

HRD and HRM assistance to the local subsidiaries in Asia-pacific: Determinant factors and SHRM policies around regional headquarters of Japanese multinational corporations

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1. INTRODUCTION

This study examines the mechanisms and methods by which Human Resource Management (HRM) policies are implemented by the Regional Headquarters (RHQ) of multinational corporations (MNC). These RHQs are structured as subsidiaries of MNCs, and therefore have to adjust their policies to a social milieu different from that in which their home management is based. The MNCs home headquarters (HQs) meanwhile has to control the flow of talent to each subsidiary, while also considering the entire global strategy. RHQs are located in-between the MNC HQs and the subsidiaries, and thus demonstrate a dual functional role. They must function in relation to the strategy coming from the home base while also offering support to the various subsidiaries who participate in foreign business environment. This research was undertaken to ascertain a few of the significant factors that can identify the appropriate methods for supporting talent promotion by the RHQ, and the mechanism by which the RHQ contributes to the multinational's labor force within the subsidiary. After reviewing relevant theories regarding MNCs, the outcome of my research into several RHQs will be presented. Then, I will identify the major factors influencing the methods by which the policies to promote talent are introduced.

2. ANALYTICAL FRAMEWORK FROM RELEVANT LITERATURE

2.1 MULTINATIONAL CORPORATIONS AND KNOWLEDGE TRANSFER

The transfer of knowledge within the MNC network is an indispensable process if the superior technology from MNC HQs is to be utilized. As for improving skills in knowledge-transfer and competitive organizational capability in the MNC network, it is essential for human resource management (HRM) and HRD to develop the learning ability of the subsidiaries. Thus one of the major issues of any MNC subsidiary's HRM/HRD is concerned with the MNC's method of delivering policies to the subsidiary and the measurement of the subsidiary's capability to take up and follow these policies (see in this instance Brewster *et al.* 2005.). The network in the MNC should not merely function as a transportation channel for information and knowledge, but as a mechanism for suitable human resource promotion as well as for installing appropriate evaluation systems of qualified employees within the organization. The subsidiary's

competitive ability generally improves by effective transferral of knowledge from HQ. In other words, the subsidiary's developmental stage is influenced by the way in which the system regards the content of information transferred, the technology, and the knowledge from the parent company (Shusa 1998; Takeuchi 2000). It is indispensable for the subsidiary to be able to absorb the technology and knowledge. Together these two major factors constitute the driving force for effective transferral. The training exercises positive effects upon a subsidiary's learning skill, while the personnel system with its achievement principle exerts its own positive effects on the driving force itself (Minbaeva *et al.* 2002).

2.2 PLATFORM IN MULTINATIONALIZED LABOR MARKET THEORY

With regards to the internal networks and the HRM function for promoting knowledge transfer, Shiraki (2005) has conceptualized "Platform" as contributing to the understanding of the existence and establishment of an "internal" multinationalized labor market. This kind of labor market has developed as an extension of domestic internal labor markets, and the main promotion plan for multinationalized networks is the formation of the "platform". The MNC HQs is the responsible party that "oversees [that] subsidiaries are strategically integrated by infiltration of corporate principles and the evaluation system, to share [information and knowledge of HQs] and the overseas subsidiaries, and the promotion of internal talents (Shiraki, 2005: 267)." This internal multinationalized labor market theory basically deals with the mechanism of MNC's integration. However, not all employees of overseas subsidiaries are included in such a labor market system. In particular, when it is found necessary to contribute to the improvement of the ratio of ordinary profit to net sales, it is important to "increase a ratio of university graduates, [in the] quality and volumes of local managers" (Shiraki, 2005: 67). The major conditions for advancing an internal multinationalized labor market and its function can be identified in these terms: the improvement of local managerial personnel skills and capability, and the appropriate treatment and retention of local personnel. Local managers are expected to become the initial conveyers of the transfer of knowledge and management know-how from the parent company. So, in order that transfer mechanisms function effectively, the following issues have to be properly dealt with: (1) the policy-making by HQs as to the official system of ; (2) the infiltration of ideas and ideologies; and (3) the internalization process set up through various meetings. The Platform is divided into two categories: a 'hard platform' which is the driving force of the HRM system in the internal multinationalized labor market, while there is also a 'soft platform' which can be understood as a tool for executing the transfer and train systems.

2.3 HOW DOES INTERNATIONAL STRATEGIC HUMAN RESOURCE MANAGEMENT "FIT"?

Research on human resources management in MNCs has dealt chiefly with the major object and characteristics of the delivery system for this object and the information related to it. And so the focus has been upon the mechanisms for strengthening integration, the correlations between these mechanisms and knowledge transfer, and the effects and roles of HRM on

these processes. Since the MNC is influenced by a variety of contingencies, research concerned with each of these has had a significant influence upon HRM practice.

The Strategic International Human Resource Management (SIHRM) project involves a trial that attempts to integrate some influential factors existing both inside and outside the MNC. In this context, it was found to be important to set the balance between the parent company's influence and the subsidiary's strategic accommodation to its surrounding environment. When the attempt was made to simplify the model, it was essential to take account of a core part of the parent company's competitive resources, that is its "best practice" (Brewster *et al.* 2005). Actually, when the SHRM covers areas of both internal organizational character and the surrounding social milieu, it is a valid scheme for analyzing vertical relationships between the parent company and subsidiaries (Wright and Snell, 1998:756). This particular study dealt with the frame used in SIHRM research, which relates "Fit", "Flexibility", and "Life cycle of the organization (strategic issues of each developmental stage)" to each other (Wright and Snell, 1998; Milliman *et al.*, 1991; Lenggick-hall and Lenggick-hall, 1988).

Firstly, "fit" indicates the stage or conditions in which a specific organizational component's needs, goal, and its structure correspond to those of other organizations. SHRM works toward achieving an expected "fit" in a competitive environment or to clarify the mechanisms by which it does so. Recent researches on "fit" are characterised by their main focus upon processes which lead to an actual result for the organization (Bowen and Ostroff, 2005). Milliman *et al.* (1991) have paid attention to the adjustment process to a turbulent environment surrounding a MNC, and has adopted frames of "fit" and "flexibility" for examining the "parent-child" relationships of the MNC. The following "fits" are considered for the subsidiaries a) between various HRM s within the subsidiaries (selection, training, evaluation, and reward); b) the HRM "fit" by coping with strategic needs determined in the developmental stage of subsidiaries; c) HRM "fit" functions between the corporate parent and its child; and d) the "fit" of the any subsidiary's HRM with its local environment. The balance between these "fits" is significant because any one "fit" is then systemically correlated with other "fits". For instance, HRM "fit" between the parent corporation and its child is influenced by the "fit" of the subsidiary with its outer (local) environment. A "fit" can be identified like snap shot in relation to internal and external components, and thus it is "fit as a state that exists at some point in time and, because of its focus on an interface between two variables, that has both internal and external components" (Wright and Snell 1998). In a stable environment, a "fit" is achieved from the system relating to the employees' skill, the HRM practices, and the actions of the employees. The achievement of an internal "fit" also has the possibility of strengthening the organization's backbone. Any particular conception of "fit" may not necessarily take account of the adjustment process to environmental change. It is essential to insert flexibility into the SHRM model, if sustainable "fit" is to be achieved by a flexible organization (Wright and Snell, 1998).

So what is "flexibility" in this context? "Flexibility can be defined as the capability of HRM to facilitate the organization's ability to adopt effectively and in a timely manner to changing or diverse demands from either the environment or from within the firm itself" (Millinan *et al.* 1991: 325). Therefore, flexibility is accumulated within the organization to contribute to its variability

and adaptability. It is related to the kind of resources collected and required, and also to the adjustment of the system to the use of these resources at the right time. The "fit" places weight on the achievement of strategies at a certain stage, while the flexibility values continuous achievement of the "fit". The flexibility is an important factor for supplementing "fit", as the MNC must cope with the various development stages of subsidiaries and social environments. In other words, flexibilities "face dynamic multiple environments; therefore, the concept of flexibility is an important complement to that of fit" (Millinan et al. 1991 325). As the organization matures, it "faces increasing environment complexity and competition; thus, it must simultaneously achieve high levels of both flexibility and fit" (Millinan et al. 1991 335).

3. RESEARCH

3.1. RESEARCH QUESTION AND SAMPLE

The question for this research is to clarify how a fit and flexibility are to be achieved by specific HRM support to local subsidiaries from RHQ. The support is seeking to construct a sophisticated management system and respond to diverse environments and several competing situations in the region. I pay particular attention to HRD assistance for two reasons. Firstly, it has been shown that a subsidiary's human resource accumulation in Asia Pacific greatly influences its strategic integration with its HQs in Japan (Shiraki 2005). Secondly, HRD is assumed to be closely connected with the action plan of an individual subsidiary which is conditioned by the corporate strategy (Kimura 2007). A subsidiary's needs regarding RHQ's HRD support are derived from the review of their human resource accumulation, and represent the problems for their environmental adjustments. Recognition and response of the subsidiary's needs by RHQ might be appropriate as the method of indirect observation of an environmental adjustment of the subsidiary.

The case analysis below was mainly concerned with two questions. Firstly, how are the problems which affect the formation of the multinationalized internal labor market observed? Particular attention is given to the role of the RHQs in the promotion of the HRD for the local subsidiary managerial candidates in forming the platform for Japanese MNCs in the Asian Pacific region. The obstacles to this are analyzed. Secondly, I will summarize findings about the activity within the RHQs which affect the achievement of the corporate-subsidiary fit, a subsidiary's fit to its local environment, and the balance between these two relationships. In the actual world, RHQs are located in the middle of this relationship, and play an important role in the integration and balancing of multiple relationships with the environment. Previous research on RHQs of Japanese MNCs, sometimes articulate doubt about their integrative functions (Mori 2003, Fujino 1998), however, a survey on Japanese RHQs in Singapore has clarified their increase in number and the diversification of the integration and supporting function in relation to their local subsidiaries (JETRO 2008). This proliferation may indicate the need for an increased multiple fit by parents and subsidiaries to their surrounding environments.

In-depth interviews with MD and/or HRM/HRD managers from ten RHQs of Japanese

manufacturing MNCs in Singapore were conducted during the period of 1999 to 2007. Five cases which were interviewed in different years are analysed here. In the series of interviews, the successful implementation of HRD/HRM practices was confirmed.

3.2 RESULT

Below is a summary of data on HRD/ HRM support by RHQ to the local subsidiaries in the region. Table 1 shows features of the sample regarding the following issues: (1) practices as a platform which enables multinationalized internal labor market; (2) high-potential development programs; (3) HRD programs conducted by HQ or its training centre; and (4) Major regional HRD and related programs.

Table 1 Summary of RHQs support to local subsidiaries.

(1) Platform		(2) High potentials program	
	Hard	Soft	
A	Common Job grade for subsidiaries	Programs for disseminating and implementing management philosophy	Global (Single) program for whole corporation - for MDs and senior managers are controlled by HQ, - for middle managers are controlled by RHQ
B	Introduction of merit based pay system to the local subsidiaries. Common promotion standard for all subsidiaries in the region	Program for team management and communication	none
C	None (abolished)	none	Common training program for selected personnel from subsidiaries around the world
D	Common job grade for subsidiaries Introduction of pay by role	none	Selection of core personnel in local subsidiaries and its maintenance and education
E	None	Local leader and trainer training program of the best practice	none

Table 1 (continued)

(3) HRD programs conducted by HQ or its training centre		(4) Major regional HRD and related programs
A	Training and authorization of local subsidiary trainers for (1) and technical programs in (4) Training execution for (2)	Set up local training centers in each country, delegation of various functional training from RHQ to them Care for the local training center which has difficulty in independent program management and execution The regional training center takes care of the country where the training center independence is difficult.
B	Training and authorization of local subsidiary trainers for (1) in cooperation with the RHQ	Taking part in (3) Management of E-learning and blended training for engineers
C	Execution of programs for (2)	Management training program (open), newly recruited employee program, recruit support program
D	none	Formation and sharing of IR dispute guideline

E	Training and authorization of local subsidiary trainers for (1)	Management training for subsidiaries in region (open). Consulting and budgeting for outsourcing contract of functional training in local subsidiaries Consulting and execution support about CSR, and compliance in local subsidiaries.
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4. DISCUSSION

4.1 PLATFORM FORMATION AND A HEADQUARTER-SUBSIDIARY FIT

In this sample, four out of five companies are constructing the platform in some shape or other. Such a platform enables subsidiaries to share the competitive mechanism which the HQs have formed. It also enables sophisticated management control of the entire corporation by HQ, or regional control by RHQ. The introduction of a common platform is basically initiated by Japanese HQs. Only one RHQ (Company D) has introduced a common platform by itself, however, it holds a relatively high share in the stock of its subsidiaries and therefore can strongly control them. The soft platform aims to disseminate excellent management philosophy and best practice from HQs to local subsidiaries, while the hard platform intends to promote the strategic integration of the region to corporate goals, and deals with the evaluation or payment in local subsidiaries. High potential programs which go with the common job grade system are used for delivering necessary skills and corporate strategy which give legitimacy for the promotion of local managers towards the top of these subsidiaries. However only two examples introduced such a system and it seems more difficult to introduce compared to the soft platforms. For the local subsidiaries, it is not easy to accept such a system, because it clarifies any one subsidiary's own organizational capability and therefore promotes resource competition among the subsidiaries of the local region. Therefore some form of persuasion and compulsion is to be expected by both of cases with this type of hard platform.

The subsidiaries are relatively willing to accept a soft platform with no persuasion processes. However, the influence of the HQs is demonstrated in some sense for the construction of it. In company A, corporate philosophy strongly requires the HRD, and it is its fundamental purpose to set up regional and local training centers. In company C and E, the knowledge transfer throughout the corporate structure is also strongly pursued via such programs as encouraging diffusion of best practice and the team communications technique, which then realize their management philosophy. These programs are basically conducted by local trainers who are authorized by HQs, and the validity of the program is also backed up from home. These programs are conducted to improve a fit between the parent and subsidiaries, and RHQs take their part in executing the verified program, as a proxy for HQs. However, if a more practical dissemination is intended, correspondence to the local situation in terms of the language or materials used in program is urged. In this respect, RHQ is called upon to supervise and modify the program content so that the standard of the program is not diminished.

4.2 FUNCTIONAL TRAINING, RETENTION MANAGEMENT AND LOCAL FIT

A common and one of the most important activities in the region is related to the retention of younger staff. The retention of excellent staff is also an important method for increasing organizational capability. Reaction to these issues usually have two foci; one is to appeal to the prestige of local employees being members of the large global corporation, while the other is to benefit from the merit scale and cost reductions through sharing the program among the subsidiaries in the region. Company C organizes recruiting activity and training for new recruits shared by several subsidiaries in the region. This is to establish a merit scale and also to find out persons who will stay longer with the company. They try to encourage new staff to stay longer by emphasizing the honour of being a member of corporation. Company B has introduced an e-learning engineer training program which can be used in subsidiaries with lower cost. Engineers in the region are thought to easily change their job, so offering a skill development opportunity is effective to keep them longer. Company A supports subsidiaries in Singapore so that they can win "good corporation" award from the government.

One source for increasing any subsidiary's local "fit" is through accumulating information or know-how which enables them to predict future adaptations to the environment. Company D prepared a guideline for appropriate action in terms of labor disputes, when one of its subsidiaries experienced a dispute and other subsidiaries were expected to face similar problems in the near future. Company E gives special attention to Corporate Social Responsibility and compliance activity, which are often postponed because of resource limitation and the daily business demands of local subsidiaries. Company A has also introduced such courses oriented to functional needs into their diverse training programmes.

RHQ basically intends to improve flexibility for operations in the local environment. Because of variations in the external environment, individual local subsidiaries also face resource limitations, and provided detailed support from a training to serve a wide range of needs proves difficult. So what training is provided concentrates upon accumulating an excellent pool of talent. Training also concentrates upon the transfer of knowledge gathered from local trouble shooting and the predictions of future environmental changes. The former activity is related to the flexibility of resources while the latter to the flexibility of adjustment. Flexibility of resources may in some part be related to knowledge or the platform which originates from HQ, such as utilizing the image or influence of a large global cooperation and the best-practices I have delineated in the previous section. Flexibility of adjustment is deeply rooted in the information gathered in the region.

5. CONCLUSION

In this research, using the data obtained by interviews, the value of HRM/HRD support by RHQ is clarified. As mentioned in the previous analysis referring to the frame of SIHRM, both the function of the platform to be a promotion device of a parent-subsidiary "fit" and that of the RHQ support to the subsidiary for local "fit" are mainly related to the increase in their flexibility with respect to resources and adaptation. In terms of strategic "fit" and the out-put relation which is mainly directed to prevailing SHRM, because of the data limitation, this paper may not have

provided sufficient discussion regarding the effect of SHRM. However, narrowing the focus enables us to analyse the actual condition of knowledge transfer through HRD support, and the management philosophy which would facilitate such activity, limit costs which in turn condition the selection of focus.

The main function of the RHQ is in the surveillance of a "fit" and the support of its achievement. The RHQ is standing in-between the parent-child corporations and it is considered the balance among various "fits" in the midst of the subsidiaries. The RHQ's task is to tackle the problems shared by the local subsidiaries, in order to achieve flexibility by introducing necessary practices which contribute to resource flexibility or by supporting local contingencies according to their organizational stage of development and thereby contributing to the flexibility of adjustment. On the other hand, RHQ's regional support is confirmed by the parent-subsidiary "fit" - the integration enhancement that comes from HQs. However, there is a possibility that the level of integration is limited according to an individual local situation. In that sense, it might be difficult to introduce a new system which would require a strong recommendation or compulsion from HQs. Usually this will be necessary as long as any business exchange has not yet been generated. However, the possibility of the promotion of a subsidiary fit comes to the fore in a dynamic reform when the business strategy from the HQs changes completely.

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