

WORKING PAPER #02

OBSERVING PROBLEMS FOR SUSTAINABLE IHRM

NURTURING INTERCULTURAL TEAMS AT A JAPAN- BASED MNE AND A SME



Abstract

The labor shortage in Japan requires hiring and training of global talents needed for Japan-based foreign affiliate firms. What are the challenges for a sustainable IHRM in terms of recruiting, team training and turnover? Two case studies have been conducted and compared to illustrate these challenges. The cases show similarities and differences. Both firms are struggling to recruit, train and keep talents. Firms invest in nurturing talents that sustain their businesses. Meanwhile the Kobe-based HR manager of the American multinational company outlined a clear strategic approach that nurtures and facilitates global talents, the Tokyo-based Chinese managing director of a small-medium-sized company of the follows a muddling through approach that is closely related to the demands of the local customers with recruiting and training bridge system engineers and other staff members. Both companies struggle to overcome cultural resistance implementing diversity management promoting proactively change within organization and their local community.

Keywords: Sustainable IHRM, intercultural, teamwork, Japan, MNE, SME.

1. Introduction

After the bubble economy shortage of labor force became prevalent and Japan increasingly relied on foreign workers. The declining birthrate and aging population also contributes to the current situation of labor-shortage. According to the Ministry of Health, Labor and Welfare¹, the employment rate in 2016 was 15.8%, lower than the previous year. The Japanese society realized the need and importance to accept human recourses such as women the elderly, and foreigners to overcome the problem of the labor shortage. International business makes a strong case for the acceptance of foreign human resources. While the industrial transformation is taking place both outward and inward investment increased and the demand for foreign labor has shifted from simple labor to global talent (Yamashita, 2016). Self-initiated expats such as Chinese students and other nationals flock into Japan due to their own interest in the culture. The employment of Japanese women and elderly workers is not likely to cover the labor shortage. Thus, the Japanese government² cultivates *highly skilled personnel* through a skill training system for *trainees and technical interns*. On the other hand, the government has relaxed the system to accept more international students, aiming to cultivate more *global talent* who have the potential to work in Japan after graduation. The main challenges of diversity management include minority and communication problems. Unlike the USA and China, Japan is perceived as an *ethnically homogeneous nation-state*. According to Hofstede's cultural dimensions, Individualism versus Collectivism (IDV), Uncertainty Avoidance Index (UAI), Long Term Orientation versus Short Term Normative Orientation (LTO) are expected to be important characteristics that impact the transformation of a sustainable IHRM in Japan (Hofstede 1994). Based on the concept of cultural dimensions, Witt and Stahl (2016) found that Japan had the highest level of group orientation and humanitarianism, but a relative tolerance for power disparities. Thus, on the corporate level CSR has been institutionalized but not the community relations that often depended on individual managers' networks (Fukukawa and Moon, 2004).

What is sustainable IHRM for the international firm in the Japanese context? Strategic human resource management has a tradition of four decades focusing on financial outcomes of managing human resources (Arthur 1994). Initially personnel or people management was on the agenda but its policies were dominated by strategic HRM. Sustainable Human Resource Management (SHRM) was evolving one decade ago. The focus of SHRM shifted from short-term to long-term; and from financial to social, human and ecological outcomes. With

¹ http://www.mhlw.go.jp/toukei_hakusho/toukei/

² 経済産業省(2008) 高度外国人材の受入推進について Retrieved from URL https://www.kantei.go.jp/jp/singi/jinzai/jitsumu/dai1/siryou2_4.pdf

the United Nations (UN) proposal of Sustainable Development Goals (SDGs) the SHRM advanced to a global concept discussed here as Sustainable International Human Resource Management (SIHRM).

1. Sustainable IHRM evolved from the desire sustain personal and build organizational capacities.
2. Sustainable IHRM should contribute to the United Nations Sustainable Development Goals.
3. Sustainable IHRM is recognized as an increasingly important management strategy.

Strategic aspect is obvious since the majority of HRM studies focused traditionally on financial return to shareholders. However, the reporting system has been impacted by the SDGs agenda and therefore shifted to a stakeholder approach. Sustainable IHRM is now not just business but also linked to sustainability goals (Kramer 2022, 149). Kramer (2022) introduced key features such as 1. Tensions between desirable outcomes, 2. Capability development, 3. Implementation of strategic HRM will be briefly discussed in relation to Sustainable IHRM.

First, tensions between profitability and social, environmental outcomes can be observed. Referring to desirable outcomes by different approaches like the triple bottom line (TBL) and SDG outcomes HR managers are required to reconcile contradicting goals developing capabilities to perform efficiently and on the same time maintain a good reputation and social legitimacy among stakeholders. They also need to overcome tension between short- and long-term effects (Ehnert 2009).

Japanese firms used to overcome this contraction when applying CSR or CC concept. Two decades ago there was a CSR boom in Japan. Leading companies, among them Japanese Multinational Enterprises (MNEs), were eager to publish their annual CSR report to appeal to their stakeholders with a strong emphasize on environment but not much space was on devoted to social issues and corporate governance (Tanimoto 2004). At the core of the CSR was actually the TBL sustaining finance/capital, human and ecology aspects.

Second, the capability development became a more serious matter in the aftermath of the triple Fukushima disaster and recently also during Covid-19 crises. Uncertainty and risk demanded that investment in human resources cannot be randomly carried out. HR managers need to proactively develop their organizational capabilities. The investment in capabilities is not only a competitive advantage but provides also flexibility to cope with uncertainties and risks (Bhattacharya and Wright, 2005).

In Japan we saw initiatives to prevent Covid-19 in coordination with other countries such as Indonesia. Not only health and safety in the workplaces but also job creation was at the core of the Sustainable IHRM policy of Japanese MNEs. Further, a variety of stakeholders have been involved to secure the capabilities in the labor market (ILO, 2021). Accordingly, the Asia and the Pacific Regional Meeting (APRM) will discuss concrete steps to drive job growth including transformative and timely opportunity to revitalize workplaces as the driving force for a robust, human-centered recovery from the COVID-19 crisis. Previous to the corona crises, Chinese who mastered the Japanese language have been working in Japanese firms for an extended period as so called ‘Bridge System Engineers’ (BSEs). Liu-Farrer (2011) considered this population as a milestone of technical workers flocking into Japanese workplaces following an increasing demand. The role of Chinese agencies that aspire to fill vacancies in the IT sector with cultural fluent BSEs will be investigated here.

Third, the implementation of SIHRM demands the formulation of organizational strategy. Previously, scholars have linked the CSR perspective to IHRM emphasizing the role of the stakeholders (Ulrich and Dulebohn 2015). However, the key decision makers are found within the corporations are in the top management including HR managers. Even when strategies and policy exist it is not easy to implement this into concrete managerial practices. A gap between the managerial intent and the actual practices in the workplace often prevails. The middle managers have the responsibility to develop the commitment of the employees and to help to overcome contradictions discussed above. Sustainable IHRM is only possible if employees participate proactively. Thus, the managers need to make understood the underlying assumptions addressing social and environmental aspects of the business process (Kramer, 2022, 157).

In Japan, Confucian philosophy informs many values and behaviors including paternalism, benevolence and collaboration in organizations. The action learning becomes more complex when diverse members enter the team challenging the Japanese team members’ conventional cultural assumption (Hirose, 2022). The spiral of learning and planning often challenges the Japanese HR manager to deepen cross-cultural management knowledge in purpose to give the appropriate sense-making for novel facts found in the intercultural workplace of MNEs.

Japanese MNEs invested a large amount of resources attracting and nurturing global talents. Thus, MNEs have realized that Human Capital and the skills or knowledge possesses by their employees are the most valuable resources. Also, as the stable root of CSR management, the reconstruction and transformation of SIHRM is one of the major challenges faced by Japanese firms who wish to gain sustainable competitive advantages. Japanese MNEs have started to rethink the feasibility of their corporate ‘way’ including the lean production system (LPS) and scientific management for mass production. Recently many firms have started to reconsider their business

strategies and develop new policies that focus on how to operate their business in a more ethical and socially responsible manner based on the Stakeholder Theory (Chi, 2018). Japan headquartered MNEs expend effort in fulfilling social responsibility used of socially responsible HR practices that considering employee well-being. Gender issues and diversity management became part of the new way they are deal with public relations issues and helped to transform towards sustainable developments.

1.0. Research about Japan-based diversity teams

The Japanese way of managing work is regarded as the biggest problem for the stability of foreign employees (Tokunaga, 2009; Kimura, 2015). Sekiguchi et al. (2016) pointed out that Japanese MNCs insist on the Japanese way to hire, train and manage domestic and international human resources. However, Japan-based firms face a need to increase intercultural competence to manage global value chains more effectively and ensure the stability of diverse employees (Sonoda, 2017). Several researchers have studied the relationship between foreigners and Japanese workers with regard to intercultural issues (Tokunaga, 2009; Sonoda, 2017). Kimura (2015) showed that the Japanese were more willing to have foreign colleagues in a different department, rather than their own department. To conclude, these studies indicate the need for non-Japanese to fit in the Japan-based organization. Japan-based companies facing recently more diverse situations in their workplace that demands more sophisticated recruitment and training to sustain human resources.

1.1. Recruitment and training of foreign employees

Two decades ago Japanese companies began to hire foreign students regularly (Fukushima, 2019). Moriya (2009, 2017) considers foreign workers as an important solution to the recent labor shortage problem in Japan. In contrast, Conrad and Meyer-Ohle (2018) showed that recruitment problems exist when Japanese firms apply the same standards to foreign university graduates as they do in case of Japanese graduates. When seeking human resources that fit in the exciting organization obstacles potentials to globalize the firm. Doi (2009) found that foreigners need to perform better than the Japanese to get the same job offer. Foreign graduates hired only when regarded when they are better than Japanese candidates. This can be critiqued as a double standard that promotes by superficial diversity of *token* teams in Japanese corporations (Adler and Gundersen, 2008, p.132). Fukushima (2019)'s research indicated that in most companies that hire foreign employees, foreign employees account for about 10% of new employees. Foreign employees receive the same training as Japanese employees. Following

the *Japanese way* of recruiting freshmen narrowed the selection criteria on Japanese language proficiency for a better matching with large corporations that led to increasing ignorance of the diversity advantages (Conrad and Meyer-Ohle, 2019).

1.2. Diverse teams: ideal and challenges

Several scholars analyzed advantages of diversity and state that diversity teams are more efficient than homogeneous teams. Schneider and Eckl (2016) found that the more diverse teams are more innovative through an econometric perspective. Barta, Kleiner, and Neumann (2012) showed that diverse teams achieve higher productivity. Joshi and Roh (2000) point out when the tasks are complicated, diversity can bring positive effects on team performance due to the possibility of gathering various information. Zhang (2015) testified that in the task team, the variety of values has a significant positive impact on team performance, while the diversity of personalities, on the contrary, brings negative impacts. Hogg and Terry (2000) pointed out that large teams are more likely to have conflicts because of diversity than small teams. Nancy J. Adler with Allison Gunderson (2008) divided diverse teams into three types— token team, bicultural team, and multicultural team to analyze the diversity advantage. In Japan homogeneous teams were prevailing for a long time. The contribution of a single foreign staff member in token teams was not effective but nowadays bi-cultural and diversity teams are increasing. Diversity teams are expected to create sustainable IHRM advantage for the organization.

1.3. Conflicts, training and leadership of diversity teams

Taniguchi (2017) supported the statement showing that task conflict happens because individuals' missions or goals for tasks are different. In contrast, Herring (2009) found that conflict has a positive influence on team performance because it can bring different perceptions to task-related problems. Personal and team identity might also nurture psychological problems (Roberge and Dick, 2010). Conflicts occur often because of language and communication problems (Li, 2009). Communication inside the intercultural team is crucial for the team performance (Bhappu et al., 1997). Tokunaga (2009) pinpointed the problem that Japanese employees are often resistance to foreign colleagues not willing to communicate with them. Nabeshima (2017) advocated mental support from unassociated units for conflict resolution, but Shimada (2017) perceives foreign employees graduated from a Japanese university as helpful to narrow the gap between different parties in diversity teams. Wei and Dong (2014) suggest that diversity training can interfere with team members' concepts, attitudes,

values, and provide members easing team communication. Prejudice and tension between members will be resolved making possible an exchange of opinions and knowledge. King et al. (2010) concluded that greater stability, performance, and better satisfaction can be achieved by team members through training or coaching.

Cultural intelligent leaders unlock the potentials of diversity teams (Rosenauer, Homan, Horstmeier and Voelpel, 2016). A leader that aims on sustainable IHRM should need to find his or her position in the diverse team to gain trust from team members first (Taniguchi (2017), but second also need to win a better understanding of the embedding, intercultural context. The leader need to be conscious of characteristics of the people trusted to him/her and recognizing cultural aspects that need to be reconciled when advancing to sustainable IHRM system.

The question is if the observed ethnocentric approach really provides a sustainable IHRM? What kind of challenges and opportunities can we discover from a Japan-based American and Chinese firm? The purpose of this study was to evaluate the leadership challenges of sustainable IHRM from a cross-cultural management lens asking just following two questions. 1) What kind of challenges can be observed in intercultural teams? 2) How to overcome these problems succeeding with Sustainable IHRM? The result of this study may lead to a better understanding of diversity management helping international HR managers to make sustainable IHRM practices in Japan-based foreign affiliate firms.

2. Method

The purpose was to discuss problems and obstacles to sustainable IHRM. The HRM perspectives from the international manager and/or entrepreneur was a research objective of this survey. Qualitative analyses are a useful method to discover the key elements that are crucial to the improvement of intercultural teamwork in Japan. Capturing and comparing two different views and situations were promising to answer the research questions that center on the diversity and sustainable IHRM. Qualitative research data was obtained through interviews with one Chinese entrepreneur, conducted in December 2019, and one American HR manager in January 2020. From a leadership or managerial perspective, sustainable IHRM with focus on team challenges was observed. This was conducted as one survey employing a consistent research framework investigating such aspects as recruitment, training and team turnover of the respective IHRM system. The contents of the interviews helped documentation of facts and details important for hiring, the circumstances of multicultural teams, and leadership problems of the managers.

Interviewee Mr. D was born in Shanghai, China, and came to Japan for further study after high school graduation. After studying at a Japanese language school, he entered Kinki University and started to study International Economics. Kansai was the first station of his life in Japan and lasted about 5 and a half years.

Another interviewee Mr. K has been working at a Kobe-based subsidiary of American MNCs since the 1970s. Mr. K has been assigned to Japan three times; in total he lived six years in Japan.

Approaching Sustainable IHRM in Japan analyses and categories from previous research projects were re-assembled. Snowball sampling led to identification of valuable cases locating information-rich informants (Patton 2002). Procedures applied will be outlined and discussed in the following. The subjects collaborating with the interview were selected as they were HR managers and/or entrepreneurial leaders recruiting foreign talents. Diversity management were target by both companies. All managers had the ambition to better multi-cultural work environment for foreign talents. The interviewees had experiences in managing diversity teams.

The first case, Mr. D, the CEO and managing director of an IT company had been interviewed first time in 2014 at his Tokyo-based office; then after twice as a guest speaker at university. The main business of the IT company is a computer system development service. His businesses coverages software manufacturing and merchandising, information and telecommunication support and other IT services. Our interview was semi-structured. The research agenda included basic information about the company, employee ratio sorted by nationality, recruitment system and standards, working style, employee training, performance evaluation, challenges faced about diversity management, and foreign employee turnover issues.

The second interviewee was with a HR director of Kobe-based subsidiary of an American MNE producing skincare and other sanitary goods. The interview was conducted at a conference room of the headquarters in Kobe in January 2020. Previously, the successors of the HR managers were invited as guest speakers and interviewed as well. All interviews conducted were semi-structure and included questions about the recruitment, working style, employee training, performance evaluation, challenges experienced through the implementation of diversity management, and turnover of foreign employees. The long-term interactions with both companies enabled a panel survey on their IHRM policies.

Thus far, two interviews have been conducted with one Chinese entrepreneur and one American HR manager which will be reported in the results part. To make clear how the views represent the actual HR practices of American and Chinese companies in Japan we explain here how we selected them. The American company is one of the earliest American FDI examples in Japan in the health care sector. Ellen V. Fuller (2009) already

reported about the pitfalls of culture, gender, and authority in the Japanese subsidiary of the American cooperation in the process of “Going Global”. Nevertheless, the company, an MNE, is an outstanding and well documented case of how to sustain business in Japan with a marketing strategy independent from the initial Japanese joint venture partners. The MNE serves as a success pattern for embedding foreign corporations in Kansai Economy (Schlunze 2007). Not only that the MNE succeeded to overcoming conflicts of interest with previous partners and making profits as a foreign entity in Japan but also seeking ways to succeed with implementing diversity and inclusion in the MNEs overcoming the resistance of local staff members who have been supporting those Japanese values that served their own interest. Being successful in the Japanese market, the American firm became leader in the application of global managerial practices.

Fletcher and Plakoyiannaki (2011, p.187) argued that even a single case can be enough for analytical generalization, give alternative accounts of causation, clarify relationships, and build and test theory. In the second case study we shed more light on a bi-cultural *hybrid* entrepreneur who was introduced during a previous investigation of Chinese managers by the Chinese Chamber of Commerce in Japan (CCCJ) as an obvious success case with visionary leadership creating a sustainable IHRM that accommodates Chinese as well as Japanese staff members. Snowball sampling led to the case that can be perceived as a confirmatory case that fit to emergent patterns of localizing business in Japan. According to Fletcher and Plakoyiannaki (2011, p.180) confirming and elaborating on previous findings provides a good option to provide alternative interpretations. Here, we like to provide interpretations by emerging empirical evidence for SIHRM at the level of a typical SME managed by a Chinese entrepreneur who acculturated in Japan.

3. Results

2.1. Qualitative analyses - Interview survey

In the following the interview survey results are presented. First case is a Chinese entrepreneur who is leading a Japan-based IT company, second case is a HR American director based at a subsidiary in Kobe of a leading American MNE. To compare both cases studied structured interview where conducted discussing the firm's a) Recruitment, b) Team training and c) Turnover.

Case A: Chinese IT entrepreneur nurturing IT talents

Recruitment

Mr. D's company hires young graduates and experienced talent from China. Recruitment in China has two patterns. He cooperates with universities, making a program in order to educate specialized talent. Students are supposed to attend a Learning Center founded by Mr. D studying Japanese language and business manners. Japanese languages skills and other expertise are required for these applicants in the recruitment statement. Another one approach to recruit skilled talent exists as well. The company hires additional people through an agency company. Requirements for these applicants are Japanese language skills, experience, expertise and a connection with a Chinese university or technical school. After entering the company, Japanese and foreign employees are evaluated by the same standards. The evaluation is based on teamwork performance.

Training: Diversity and conflict

Mr. D aims to heighten the skills by training for IT relevant qualification and certification. Practical coaching helps employees become able to do the job based at Japanese customers as a bridge system engineer (BSE). It is important for them to adapt to the Japanese working style getting along with Japanese co-workers. Division of labor leads to different responsibility which helps to avoid "big conflicts" according to Mr. D. However, small friction caused by miscommunication still occurs from time to time. Communication problems enhancing foreign and Japanese employees help the managers understanding each side. Mr. D was evaluated and found to have a high cultural intelligence quotient (CQ). Thus, he is expected to lead his employees with cross-cultural competence that steam from multicultural experience.

Team turnover

Because of the gap between the expectations before entering the company and the reality after working for a while or other reasons, many foreign employees leave the company and find a new job or leave the country. The turnover issue is unavoidable for his company. Traditional Japanese companies prefer long-term employment and to train their employees but the interviewee confirmed that it is quite costly for a Chinese SME. Talking about turnover, according to Mr. D confess a problem but said that nothing much can be down about it. Yet, according to Mr. D, nowadays, most Chinese who come to work in Japan choose Japan because they are interested in the work experiences, instead of just making money.

“The salary in China nowadays is getting higher, in big cities such as Shanghai and Beijing the salary level is almost equal to Japan. Japan is not as attractive for salaries as it was before. So, a foreign employee who is from China seems to stay in Japan longer than before”. (Translation) [D, 2019]

This fact is also the reason why Mr. D's company never asks applicants how long they are going to stay in Japan or when they will leave. He thinks it's unnecessary to ask these questions. The industry's lack of work force is a server situation, and it is also the reason why he brings new Chinese graduates to work in Japan. Investing a lot in the education of new talents his cost is high; and therefore the turnover is bothering Mr. D. His solution to this problem is his strategy to sustain workplace harmony and make his employees feel satisfied but still he wonders if this helps to minimize the turnover effectively. Turnover is and stays an issue but also a dynamic moment of growth for his company. Training not only about programming but also about the Japanese culture helps to sustain human resources within his firm and maintaining that his BSEs can continue to work at the offices of his Japanese clients. As a cultural fluent or *hybrid* leader he helps to reduce conflicts among foreign and Japanese co-workers and with local clients. The long-term perspective solutions by nurturing global talent at the level of SMEs is promising but difficult to advance to a sustainable IHRM approach.

Case B: American HR manager promoting diversity & inclusion

Recruitment

The first reason for the HR manager at the American MNE to hire foreigners is get *specific* talent. When there is a position vacant he seeks a competent expert not discriminating on nationality or gender. A transfer inside the global value chain of the MNE employees located in other overseas subsidiaries will be naturally considered first. According to the interviewed HR manager some Japanese characteristic in the recruitment need to be respected, but the global company wishes to apply global standards and implement the evaluation system common for all subsidiaries within the MNE. Only this enables the MNE to transfer personnel with in the global corporate network. Experts, even not familiar with the Japanese market, can apply for the job in Japan. It will be in the interest of the MNE not only in case of emergency but beneficial to the global recruiting system of the global firm. Planning and nurturing new IHRM system will sustain the human resources of the MNE. Further, according to the HR manager different cultural backgrounds, ideas, ways of seeing and solving problems

advocates the recognition of applicants from other overseas subsidiaries and graduates from overseas universities as well.

Training: Diversity and conflict

According to the interviewee, the MNE is fairly sophisticated at promoting team effectiveness in the Japan-based subsidiary. New products are introduced every six months. Teams are formed and change quite often by product innovation and marketing projects. The proportion of foreign employees in existing team is said to be high. It starts with the HR department where the American director leads not only Japanese but also many non-Japanese team members. Developing sustainable IHRM techniques to build human capability is critical to successful intercultural team building. For example, the MNE uses the technique of product values principles (PVP) which provides 1) good products to consumers, 2) returns leadership sales, profit and value creation, and finally 3) allows employees, shareholders and related community to prosper. This value creation processes are sustained by measures of diversity and inclusion. An annual event in March aims to notify employees of the meaning of diversity. The MNE builds for a better working environment that satisfied employees wellbeing and encourages team effectiveness overcoming group thinking as common workplace problem in Japan. To facilitate diversity Mr. K encourages employees to express their ideas, agreement and disagreement as found in the following statement.

“They can, you know, really be themselves. I think that one of our keys could sort of tag we see on posters and things we say be your best self. Just kind of silly English little bit. But it basically means if you're comfortable, if you're not hiding, if you're hiding, you're gonna be tired and you're not gonna be coming up with really good ideas. Right? If you're really just yourself, then we believe that you can perform at it at the highest level for you.” (K, 2020)

Speaking in English in a formal setting is seen as helpful since local employees cannot ask for cultural accommodation. A team at the Japanese subsidiary of the American MNE usually consists of employees with manifold different cultural backgrounds. These multicultural teams need to perform equally. The risk of group thinking has been lowered encouraging team members sharing opinions, innovative thinking and solutions.

Team turnover

Sustainable IHRM at the level of the Japan-based subsidiary means to attract people to join and stay with the company. The MNE proactively helps to overcome societal problems observed in Japan. Among them the common difficulties of being a *working mom*. The HR manager reports that they are trying to create a good workplace or environment for working mothers. However, societal problems are still an obstruction since the MNE depends on the cooperation of local institutions such as kindergarten and schools.

Another aspect of sustainable IHRM practice is the target time span for female employees' career development. It takes about 10 years to guide a female work to become a top manager according to the HR manager and much financial risk is involved for the company. Investment in personnel affairs done should not be lost and the company is not only filling position but helping people to make their career inside and outside of the firm. The MNE keeps good relations with recent and former employees embedding the firm into the local community.

4. Discussion

This study attempted to discover what kind of challenges exist in intercultural teams, and what are useful implications for Sustainable IHRM in intercultural settings at the level of an SME and MNE.

From both cases we learnt that mismatching in the recruitment stage remains. Both companies discussed hire foreign employees because of lack of labor. To avoid that cultural conflicts Japanese-like foreigners are preferably hired at the SME. Using the recruitment routes and routines as for Japanese applicants makes difficult to find real global talents at the MNE. The recruitment policy of the MNE and a functional approach at the SME observed helps the Japan-based firms gathering talented people from overseas.

The results of this investigation show that cross-cultural training is indispensable and effective to overcome team and IHRM problems. The Kobe-based American MNE overcome contraction applying the sustainable IHRM practices sustaining finance/capital, human and socio-ecology aspects of their businesses. The Chinese

entrepreneur, who is managing a Tokyo-based SME, is not concerned about the application of novel concepts and instead sustains his business through job creation for BSEs.

Foreign employees need to be trained to fit into the organization and to interact with Japanese clients. Training targets foreign and Japanese employees and managers including intercultural team leaders. Not only foreign employees need to adapt to the organization, but Japanese employees in the organization also need to adapt to the new diverse team. Japanese employees should receive diversity-related training as a member of the diversity team to help foreign employees fit in the local team and work with local clients. While the globalizing American MNE is application oriented, the Chinese led SME is adaptation-oriented localizing business by appropriate training and counseling.

Team turnover is a serious issue for both companies who try their best to nurture and keep talents. Reduce the dissatisfaction, and providing fair and sound career opportunities for employees is a core tool for sustaining human resources at the level of the MNE as the SME investigated. Foreign team leaders need to be prepared to work with Japanese and create better teamwork as we observed from both cases. Cross-cultural training and fostering the leader's ability to understand different cultures and integrate them are considered to be sustainable IHRM strategies. Leadership traits were observed to be needed for an intercultural team such as the ability of integration and respecting all cultural differences at the level of HR manager and Chinese entrepreneur.

Sustainable IHRM might not necessarily need to shift towards Western approaches. As the case of the Chinese entrepreneur suggest a daily support of subordinates in dealings with local teams and clients does not always need policies and strategies as found at the level of the American MNE. The results of this study indicate that as a leader who leads a diverse team should not “ignore or minimize cultural differences”. The HR manager, leader of the team in an MNE or SME, need to be respectful to different cultures. Efforts to enhance mutual respect to make a good working climate is major responsibility of a team leader. Intercultural competence to be observed in the interviewees is critical to manage cultural differences nurturing the qualities in diversity teams. We can suggest that nurturing cultural fluent or so called *hybrid* managers who have both the needed intercultural experiences and a strong strategic intent that aims on visionary thinking about SDGs and/or CSR is one major aspect of a successful development towards a sustainable IHRM approach.

The upward spiral of learning and planning challenges at the level of the American HR manager and Chinese entrepreneur equally demands to deepen cross-cultural management knowledge in purpose to give the appropriate sense-making for the implementation of sustainable IHRM practices in their intercultural workplaces. The skills possessed by their employees are the most valuable resources to sustain their companies' businesses in Japan. It would be beyond the scope of this study to state with certainty about the importance of cross-cultural training and team leaders' "cultural intelligence" in business will diminish with the development of information technology but we believe that information technology and/or new rules for Virtual Intercultural Team might to some extent substitute HR managers' political correctness in the MNE but both, the American HR manager and Chinese entrepreneur's cultural intelligence will be needed to make sense of their cultural experiences sustaining IHRM in an changing glocal business environment.

Stable root of CSR management appears to be crucial for the transformation of Sustainable IHRM at the level of the American MNE who wish to gain sustainable competitive advantages as a global player over Japanese competitors. The Chinese SME managing director's sustainability approach is more centered collaboration following the demands of Japanese customers. This appears to results to in sustaining IHRM in the fashion of the good, old Corporate Citizen.

It might be easy to agree to important arguments such as mutual respect often published in textbooks of Cross-cultural management. However, our original research findings go beyond what was learnt from our previous studies which is that foreign employees and entrepreneurs can help to make possible diversity management within big and small organizations. Not only learning from interacting with Japanese co-workers and clients but also enthusing local and foreign employees to commit to diversity management by the application of global standards and/or to sustain multicultural teamwork that suits an expanding Chinese SME rather than fitting in the local teams of the clients. Therefore, the HR manager and the entrepreneur need to be respectful to the local culture in purpose to get multiplication effects facilitating and nurturing global talents that help multicultural teams to create synergy in the particular workplaces. Such synergy among team members is expected to sustain the survival of the firm. The strategic tool to achieve this in the MNE is actually compliances and policies related to diversity issues but for the SME it is the strategic intent of the Chinese CEO.

If we look carefully under what conditions the IHRM approach taken by these companies would be effective, we would suggest that it might vary depending on what type of industry the company is in. However, from this cases it is obvious that BtoB and BtoC businesses might provide different approaches. The Chinese SME provides BtoC services and showed that there is much need to adapt to characteristics of the host country approach. The results let us infer that SME adapt to local, sustainable HRM approaches, meanwhile the MNE cases advances towards a sustainable IHRM approach applying global and/or American standards. Interestingly, the SME promotes nurturing global talents by his localization effort successfully meanwhile the MNE experienced also initially internal resistance for his globalizing efforts when promoting diversity and inclusion of foreign or female talents. As our cases show sustainable international human resource management needs to mobilize self-initiated expatriates (SIEs) and/or train cultural fluent or so called hybrid managers within a Global Talent Management program to achieve effective management of all human talents (Schlunze 2012, Vaiman, Haslberger and Vance 2015).

One limitation lies in the fact that this on-going study is based on a small sample of company leaders who can help to shed a light on the intercultural team working and the formation of sustainable IHRM. The tendency on uncertainty avoidance in Japan will help to make careful adjustments needed not just imitating Western-style practices in order to implement a global IHRM system. In the end one might want to know to what extent the differences observed in the two firms reflect the managers' home country cultures. Which has a greater impact, organizational culture or home country culture? Research involving more companies would be needed to answer this question, but what we observe from our cases is that the American organization is very application-oriented implementing what can be perceived as an American and/or global company culture, meanwhile the Chinese led organization is heavily impacted by local culture and therefore adaption-oriented.

Sustainability is still a novel and emerging aspect of IHRM but we wished to observe how IHRM practices gradually change. One could argue that companies that focus on sustainability are more likely to adopt more global business standards and therefore take a global IHRM approach. What we observed from the cases is that the American MNE meets this assumption but not the Chinese led SME which instead still struggles to adapt local standards. However, this approach might transform to glocal IHRM because of the demands of globalizing clients in the near future.

This study – complemented by adding a comparative case of a Japanese firm – may be useful for practitioners who wish to develop sustainable IHRM practices in Japan-based firms. Further research should be conducted applying the cross-cultural lens to focus on workplace challenges for sustainable IHRM facilitating a larger sample and mixed methods.

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