

# An Empirical Study of Trans-Nationalization at Home in A Japanese Firm

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**Abstract**—The objective of this research is to clarify empirically the relationship between personnel system design, management performance and corporate results brought about by trans-nationalization in the head offices of Japanese companies at home in Japan. As the research methodology, the actual condition was quantitatively clarified by a questionnaire administered to foreign employees who work in Japanese firms. As result, the contribution to corporate strategic objectives and performance by talented foreign people in Japan became clear, and their effect on the organization and personnel systems of Japanese multinational firms were also shown.

**Index Terms**—Foreign workers in Japan, innovation, personnel system, trans-nationalization at home.

## I. INTRODUCTION

The objective of this research is to clarify empirically the relationship between personnel system design, management performance and corporate results brought about by trans-nationalization in the head offices of Japanese companies at home in Japan. These days, the employment of persons from emerging countries in Japan, the trans-nationalization of corporate management of companies, etc. are increasing. Market creation and product differentiation by talented people familiar with the circumstances of emerging countries are required so that Japanese firms can respond to the opportunities for market extension accompanying the economic growth of emerging countries and this is a cause of trans-nationalization at home. Furthermore, as the OECD [1] has indicated, there is at present a “war for talent”, hence promoting innovation and economic growth is increasingly achieved by employing and promoting talented people who have advanced capabilities regardless of whether they are inside or outside the country. The issue of internationalization at home has been attracting attention for some time, even in Japan. However, the actual condition in Japanese companies, society and universities is one of gradually getting into stride compared with other countries. Therefore, companies, government authorities, universities, etc. are groping for desirable institutions and strategies to adopt in this regard. If trans-nationalization in commerce and society in Japan is to progress, innovation should be promoted by utilizing the diversity that can

contribute to the growth of the Japanese economy. On the other side, various factors are related to the success or failure of a personnel system. For example, a personnel system is connected with management and competitive strategy. The organizational traits of members’ coherence are deeply involved with the competitiveness of Japanese firms. In addition, the influence of cultural traits, like the “high-context” nature of Japanese society or the peculiar organizational climate in a company is also considered. Therefore, the objective of this research is to typify the strategic and organizational factors of companies relevant to their personnel systems, in the first place, and to clarify the personnel system which is suited to each type of strategic and organizational factors.

Although outstanding previous research already exists regarding international business personnel systems in Japanese firms, the main targets of research were managers who were posted overseas, personnel appointment overseas, etc. In addition, although there are prominent theories and quantitative researches, such as trans-national management and meta-national management, about trans-nationalization from the parent nation, mainly based on foreign companies’ cases, there has been little quantitative research on trans-nationalization at home in Japan until now. In this research, the success factor of a personnel system is clarified by quantitative empirical study, being based on the results of the above-mentioned prior research. This research is unique in having questioned foreign employees who work in Japanese firms. The same as the methodology of this research survey, most similar empirical studies use a questionnaire, however, these are usually conducted with the personnel department of a company, etc. Since communication in a foreign language is rather difficult in Japanese companies, Japanese employees may not be able to grasp foreign employees’ real intentions with accuracy. Therefore, in this survey, the actual condition was clarified by obtaining responses to a questionnaire from directly foreign employees, on condition of anonymity.

This survey aims especially at the following three points. First, it is an analysis of the relationship between personnel system design and corporate performance. Since it is thought that the design of personnel systems differs variously corresponding to the environment, strategy, etc. of each company, personnel systems are divided into various types. In addition, corporate performance, influence on innovation, business improvement, financial results, etc. can be considered. Furthermore, regarding the relationship of personnel system and performance, macro factors of organizations such as company strategy, work processes, etc., and micro factors, such as foreign employees’ kinds of work,

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workplace environment, etc. can have an influence. Therefore, the macro and micro factors of an organization are typified and their influence clarified. Since the effect of the personnel system on performance may differ in Japan and outside, statistical analysis is conducted for performance at home and overseas. The second aim is to study the impact of trans-nationalization at home which is the main issue in this research. That is, the influence especially of an increase in the ratio of foreigners in the workplace at home on the relationship of the above-mentioned factors is clarified. The third aim is an analysis of factors which influence the level of workplace satisfaction of foreign employees in Japan. The expansion of employment of foreign personnel in Japan is an important strategy for Japanese firms.

## II. SURVEY OF PREVIOUS RESEARCH

### A. *Personnel Systems of Japanese Firms*

According to Hirano [2], the personnel system of a Japanese firm style has different traits from the performance-based personnel system style typical of U.S. companies generally. In the Japanese style, the period of employment is long. Recruitment is centred on hiring new graduates; potential ability is considered important. Human resources development is broadly performed by on-the-job training inside a company. Japanese style considers company-specific skills as important. A seniority-based wage plan is implemented as reward, and emolument and production are not the same in the short term. Employees are motivated in the long run until retirement age by seniority-based pay systems, or welfare programmes, private pensions and retirement plans.

Oddou, Gregersen, Black, and Derr [3] show as a trait of Japanese global corporations that the frequency of hands-on training by overseas business trips and residence of Japanese workers abroad is high compared with European or American companies. Moreover, foreign executives were very few in Japanese main offices. Shiraki [4] have indicated that localization of personnel of Japanese firms, especially top managers, lags behind compared with European and American companies. Moreover, it is claimed that revision of wage systems of local subsidiaries of Japanese firms is necessary. Regarding Amuro [5], A Japanese firm which has developed under a high-context culture has much tacit knowledge of management. Therefore, in overseas business deployment, transference and control of techniques or schemes are achieved through Japanese representatives well versed in the system of the organization. According to the survey Hayashi [6], in Asian countries other than Japan, a low-context management style has become dominant as a result of being exposed to intense influence from Europe and America. Therefore, the high-context style of Japanese firms is a major factor which delays their localization. According to Ishida [7], the factors of Japanese management that were identified, such as groupism ideology, egalitarian personnel management, and in-house unions, which are strongly influenced by the cultural and social conditions of Japan, cannot be transferred easily overseas. In addition, group mentality role behaviour and unauthorized conformist

organizational behaviour which are required of Japanese employees are raised as factors which do not function appropriately overseas.

Regarding to Bartlett and Ghoshal [8], the relevant trait of the Japanese multinational firm is centralized organization, which is advantageous to an overseas-business deployment led by a head office, like an exportation business. However, the organizational structure of the Japanese firm style is inferior to the European firm style when it comes to local adaptation overseas, and inferior to the American firm style in knowledge transference. One of the problems of Japanese firms is stagnation of growth in emerging markets in spite of their technical capabilities or manufacturing efficiency. Bartlett and Ghoshal concluded that in Japanese firms ability to understand the difference in each market and respond appropriately was lacking. Japanese multinational firms tend to concentrate decision-making power and knowledge in the parent company. Therefore, Japanese firms are poor at responding to a sudden transformation of local conditions, or sharing between branches of the whole company innovations which arise locally overseas [9].

Yoshihara [10] defines internationalization at home as foreigners having participation in decision making (a decision-making process is included) in the Japanese parent company, or being able to participate. Local workforces of overseas-affiliated firms barely participate in processes in which important management strategies and plans are drawn up. The result of a questionnaire showed that the number of foreign employees employed in the Japanese head office, are positively correlated with localization. As a direct benefit for Japanese firms by promoting internationalization at home, synergistic effects of the heterogeneous capabilities of foreigners and Japanese people are to be expected from joint research projects etc. As an indirect benefit, internationalization is helpful for the organizational climate of the research and development division at home etc. In addition, management of research and development etc. may be improved. According to Konno [11], the objective of appointing foreign employees to mission-critical tasks is not only training of would-be executives for overseas operations in future. It is also integrating multinational talented people in a global organization. In this case, it may be contradictory to utilize foreign employees' heterogeneous ways of thinking and to require a foreign employee for the Japanese style on treatment. Japanese style of treatment may kill heterogeneous ways of thinking and views, and such a contradiction must be solved.

In recent times, a conscious transformation of top managers of Japanese firm has been observed. For example, the Japanese Business Federation [12] carried out a survey of 584 companies in 2011, 30% would appoint a qualified person to be an executive regardless of nationality. Japanese firms seem to desire managerial talent who can demonstrate capability in global management regardless of nationality now. Moreover, half of the Japanese firms answered that they carry out transfer and placement of personnel according to the demands of positions regardless of nationality. A similar proportion offered opportunities for promotion and preferment equally regardless of nationality. When many Japanese firms advance global personnel training, they seem

to plan to appoint able foreign persons other than Japanese more aggressively.

### *B. Trans-Nationalization and Corporate Performance*

Cox and Blake [13] discussed six points: cost, resources acquisition, marketing, creativity, problem solving and system flexibility, as areas where diversity enhances the competitive advantage of a company. According to Bowl [14], diversity improves corporate culture, employee recruitment, customer relations, creativity and productivity. According to Jones and Stablein [15], employee structure and human resource management change with diversity, which offers a method to reform the power relationship of an organization. Acceptance of foreign qualified persons especially leads to promotion of innovation in the research-and-development field [16], [17]. The U.S. economy grew in the 1990s because of the activity of immigrants from Asia within the technology field [18], [19]. Innovation is encouraged by accepting foreigners with high levels of education from overseas [20], [21]. With greater diversity progresses, higher innovation levels can be attained [22], [23]. According to Herring [24], diversity can make sales, emoluments and number of customers increase significantly.

Berliant and Fujita [25], [26] show clearly that, theoretically, diversity contributes to innovation. Their model simulation showed that people's knowledge does not produce a synergy effect, even if two or more of the same knowledge gather, but a synergy effect is born from able persons with mutually different bodies of knowledge. In addition, in order for people to share knowledge of different kinds mutually and to form new knowledge, a common language, common knowledge or common areas of interest are also required. Furthermore, a suitable extent of diversification must exist.

According to Alesina, and La Ferrara [27], who carried out a survey on the relationship of innovation and employment of foreign workers, there are both pluses and minuses. Some surveys observed that innovation decreases when the ratio of foreign workers becomes too large [28], [29]. It is thought that there are conditions that should be met in order for diversity to promote innovation.

Fleming [30] analysed the relevance of the degree of cross-pollination (amalgamation with other technical fields) and the success ratio of innovation by project member. While breakthrough innovation is produced by diversity in technical fields of research-and-development personnel, risk of failure also increases. Radical discernment and deployment often arise at the boundaries between communities [31]. Innovation occurs from the boundaries of diversified mind-sets and does not occur within one body of knowledge or skill set [32]. However, although generally cultural diversity by gender or ethnic background may bring different viewpoints and approaches, new knowledge or concepts do not necessarily occur. Organizational capability which utilizes diversity may be necessary, respecting each member's special style.

Knowledge that an individual holds is fundamentally "sticky", and cannot transfer easily [33], [34]. As an intermediary who promotes knowledge relocation between organizations, there is a need for "gatekeepers" [35] or

"boundary spanners" [36]. The role of a gatekeeper is to cancel semantic noise, to be an intermediary between parties, and to promote knowledge transference. A boundary spanner collects and interprets information and spreads information within an organization. According to Ancona and Caldwell [37], one of the fundamental roles of a leader in the early stages of a new product development project is to act as a "boundary spanner" between peculiar bodies of knowledge. It is important that a project leader performs boundary management appropriately which enables project sharing among members and promotes communication between different fields as the boundary spanner between knowledge areas. Even if persons of excellent capabilities from each field participate in a development project, where the boundary management capability of the project leader is low, the project will not necessarily succeed.

### III. SURVEY HYPOTHESIS

The hypothesis tested in the survey questionnaire was derived using the previous research. The second half of the twentieth century was a period of high economic growth in Japan. According to the literature, the personnel system of Japanese firms was mainly groupism; for example, they adopted large-quantity, simultaneous recruitment of personnel, slow-moving, long-term promotion and training, frequent job rotation, seniority criteria, group focus on performance evaluation, etc. These were effective to improve manufacturing efficiency for a mass-production style, however, a personnel system design which values creativity and regards a diversified concept of values as important is required today for trans-nationalization, new market creation, innovation, etc. On the other side, since the personnel system design is closely connected with the strategy of a company, its historical circumstances and social surroundings, culture, etc. and also serves as a source of differentiation, it may not be changing rapidly all together. In relation to internationalization, which is the topic of this research, change of personnel system may be forced on any company whose trans-nationalization is progressing. If trans-nationalization progresses, then the personnel system design may need to be reformed so that diverse individual personalities may be respected. It may correspond to difference in individual living environment and outstanding capability flexibility.

The following hypotheses can thus be tested:

H1. The personnel system will be shifted to an individual-based one if trans-nationalization of a company progresses.

H2. The personnel system will be shifted to a capability-based one if trans-nationalization of a company progresses.

In addition, if trans-nationalization of a company progresses, then work processes like project formation and management, as well as personnel system design, may change so that diversity may be utilized. For example, project formation may become more of an open diversified cooperation, such as the cooperation of multiple occupations, and of diverse organizations inside and outside the country. In addition, in project management, flexibility of change, risk

taking which permits failure, etc. may increase. The following hypothesis can thus be tested:

H3. If the trans-nationalization of a company progresses, then diversity and flexibility of domestic work processes will be promoted.

Furthermore, if trans-nationalization of a company progresses, the workplace environment and personnel system in its overseas operating bases may also change. According to previous research, conventionally the recognition of overseas operating bases in Japanese firm was derivative. That is, formerly, the domestic base and overseas operating bases were in a hierarchical relation, and the flow of technology and know-how was mainly from Japan. In addition, the personnel affairs of the overseas operating base was a separate system in many cases. However, while the size of markets in Japan decline against the background of low birth-rate and greater longevity etc., and the importance of overseas business increases today, the positioning of overseas operating bases has improved and their role has expanded. Therefore, expansion of the personnel system of an overseas operating base, etc. is also progressing. For example, an expansion of responsibility and power regarding decision making of management, fostering the appointment and training of local talented people, improvement in treatment of them, fostering of bidirectional personal exchanges, etc. can be considered. The following hypothesis can thus be tested.

H4. If trans-nationalization of a company progresses, then the personnel system, workplace environment, etc. of an overseas operating base will expand.

Next, the influence of trans-nationalization at home which is the main issue of this research is considered. Based on previous research, two factors are of great importance for a company to advance its trans-nationalization at home. One is the fostering of innovation and the other is expansion of an overseas market. Although these two factors are not unrelated, the organizational management and personnel systems fit for each may differ. Regarding the fostering of innovation, according to prior research, research and development in traditional Japanese firms has a tendency to accumulate by tacit knowledge communication [38] among members with high similarity based on their exclusive and long-term employment. Research and development with an external organization is also often furthered on condition of a long-term strong relationship with the firm, so that it may be represented by keiretsu intragroup dealings, for example, in a motor industry, etc. Whereas research and development between such similar, closed members brings high operational efficiency, it has the shortcoming that radical and disruptive innovation is not produced easily. Although an advantage is demonstrated in the reformation of the former technical accumulation, etc., it is unsuitable for the objective of new market creation etc. In addition, in present-day Japan, low birth-rate and greater longevity, and even the succession of past technical accumulation, has become troublesome for many manufacturers etc. Therefore, it is an important objective of a company to create new technology, products and services by accepting talented people with diverse specialist skills from overseas. The following hypothesis can thus be tested.

H5. Trans-nationalization of a Japanese company promotes innovation in Japan.

The second factor is expansion of an overseas market. Extension especially to emerging countries including those in the Asian area these days is important for Japanese firm. For the conventional Japanese firm in the twentieth century, the important markets were Western markets. Put simply, the winning formula of Japanese firms in the past was as a subordinate market of Western markets, to overwhelm them by improving various products originally created in Western markets, and sell them at low prices. However, in an emerging market, the same strategy is not useful. At least, in simple price competition, there is no chance of a Japanese firm winning. Creation of the concepts of products and services and the offer of solutions which are accepted in an emerging market are required. Imitation difficulty may become high, if products and services are accepted there and strong technical accumulation is connected. In order to create and offer products and services solutions accepted in an emerging country, a deep understanding of the market environment, social system, the invisible cultural background, etc. is required. Especially implicit information, including culture etc., are embedded in a person's experience, and are not transmitted easily. Therefore, research and development at the local level in an emerging country is important, and flexible decision making of head office adapted to local requests and positive transference regarding technology, know-how, and managerial resources from head office to local offices are required. It is presumed that trans-nationalization at home has a strong relationship with an evolution of the overseas operating base of a multinational firm. When trans-nationalization at home progresses, an understanding of overseas markets or implicit social situations is promoted. If talented people who understand both the details and the advantages regarding the products technology, etc. of the parent nation, and implicit information on an overseas market increase are present in a head office, they can give support effectively to an overseas operating base. For example, it becomes easier to advance the planning and development of goods and service fit for an overseas market, adoption and training of talented people suitable for the climate and institutions of the local society, dynamic transference of technology and know-how, and other managerial resources, etc. The following hypothesis can thus be considered.

H6. Trans-nationalization of the company in Japan promotes the expansion of overseas markets.

Finally, hypotheses regarding levels of workplace satisfaction of foreign employees in Japan are considered. According to previous research on workplace motivations [39], rewards that affect motivation are divided into extrinsic and intrinsic rewards. Extrinsic rewards are generally emolument, promotion, fringe benefits, etc. Intrinsic rewards are description of job, sense of accomplishment, etc. These are easily influenced by the workplace environment and personnel system besides the goods, competitiveness and performance of the company. According to previous research, the workplace environment and personnel system have a close relationship with social culture or history. Since it may be hard for foreigners to become accustomed to,

Japanese-style personnel practice, groupism work rules, etc., these may be an obstacle to retention of talented foreign people. However, foreigners with long experience of living in Japan, from studying there etc. may be exceptions. The following hypotheses can thus be tested.

H7. Foreign employees' level of workplace satisfaction is positively affected by the good performance and competitiveness of company.

H8. Foreign employees' level of workplace satisfaction is negatively affected by the Japanese workplace environment or personnel system.

#### IV. RESULTS

##### A. *Survey Synopsis*

In order to verify the above-mentioned hypotheses, we administered a questionnaire to foreign employees who work for Japanese firms in Japan. The question items of the questionnaire were designed based on each of the above-mentioned survey hypotheses. The question items consist of categories, such as level of workplace satisfaction, experience of living in Japan, job description, personnel system, workplace environment, work process, corporate performance and competitiveness. Question items about workplace environment and corporate performance were divided into head office at home and overseas operating base. In order to reduce the influence of respondents misunderstanding the intention of question items, at least two or more kinds of different questions were included in each category. All responses to questions were given on a Likert-style five-point scale (1: Yes, certainly; 2: Yes, I think so; 3: Don't know; 4: No, I don't think so; 5: No, certainly not; 6: Not applicable). Questions and responses were written in Japanese and English, with the two versions side-by-side. To recruit respondents, we used two questionnaire research firms (Tsubasa International, Inc. and YAC Co., Ltd.) which monitor many foreigners living in Japan. The survey period was in May 2016. After evaluation of the number of deficit values, ceiling effect, floor effect, reliability scale, etc., the number of effective responses was 82 in total. In the following statistical analyses, SPSS by IBM (Ver. 23) was used.

##### B. *Principal Component Analysis*

First, two or more question items included for every category were collected using principal component analysis (an Eigen value is one or more).

About workplace satisfaction level, question items such as satisfaction level and ease of working were collected by one principal component: satisfaction level.

About experience in Japan, question items such as time period of living and studying experience in Japan, were collected by one principal component: experience in Japan.

Two principal components were extracted about description of job. The first principal component consisted of question items regarding leadership in an overseas business, overseas market entry and expansion, product planning and development for overseas, overseas transfer of technology, etc. This principal component was named overseas operation.

The second principal component consisted of question items regarding developmental activities and level of specialist skill, academic background, etc. This principal component was named specialized job.

Three principal components were extracted about personal rating system. The first principal component consisted of question items regarding long-term career path, job rotation, interchange between employees, welfare programme, etc. This principal component was named groupism personnel affairs. The second principal component consisted of question items regarding individual performance appraisal, individual recruitment throughout the year (contrary to mass hiring), vision sharing, learning opportunities, etc. This principal component was named individualism personnel affairs. The third principal component consisted of question items regarding performance appraisal and promotion by capability (non-seniority criteria), performance-based salary, etc. This principal component was named merit system personnel affairs.

Two principal components were extracted about workplace environment in Japan. The first principal component consisted of question items regarding ratio of foreigners, foreign-language communication, etc. This principal component was named foreigner ratio. The second principal component consisted of question items regarding company sales, number of employees, etc. This principal component was named size of firm.

About the workplace environment of the overseas operating base, question items regarding correction of treatment difference by country, executive appointments of talented local people, international personnel exchanges, etc. were collected by one principal component: overseas workplace environment.

About the work process, question items regarding diversity and internationalism of cooperation, flexibility of project, tolerance of failure, etc. were collected by one principal component: work process.

About domestic performance, question items regarding creation of sales, profit, cost-cutting and innovation, etc. were collected by one principal component: domestic performance.

About overseas performance, question items regarding sales, profit, cost-cutting, innovation creation, etc. in an overseas operating base were collected by one principal component: overseas performance.

About competitiveness, question items regarding uniqueness of goods and services, strength of managerial resources, etc. were collected by one principal component: competitiveness.

##### C. *Regression Analysis*

Next, based on each of the above-mentioned hypotheses, regression analysis of the principal component score of each principal component was conducted. All the following regression analyses used a stepwise procedure, which eliminated the influence of multi-collinearity and extracted only the explanatory variable having a strong relationship with the objective variable. First, the domestic result and the overseas result were made into the objective variable, respectively, and regression analysis was applied by making

the other principal components into an explanatory variable. The extracted principal components are as in Table 1 as a result of the regression analysis.

TABLE I: REGRESSION ANALYSIS RESULT REGARDING PERFORMANCE

Objective variable	Explanatory variable
Domestic performance	Groupism personnel affairs (0.651**)
	Size of firm (0.185*)
Overseas performance	Individualism personnel affairs (0.235**)
	Overseas operation (0.259**)
	Overseas workplace environment (0.535**)
Foreigner ratio	Size of firm (0.312**)
	Overseas workplace environment (0.552**)
Satisfaction level	Experience in Japan (0.226*)
	Groupism personnel affairs (0.383**)
	Competitiveness (0.238*)

(Figure in parenthesis is partial regression coefficient. \*\* is less than 1% of significant probability, and \* is less than 5% of significant probability).

### V. DISCUSSION

The above-mentioned hypotheses are tested based on quantitative analysis of the results of a questionnaire. First, when the relationship between personnel system design and performance was considered, there was a remarkable difference between domestic performance and overseas performance. Domestic performance had a strong relationship with groupism personnel affairs, and overseas performance had a strong relationship with individualism personnel affairs. A personnel system has a close relationship with social institutions, culture, etc., and it is thought that groupism personnel affairs in the traditional Japanese firm conforms well to recruitment and training of domestic personnel. A groupism orientation of personnel and long-term training may be fit for the formation of long-term relationships with customers or suppliers, long-term research and development, gradual improvement of quality and productivity, etc. These may be effective in the Japanese market which places comparatively high value on stability, reliability, etc...

On the other side, an individualistic personnel system is fit for overseas performance, and in cases where foreign employees demonstrate leadership, freely utilizing individuality in an overseas business in Japan, it is thought that overseas performance is enhanced. If a Japanese firm accepts diverse foreign cultures, lifestyles, etc., respects diversely talented people's individuality, accepts an individual's convenience and requests for flexibly and prepares opportunity for growth, such as training, at home, then foreign employees' productivity may be improved. When a foreign employee at home investigates the social system, culture, etc. in each home country, understands technical capabilities, know-how, etc. which were accumulated at home and ties them up appropriately, then overseas business is promoted.

In addition, in overseas business, expansion of the workplace environment of an overseas operating base was useful. In the traditional Japanese firm, the overseas operating base tends to be conventionally distinguished from domestic bases regarding the personnel system or personnel exchanges. However, the environmental considerations of an

overseas operating base, promotion of talented foreign people to responsible posts, international personnel exchanges, etc. support innovation and productivity in an overseas operating base.

The merit system of personnel affairs did not have a direct relationship to performance. Although various efforts towards a merit system have been made in Japanese firms for some time, aside from the problem of trans-nationalization, it may still be a difficult problem for a Japanese firm. In addition, flexibility of work processes did not have a direct relationship with performance. International cooperation inside and outside an organization, flexibility of projects, etc. are thought to be approached uniformly by today's Japanese firms regardless of industry, circumstances, etc. Therefore, little correlation with the performance of a company may be seen.

In the case of Japanese firms, the performance of large-scale corporations is better than small and medium-size enterprises, as a general rule. For example, large-scale corporations permanently retain excellent, talented people and excellent technology, whereas small and medium-sized enterprises are subcontractors of large-scale corporations in many cases. Therefore, generally the size of the firm may serve as a parameter for its performance. Likewise in this analysis result, a strong relationship was found between the size of a firm and its domestic and overseas performance. However, even if the influence of the size of the firm was removed by regression analysis, significant influences of personnel system on the above performances, etc. were verified. Therefore, among the hypotheses, H1 and H4 were verified and H2 and H3 were rejected.

Next, the influence of foreigners in Japan, which is theme of this paper, is considered. A high foreigner ratio at home was significantly related to improvement in the workplace environment in an overseas operating base. In addition, it was significantly related to length of experience in Japan. On the other side, the foreigner ratio at home did not have the direct relationship with performance inside and outside the country, innovation result, etc. Since there was a significant relationship between performance in an overseas operating base and its workplace environment, as stated above, a high foreigner ratio at home improves the environment of an overseas workplace, and is thought to be indirectly connected with better performance and innovation overseas.

In previous research, findings about the relationship between diversity and innovation were not uniform. Innovation does not necessarily happen only by recruiting foreigners and increasing diversity. In order for diversity to promote innovation, an environment where it is easy to start innovation, and leadership which integrates diverse, talented people etc. are important. About Japanese firms' development overseas, core technology, business know-how, etc. are still in Japan in many cases. However, the ratio of research and development in overseas locations is rapidly increasing in today's circumstances. For many Japanese firms, research and development which fits core technology, know-how, etc. to the market needs, social surroundings, etc. of an overseas expansion location is increasingly important. In the domestic setting, talented foreign people may demonstrate leadership, may be able to further the planning

of the whole overseas business integration, and may advance transference abroad of technology and know-how from the domestic base, etc. In addition, talented foreign people at home may understand the circumstances of an overseas operating base better than the Japanese at home, and the needs of an overseas operating base may be reflected in domestic operations in order to improve the environment for innovation and motivation in an overseas operating base. The bidirectional role of such a talented foreign person at home may improve the workplace environment of an overseas operating base, and may promote innovation indirectly. Therefore, the role of connecting the market needs of an overseas operating base and technology and know-how may be greater than fostering domestic innovation which is the expected role of domestically-based foreign talent at present. Therefore, among the hypotheses, H6 was verified partially and H5 was rejected.

In addition, the number of talented foreign people and the quality of communications were related to length of experience in Japan. In order to employ talented foreign people in Japan and to get them to work there for a long time, environmental conditions desirable for foreigners are important. In a workplace where the foreigner ratio is high, communication may also be encouraged and problems may be solved more easily. In addition, the existence of networks of foreigners inside and outside company may also be important. For example, through Internet communities for foreigners, information may be shared and this may be also be effective in recruiting talented foreign people.

Finally, the level of workplace satisfaction of foreign employees in Japan is considered. As for their workplace satisfaction level, there is a significant relationship with groupism in personnel affairs, which differed from the ad-initium hypothesis. In fact, since foreign employees who work for Japanese firms rather like the style of traditional Japanese firms, they may have been employed currently. The foreigners who work for Japanese firms, in many cases, have a comparatively long experience in Japan through studying at Japanese schools etc. Therefore, since they have got used to the Japanese social surroundings and culture, they may have the same lifestyles and preferences as Japanese people in many cases. Workplace satisfaction level was also significantly related to the competitiveness of a company. In this connection, Japanese graduates have a comparatively strong tendency to attach paramount importance to the competitiveness and stability of a company when they are employed. Possibly, foreigners who work for Japanese firms may also have similar tendencies to Japanese people. In other words, many Japanese firms may have employed only foreigners with the same behavioural patterns and ways of thinking as Japanese people. If that is right, even if the Japanese firm has employed foreigners, in fact, the workplace may hardly be diversified at all and may not enjoy the benefits of diversification.

Many Japanese firms at present cannot avoid the need for growth in overseas markets, while the market in Japan contracts. According to the above analysis, in order to raise the performance of an overseas office, it is desirable to increase the talented foreign people at home who can demonstrate leadership in an overseas operation. And it is

desirable for the workplace environment, personnel system, etc. at home to be the same as that of the overseas workplace instead of the conventional Japanese style. However, present Japanese firms may have the problem of employing only foreigners who prefer the conventional Japanese organization and personnel system style. Since the personnel system is closely related to various activities of a company, it is difficult for two or more personnel systems to coexist in one company. Since various contradictions will occur if two or more systems are intermingled, it is not desirable. The subject for many Japanese firms is to perform an important alternative selection and to overcome the contradiction of circumstances where an organization and personnel system fit for the domestic market differ from an organization and personnel system fit for an overseas market.

## VI. CONCLUSION

The objective of this research was to clarify empirically the relationship between trans-nationalization in the head office at home, and corporate organization, personnel system and performance. Until now, although much research has accumulated about trans-nationalization at home and overseas, there was little quantitative analysis of Japanese firms' head offices. In addition, in quantitative researches about overseas operations, the results of analyses, such as the influence on innovation, were not consistent. In this research, the actual condition was quantitatively clarified by a questionnaire administered to foreign employees who work in Japanese firms. As result, the contribution to corporate strategic objectives and performance by talented foreign people in Japan became clear, and their effect on the organization and personnel systems of Japanese multinational firms were also shown. In particular, foreign employees in Japan contribute to innovation in overseas operations through the environmental improvement of an overseas operating base. In addition, when utilizing foreign employees, a contradiction regarding personnel system was detected in Japanese multinational firms.

It is expected that the results of this empirical study will contribute to the decision making of managers of multinational firms who are responsible for personnel policy etc. As a limitation of this research, the object of this research is only Japanese firms, and the results are influenced by the peculiar business environment of Japanese firms. A subject for future research, therefore, is an international comparison by surveys conducted in other countries.

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