiaries only in the long run and indirectly.*

The inpatriation literature has identified intercultural communication and adaptation issues as well as absorptive capacities of headquarters as the key challenges for successful inpatriation (Harvey, 1997; Harvey et al., 1999; Reiche, 2006). While Japanese MNEs have started to introduce inpatriation programmes for foreign subsidiary staff, these initiatives remain small in size and scale and appear not to be very ambitious in developing such staff. The key reason is that domestic Japanese employment practices retain to a large extent the characteristics that have been discussed in the VOC literature – seniority-oriented pay, long-term employment practices, frequent job rotations, broad job descriptions, teamwork and on-the-job training. These practices are difficult to integrate with foreign subsidiary HR practices that are by and large more host-country oriented and often characterized by a strong Japanese expatriate vs local staff dichotomy. Moreover, these practices make it difficult to absorb experienced overseas subsidiary staff as they have not undergone the strong socialization in the Japanese operations. Instead of bringing in experienced overseas subsidiary employees, companies therefore seem to prefer to hire and develop young foreign university graduates directly in their headquarters. Nonetheless, the challenges addressed in the inpatriation literature also occur in FFG hiring. One might thus hypothesize that, if companies can overcome the challenges in FFG hiring and increase the number of international staff in headquarters, this will also prepare the ground for wider inpatriation initiatives.

**Proposition 2:** *FFG hiring overcomes some of the institutional limitations of Japanese companies in diversifying and internationalizing their human resources. FFG hiring*

*might be an alternative, but might also turn out to be a catalyst to broader inpatriation initiatives.*

In terms of overcoming the challenges associated with FFG hiring, most HR informants seemed to believe that misunderstandings and frustrations are primarily linked to FFGs' insufficient understanding of the inherent ambiguities and the logic of Japanese employment practices. They argued that, if companies communicate these issues prior to FFG employment, this would result in a self-selection of those workers who are happy to work within the existing framework and would minimize subsequent problems. While better communication is certainly likely to improve the situation, it is doubtful that this alone will fully address expectation mismatches. In addition, some companies have adjusted their selection criteria to hire only people expected to fit well into their workplaces. Companies have thus moved away from initial objectives of diversity and are reducing the need for existing Japanese employees to cope with new languages, ideas and behaviours. To be truly successful, Japanese MNEs will need to balance their high expectations towards acculturation and employment duration with FFGs' needs to maintain their own cultural identity and expectations towards career mobility. Otherwise, companies run the risk that FFGs, who by and large appreciate the thorough training regimes of Japanese MNEs, use their employment in Japan only as a stepping stone for an international career with a foreign company in Japan or indeed abroad.

**Proposition 3:** *Where diversity is a primary objective, the success of FFG hiring is limited by increasingly stricter selection processes and strong pressures to assimilate. Employees are given few opportunities to maintain their cultural identity and fulfil their expectations towards skill and career development.*

The absence of plans to deploy FFGs immediately in the management of their respective home-country subsidiaries might suggest that Japanese MNEs are moving towards the IHRM literature's normative vision of a *geocentric* IHRM strategy that sees people being developed and deployed freely within the global corporation regardless of their national backgrounds. However, many company informants continued to make strong cultural arguments about the merits of the Japanese employment system and the need for FFGs to assimilate to these work practices. These expectations run counter to the literature's idealist vision where such cultural arguments no longer play a significant role. Moreover, these acculturation pressures currently limit the benefits of increased diversity that many companies name as an important objective. However, increased ratios of foreign employees in Japanese headquarters might eventually lead to stronger geocentric thinking in the corporation.

**Proposition 4:** *FFG hiring practices are not reflective of a move towards a geocentric model of human resource management in Japanese MNEs. Cultural arguments about the need for acculturation and assimilation of FFGs point to an intransigence of the existing ethnocentric model, despite its enhanced international appearance.*

Finally, which general implications do our findings have for HR practice, theory and future research? Firstly, we have shown how applying a VOC perspective can lead to a better understanding of a human resource phenomenon. It has allowed us to identify the underlying logic and workings of what has often just been described as Japanese ethnocentricity. The VOC literature maintains that institutional change is characterized by path dependencies and distinct institutional configurations. Contrary to notions of convergence or best practice, it emphasizes the potential merits of difference. In the Japanese case, the institutional logic of the employment system has led companies to engage in FFG recruitment as a less disruptive road to internationalizing their workforces. As such we do not question the legitimacy of this approach, but there are still clearly many issues with regards to implementation, some of them resembling those discussed in the inpatriation literature. Currently, we find Japanese companies on the way to what we might like to call an 'attenuated ethnocentric model' that is characterized by a growing number of non-Japanese employees working in Japanese headquarters, yet still following the established Japanese work paradigm. Overall, these findings confirm the importance for HR research to take into account issues of institutional fit and path dependency, as they have been highlighted by the VOC literature. While some VOC research has argued that the liberal market model has made slow but clear advances within Japan's corporate institutional structures and processes (e.g. McCann, Hassard, & Morris, 2010), the FFG case highlights the enduring nature of the 'Japanese model'.

Secondly, within the discourse on alternatives to expatriation as a means to run and grow the international company, the IHRM literature has so far focused on self-initiated assignments, third-country nationals and, most importantly, inpatriation. Instead, Japanese companies have emphasized FFG recruitment and thus the internationalization of human resources from within headquarters. We suggest that this focus is grounded in and addresses two major characteristics of Japanese companies, namely very low levels of workforce diversity and a high distinctiveness of headquarters employment practices. These characteristics limit the viability of a successful headquarters development of inpatriates, third-country nationals as well as self-initiated assignees as these groups face enormous communication and integration problems due to language issues and a lack of acceptance for not having undergone lengthy headquarters socialization when young. FFG recruitment aims to overcome this challenge by socializing foreign workers fully into the headquarters organization from the outset.

Theorizing on appropriate staffing policies in MNEs, Harvey, Speier, and Novicevic (2001) have taken a subsidiary perspective to identify, depending on knowledge asymmetries and goal congruency between headquarters and subsidiaries, preferred personnel choices for expatriates, third-country nationals, local nationals and inpatriates. However, their framework does not address the circumstances under which these groups can undergo successful headquarters training and socialization in preparation for their subsidiary roles. Abstracting

from the Japanese case, we argue that the viability of alternative HR development methods in MNEs' headquarters operations depends generally on the existing level of workforce diversity and the distinctiveness of the employment practices in headquarters. As illustrated in Table 1, in companies where headquarters show a high workforce diversity and a low degree of distinctiveness of employment practices, inpatriates (including third-country nationals who might be sent to headquarters for development purposes) and self-initiated assignees appear to be the best fit, as they can be integrated both socially, in terms of the acceptance by headquarters staff, and practically in terms of their integration into the headquarters employment system. However, in cases where headquarters workforce diversity is low and employment practices are distinct, FFGs might be a better alternative as these workers are socialized and integrated into the headquarters' social and employment systems from the outset. Low/low or high/high combinations of these factors do accommodate the employment of inpatriates and self-initiated assignees, but the fit is not as perfect because the integration into headquarters is either made difficult by very different employment practices or little social acceptance of these workers in low diversity headquarters.

Finally, we acknowledge that the viability of the different development methods as alternatives to expatriation will need to be studied in more detail and that the explanatory power of our proposed categorization will need to be tested in future research. Overall, FFG recruitment is still a very new trend and our explorative research could only lay the foundations to inform and frame future research into the topic. In particular, it should be investigated whether FFG hiring will turn out to complement or slow down other efforts of Japanese companies to internationalize and integrate their human resource bases. Our data did not allow us to formulate a concrete proposition about potential fits or misfits between Japanese MNEs and FFGs from specific cultural/national/ethnic backgrounds. However, we could well imagine that future longitudinal research of FFGs career paths might show that FFGs from specific backgrounds, e.g. from Asia, are more likely to assimilate to and succeed in domestic Japanese work environments. Moreover, while a large percentage of Japan's largest MNEs is currently actively hiring FFGs, future research might be able to establish in more detail which company characteristics influence the decision to hire or not hire such workers.

## **Conclusion**

This article has shed light on a new and distinct human resource management trend, the systematic hiring of FFGs into MNEs' headquarters in Japan. The framing of our research was informed by the inpatriation and VOC literatures. The findings demonstrate clearly the benefits of this approach, as they highlight the importance of considering how a country's domestic institutional setting shapes its initiatives to internationalize the human resource base. The somewhat normative assumptions in parts of the IHRM literature about desirable human resource



configurations are likely to lead to misinterpretations and potentially misleading 'best practice' advice. FFG hiring is a case in point. While the new hiring trend might appear on the surface to signal a shift towards a more 'geocentric' human resource model, we find that the objectives and socialization strategies of Japanese companies are very much influenced by the logic of domestic employment practices and continue to reflect an 'ethnocentric' approach. Advancing the IHRM literature, the discussion of the underlying logic of FFG recruitment has led us to propose a new framework that addresses the viability of international personnel development methods in dependence of the workforce diversity and distinctiveness of employment practices in headquarters.

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No potential conflict of interest was reported by the authors.

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## Appendix

**Table A1.** Details of interviewed companies

Sector	Total number of employees (Thousands)	Overseas sales as % of total sales (%)
Electronics	100–150	Over 60
IT infrastructure/services	150–200	Over 40
Trading company	5–10	Over 20
Chemicals	50–100	Over 40
IT infrastructure/services	100–150	Over 20
IT network/systems	5–10	N/A
Heavy machinery	25–50	Over 40
Advertising	>5	N/A
Logistics	150–200	Under 10
Chemicals	25–50	Over 20
Engineering	0.5–1	N/A
Electronics/home appliances	200–300	Over 40
IT network/systems	10–25	Over 10
IT network/systems	0.1–0.5	Under 10
Banking & finance	50–100	Over 20
Automobile	100–150	Over 60
Trading company	50–100	Over 20
Trading company	25–50	N/A
IT infrastructure/services	5–10	Under 10

Note: Employee numbers as well as the overseas sales ratios are only presented in ranges to give an indication of company size and degree of business internationalization while maintaining anonymity.

Sources: Toyo Keizai (2015) and company websites for employee numbers. Sales data kindly provided by Nomura Research.

**Table A2.** Details of FFG informants

Nationality	<i>N</i> = 33	Industry	<i>N</i> = 33
Chinese	16	IT/ communication	8
Korean	5	Electronics	6
Singaporean	6	Finance	5
British	3	Trading	4
Other	3	Retail	2
Gender	<i>N</i> = 33	Chemicals	2
Male	14	Consumer goods	2
Female	19	Other	4
Highest degree	<i>N</i> = 33	Contact method	<i>N</i> = 33
Japanese university	15	Company not involved	29
University overseas	18	Company involved	4