10 International Human Resource Management Strategies Emerging from Global Integration and Local Differentiation

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Introduction

The process of globalization is transforming the boundaries of the world and correspondingly those of the enterprise, leading into a world-wide global economy where national boundaries become less important. As a consequence of this phenomenon, enterprises attempt to achieve comparative advantages in terms of international competitiveness. Most businesses are forced to look at new ways of cost-cutting to keep a strong hold of their market share, while at the same time maintaining high quality levels. A remarkable increase in cross-border co-operation has been observed in recent years, evidence of which can be seen in the emergence of joint ventures and strategic alliances.

The tendency to internationalize business has led to growing numbers of people in international settings. At the same time knowledgeable people have become even more important as a source of competitive advantage. To recruit, retain, and develop those precious resources in an international context to create value becomes an important challenge. Companies are also faced with the challenge of optimizing cultural diversity resulting from diverging attitudes towards management practice, business behaviour and differences within the workforce as well as differences in consumer preferences.

This paper focuses on new approaches to international human resource management as a consequence of ongoing internationalization and globalization. Emphasis is placed on inter-firm co-operation between Europe and Asia by elaborating on particularities regarding the discrepancy between the foreign business strategy of Austrian enterprises and local adjustment requirements in Japan. This will be done by drawing attention to the theoretical framework of resource-based and competency theory and by presenting an in-depth case study.

Three core questions will be tackled. In a first step, the present-day reality of globalization and its impact on doing business in difficult and sometimes risky markets will be discussed briefly. This will lead us to the characteristics of corporations operating internationally where will argue that even for smaller enterprises the definition of transnational corporations can be applicable if a leading position in a niche market can be taken up. Many organizations, irrespective of whether they are transnational or multinational, are structurally incapable of carrying out sophisticated strategies they have developed. Formal structures to implement strategic objectives are often limited to establishing the organization's framework and neglect the development of an organizational culture that emphasizes corporate beliefs and values. It will be argued that multinational and transnational corporations are even more susceptible to these factors than domestic organizations.

Secondly, in a further step, an embedded case study, which emphasizes the lack of potential for improving knowledge transfer and points out the difficulties of imposing the buying company's organizational structure upon the target company due to intercultural difficulties, will show that people are the key to managing complex strategies and organizations. In particular this holds true when doing business in a cross-cultural setting where organizations have to cope with different mentalities and the influence of traditional heritage and modern biases on the development of interpersonal norms. If adequate care is not taken, small causes may lead to large effects as even more complex problems in international human resource management become magnified. The case study will point out the various problems that might occur in an international business setting as well as approaches to dealing with necessary change.

Finally, by taking an approach which takes into full consideration the lessons extracted from the case study, a reflection of future development seems obvious. I will reflect on the importance of trust and loyalty and analyze a potential endeavour towards more individuality in the human resource management of societies that were originally collectively oriented. Possible solutions and recommendations on how to provide for organizational adjustments in Asia, predominantly Japan, will conclude this section on comparative management practice.

RESOURCE-BASED VIEW OF THE FIRM AND THE IMPORTANCE OF SOCIAL CAPITAL

Today's mainstream thinking about strategy seems to be based on the resource-based-view of the firm as first developed by Edith Penrose (Penrose 1968). Resources convey competitive advantage if they create unique value in the eyes of customers, if they are hard to imitate (for instance because they are path-dependent and embedded), if they are rare and if their return can be exclusively appropriated (Barney 1986, pp. 99–120). All those characteristics apply to the most precious, most flexible and most insecure of resources, namely the human ones. They must not be addressed by international human resource management as individual entities but in their relations with others.

While in a Western tradition so-called informal relationships within organizations and with important stakeholders were either neglected or targeted as a nuisance to be overcome by process design and programs, the East has always understood their significance. Peoples' relationships forming a 'neural' net of information flows and mutual obligations may be considered as a resource that nourishes strategic design and supports strategy implementation, if activated properly (Zucker 1991, pp. 83–107; Scott 1995).

While they interact, individuals build and reproduce 'institutions', some formalized and articulated, others subtle and tacit. Different schools have defined those institutions either as regulations, as norms and values, as behavioural patterns or as cognitive maps. All of them mould further interactions while being smoothly adapted by those interactions (Giddens 1979). Western managerial thought has a tradition of mistrusting the emergent qualities of such social (or cultural) capital (Bourdieu 1992). Only recently, the disciplines of network theory and knowledge management have reframed them and sought ways to utilize them for purposes of corporate strategy.

To foster the emergence of social relations that remain spontaneous, informal and culturally embedded (such as relations of specific mutual obligations) seems to be an oxymoron at first sight. This can only be inspired by indirect intervention: Management can provide resources (esp. space and time), it can supply a technical infrastructure or a face-to-face meeting structure, it can activate energies by visions and objectives but it cannot create social capital directly and deliberately. The task of indirect intervention is difficult in a uni-cultural setting. It becomes even more difficult if it has to occur in an intercultural setting, where regulations, norms, values, behavioural patterns and cognitive maps differ. A first step will be that people become aware of their differences. Only then can they build on them, transform them into commercially viable syntheses, learn from them. After having pointed out the importance of social capital, the interrelation between globalization and human resource management will be elaborated in a further step.

GLOBAL INTEGRATION, LOCAL DIFFERENTIATION AND HUMAN RESOURCE MANAGEMENT

According to Ohmae globalization results in a borderless world, where political boundaries have largely vanished, financial and industrial activity have become boundless, consumers and firms are global citizens, global needs lead to global products and people want to buy the best and cheapest products, wherever they are produced (Ohmae 1989, pp. 152–161). Lester Thurow emphasizes the latter by highlighting the fact that for the first time in world history, anything can be made anywhere and sold anywhere (Thurow 1996, p. 32). Theodore Levitt argues that standardized consumer products and the emergence of global markets characterize a new commercial reality. This process is accelerated by new technology and communication, transport and travel, which drive the world towards a converging commonality (Levitt 1983, pp. 92–102). Well-managed companies have moved from emphasis on customizing items to offering globally standardized products that are advanced, functional, reliable and low priced. They benefit from enormous economies of scale in production, distribution, marketing and management.

It is obvious that such a development also has a major effect on international human resource management in companies operating world-wide. Factors which influence the nature of work from country to country relate to the role of work in society, prevailing forms of management or levels of education. But also the governance of the national economy and the degree of internationalization have an impact, as work, understood as a human activity, is strongly influenced by cultural and societal factors. Such differences in work and behaviour can be easily identified in multicultural teams, where essential cross-cultural research has been done by Adler (2002) and Schneider (2003). Accordingly, we argue that a link between globalization and human resource management can be established by dint of cross-cultural management. Companies face the challenge of teams comprising people from different countries, functions and disciplines. International operation requires an ability to manage and work with people from diverse ethnic backgrounds. Competent and knowledgeable staff must be located, trained and kept. It will be shown that competence does not only imply professional and strategic ability, but also social and cross-cultural expertise. An ability to balance the conflicting demands of global integration versus local responsiveness seems to make sense for compiling a competence portfolio but is often lacking in international interfirm co-operation.

Bartlett and Ghoshal classify internationally operating corporations according to their key strategic capabilities (Bartlett and Ghoshal 1998, p.

18), where strong forces of global integration, local differentiation or world-wide innovation characterize a single dominant strategic demand. But ongoing globalization increasingly demands simultaneous development of global competitiveness, multinational flexibility and world-wide learning capability. It is assumed that this integrative transnational model for managing world-wide operations is extendable to smaller enterprises in niche markets. The following case study will focus on the human resource strategy in such a niche market and will show that in spite of attempts at great flexibility, competitiveness, and full management attention on the part of the enterprise involved, cross-cultural influences constrain the building of a completely learning and self-adaptive organization in a transnational sense. A lack of sensitivity and responsiveness to national differences as well as difficulties in implementing parent company knowledge and capabilities in human resource management conforms with the argumentation of Bartlett and Ghoshal (1998), who assert that all the attributes of a transnational are hardly attainable, and companies are more likely to develop organizational characteristics that move them toward this idealized form.

An interrelation between internationalization strategies and organizational characteristics can be established by attribution of different types of organizational culture according to Perlmutter's EPG profile (Perlmutter 1969, pp. 9–18). Strong influence of the national culture in question on the organizational culture of a foreign subsidiary can be seen in the following case study as well, and is typical for an initial stage in foreign involvement. However, in accordance with Meffert (1989, pp. 445–462) I believe that the organizational culture of successful globally operating corporations should to a large extend not be influenced by national culture. A promising approach can be found in a synergetic culture which, by optimizing different characteristics from parent company delegates and indigenous executives, sees cultural differences in the subsidiary as a useful resource. Such an understanding of organizational culture harmonizes with a synergetic strategy of internationalization, characterized by positive advantages in both global integration and local differentiation.

This search for optimum advantage in cross-border co-operation leads finally to the aforementioned case study derived from day-to-day business. Although the theoretical approaches discussed here regarding the idealized form of a transnational and a synergetic organizational culture seem comprehensible, the implementation process in practice itself reveals fundamental difficulties. The reflections and observations contained in this case study are aimed at interfirm co-operation in Asia, predominantly in Japan, and based on interviews with members of the top management involved personally as well as expert-knowledge based on experience in an accompanying consulting process.

A CAUTIONARY CASE STUDY

As a leading supplier for the global computer manufacturing industry, the 'A Group' operates in a niche market and provides special equipment to semiconductor manufacturers. Since it was founded in the mid 1980s, the A Group's operations have spread rapidly across Europe, North America, and Asia. The group's involvement in Japan resulted initially from a joint venture with a local company. Within one year an increase in the ownership share of the non-Japanese partner led to a 100 per cent take-over of the joint operation by the Europeans. As a result of the take-over of the business, the Europeans felt they needed to redefine their strategy and adopt a different approach to the existing personnel policies and operating infrastructure.

Although familiar with the Japanese business environment, the European managing director of the Japanese venture adhered to an ethnocentric mindset and decided to pursue a highly structured and rigid implementation and integration process after the final step up in ownership. To facilitate global communication and in an attempt to keep business processes operating efficiently, the European company's corporate culture was more or less completely forced on the formerly bicultural operation. Poorly described and imposed with little warning and with no processes respecting the consensus oriented approach to business in Japan, the top down imposition of the new way of doing business was immediately seen as a breach of trust in relation to past norms, and a threat for the future. The inevitable result was an increase in the number of employees giving their notice and an immediate worsening of the company's reputation within Japan. Business value suffered and morale continued to spiral downward both in Japan and in Europe. What went wrong?

The managing director was challenged by two contending demands. On the one hand he had to fulfill the expectations of headquarters, while on the other hand coping with the uncertainties among the Japanese workforce after the merger with a foreign company. The overarching strategic question was how to implement cost saving and streamlining measures necessary to compete internationally while not losing support from the Japanese staff. Aggravated by the foreign firm's fast move from a partnership to a 100 per cent take-over, management and employee confidence fell. Trust was lost and one consequence was the breaking up of what the Japanese had considered to be a well established organization and employment structure with traditional job security. In more technical terms, the managing director had to deal with the cultural isolation effect (Deal and Kennedy 2000, pp. 121–22), which occurs when survivors discover that the company they now work for is significantly different from the one in which they worked before. What's more, the situation was complicated by the collision of two completely different cultures and business systems. Cultural collisions, almost without exception, result in cultural isolation for the surviving employees from the acquired firm.

According to Hall and Hall (1987), an essential aspect of Japanese organizations lies in the free flow of information across diverse divisions, departments and internal constituencies. In comparison with command-authority organizations, adaptation to any information-based organization poses difficulties, even within a familiar cultural environment. In this case, as in a traditional Austrian command-authority organization, information about restructuring measures did not leak through to employees. They were faced with decisions made by the 'foreign' management without being told why existing, proven structures had to be broken up and new business units created. For instance, within the formerly Japanese company, even small procedures were changed, down to the level of travel and expense policies. Prior to the merger, every department was responsible for making its own travel arrangements and enjoyed the feeling of autonomy this created. The procedure worked well. However, along with the business process redesign strategy of the foreign buying company, individual employees had to experience drastic changes in procedures and responsibilities with little warning and even less chance of providing input. Tasks which had been done by individual departments beforehand were now transferred to a new central business unit, which was swiftly established after the merger. Confusion among the Japanese staff was the consequence, and the business was paralyzed as consensus-oriented Japanese employees were unsure of how to go about their jobs. Traditional Japanese employees and management are usually not used to being faced with such radical changes, and particularly so when the source of the change is poorly understood and the process of change not sensitive to the trust-based cultural foundations that had made the joint venture work in the past. Access to information – so essential to the operation of a collective decision making entity – was disrupted and further problems emerged as the integrity of the bicultural business system was compromised.

The internal model of information constantly flowing within and across departments seems natural and intelligible among the Japanese, but is quite difficult to extend as naturally when it comes to openness with foreigners. This duality of Japanese behaviour with foreigners has also been highlighted by Hall and Hall when referring to Japanese attitude towards time, where a monochronic mode for foreigners and technology and a polychronic mode for virtually everything else were presented (Hall and Hall 1987, p. 114). In a merger, a disruption in established patterns of information flow can be expected to occur. Even if, in such a case, Japanese staff might no longer consider it to be a serious problem, such a disruption may cause difficulties for foreigners, as all the information will never be received.

One can state the obvious – that the Japanese are not as open as the Europeans and Americans, for whom it is acceptable to be frank and to disagree openly. More hierarchical and respectful of age differences, the Japanese do not entertain open dissent in most business environments. This observation is mainly based on a common set of superficial perceptions regarding a lack of similarities in behavioural norms, while it is in fact the result of a complex set of underlying beliefs firmly rooted in the cultural origins of a network of relationships in the Japanese societal and business environment. For a detailed examination of Japanese beliefs and cultural origins, as well as cultural differences, refer among others to Nakane (1992), Benedict (1993) or Hodgson, Sano, and Graham (2000). Openness in communication and the free flow of thought is a cultural feature of Western societies and considered a virtue in many. Self interest and information work by the same set of principles. If you do not ask, you do not receive. However, the problem in a biculturally challenging situation is that many managers do not know what to ask, nor how to pose the question to get the response, action or information they are seeking. If you do not know how to ask, and in consequence how to overcome these cross-cultural obstacles, you may end up observing what the Japanese side of the venture is doing, and only be able to follow like a diligent and compliant apprentice, learning far too late what risks and opportunities are being addressed by counterparts in the enterprise.

By taking an approach which takes into full consideration the lessons extracted from this case study and set of related observations, it is likely that you will discover the logic yourself on a much more accelerated timescale. Once you have shown your interest and respect through obedience and understanding, there is a chance that also the Japanese will open up a little further, increasing the flow of information and decreasing the gap of understanding between East and West. However, based upon this particular experience and broader discussions, even the most subtle and sophisticated of managers should remember that there will always be gaps in the joinery between enterprises from different cultures and that, despite your best efforts, there will never be full and perfect understanding between all parties. Nonetheless, by applying the lessons set out in this paper, many of the largest risks and problems can assume a far more manageable dimension.

Another main feature within a Japanese company related to the free flow of information and relevant for modern management theory is the capacity for and culture of collective decision making. Isolation from the information flow thus has two negative impacts – it cuts off individuals from the lifeblood of an information-based organization and it prohibits collective decision-making to proceed on a fully informed basis. Thus poor communication and centrally imposed alien cultural norms not only result in individuals being excluded from the decision making process – this is at least partly understandable as decision making processes differ from country to country and companies usually rely on varying the approved course of action – but also results in expensive internal isolation with severe consequences that a foreign management might not be aware of. In this case, the A company suffered from a loss of employees as their motivation decreased due to the unclear situation after the take-over. Not knowing which department one belongs to or which tasks one is supposed to do leads to a lack of specific identification with the company one works for, especially if the company is no longer Japanese, but rather foreign. The importance of identification with the company becomes clear if one takes a closer look at the Japanese employment system (Cole 1979; Shimada 1980; Sasajima 1993; Kanamori and Kosai 1997), with particular reference to the history of lifetime employment (Beck 1994).

From a Western point of view, interrupting or cutting off the information flow will probably result in discontent, but the simple expression of this unhappiness is to be expected and is easily tolerated with little impact on the organization. The Japanese consensus-oriented society, however, tries to preserve harmony and is also likely to tolerate dissatisfaction, which may be less likely to be voiced, particularly in public. Only if sweeping changes like a completely new organizational structure are imposed as a result of mergers and acquisitions with foreign companies and the erosion of the existing trust and cultural system is predicted, might a Japanese employee take action.

Regarding behaviour within Japanese companies, hesitant or reluctant communications-related behaviour might be explained by several concepts of obligation[1] unique to the Japanese system. Fundamental research in that field has been conducted by Benedict (Benedict 1993). A positive expression is found in an enormous willingness to perform. However, Japanese workers seem to have difficulty in drawing a clear line between performance and self-sacrificing devotion, including indecisiveness regarding expression of discontent. The most negative result is the phenomenon of *karōshi*, death by overwork. In a Western environment, one will easily perceive this unreasonable sense of duty as a con-

[1] In particular: 'on' (obligations passively incurred) and 'giri', 'gimu' (reciprocals of 'on' and implying the active repayment of obligations).

straint. The contrary may be found in Japan, where the sense of obligation is embodied in society and hence an impediment to offering resistance to exploitation prevails.

Some valid points on the difference between Western and Japanese have been made by Nonaka and Takeuchi (Nonaka and Takeuchi 1995). In reference to the Japanese intellectual tradition it is argued that a slight trace of Cartesian rationalism can be found in Japanese thinking. However, the 'Japanese approach' is determined by an integration of the teachings of Buddhism, Confucianism, and major Western philosophical thoughts. Not only the Japanese view of knowledge but also the Japanese approach toward management practices have been influenced by these traits. Western management practices are still dominated by the Cartesian dualism between subject and object, mind and matter or mind and body, whereas the Japanese intellectual tradition is oriented towards complementarity and does not make either-or distinctions. Basically, the Japanese seem to be pragmatists rather than ideologues, while the Europeans appear to be rationalists. Originating from an intellectual knowledge perspective, these differences, which result in diverging behaviour patterns, might provide an explanation for cross-cultural complications between the parties mentioned here.

While individuals from Austrian culture trust in laws, regulations, and service (work) instructions, an abundance of unwritten imperatives define the acceptable norms, which exist for Japanese workers. This holds particularly true for matters, which a Western employee would not be willing to tolerate without protest. To relativize this argument, one needs to emphasize that Japanese workers are not only victims of this different way of thinking and acting, but also have been the historical beneficiaries within the Japanese employment system; at least until a couple of years ago, when enterprises were no longer able to guarantee secure employment conditions. If members of a society accept these unwritten obligations – and this seems to hold true for Japan – their way of acting is understandable and offers a certain web of security.

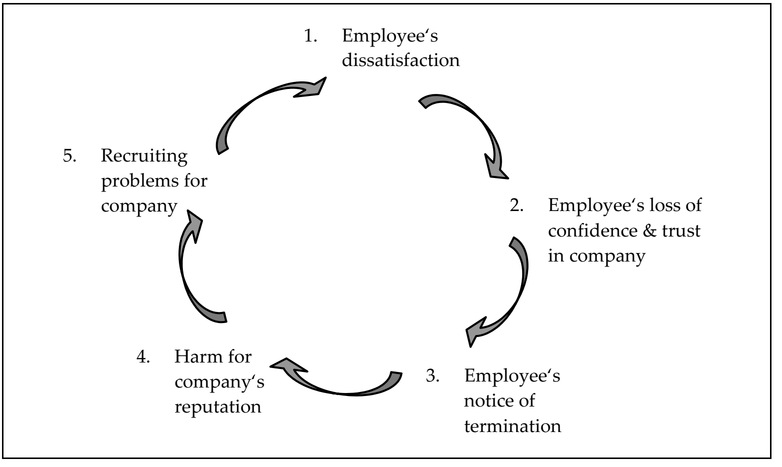
Lessons Extracted from the Case Study and Future Development

In times of downward economic movement, declining loyalty among employees is observable and there is a tendency to change employers voluntarily. In the past, mainly young workers were willing to work for a non-Japanese firm, but they often lacked qualifications (specialized know-how, language skills). Experienced workers – including the bulk of the older workforce and independent experts – were more likely to show antipathy to working for foreigners. According to JETRO (JETRO 2000, internet), the situation seems to be changing. Japanese employees are becoming more self-confident and decisive. Interest in changing jobs to work for a foreign-affiliated company is increasing. This interest is particularly strong among upwardly mobile business people. This group of people, aged between 25 and 35, emphasizes performance and ability instead of seniority, as is traditional in Japanese companies. Foreign companies in Japan will have to make the best of this situation in trying to recruit from this pool of workers willing to change.

The situation foreign companies are confronted with is comparable to a vicious circle (see Figure 10.1). If employees lose confidence in a company and are no longer able to identify with it, they will ultimately quit. Within a typical merger situation when Japanese workers are suddenly faced with working for a foreign company, it is likely that they will also quit more easily due to the missing social obligations in a non-Japanese business environment. The foreign company has to cope not only with losing workers and thus fluctuation, but also with the fact that recruiting in Japan is difficult due to the preference for familiar conditions, like the traditional employment system. If people quit, the reputation of the company will also suffer, especially among Japanese who are known for their interpersonal relations and group consciousness. Every single remark of a former worker will harm the company's reputation and lessen its chances of recruiting on the Japanese labour market. For a foreign company, building up a reputation is arduous and any damage, however slight works counter-productively. If not counteracted, this process will lead to a cascade effect that might in the end endanger the survival of the foreign company's subsidiary. Finally, if a company nonetheless succeeds in recruiting Japanese staff, a slight risk of discontent among employees might remain. This may result either from the workers' dissatisfaction at not having been able to remain in a Japanese working environment or the lack of social familiarity of a Japanese company, as mentioned before.

It seems obvious that in this case study the actions of the foreign company's senior management in Japan did not generate the desired effect. Knowing that a foreign company has certain starting disadvantages compared to a Japanese counterpart, a joint venture strategy was followed for market entry. This was intended to accelerate the establishment of a reputation in the Japanese market, which usually takes quite a long time. However, in a specialized field like the semiconductor manufacturing industry, a reputation can mainly be built among experts. The bulk of the population, including the work force, does not have enough information about this industrial sector. Consequently, along with think-

Figure 10.1: **Vicious Circle for Foreign Companies in Japan**



ing about recruiting, foreign companies will not only have to keep image considerations in mind, but also focus on the appropriate target group.

Obviously, even if group consciousness in general prevails in Japanese management or a Japanese environment, there is no guarantee that this behaviour will prevail, once foreign – not Japanese – employers are involved. As the case study pointed out, a loss of confidence and trust in an employee can lead to reluctance to identify with the employing company. This results in the employee's willingness to voluntarily terminate the employment situation. In the traditional Japanese employment system this seems hardly imaginable and due to obligations and the restriction to groupism for a Japanese employer unlikely to happen. Consequently, the question whether Japanese distinguish between Japanese and foreign employers, which might cause them to behave differently, arises. From a foreigner's perspective, this seems to be the case. However, a change of attitude among the Japanese work force, apparently valid if in a Japanese-foreign employment relationship, appears difficult to trace.

Individualism is commonly attributed to Westerners. Hence, in general, individualism and groupism collide in Japanese-Western relations. This is also the crux of the issue of post-merger integration involving Japanese companies and their Western (in this case Austrian) counterparts. Up to now the issue has been mainly to reconcile two different sets of cultural values and promote trust and free flow of information between two cultural groups; nowadays there is an additional challenge. If there is a certain tendency to more individuality – expressed in handing in one's notice of resignation, at least when foreign partners are involved – foreign companies will have to face the challenge of coping with converging behaviour patterns, as completely different prerequisites will influence their contemplations.

Finally, trust and language are also important cultural barriers to co-operation across national boundaries. Individual and collective performance suffers when trust is damaged because of cultural misunderstandings, as described above. The establishment of trust is a long process, starting with establishing an initial comfort level and maintaining mutual confidence over an extended period. In literature the requirement of trust for the functioning of international joint ventures is well established (Inkpen and Beamish 1997; Dolles and Wilking 2003). A trust–based society such as Japan can lead to lower transaction costs, which might result in a competitive advantage of Japanese companies over their counterparts. It can also increase the risks of failure for a cross-border initiative when the trust system is not fully understood nor reciprocated.

Europeans often tend to assume that trust is a given. The assumption of trust in a European cultural environment may not be based on an extensive set of personal interactions or shared educational background as it is in Japan, nor on shared interest in a well articulated commercial logic nor on the grounds of economic necessity. If there is not a shared view of the merged enterprise and no basis for the establishment of a functioning system of mutual trust, the case for acquiring, merging or forming an alliance may even be questioned. If the trust system fails and the venture founders in one or more areas, the resulting imposition of approaches to resolve conflict may well increase the scale of the damage and make the entire bicultural venture – in all likelihood – an unrecoverable write-off for both parties. Europeans often rely on legalistic means to enforce the strict terms of a contractual arrangement or business agreement, which is anathema to the conflict-avoiding Japanese, whose relationship-based business culture is notably short of lawyers. The Japanese normally prefer to find a mutually acceptable way out and may prefer to compromise rather than 'lose face' or tie themselves up in litigation for an extended period. The case study presented showed that in at least one Japanese-foreign employment relationship, this does not always have to be the case and a loss of confidence and trust in the foreign employer does not have to result in sub-optimal compromise.

In addition to diverging concepts of trust and its implications, the importance of linguistic differences is not to be underestimated and will therefore be discussed briefly in this concluding section. When expatriates converse in their native language they often fail to recognize the degree of exclusion they create for others, in turn resulting in resentment and isolation for themselves. In addition to spoken language, non-verbal signals can be significant, too. The friendly smile of a Japanese team member does not necessarily mean either agreement or commitment, and a 'false positive' interpretation is likely to lead to confusion, embarrassment, disrespect and frustration. Both trust and understanding can suffer as a result. The same risk holds true for nodding as well, which among Japanese people is often no more than a sign of obedient behaviour. A command-authority based individual may assume that nodding is an expression of agreement and not the silent acceptance of orders. If those involved in the situation described above had been aware of these cultural differences and acted in accordance with that understanding, the case could have had a far more satisfactory outcome.

CONCLUSION

This paper focused on human resource management strategies and difficulties European companies might face in Asia due to the impact of ongoing globalization, with a particular consideration of the Japanese employment market. The topic was approached by reflecting on existing literature covering the resource-based view of the firm and the importance of social capital, followed by a discussion of the interrelation between globalization, internationalization strategies and cross-cultural factors in international human resource management. Experiences from a cautionary case study based on an Austrian Japanese merger and implications on inter-firm co-operation in Asia finally pointed to some lessons to be learned which should be taken into consideration when engaging in the Japanese market. In general, it is assumed that these concluding findings seem to be applicable to most companies from a Western cultural background.

The first lesson shows that due to the changing general framework of the labour market in Japan, foreign companies will have to make the best of trying to recruit from a pool of more self-confident and decisive workers who are willing to change. Here lies an opportunity for foreign companies in Japan. Long term survival in the Japanese market will depend on their ability to make use of this new pool in recruiting and on their awareness of cultural differences.

However, facing a situation comparable to the vicious circle discussed above, companies will not only be challenged by recruiting but also by retaining existing staff. The next lesson stresses the importance of a foreign company's reputation in the labour market, which is all the more necessary to compensate for a lack of traditional Japanese employment features in foreign companies. In reference to the case study described above which took place in a manufacturing environment, JETRO publications (JETRO 2000, internet) confirm that the manufacturing and construction sectors show declining employment in Japan, where an implicit offer of lifetime employment with the same company from school graduation to retirement has been traditional. Labour market mobility, however, is on the rise, fuelled by changing values, corporate bankruptcies and restructurings, and mid-career lateral transfers by specialized workers in high-tech fields.

As a lesson resulting from the change of attitude and a potential distinction in behaviour towards Japanese and foreign employers, we can deduce that foreign companies will have to consider that consistent behaviour from Japanese employees cannot be taken for granted if the Japanese working environment disappears.

Finally, the importance of trust is essential; however if, along with the impact of ongoing globalization and changing foreign ownership, confidence is shaken, losing face will no longer be a reason for the Japanese worker to remain in an unsatisfactory employment situation in a foreign-owned firm.

As far as foreign companies are concerned, a possible way to cope with such situations could lie in the willingness to maintain a constant flow of information and to strengthen the establishment of trust in order to find the right path between adjustment to Japanese procedures and implementation of Western attitudes. It was shown that inter-firm co-operation generates difficult situations in human resource management, caused, for example, by a decline in the number of employees or by employees' changing attitudes. Therefore, management of cultural diversity and an ability to balance the conflicting demands of global integration versus local responsiveness seem to be growing ever more important. Owing to several differences, cultural diversity might be seen as an obstacle to effective human resource strategies in corporate operations. Effective interfirm co-operation therefore requires that the needs and objectives of all parties involved be balanced out, as diversity is essential for the development of new strategies and the enhancement of a company's competitive edge. Nevertheless, many enterprises still have difficulty bridging the gap between effective management of human resources and achievement of significant advantages in both global integration and local differentiation.

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