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The impact of culture on HRM styles and firm performance: evidence from Japanese parents, Japanese subsidiaries/joint ventures and South Asian local companies

M. Khasro Miah and Allan Bird

Abstract This paper investigates national and organizational cultural influences among managers in three types of companies: Japanese companies in Japan, South Asian domestic companies and Japanese subsidiaries/joint ventures in South Asia. The findings suggest that a Japanese parent company's culture tends to have a much stronger influence with Japanese companies operating in Japan. Japanese parent company culture tends to have less influence than the South Asian national culture in shaping the HRM styles and practices in Japanese subsidiaries/joint ventures operating in South Asia. While some South Asian firms are in the initial stages of learning about participative HRM from foreign companies, most still tend to maintain their national culture and traditional ways in the operating systems of their organizations.

Keywords Firm performance; human resource management; Japanese companies; Japanese subsidiaries/joint ventures; national and corporate culture; South Asian companies.

The choice of what HRM practices to implement in their subsidiaries in emerging economies is an issue of central concern to multinational corporations (MNCs). On the one hand, a company may want to capitalize on labour costs and locational advantages that these economies may offer. On the other hand, the nature of emerging economies with relatively poorly defined managerial systems and little experience of elaborate, sophisticated human resource management (HRM) practices create a potential obstacle to success in such economies.

With the arrival of the age of globalization and the spread of MNCs, interest in the selection of human resource management systems has grown as managers and scholars alike have sought to identify what HRM styles and practices in overseas subsidiaries of MNCs will be most effective. This is of particular concern for MNCs operating in South Asia where traditional, autocratic practices are often viewed as working against productive subsidiary operations (Habibullah, 1974; Miah, 2000; Miah *et al.*, 2001).

The HRM practices of a given foreign subsidiary are developed in response to influences from its parent company and from its host country environment, suggesting

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that there is the potential for a cultural gap to exist. Some MNC subsidiaries and joint ventures prefer to transfer their HRM system to all of their subsidiaries; others prefer to trust the locals with the development of their own HRM system, one they believe best suits the local environment and cultural situation (Bird *et al.*, 1999). Recently, it has become evident that MNCs can adopt hybrid approaches as a means of accommodating these competing influences (Bird *et al.*, 1999).

The contrast between the sophisticated, highly elaborated HRM systems of MNCs and the traditional, often simple, but evolving systems found in the domestic companies of emerging economies is perhaps best characterized as a contrast between participative and autocratic approaches to HRM (Miah *et al.*, 2003). Thus, the central research questions we address are: (1) what types of HRM systems do firms in South Asia employ and (2) does a participative HRM system lead to high performance in South Asia?

A controlling assumption underpinning this study is that, given the substantial empirical support (cf. Likert, and Likert, 1976), a participative style is, *ceteris parabis*, more likely to be effective than an autocratic style. Nevertheless, there may be certain conditions under which participative approaches are less effective. The suitability of any HRM system depends on variables such as institutions within the host country, the age of company, the size of company, and the overall economic development of the country, among other contingency variables (Budhwar and Spraw, 2001). Our intent is not to suggest a universal recipe for all companies in South Asia. Rather, by comparing HRM styles, we hope to better understand how firms in South Asia can use their HRM systems to improve firm performance.

Based on the above background information, the present research on companies operating in South Asia (regardless of origin) provides us with a unique opportunity to elaborate extant theory in the HRM field by examining firm behaviours in the context of emerging economies, specifically in the management of firms in South Asia. The overarching objective of this study is to explore and assess national cultural influences on the choice of participative HRM style and firm performance.

Literature review and hypotheses

In this section, we review the research literature on HRM systems and firm performance, with a particular focus on the effectiveness of participative systems. With this as a foundation, we propose seven hypotheses relating to the use and efficacy of different types of HRM systems in South Asia and their relationship to performance.

HRM styles and firm performance

HRM styles and their effects on company performance have been investigated extensively in several ways, including experimental laboratory, case methods, and a quantitative survey approach. According to House and Baetz (1990), Lock and Schweiger (1990), and Strauss (1990) nearly 200 of these studies have been carried out to date. However, research on the effectiveness of participative styles in emerging economies has not been well studied (Miah, 2000; Miah and Kitamura, 2005).

Participative management style refers to the attitude of a superior who, except in unusual circumstances, makes decisions by consensus and then issues organizational goals only after all members involved are consulted, and their opinion thoroughly considered. When this style is applied, employees enjoy good communication flows, a freedom of voice, and so forth (Arthur, 1994; Levine and Tyson, 1990; Miah *et al.*, 2001). In addition, employees take an active role in their own performance appraisal and have positive regard for their colleagues and subordinates. As a consequence of applying

these participatory mechanisms, organizations will enjoy high organizational and operational performance (Arthur, 1994; Cutcher-Gershenfeld, 1991; Delaney and Huselid, 1996).

In contrast, under an autocratic HRM style, employees have few ways of voicing their concerns or contributing other than through highly proscribed behaviours. The employee role is reduced to the mere execution of superiors' orders. Additionally, employees are looked upon with suspicion and are generally distrusted; and lower than expected performance is treated in a punitive manner (Likert, 1961, 1967; Statt, 1991).

Previous research (Huselid and Becker, 1994; Levine and Tyson, 1990; MacDuffie, 1995; Pfeffer, 1994) in North America and elsewhere (Boliko, 1997; Kanungo, and Jaeger, 1990; Miah *et al.*, 2001, 2003) has found that a participative style is associated with higher levels of firm performance than an autocratic style. It is noteworthy that prior research examined this relationship in the context of developed economies, leaving open the question as to whether or not a participative style is also relatively more effective in emerging economies. Given this, we are led to the following hypothesis:

Hypothesis 1: Companies with high participative human resource management style will experience better firm performance in South Asia.

HRM practices and their effects on HRM style

A number of leading Western researchers argue (e.g. Beer *et al.*, 1984; Brewster and Bournois, 1991; Guest, 1989a) that whatever models or perspectives on HRM are used, recruitment and selection policies and practices can be perceived as integral. Recruitment and selection practices not only seek to attract, obtain and retain human resources the organization requires to meet its strategic goals, but also they may have a significant impact upon the composition of the workforce, the ultimate fit with the organization's needs and culture, and upon long-range employment stability (Beer *et al.*, 1984). In two relevant and recent comparative studies, the research findings of Easterby-Smith *et al.* (1995) and Lawler *et al.* (1995) provided support for the culturally relativist (divergence) view of HRM with recruitment and selection practices being found to be culturally sensitive and to vary across national borders.

Regarding the effects of training experiences, a previous study indicated that managers engaging in more self-study and training programmes give more support to the participative management style and high performance relative to other colleagues (Miah *et al.*, 2001). On the other hand, high rates of unemployment place employers in a position of power, deteriorate the influence of trade unions and lower the importance employers attach to training their employees. It may be easier, in fact, to hire a better worker from outside the company than to spend extra money to train a current worker or spend extra time in collective bargaining. Spending on training is perceived much more as a current burden rather than as an investment in the quality of people for future gain. Given such logic (Pieper, 1990: 5) excludes third world countries from his international comparisons of HRM systems, because developing countries face very specific problems that cannot be compared to those of industrialized nations. The main problem of developing countries is *not* gaining a competitive edge in international management competition through the sophisticated application of HRM concepts.

In addition, a sizeable literature exists on the determinants of employee turnover, long considered an important outcome for both individuals and organizations. Most of such research has focused on individual-level variables, such as employees' satisfaction with their jobs and their organizational commitment (e.g. Cotton and Tuttle, 1986).

Prior findings have also found support for proposition that organization-level of human resource characteristics are also significantly related to employee turnover in organizations. The expectation is that employee turnover in organizations with autocratic systems will be higher than in those with participative systems. Under autocratic HRM systems organizations with minimum amounts of training and experience can perform such tasks while reducing wages and costs associated with hiring, selecting and training. The above discussion leads to the following hypotheses:

- Hypothesis 2:* Higher levels of participative HRM style will be associated with higher levels of merit-based hiring.
- Hypothesis 3:* Higher levels of participative HRM style will be associated with higher levels of training and development.
- Hypothesis 4:* Higher levels of participative HRM style will be associated with lower levels of employee turnover.

HRM style and firm performance based on national and corporate culture

Ownership plays an important role in the development of a company's HRM style and practices. There are differences in HRM style and practice approach for different forms of ownership. A number of previous research findings shows that there are significant differences between HRM practices in local and foreign companies operating in developing countries. Foreign subsidiaries and joint ventures tend to utilize the advanced (participative) HRM style of the parent companies and introduced more modernization in their management system (Shetty and Prasad, 1971). Shetty and Prasad (1971) found that foreign subsidiaries operating in developing countries utilized more modern management philosophies and practices, employed more participative structures and operated better employee development systems than comparable local firms. Furthermore, the extent of management participation was greater in foreign companies.

In general, learning the techniques of a participative HRM system is very important for the attainment of an industrial efficiency; however, most South Asian managers are traditionalists and prefer their current ways (e.g. Jaeger and Kanungo, 1990; Miah, 2000; Razzaque, 1991). They tend to resist changes and develop culture-based, traditional superior/subordinate relationships based on local customs. South Asian managers do not believe in the development of human resources. Moreover, they believe that plant and equipment, i.e. the machinery of the factory, are more important than the humans in the factory. Thus, the following hypotheses can be constructed:

- Hypothesis 5:* Japanese companies will demonstrate higher levels of participative HRM style and higher levels of firm performance.
- Hypothesis 6:* Japanese subsidiaries/joint ventures will demonstrate moderate levels of participative HRM style and moderate levels of firm performance.
- Hypothesis 7:* South Asian domestic companies will demonstrate the least participative HRM style and the least level of firm performance.

Research methodology

Sample

The sample was drawn from three sources: 150 Japanese companies in Japan (JCs), 150 Japanese subsidiaries/joint ventures in South Asia (JVCs) (i.e. India = 60, Pakistan = 50 and Bangladesh = 40) and 150 South Asian local companies (i.e. India = 60, Pakistan = 50 and Bangladesh = 40 companies). Questionnaires were

mailed to the human resource managers of each company with a cover letter soliciting co-operation, and requesting that questionnaires be randomly distributed to managers including those in five functional areas (general administration, personnel, production, factory and quality control). Data were collected during the period of July to September 2004 from JVCs and SACOs and during August to November, 2004 from JCs in Japan. In total, 512 out of 2,200 questionnaires were returned for an overall response rate of 23.3 per cent. This return rate is higher than is common for international survey research (Paxson *et al.*, 1995). Due to missing items or other deficiencies, 15 responses were dropped, leaving 497 responses available for analysis: JCs = 139, JVCs = 176 and SACOs = 182. The response rate for usable data from the JCs, JVCs and SACOs respectively were 18.5 per cent, 23.5 per cent and 24.3 per cent respectively.

Dependent variables

HRM style Tagiuri and Litwin (1968) defined the organizational environment as 'a relatively enduring quality of the internal environment of an organization that is: (a) experienced by its employees, (b) influences their behaviors and (c) can be described in terms of the values of a particular set of characteristics (or attitudes) of the organizations' (1968: 27). Accordingly, we employed Likert's Profile of Organizational Climate (POC) measure (Likert and Likert, 1976) to measure each firm's managerial system on an autocratic-participatory continuum in which a high score indicates a participative HRM system and low score indicates an autocratic HRM system.

Firm performance Firm performance in Japan and South Asia was measured using an 8-point scale in which: 1 = Loss; 2 = breakeven; 3 = 1–5 per cent growth; 4 = 6–10 per cent growth; 5 = 11–15 per cent growth; 6 = 16–20 per cent growth; 7 = 21–25 per cent growth; and 8 = more than 25 per cent growth.

Independent variables

HRM practices We measured the major HRM functional areas of hiring and recruiting, training and development, and employee turnover. Specific items used in the questionnaire can be found in Appendices 1 and 2. HR practices were measured by obtaining responses to items assessing the extent of use of specific HRM practices using a 5-point Likert scale ranging from: 1 = 'not at all', 2 = 'to a small extent', 3 = 'to a moderate extent', 4 = 'to a considerable extent' and 5 = 'to a great extent'. Scales were confirmed using Principal Components factor analysis, as reported in Appendices 1 and 2.

The merit-based hiring and recruiting scale included three items, with a .70 alpha coefficient. The training and development scale included seven items with an alpha coefficient of .85. Employee turnover was measured using an 8-point scale to assess percentage of employees who left the company voluntarily. The scale was: 1 = none; 2 = less than 5 per cent; 3 = 5–9 per cent; 4 = 10–14 per cent; 5 = 15–19 per cent; 6 = 20–24 per cent; 7 = 25–29 per cent; and 8 = more than 30 per cent.

Control variables

To capture the national cultural effects as reflected in the location or ownership of the company, we measured type of company by using three dummy variables: assigning '1' to Japanese companies operating in Japan, and others '0'; '1' to Japanese subsidiaries/joint ventures operating in South Asia and others '0'; '1' to South Asian local companies operating in South Asia and others '0'. Next, following the convention

for capturing the size of company and scale effects on HRM styles and firm performance, we used the log of the number of employees as a measure of company size (Log COSIZE). In the same manner, we used the natural log of company age in years (Log COAGE) assess organizational longevity and maturation effects (e.g. Delaney and Huselid, 1996). The country GDP (Log GDP) variable was used to measure the country business climate of the respective companies in Japan and South Asia.

Results

Tables 1 and 2 provide descriptive statistics and correlation coefficients of all variables used for the present analysis ($n = 497$). Hypothesis 1, that a participative HRM style will have significant positive influences on firm performance was supported. The participative HRM style was positively correlated with the firm performance for all managers ($r = .63, p < .001$). Additionally, this relationship was found to hold for each type of company: Japanese companies ($r = .47, p < .001$), Japanese subsidiaries and joint ventures ($r = .66, p < .001$), and South Asian domestic companies ($r = .42, p < .001$).

Tables 1 and 2 also provide evidence of regarding for the next three hypotheses for the sample of all managers. The positive relationship ($r = .15, p < .01$) between merit-based recruiting and participative HRM supports H2. Similarly, the positive relationship between participative HRM and training and development ($r = .25, p < .001$), H3, is also sustained. Finally, H4, positing a negative relationship between participative HRM and turnover was also significant and in the anticipated direction for the full sample ($r = .13, p < .01$).

In order to examine the data in a more comprehensive manner, we conducted multiple regressions of the relevant variables. These are shown in Table 3. There are several

Table 1 Correlation coefficients for all variables for full sample (lower triangle, $N = 497$) and SACO managers (upper triangle $N = 182$)

Variables	1	2	3	4	5	6	7	8
1. Participative HRM style (PHRMS)	–	–.06	.42***	.09	.09	–.01	–.02	.82***
2. Employee turnover (TURNOVR)	–.13**	–	–.03	–.10	.09	–.07	.01	–.07
3. Firm performance (FMNCE)	.63***	–.15***	–	.01	.24**	–.04	.09	–.13
4. Merit-based hiring (MBHING)	.15**	–.04	.13**	–	–.01	.10	.08	.10
5. Training and development (TDENT)	.25***	–.13**	.37***	.06	–	.29**	–.03	.01
6. Log GDP (1990–2002)	–.50***	.36***	–.55***	–.26**	–.31**	–	–.03	–.07
7. Log COAGE	–.08	.12**	.01	.03	–.07	.24**	–	.01
8. Log COSIZE	.77***	–.07	.04	.09*	.06	–.24**	–.11*	–

Note: * $p < .05$, ** $p < .01$, *** $p < .001$ (two-tailed).

Table 2 Correlation coefficients among all variables JC managers (lower triangle, $N = 139$) and JVC managers (upper triangle, $N = 176$)

Variables	1	2	3	4	5	6	7	8
1 Participative HRM style (PHRMS)	–	.02	.66**	–.08	.21**	–	.02	.76***
2 Employee turnover (TURNOVR)	–.05	–	–.05	–.01	–.02	–	.04	–.02
3 Firm performance (FMNCE)	.47***	–.01	–	–.07	.41***	–	.01	.06
4 Merit-based hiring (MBHING)	.16	–.01	.22**	–	–.08	–	.08	–.04
5 Training and development (TDENT)	.16	.01	.18*	.13	.02	–	.09	–.01
6 Log GDP (1990–2002)	–	–	–	–	–	–	.02	.01
7 Company age (COAGE)	–.12	–.06	.10	–.06	–.17	–	–	.02
8 Company size (COSIZE)	.80***	.11	–.13	.02	.04	–	–.21**	–

Note: * $p < .05$, ** $p < .01$, *** $p < .001$ (two-tailed).

interesting findings. First, the results show that only company size variables affect participative HRM style and firm performance consistently across all three managerial groups. But Country GDP and Company Age do not show any significant effect with regard to participative HRM style and firm performance results thereby suggesting that the effects of control variables on participative HRM style and firm performance are moderated by national and corporate cultural differences among the organizations where managers work.

Second, Table 3 demonstrates that, as predicted in Hypothesis 1, participative HRM style consistently affects firm performance positively across each of the managerial groups: $\beta = .47$ ($p < .001$), $\beta = .66$ ($p < .001$), and $\beta = .42$ ($p < .001$) for JC, JVC and SACO managers respectively. These findings clearly indicate that the participative HRM style is positively associated with effective firm performance in all sample organizations. In addition, the incremental increase in R-square when adding firm performance was significant, $\Delta R^2(2-3) = .18$ ($p < .001$), $\Delta R^2(2-3) = .32$ ($p < .001$), $\Delta R^2(3-2) = .13$ ($p < .001$), for PHRMS. This indicates that the use of firm performance had an independent and significant effect upon participative HRM style, beyond the effect of performance variables combined in the regression. This result provides support for Hypothesis 1, which predicted a direct positive effect for firm performance on participative HRM style. In addition, the overall contribution of performance combined reached $R^2_3 = .40$ ($p < .001$) and $\Delta R^2(3-2) = .36$ ($p < .001$) for PHRMS (see Table 3). Moreover, this result suggests that the effect of performance variables on a participative HRM style would be significant when it is evaluated in the context of cross-national comparisons.

Table 3 Hierarchical regression results on participative HRM style and firm performance

	JC n = 139						JVC n = 176						SACO n = 182						Overall n = 497					
Step 1	PHRMS			FMNCE			PHRMS			FMNCE			PHRMS			FMNCE			PHRMS			FMNCE		
Control variables	β	(SE)	t	β	(SE)	t	β	(SE)	t	β	(SE)	t	β	(SE)	t	β	(SE)	t	β	(SE)	t	β	(SE)	t
SACO	–			–			–			–			–			–			–.34	(.19)	***	–.53	(.08)	**
Saco = 1, others = 0																								
Log GDP	–			–			–			–			–.01	(.01)		–.04	(.01)		–.02	(.01)		–.08	(.01)	
Log COAGE	.06	(.20)		.07	(.08)		.01	(.21)		.01	(.11)		.04	(.16)		.08	(.07)		.03	(.13)		.05	(.06)	
Log COSIZE	.81	(.23)	***	–.11	(.09)		.76	(.25)	***	–.07	(.16)		.82	(.14)	***	–.12	(.06)		.72	(.12)	***	–.10	(.05)	*
R^2_1				.64						.58						.67						.74		.31
ΔR^2_1				.64	***		.57	***		–.01			.67	***		.01			.75	***		.30	***	
Step 2																								
HRM practices																								
TURNVR	–.05	(.25)		–.03	(.06)		–.02	(.10)		–.04	(.05)		–.06	(.10)		–.02	(.04)		–.10	(.05)	*	–.10	(.03)	*
MBHING	.14	(.39)	*	.20	(.09)	*	.09	(.39)	†	–.11	(.10)		.10	(.21)	†	.01	(.06)		.12	(.18)	*	.09	(.05)	*
TDENT	.14	(.41)	*	.15	(.06)	*	.22	(.18)	**	.42	(.06)	***	.09	(.18)	†	.24	(.05)	**	.22	(.12)	***	.35	(.04)	***
R^2_2				.05			.07			.14			.06			.06			.06			.15		.15
ΔR^2_2				.03	*		.05	*		.12	***		.04	*		.05			.04	*		.15	***	
$\Delta R^2_2 - \Delta R^2_1$				.61	***		.45	***					.63	***					.49	***		.06	***	
Step 3																								
Firm performance	.47	(.31)	***				.66	(.18)	***				.42	(.24)	***				.63	(.12)	***			
R^2_3				.22			.44						.17						.40					
ΔR^2_3				.21	***		.44	***					.17	***					.40	***				
$\Delta R^2_3 - \Delta R^2_2$				.18	***		.32	***					.13	***					.36	***				

Notes: 1 ΔR^2_1 , ΔR^2_2 , and ΔR^2_3 denote the adjusted R^2 generated by the first, second and third step regression respectively.

2 * $p < .05$, ** $p < .01$, *** $p < .001$ and † $p < .10$ standardized coefficients (β) are presented.

3 SACO (South Asian domestic companies = 1 and others = 0)

4 JC = Japanese companies, JVC = Japanese subsidiaries and joint ventures, SACO = South Asian domestic companies, Log GDP (1990–2002), Log COAGE = Company age, Log COSIZE = Company size, TURNVR = Employee turnover, MBHING = Married-based hiring, TDENT = Training and development, PHRMS = Participative HRM style, and FMNCE = Firm performance.

Further consideration of Table 3 indicates that Japanese subsidiaries and joint ventures (JC) have the most participative HRM style among the three-managerial groups. By comparison, JVC have a moderate level and South Asian companies (SACO) showed the least participative HRM style, as predicted earlier in Hypotheses 5, 6 and 7 respectively. These findings are consistent with previous empirical work by Haire *et al.* (1966), which found Japanese companies to be more participative than their Western counterparts. In addition, Cole (1989) found that Japanese cultural norms favour participation and reliance on group decision-making, activities associated with participative HRM. In a similar vein, Kriger and Solomon (1992) found that Japanese companies tend to choose a decentralized decision-making style that reflects a much greater degree both of autonomy and delegation of authority, which are also characteristics associated with participative HRM.

Second, to properly investigate HRM practices and its effect on participative HRM style among the three managerial groups in Japan and South Asia, the present study used three HRM practices. Among the HRM practices, Table 3 shows that merit-based hiring (MBHING) ($\beta = .14$, ($p < .05$); $\beta = .09$, ($p < .10$) and $\beta = .10$, ($p < .10$) and training and development (TDENT) $\beta = .14$, ($p < .05$) $\beta = .22$, ($p < .01$) and $\beta = .09$, ($p < .10$) consistently influenced the participative HRM style positively across the three managerial groups. Also as anticipated, employee turnover (TURNOVR) consistently affected the participative HRM style negatively across the three managerial groups: $\beta = -.05$, (n.s.), $\beta = -.02$, (n.s.) and $\beta = -.06$, (n.s.) for (PHRMS) in partial support of JC, JVC and SACO managers respectively. Taken as a whole, it seems reasonable to suggest that a participative HRM style leads to lower levels of employee turnover, which may in turn lead to higher firm performance.

The above findings produced partial support for Hypotheses 2 and 3 that there exists a positive effect of HRM practices upon participative HRM style. Employee turnover (TURNOVER) also showed a negative effect as predicted by Hypothesis 4, although the impact of turnover on HRM practice was not significant at the ($p < .05$) level across three managerial groups. This result suggests that the effect of certain HRM practices (merit-based hiring, and training and development) upon participative HRM style was significant and positive. On the other hand, employee turnover negatively affected participative HRM style. In addition, the overall contribution of HRM practices when combined reached $R^2 = .04$ ($p < .05$) for PHRMS. This result suggests that the combined effect of HRM practices on participative HRM style could be very significant when it is evaluated in the context of cross-cultural comparisons.

The regression results revealed that significant negative correlation between turnover and participative HRM style and firm performance across three sample firms may mean that when these firms followed higher levels of participative HRM, employee's turnover decreases significantly. The finding that the amount of turnover varies with HRM system has important implications for practitioners seeking to manage this process (Arthur, 1994). Additionally, our findings are also consistent with previous research results showing that organizational culture influences employee turnover (e.g. McEvoy and Cascio, 1985; Sheridan, 1992).

Finally, Table 3 reveals that the country dummy was associated with a significant negative effect, indicating that South Asian managers are the least supportive for each of the hypotheses. On the other hand, this finding clearly indicates that SACOs ($\beta = -.34$, ($p < .001$) significantly and negatively affect participative HRM style, which in turn leads to poorer performance.

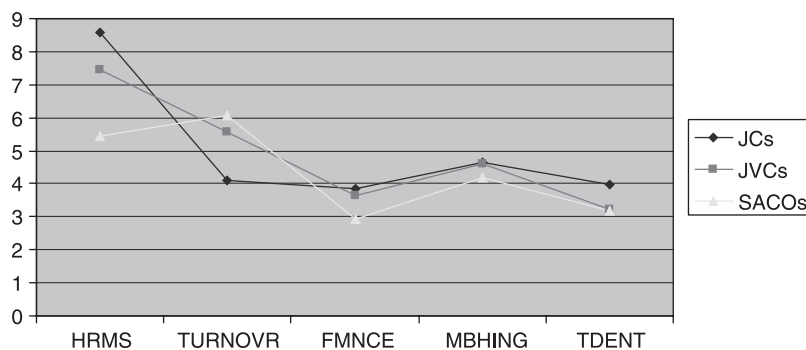
Hypotheses 5, 6 and 7 argue for differences in the mean values of participative HRM style (PHRMS), and firm performance (FMNCE) among JCs, JVCs and SACOs. In order

Table 4 ANOVA results on HRM style and firm performance

Variables		JC	JVC	SACO	<i>f</i>	JC-JVC	JC-SACO	JVC-SACO
		N = 139	N = 176	N = 182				
Participative HRM style	M	8.57	7.44	5.45	51.39c	b	c	c
	SD	2.47	3.31	2.51				
	M	4.10	5.57	6.09				
Employee turnover	SD	2.81	2.58	1.93	27.31c	c	c	c
	M	3.85	3.66	2.93				
	SD	2.81	2.58	1.93				
Firm performance	M	3.85	3.66	2.93	57.96c	n.s	c	c
	SD	.59	1.04	.70				
	M	4.65	4.61	4.19				
Merit-based hiring	SD	.54	.63	.86	22.36c	n.s	c	c
	M	3.98	3.24	3.17				
	SD	.54	.63	.86				
Training & development	M	3.98	3.24	3.17	25.71c	c	c	c
	SD	.77	1.36	1.02				
	SD	.77	1.36	1.02				

Note: a < .05, b < .01, and c < .001.

to test Hypotheses 5, 6 and 7, we conducted ANOVA tests comparing HRM style, HRM practices, and firm performance variables three managerial groups. The results of the ANOVA test are presented in Table 4 and Figure 1. Table 4 shows that mean values for the participative HRM style and firm performance are highest among JC managers, followed by JVC and SACO managers ($F = 51.39$, $p < .001$) and ($F = 57.96$, $p < .001$) respectively. Results of the group difference tests taken pair-wise by the Bonferroni method were all significant, indicating that there exist systematic group differences among JC, JVC and SACO managers concerning their perceptions of the participative HRM style. In the case of merit-based hiring (MBHING) and

**Figure 1** ANOVA figure on JCs, JVCs and SACOs

training and development (TDENT), JC managers are highest compared to JVC and SACO managers ($F = 22.36, p < .001$) and ($F = 25.71, p < .001$) respectively. On the other hand, employee turnover is highest among SACO managers followed by JC and JVC managers ($F = 27.31, p < .001$).

The ANOVA results in Table 4 and Figure 1 demonstrate that means for participative HRM style and HRM practices for JVC managers occupy the in-between levels, lending support to the possibility that the nature of JVC corporate culture can be explained in terms of the 'third culture' or 'hybrid' HRM concepts (Graen and Wakabayashi, 1994; Wakabayashi and Graen, 1991). In other words, we can say that JVC in South Asia appear to have created adaptive hybrid organizational cultures, which successfully integrated national and multinational corporate cultural attributes into a unique (third) management system. JVC managers in South Asia may have created a mixed HRM style by integrating traditional South Asian culture with participative corporate culture from Japan. Figure 3 graphically presents the results of the ANOVA test where JC and SACO managers find each other in quite opposite positions, while JVC managers occupy just in the middle between the two. This finding is consistent with Hypotheses 5, 6 and 7.

Discussion

The findings derived from this study show support for previous research results (Peters and Waterman, 1982; Pfeffer, 1994) with regard to the significance of human resources as a key variable in achieving effective firm performance. The present research results add to the growing empirical evidence, suggesting that such assertions are credible (cf. Arthur, 1994; Huselid, 1995; Huselid and Becker, 1994; Ichniowski *et al.*, 1994; MacDuffie, 1995). Overall, and in support of Hypothesis 1, the present study confirms the efficacy of participative HRM styles in contributing to firm performance in developing countries, specifically South Asian countries.

One prospective explanation for these results is that JC management may have more confidence in the participative HRM style compared to JVC and SACO company managers. Extant research findings provide support for this view. Namely, Pascal and Athos (1981) concluded that Japan was the second highest following America with regard to a participative HRM style and supporting the higher capacities of average individuals. In Japanese subsidiaries and joint ventures in South Asia (JVC), there may exist a mixed configuration of effects of both national (South Asian) and multinational (Japanese) corporate cultures, functioning under a third cultural framework for managers (Graen *et al.*, 2000).

Some cross-cultural research on HRM (Bird *et al.*, 1999; Takeuchi, 2001, 2003; Taylor *et al.*, 1996) offer explanations the adjustment processes of HRM practices in Japanese MNCs' subsidiaries, and identified some determining factors that may affect the local adjustment of the parent company's HRM style and practices. One key reliable finding in the literature is that HRM practices shared by managers in JVCs may strongly affect parent firm HRM practices (closed hybrid). On the other hand, SACO strongly affects the style of HRM in the local setting. Our findings demonstrate that in subsidiaries and joint ventures in South Asia, HRM practices are shared among company managers and that the parent company's HRM practices are context generalizable and applicable, i.e. the original HRM template transferred from a Japanese parent firm can be sustained and reinforced in the host country context (Bird *et al.*, 1999; Takeuchi, 2003). However, if a subsidiary's managers believe that the parent company's HRM style and practices are context specific and not applicable then the HRM template is subject to some or significant modifications in the local environment.

The results of the present study indicated that the South Asian company's HRM style is most autocratic in all three categorizations. Many studies (cf. Ahmed, 1974; Habibullah, 1974; Razzaque, 1991; Sohban and Ahmad, 1986) find that South Asian managers in general prefer an authoritarian style of HRM, and tend to equate authoritarianism with professional management. Subordinate participation in the managerial decision-making process is seldom seen in practice. Traditionally, managers prefer a 'closed door' policy, thus it is a common practice in South Asian firms that managers put an unnecessarily greater emphasis on rules and protocols to support the power of one's office.

It is noteworthy, however, that a participative HRM style found to be effective in this cultural milieu, a conclusion supported by variables drawn from three levels, i.e. individual, organizational and contextual. These variables were found to be positively associated with an enhanced participative HRM style: namely, a training and development programme and merit-based hiring criteria. However, employee turnover was found to be negatively associated.

It is clear from the regression analysis that JC managers revealed higher levels of participative HRM style and firm performance. This participative HRM style appears to be deeply rooted in Japan's industrial tradition that is, in itself, a part of Japanese corporate culture. However, managers may face a very autocratic HRM management style in South Asian companies. In SACOs, whatever individual behaviour managers may have, it only helps support the autocratic HRM style and firm performance of the company.

A number of current cross-cultural HRM scholars (Negangdi and Reimann, 1973; Peters and Waterman, 1982; Pfeffer, 1994; cf. Arthur, 1994; Huselid, 1995; Huselid and Becker, 1994; Ichniowski *et al.*, 1994; MacDuffie, 1995) has reported a positive relationship between participative HRM style and firm performance. The relationship between participative HRM style and firm performance in this study was far larger than that reported in other studies. These robust relationships suggest that the particular set of circumstances found in South Asia at the present time creates different problems and opportunities from those found in other contexts, particularly in the more industrialized countries.

In South Asian companies, managers are least participative in their HRM practices, perceptions, and managers seem philosophically less oriented to employee freedom and participation. The prevailing traditional cultural pattern of behaviours in South Asia manifested a strong tendency to resist delegation and a marked proclivity toward non-participation, centralized and paternalistic management. From the examination of SACO managers' HRM practices and their management perceptions, we can conclude substantial training and experiences should be made available for South Asian managers by working and interacting with Japanese managers and HRM styles so that they can learn more about participative HRM and can best utilize existing human resources for the improvement of South Asian firms' performance.

We conclude by noting several limitations of the study. First, the present study was carried out on three different kinds of firms, namely Japanese companies in Japan, Japanese subsidiaries/joint ventures (JVCs), and South Asian companies (SACOs). The selection of companies was not random, although carefully guided by prior knowledge about the population of firms in each of the three countries. It was felt that such an approach would increase the potential generalizability of the present findings. Results from each of the three firms demonstrated that variation exists between organizations in terms of participative HRM style, practices and performance. In addition, specific variables in the path model varied greatly, suggesting further caution in applying the conclusions of the model to other kinds of organizations. This is not to suggest, however, that generalization of the model is not possible. Table 3 shows that some of background

variables (later control variables) do not influence participative HRM style and performance across all three organizations, suggesting that background variables may have cultural influence on participative HRM style, HRM practices and firm performance in Japan and South Asia. For this reason, a series of cross-national comparisons was undertaken and some attractive results were identified. Nonetheless, cultural differences were only implied to explain the results obtained. More straightforward examinations of cultural differences and their effect on HRM style are clearly needed.

Second, Hofstede's (1980a) conclusion regarding the importance of cultural values when implementing United States-based management initiatives in foreign affiliates still applies: it may not be suitable in countries high in power distance. Our findings on cultural value differences not only support Hofstede but also echo his conclusions by suggesting that employees do resist management initiatives when these clash with their cultural values (Kirkman and Shapiro, 2001). Attention to, and respect for, differences in cultural values remains a high priority for international managers (Adler, 1997). Our results found SACO managers were least participative in their HRM style compared to Japanese and Japanese subsidiaries/joint ventures. Clearly, the research results indicate that in overseas subsidiaries and joint ventures firms, the culture of the corporate headquarters often exerts a stronger influence over the subsidiary than does the local context. Similarly, the presence of foreign partners in international joint ventures should influence the functioning of that firm. The expatriation of employees by the parent company to the joint venture, combined with local partner concerns in harmonizing their HRM practices, may lead to the development of a real 'federative' or 'unifying' culture, sometimes quite distant from that of the parent firm back home. This line of reasoning, based on a theory of cultural congruence or 'fit' between the international joint ventures partners or parents, is questioned by Peretti *et al.* (1990). Our findings provide texture to this ongoing debate.

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Appendix 1 *Summary results of principal components analysis for hiring technique*

	F1	F2	h^2
F1: Merit-based hiring	$a = .70$		
Technical skill	.81	.09	.66
Good intellectual potential	.80	– .06	.64
Good educational qualifications	.79	– .06	.64
F2: Linage based hiring		$a = .41$	
Good personal connections	.02	.39	.15
Good family background	.03	.28	.08
Strong recommendations	– .13	.34	.13
Having right attitudes	.25	– .34	.18
Variance explained	3.16	.57	3.73
Residual items			
Fit with company values	.34	– .19	
Variance explained	.34	– .19	
Residual items			
Fit with company values	.34	– .19	

Appendix 2 *Summary results of principal components analysis for training and development*

	$a = .85$	h^2
F1: Training and development		
Skill training by outside agency	.77	.59
Overseas training	.73	.53
Job rotation	.72	.51
TV and radio courses	.71	.50
Lectures and seminars inside the company	.68	.46
Coaching by supervisor	.65	.42
Self-study programmes	.53	.28
Variance explained	3.29	3.29