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Human resource management in Asian subsidiaries: comparison of French and Japanese MNCs

Johannes Schaaper[a]*, Bruno Amann[b], Jacques Jaussaud[c], Hiroyuki Nakamura[d] and Shuji Mizoguchi[d]

[a]BEM, Bordeaux Management School, Talence Cedex, France; [b]University of Toulouse, Toulouse, France; [c]UPPA, University of Pau, Pau Cedex, France; [d]Yokohama National University, Yokohama, Japan

European and Japanese multinational corporations (MNCs) have expanded their activities in Asia, usually through massive mobilization of various human resources from head offices, whether expatriated or on short-term assignments, and a reliance on diverse categories of local employees. Because expatriation is costly, difficult and often limited in its results, MNCs have developed localization strategies for management positions to support their regional development. This contribution addresses such a scenario by comparing Japanese and French MNCs in eight Asian countries, based on 53 interviews across subsidiaries of 17 MNCs. We find that Japanese MNCs have not localized management positions as much as French MNCs, but they have grown more willing to do so. To compensate for the lack of local capabilities without sending more expatriates, both French and Japanese MNCs frequently send experts on short-term assignments. Finally, though human resource practices vary widely across countries, even for a given MNC, some harmonizing principles have been introduced to regional HRM strategies recently.

Keywords: Asia; expatriation; human resource management; localization of management; multinational corporations (MNCs); short-term assignments

Introduction

In their initial search for reduced production costs, and then their realization of growth opportunities, multinational corporations (MNCs) from North America, Europe and Japan have greatly increased their activities in Asia in the past three decades. They have set up production facilities in different Asian countries, with local partners in joint ventures, or alone in wholly owned subsidiaries (WOS). They have developed production networks while looking for economies of scale, through the exchange of components across production units in diverse countries in the region (Bartlett and Goshal 1987; Birkinshaw and Morrison 1995; Ghemawat 2005). As local demand for products grew, these MNCs also have developed distribution networks.

Such developments would not have been possible without the mobilization of a vast range of human resources. On the one side, MNCs have expatriated or sent many managers, engineers and technicians from their head offices to units in Asia on short-term assignments. On the other side, they have selected, enrolled and trained local production workers, office employees, commercial teams, and managers and thus developed extensive local human resources. Considering the high costs of expatriation, the

*Corresponding author. Email: jan.schaaper@bem.edu

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challenges for expatriates and their families, and the limited results (Tung 1981; Black, Mendenhall and Oddou 1991; Latta 1999), MNCs increasingly have transferred management positions to local staff, though there is variation across home countries. However, Japanese MNCs are known for being more timorous than Western MNCs on the localization of management positions (Legewie 2002; Belderbos and Heijltjes 2005).

Yet little research has examined the localization of management positions by MNCs (Wong and Law 1999; Lam and Yeung 2010; Fayol-Song 2011) or human resource management (HRM) strategies that support the development of MNCs in a particular regional zone, such as Asia. To address such issues, this study compares Japanese and French MNCs in the Asian region, using a qualitative approach based on 53 semi-structured in-depth interviews with high-ranking managers of regional headquarters and subsidiaries across eight Asian countries. Considering their historic resistance, the Japanese MNCs in our sample have still not localized management positions to the same extent as the French MNCs; however, they are in the process of doing so more systematically. As a way to compensate for their lack of local capabilities, without sending more expatriates, both French and Japanese MNCs rely heavily on experts whom they send to Asia on short-term assignments. Finally, we find that HRM practices are greatly influenced by local legal, cultural and institutional contexts in each country, so they vary widely, even for a single MNC, from country to country. For strategic reasons, some harmonizing principles have been introduced to regional HRM strategies though.

To provide these insights, we begin this article by considering academic literature related to international HRM policies by MNCs, which suggests a set of hypotheses. We then describe our research methodology, data collection and analysis. After we test our set of hypotheses empirically, we discuss the results and their implications.

Background and hypotheses: HRM and the development of MNCs in Asia

Expatriation

Appointing expatriates to key management positions in a subsidiary is often crucial for developing activities abroad, as well as a main instrument of control by headquarters over overseas subsidiaries (Perlmutter and Heenan 1974; Edström and Galbraith 1997; Ando, Rhee and Park 2008; Lam and Yeung 2010). Harzing (2001) underlines that expatriates are often appointed as general managers or chief financial officers of a subsidiary abroad, rather than to more locally oriented functions, such as HRM and marketing. The MNCs rely so heavily on expatriates for several reasons. First, their positions require a high interactivity with headquarters. Informal networks that expatriates have developed previously within the MNC, and particularly at headquarters, provide a good foundation for effective functioning. Second, managing subsidiaries requires precise knowledge of the MNC's processes and the ways it does things. Especially, if a subsidiary has been created recently, only expatriates have such knowledge.

Yet expatriation also have shortcomings. It is extremely costly (Latta 1999): the costs of a manager at home may be ten times less than one abroad, such as in Asia (Wong and Law 1999; Selmer 2003), because in addition to wages expatriates generally receive bonuses, depending on the host country, plus living allowances (e.g. housing, flights, social insurance). In addition to being costly, expatriation often produces disappointing results. Regardless of performance at home, an expatriate may be disoriented and underperform in foreign contexts (Tung 1981; Black et al. 1991; Claus, Lungu and

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Bhattachargee 2011). According to Tung (1981), the expatriation failure rate, meaning an expatriate was recalled or dismissed, ranges between 10% and 20% for US firms and a little bit lower for European and Japanese firms (5%). With a less restrictive definition of expatriation failure, Black et al. (1991) estimate the rate anywhere between 16% and 50%. In the 1990s in China, the expatriation failure rate estimated by Melvin and Sylvester (1997) ranged between 25% and 30%. The costs of such expatriation failures, though hard to estimate, are extremely high. A failure incurs expenses to repatriate the expatriate and select and train a replacement. Hidden costs arise in relation to the underperformance of the subsidiary when the expatriate does not reach the set objectives.

Considering these challenges, as well as their needs for human resources in Asia, while taking into account the difficulties and costs of expatriation, MNCs have designed localization strategies for key management positions (Wong and Law 1999; Selmer 2003).

Harzing (2001) shows specifically that French MNCs appoint expatriates as subsidiary managing directors in 30% of cases; Japanese MNCs do so for 76.5% of their subsidiaries. Moreover, she finds that Japanese MNCs have continued to rely on expatriates, whereas European MNCs localized their subsidiary management at the start of the twenty-first century. Jaussaud and Schaaper (2006, 2007) confirm that European MNCs send fewer expatriates to China than Japanese MNCs and suggest three reasons to explain this difference. First, the geographic distance is lower from Japan to China, and more broadly to Asia, than from European countries. In some cases, the family of a Japanese expatriate can even remain in Japan, and the expatriate comes home once or twice a month. This scenario is similar to what Mayerhofer, Hartmann, Michelitsch and Kollinger (2004b, p. 1375) call international commuter assignments, whereby 'an employee commutes from his home country to a place of work in another country, usually on a weekly or bi-weekly basis, while his family remains at home'. In contrast, for European expatriation, the geographic distance to Asia is much farther, and expatriates must leave their home country for extended periods, which can be a major problem, especially if a spouse has to leave his or her job to move. Second, due to the economic difficulties that Japanese MNCs faced at the beginning of the 1990s, their production costs were extremely high in Japan, they started to delocalize production plants to other Asian countries, reducing the employment levels in Japan of not only production workers but also middle and senior managers. They needed simultaneously to staff new production plants abroad. So to reduce layoffs, expatriation became an attractive alternative. Third, as often underlined by academic literature, Japanese firms generally expatriate more than MNCs of other nationalities to maintain control over their activities abroad (Harzing 2001; Legewie 2002; Belderbos and Heijltjes 2005). Though Beamish and Inkpen (1998) find that Japanese MNCs also have tried to reduce expatriation in the past five decades, for some of the reasons we already noted, such as high costs and disappointing results. These overall trends and HRM policies of Japanese and French MNCs lead to the following hypothesis:

Hypothesis 1: All else being equal, French MNCs send fewer expatriates to Asian countries than Japanese MNCs do.

Short-term assignments

To reduce expatriation, MNCs send experts to their subsidiaries abroad on short-term assignments. These experts solve specific problems, such as starting new production lines, implementing software packages, designing commercial campaigns, training local staff and transferring technical knowledge (Mayerhofer et al. 2004b; Tahvanainen, Welch and

Worm 2005; Bonache, Brexster, Suurari and De Saá 2010). Such short-term assignments, usually no more than a few months, provide the subsidiary with wide ranges of specialized knowledge that it lacks locally but that are available elsewhere in the MNC's network. According to Collings, Scullion and Dowling (2009) though, short-term assignments remain understudied and demand more empirical evidence. Bonache et al. (2010) question how MNCs organize different forms of international assignments and manage the mix of long-term expatriation and shorter assignments. Several studies have highlighted the increasing use of short-term assignments worldwide (Mayerhofer, Hartmann and Hebert 2004a; Tahvanainen et al. 2005), and in China, short-term assignments are frequent for almost all MNCs, whatever their origin (Jaussaud and Schaaper 2007, 2010). Extending these findings to all of Asia, we hypothesize:

Hypothesis 2: Short-term assignments of experts are common means by which French and Japanese MNCs provide specialized knowledge to their subsidiaries in Asian countries.

Localization of management positions

Although short-term assignments reduce the need for expatriation, the most promising way to do so is through the localization of management positions (Wong and Law 1999; Kühlmann and Hutchings 2010; Lam and Yeung 2010; Fayol-Song 2011). Staff localization reduces expatriation costs and enhances the use of local competencies, rather than failing to exploit them. It also might help firms comply with local authorities' requirements or expectations (Fayol-Song 2011). Therefore,

Hypothesis 3: Both French and Japanese MNCs are reducing the number of expatriates they send to Asian countries by increasing the localization of management positions.

Localization requires several conditions, as emphasized by Kühlmann and Hutchings (2010) and Fayol-Song (2011) for China. First, local employees must be trained before they can become potential candidates for key management positions, particularly in developing countries. However, training local staff is meaningless if the subsidiary cannot retain trained managers – an especially pertinent concern in countries where the competition for human resources between foreign MNCs and local firms is fierce. Second, to increase employees' loyalty, the MNC must design adequate compensation and motivation policies, which requires assessing their capabilities and efforts. Thus, according to prior literature, staff localization in China demands the development and implementation of a comprehensive, local HRM strategy. Extending this claim to Asia leads to the following hypothesis:

Hypothesis 4: In Asian countries, staff localization requires comprehensive, local HRM to be developed and implemented in the subsidiaries.

Influence of legal and institutional contexts

Local HRM might improve the localization of management positions in the subsidiary, but this strategy primarily aims to secure various types of needed employees. Warner (1996, 1997, 2003) notes that a major driver of change in HRM practices in China was the evolution of the institutional framework and particularly of the labour regulations. For example, the revised labour laws of 1994 set new rules for contracts, introduced the

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possibility of performance-based wages and set up a health insurance system financed by social contributions. The labour law of 2007 better protects workers, particularly in conflicts, and it also requires greater formalism for HRM. Several researches underline the incidence of local institutional pressures on the HRM practices of subsidiaries (Kostova and Roth 2002; Ferner, Almond and Colling 2005; Björkman, Budhwar, Smale and Sumelius 2008). However, in Asia, the legal and institutional context still differs greatly from country to country, according to historical and political backgrounds, social contexts, economic developments, etc. If legal and institutional contexts drive changes in HRM practices in China (Warner 1996, 1997, 2003), we also predict that:

Hypothesis 5: As determined by the local legal and institutional context of each country, HRM practices vary widely for a given MNC in different Asian countries.

Methodology: data collection and analysis

This contribution relies on a qualitative approach, with semi-structured in-depth interviews with managers of subsidiaries in various Asian countries and, in some cases, interviews with managers at the MNC's global or regional headquarters. We carefully selected a series of Japanese and French MNCs and attempt to respond to Collings et al.'s (2009, p. 1263) call for more qualitative research in the field of international HRM, to 'shed light on some of the underlying factors behind specific phenomena and a more nuanced understanding of global staffing decisions'. We carried out the interviews in France, Japan and seven other Asian countries from 2008 to 2010.

To compare Japanese and French MNCs, we also follow the logic of data triangulation. The institutional and cultural contexts, as well as the geographic distances between headquarters and subsidiaries, differ notably between Japanese and French MNCs. When some features appear similar, a comparison supports cautious generalization to MNCs of other nationalities. When differences arise, the qualitative nature of our research helps us interpret them. Thus, we perform what Denzin (1978) calls a triangulation of data sources, which Miles and Huberman (1994) emphasize as a means to strengthen the reliability of research findings.

Qualitative research can adopt either a deductive or an inductive perspective (Symon and Cassel 1998) or a combination thereof, as we do. Some questions in our interview guide had been designed to test the hypotheses we derived from the academic literature (i.e. deductive approach). But respondents were also invited to detail HRM practices in the specific context of their subsidiary. With our informants, we explored a broad set of potential justifications for any practice. By thus pushing respondents to undertake deeper reasoning, we pursued an inductive posture, which was particularly useful for understanding and contextualizing specific HRM practices (Silverman 2005).

To prepare for the interviews, our Japanese–French research team met several times. We wrote a semi-structured interview guide in three languages: Japanese, French and English (some managers in subsidiaries were of nationalities other than Japanese or French). For each language, we used the translation–back-translation method. The interview guide started with two opening questions about the history of the MNC in the country and the entry modes for both the interviewed subsidiary and other subsidiaries of the MNC in the same country. Six open-ended questions and several sub-questions allowed managers to describe the HRM practices currently implemented in their subsidiaries, and any changes they expected. We purposefully asked about a large variety

of HRM practices to gain fuller insights into the actual situation. We also asked them to explain the reasons for the degree of implementation (or non-implementation) of each practice.

We interviewed high-ranking managers in nine French (31 interviews) and eight Japanese (22 interviews) MNCs that had subsidiaries in several Asian countries and, in some cases, at the headquarters in the home country (Table 1). In total, we carried out 53 interviews in eight different countries in the units of these 17 MNCs. We aimed to attain saturation in every country we visited, such that additional interviews did not offer any new or significant information about the research questions (Symon and Cassel 1998). In addition, we interviewed 27 other expatriate managers of subsidiaries in Asia, which helped us better appreciate and triangulate the reliability of our information and interpretations of the data that we collected about the 17 MNCs. Table 1 contains an overview of the sample, in which we refer to the French subsidiaries as FA to FI (F for France) and the Japanese subsidiaries as JJ to JQ (J for Japan).

At the request of the interviewees, we do not provide the names of the MNCs. Thus, the respondents could speak freely without asking their hierarchy for permission. For the same reason, we indicate industries only in very broad terms; to avoid bias, we chose French and Japanese MNCs in comparable industries. All the MNCs in our sample are major players in their sectors.

The interviews lasted between one and two hours. The content of the interviews has been fully transcribed and translated into English, while this is the common work language of the French–Japanese research team. We then entered the transcripts of the 53 discourses into a thematic content analysis grid, with one column per subsidiary or

Table 1. French and Japanese MNCs interviewed in eight Asian countries, 2008–2010.

MNC identification code	*Branch of industry*	*Number of interviews*	*Countries*[a]	*Duration of presence in Asia*[b] *(years)*
FA	Equipment for telecommunication	3	China, Indonesia, Japan	45
FB	Aeronautics and electronics Equipments	5	France, India, Japan, Korea, Singapore	40
FC	Pharmaceuticals	3	China, Japan, Singapore	25
FD	Chemicals	3	China, Japan, Singapore	40
FE	Chemicals	4	China, France, India, Japan	105
FF	Optical equipments	3	China, Korea, Singapore	30
FG	Energy supply	4	China, France, Indonesia, Japan	35
FH	Automobile industry	4	China, Japan, Malaysia	25
FI	Electric equipment	2	China, Japan	35
JJ	Electronics	2	Indonesia, Japan	30
JK	Electric equipment	6	Indonesia, Japan, Vietnam	20
JL	Electronics	2	Indonesia, Japan	35
JM	Logistics	3	Indonesia, Japan	45
JN	Optical equipment	2	China, Japan	35
JO	Electric equipment	2	Japan, Vietnam	40
JP	Pharmaceuticals	2	China, Japan	15
JQ	Automobile industry	3	Indonesia, Japan	25

[a] In some cases (JK, JM, JQ), two subsidiaries in the same country were interviewed.
[b] Outside Japan for Japanese firms (JJ to JQ).

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headquarter, and one line per question or sub-question from the interview guide. Through a horizontal reading of each question, we carefully reduced the answers to keywords, numbers and short sentences. A visual analysis of this reduced content analysis grid revealed systematic regularities and contrasts in how HRM practices get developed and implemented by the MNCs of our sample in different Asian countries. We test our set of hypotheses using this grid (deductive approach). The interview transcripts then help enrich the interpretations from academic literature, especially when unexpected features appear (inductive approach).

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Results

The reduced grid provides the data for each interview. Table 2 gathers the information from this reduced grid for each multinational firm, as presented in rows. The columns of Table 2 synthesize specific information that helps us validate our hypotheses.

Number of expatriates

The first hypothesis relates to expatriation. The number of expatriates in both the French and Japanese subsidiaries differs considerably from case to case, from 1 or 2 to 40 or more. Even for a given MNC, it may differ considerably from country to country, and in some cases within the same country, both for Japanese and French MNCs. From Table 2, we observe that the presence of one or two expatriates per subsidiary is more common for the French than for the Japanese multinationals. However, some French MNCs also send a huge number of expatriates to a specific subsidiary, and some Japanese MNCs only send a few expatriates. Therefore, it is not possible to state without reservation that French MNCs send fewer expatriates to their subsidiaries in Asia than Japanese MNCs, and H1 cannot be validated.

Our qualitative approach helps clarify the determinants of the number of expatriates, whatever the origin of the MNC. We consider three MNCs that send many expatriates to subsidiaries: FH has 36 expatriates in China, FI sends 38 and JN has 46. In these three cases, the interviewees all mentioned huge projects that they had to develop in a limited period of time or to position themselves against aggressive competitors in rapidly growing markets. These MNCs thus did not have enough time to nurture local talent, which probably would have been poached by aggressive competitors. Thus, expatriation remains a valuable option, despite its difficulties. Furthermore, activities associated with multiyear projects, as is the case for FA with its 10 expatriates in Japan and 10 in Indonesia, increase the number of expatriates to ensure personnel dedicated to the ongoing projects. The specific case of FB, which employs 20 expatriates in India and 46 in Korea, indicates the effects of very high-tech, sensitive activities, related to defence and network security, which prevented it to give up their strong expatriation policy.

The cases in which MNCs send fewer expatriates (e.g. 1–3) are mainly French, though JK and JP fit this profile too. Our respondents mention, in line with extant academic literature, the high costs of expatriation, difficulties of adaptation for expatriates and their families, and the need to promote local employees. In these cases, expatriation mainly involved the position of general manager or chief financial officer, as indicated by Harzing (2001). It also appears that the number of expatriates decreased (see Figure 1) in the following simultaneous conditions: (1) the subsidiary might be strategically important, but its development in the related market was not vital to the whole MNC (cf. FH and JN cases); (2) competition is not particularly strong, so the firm can avoid the risk of being

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Table 2. Synthetic presentation of data collected from French and Japanese MNCs of our sample.

MNC identity code	*Expatriates in top country*	*Expatriates in second country*	*Expatriates in third country*	*Staff localization trends*	*Short-term assignments*
FA	25 in China: 5 at a holding, 1 per other subsidiaries	10 in Indonesia	10 in Japan, spread over two WOS	Recently emphasized	Strongly developed policy, experts from across the whole MNC
FB	20 in India	3 in Japan	46 in Korea across 3 subsidiaries	No such policy	Strongly developed policy, experts from European units
FC	3 in China	1 in Japan	0 in Singapore, despite regional office	Strong policy for a while	Strongly developed policy, experts from the whole MNC
FD	4 in China	3 in Japan	0 in Singapore regional office	Strong policy for a while	Strongly developed policy, experts from the whole MNC
FE	15 in China, less than 1 per subsidiary	5 in India, less than 1 per subsidiary	3 in Korea	Strong policy for a while	Strongly developed policy, experts from the whole MNC
FF	2 in China	2 in Korea	1 in Singapore	Strong policy for a while	Strongly developed policy, experts from the whole MNC
FG	12 in China	5 in Indonesia	4 in Japan	Not well developed	Strongly developed policy, experts from the whole MNC
FH	38 in China, 36 in one big subsidiary, 2 in another	8 in Japan	6 in Malaysia, sub-regional office	Recently emphasized	Strongly developed policy, experts from French units
FI	28 in China, big subsidiary (holding and its subsidiaries)	2 in Japan	1 in Korea	Strong policy for a while	Frequent in China, where firm develops very quickly. Not to the same extent in other countries
JJ	6 in Indonesia	15 in China, 7 in one subsidiary, 8 in another	1 in Korea	Recently emphasized	Strongly developed policy
JK	3 in Indonesia, 1 in one subsidiary, 2 in the other	20 in Vietnam (across two subsidiaries)	1 in Korea, despite two subsidiaries	Recently emphasized	Frequent, mainly from Japanese units
JL	4 in Indonesia	5 in China	NA	Recently emphasized	Strongly developed policy, in production

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JM	8 in Indonesia, 4 in one subsidiary, 4 in the other	9 in Korea, one of three subsidiaries	In China, 1 to 4 in each of the subsidiaries	Not well developed	Not frequent, due to low technology content of the activities abroad
JN	46 in China	3 in Korea	NA	Not well developed	Strongly developed policy
JO	9 in Vietnam	6 in China in a big subsidiary	NA	Just started	Strongly developed policy
JP	7 in China, 5 in the visited subsidiary, 2 in another one	1 in Korea	NA	Strong for a while	Not frequent
JQ	9 in China, 5 in one subsidiary, 4 in another	13 in Indonesia, 6 in one subsidi-ary, 7 in another	6 in Thailand	Recently emphasized	Frequent, mainly from Japanese units

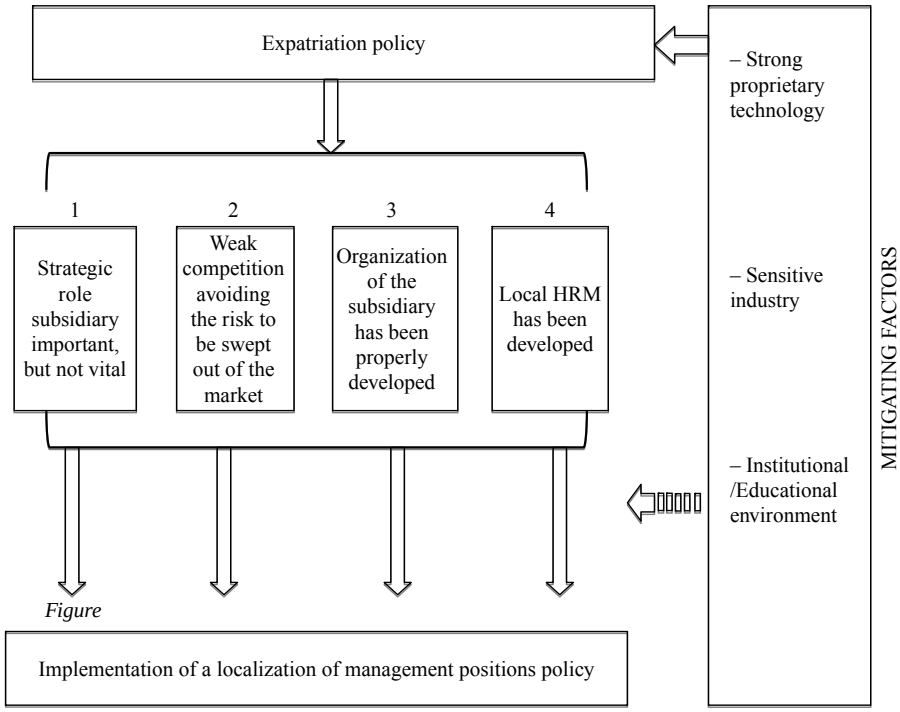

Figure 1. Conditions for reducing expatriation in subsidiaries.

swept out of the market; (3) the organization of the subsidiary has been well developed and (4) a comprehensive local HRM has been developed, such that local employees have been carefully selected and trained to replace some expatriates.

In terms of organization (condition 3), not only the one of the subsidiary matters, but also the organization of the MNC in the country or in the area. Setting up a holding company, in Japan or China for example, which detains the shares of subsidiaries in the country, or setting up a regional Asian office is a way to reduce the needs for expatriates. For instance, FI, which has set up a holding company in China 'with an expatriate as chief financial officer at the level of the holding company, and good locals in finance in each subsidiary, it works perfectly'. FC, FD and FF all have set up regional offices in Singapore to cover several countries, such as Thailand, Taiwan, Korea and the Philippines for FC, and a wider zone for FD and FF. In all these cases, the finance and marketing positions are staffed by expatriates at the regional office level, reducing the need to appoint expatriates in the subsidiaries.

Even when a case meets the four conditions for successful staff localization, several mitigating factors can limit the substitution of expatriates with local managers, including the existence of a strong proprietary or sensitive technology. For FB, which owns highly specific technologies in a sensitive sector, relying on a high number of expatriates is an explicit and purposeful choice. A similar situation marks FG, whose justification for limiting localization is based on the need for strong technical skills. In addition, specific institutional environments can be moderators. In Malaysia, the 'New Economic Policy' is a race-based national policy aimed at improving the economic status of an indigenous group, known as the Bumiputra. This policy grants special privileges to native Malays

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including special access to jobs, whereas Chinese, Indians and others are considered non-Bumiputra. This privileged position of ethnic Malays has several consequences. Although some jobs are reserved for Bumiputra, it is difficult to put them in charge of a team of Chinese workers, for example. To avoid tensions, MNCs use expatriates as a way to transcend the 'Bumiputra effect' (case FH).

Short-term assignments

Short-term assignments can compensate for the need for capabilities without sending additional expatriates. With our data, as summarized in the last column of Table 2, we can confirm H2: all French MNCs in our sample and most of the Japanese (except for JM and JP) have a strongly developed systematic policy in this field. Informants from both JL and FG mentioned a reduction in the number of expatriates to justify their policy of intense short-term assignments, and JN cites overwork for expatriates, such that short-term assignments lighten their burden. Other respondents confirm these reasons in response to prompts for more explanation from the researchers.

According to our respondents, short-term assignments solve problems in subsidiaries, especially with regard to production, engineering, commercial activities and local staff training. Most French MNCs send to Asian countries experts from their worldwide network, except for FH whose core development and production activities are concentrated in France. Japanese MNCs send experts from Japan mainly, because their activities are most often still concentrated in Japan. In JK, each subsidiary abroad is supervised by a subsidiary in Japan, which carries out the same production, and experts come mainly from that Japanese unit. Neither JM nor JP has developed a policy of sending experts to subsidiaries in Asia. As explanations, JM points to the low technology of the activities of its units abroad, and JP mentions its rather simple and stable production processes.

Localization of management positions and local HRM

Our third hypothesis also is based on prior literature (Black et al. 1991; Latta 1999; Kühlmann and Hutchings 2010; Lam and Yeung 2010; Fayol-Song 2011). The 'Staff localization trends' column in Table 2 summarizes the policy of each MNC in our sample: all of them except FB are currently implementing a staff localization policy in Asia, which leads to consider that H3 is validated. In addition, most of the French MNCs in Asia have long been implementing a localization policy, whereas the Japanese MNCs introduced their policies more recently, such that they have not had time to develop them fully yet.

We also have argued that developing a comprehensive local HRM strategy is a key condition for staff localization (H4). According to most of our respondents, HRM of local employees in rapidly developing Asian countries entails complex issues, such as the enrolment of sufficient employees in each category, reduced turnover through attractive compensation schemes (though cost reduction also is primary objectives) and training, because the local workforce often lacks appropriate capabilities. The situation differs greatly from country to country, according to our respondents. Turnover is still a huge problem in China, where competition between employers is fierce, but not in Indonesia, where job opportunities are still relatively scarce for the available workforce.

Training of local staff is well developed for most employee categories in the MNCs of our sample, both French and Japanese. For the French MNCs, managers are trained locally, in other Asian countries, in the USA or in Europe. For the Japanese MNCs,

managers are trained locally and in Japan, except for JL, whose training is mainly production oriented and done locally, on the job. Several MNCs have set up regional training centres in Asia: FG in Indonesia, FH in Malaysia, FF in Thailand, FI in Hong Kong and JK in Vietnam.

Regarding the main objectives of training, respondents note the enhancement of employee capabilities, quality improvements (FC, FD, FF, FH and almost all Japanese MNCs) and safety, particularly in sensitive industries (FC, FE, FG, JP). In all French MNCs, localization of management positions is another mentioned objective, whereas only JK spontaneously mentioned this objective among Japanese MNCs. Four French MNCs (FA, FE, FF, FI) further noted a goal of nurturing high-ranking worldwide managers from Asia, reflecting their sense that they need to globalize their higher management by involving members from Asia. None of the Japanese MNCs mentioned globalization of their top management as an objective of training, possibly because globalizing their top management would require people from parts of the world other than Asia.

In addition to training, to select, promote and retain the best local employees, MNCs develop compensation, appraisal and socialization policies. In some cases, all permanent staff members are regularly appraised; others only assess the management team. Our respondents confirm though that the objective of developing a comprehensive local HRM is not just the localization of management positions. More widely, it aims to secure adequate local staff in all employment categories. Moreover, our informants confirm that it would not be possible to train without assessment and selection, nor to retain employees after training without promotion perspectives. Nor would it be possible to increase motivation without appropriate compensation schemes. Therefore, to nurture capable staff to take over expatriates' functions, they need a complete Asian HRM policy. Therefore, H4 is validated.

Regional HRM

One might expect that developing a local HRM management in several Asian countries calls for homogeneity in HRM practices throughout the MNC, at least at the regional level. However, local national institutional pressures have strong influences on HRM within subsidiaries, and legal and institutional environments differ considerably, according to our reasoning underlying H5. We find good validation of this prediction, in that when FD, FI, JK, JM, JN and JO set up new factories, they chose a host country to set up a subsidiary according to its market potential and local production costs, which depend mainly on wages and local labour laws. Furthermore, to simultaneously comply with local regulation and optimize profits, the MNC we interviewed affirm taking into account the local legal and institutional frameworks when defining compensation rules and labour conditions. FI, JN and JO mentioned that their MNC transferred the production of components to other locations when local wages increased in a given country (e.g. from China to India for FI, from Thailand to China for JN and from China to Vietnam for JO). The same reasoning appeared in some of our 27 additional interviews. Working conditions and HRM practices vary widely in the countries where MNCs of our sample manage their subsidiaries: labour contracts, compensation schemes, social insurance coverage and assessment systems differ greatly across Asian countries. Therefore, H5 is clearly validated.

However, careful analyses of our respondents' answers also offer more insight on this issue. Although they try to profit from disparities in labour laws and costs across Asian countries, some MNCs also sought regional coherence in local HRM practices. The French

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MNCs often split Asia into several subgroups of countries exhibiting similarities in working conditions. More and more frequently, the MNCs set up regional offices in one of the subgroup countries and thus attempt to rationalize supervision costs (Piekkari, Nell and Ghauri 2010). Regional offices also reduce the number of expatriates in each cluster of countries. All the French MNCs have adopted some form of regional organization. In contrast, Japanese MNCs in Asia, primarily because of the short distances between Japan and the Asian countries where they operate, did not set up regional offices, except for very specific functions, such as logistics platforms.

In most cases, the French MNCs appoint HRM managers to the regional office, and they assist local managers in solving HRM problems and developing appropriate HRM practices. A regional HRM manager often introduces harmonized tools, such as files, forms and ways of doing things, including enrolment of middle and top managers, assessment processes and training (e.g. FA, FC, FD, FE). Our respondents also mentioned similar information systems for HRM, usually introduced under the aegis of the regional HRM manager but implemented to various degrees in the different subsidiaries (FC, FG, FI).

Several MNCs in our sample, both French and Japanese, not only try to earn profits from differences in labour costs but also consider it rational to search for some coherence in their regional HRM practices (FA, FD, FF, FG, FI, JK, JN, JO, JQ). To attain economies of scales, subsidiaries in different countries exchange components and products (Birkinshaw and Morrison 1995). This regional integration of subsidiaries requires intensive information exchanges among employees in the region and requires cooperation, particularly in the face of difficulties. A cooperative spirit can be promoted through the development of a corporate culture that is based on values such as quality, reliability or sensitivity to customer needs among local employees, even though they work in different countries. Harmonizing and coordinating training in different Asian countries offers an appropriate way to develop shared values. The HRM managers at regional offices play a crucial role in this process, especially for French MNCs, whereas most Japanese MNCs supervise it directly from Japan. However, values cannot be integrated if local staff members do not have the feeling that the company cares about them to the same extent, regardless of their country or subsidiary affiliation. Our informants affirm that the harmonization of HRM practices contributes to granting staff members such a feeling (FA, FD, FF, FG, FI, JK, JN, JO, JQ).

Discussion

European and Japanese MNCs would not have been able to expand their activities in Asia in the past three decades without a massive mobilization of varied types of human resources, including expatriates, experts sent abroad on short-term assignments and diverse categories of local employees. Expatriation induces high costs, huge difficulties and often produces limited results (Tung 1981; Black et al. 1991; Latta 1999), so MNCs have developed localization strategies for key management positions (Wong and Law 1999; Lam and Yeung 2010; Fayol-Song 2011). However, few researchers have actually studied the localization process of management positions or the HRM strategies that support the development of an MNC in a given area such as Asia. We therefore have investigated both these dimensions, while comparing on the basis of a qualitative approach, the HRM strategies of Japanese and French MNCs in Asia.

Second, prior literature frequently emphasizes that Japanese MNCs are more reluctant than are MNCs from other advanced countries to grant high responsibility positions to

locals (Legewie 2002; Belderbos and Heijltjes 2005). This reputation was particularly evident in China (Legewie 2002; Jaussaud and Schaaper 2006, 2007) because of defiance resulting from political tensions between the two countries inherited from the past. But this trend appears also to be true in other countries. Our respondents from French MNCs assert that localization of key management positions is the best solution, but the Japanese MNCs are still less affirmative. In line with Jaussaud and Schaaper (2006, 2010) and Schaaper, Mizoguchi, Nakamura and Yamashita (2011) for the context of China, we find several reasons for this difference between French and Japanese MNCs in Asia. The high costs and difficulties of expatriation from France to Asia have forced French MNCs, since the 1990s, to learn how to select, train, retain, motivate and promote local managers to positions previously held by expatriates. In the same period, Japanese MNCs faced an economic crisis at home that produced redundant staff, including at management levels, which they sent abroad to neighbouring countries in Asia, where they delocalized their production plants to reduce costs. Therefore, Japanese MNCs, up until the start of the 2000s, were not incited to promote locals. However, most of our Japanese respondents identify a notable change in current practices. In countries where Japanese MNCs set up their production plants during the 1990s (China and ASEAN countries mainly), markets are growing quickly and exhibit great sales potential. Moreover, the cumulated experience in these countries allows Japanese multinationals to develop more complex production, rather than just the production of simple components for export. Therefore, Japanese MNCs in Asian countries have diversified their strategic objectives, including more sophisticated production and the development of distribution networks, which requires the presence and contributions of more middle and high managers. Relying more on locals thus is clearly a valuable option, particularly when subsidiaries must understand the local environment better. Our Japanese respondents insisted on their current efforts, and explained that they are learning how to improve selection, training, retention and promotion of locals to higher functions, though they still considered this process difficult and sometimes risky. As a consequence, the difference between Japanese and French (and Western MNCs more broadly) appears likely to disappear progressively.

Third, regarding short-term assignments as a way to provide subsidiaries with locally missing capabilities, without increasing the number of expatriates, we confirm our prediction in H2. Both French and Japanese MNCs send frequently, and sometimes massively, experts to subsidiaries in Asia with this aim. Thus, we answer Collings et al.'s (2009) call for empirical investigations of short-term assignments.

Fourth, all else being equal, we find, in support of H3, that both French and Japanese MNCs are reducing the number of expatriates sent to subsidiaries in Asia. However, French MNCs have a stronger policy, in line with prior academic literature (Wong and Law 1999; Lam and Yeung 2010; Fayol-Song 2011). Japanese MNCs had less motive to reduce expatriation until recently – because of both the relatively low geographic distances between Japan and other Asian countries and the redundant staff levels in Japan in the 1990s, who preferred to be expatriated rather than lose their jobs. French MNCs thus have accumulated more experience than Japanese MNCs in the localization of key management positions in Asia. However, Japanese MNCs are developing more and more complex activities in Asia and working to integrate the local environment of their subsidiaries more thoroughly, so they have started to localize more key management positions.

Fifth, our qualitative investigation clearly validates H4. Our interview data provide strong context for our findings, such that we can reveal the conditions that encourage localization of management positions, as follows: (1) the subsidiary might be strategically

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important, but its development in the related market is not vital for the whole MNC; (2) competition is not particularly strong, so there is no risk of being swept out of the market; (3) the organization of the subsidiary has been well developed and (4) a comprehensive local HRM exists, and local employees are carefully selected and trained to replace expatriates. In summarizing these inter-weaved conditions, we expand on Lam and Yeung's (2010) findings that when environmental uncertainty is high, staff localization may be counterproductive for performance, as well as on Fayol-Song's (2011) insistence on our fourth condition.

Sixth, we confirm that as MNCs try to earn profits from differences in labour costs and conditions in Asia, HRM practices differ considerably from country to country, in confirmation of H5. However, because MNCs also need to achieve economies of scale, they exchange components and products among subsidiaries, which demands cooperation across local staff in different Asian countries, based on a shared corporate culture, which may be implemented through harmonized training and the development of coherent HRM practices. This is in line with the theoretical contributions of Collings et al. (2009, p. 1256) and their emphasis on the need to 'enhance equity and procedural justice within the [MNC]', though not at the expense of labour cost benefits. Our qualitative interviews help articulate these *a priori* contradictory trends, that is, the diversity of HRM practices from country to country to exploit labour costs differences versus the introduction of some harmonized practices.

Conclusion

Our qualitative investigation sheds light on actual HRM policies and strategies adopted by French and Japanese MNCs in Asia. It helps outline the conditions of staff localization; when these conditions are not met, French MNCs expatriate a lot of employees to Asian countries, similar to Japanese MNCs. With this clarification, this research may be useful to both scholars and practitioners. In addition, this research explains two contradictory objectives and the opposing drivers of HRM practices in subsidiaries in Asia: profiting from labour cost differences among countries, which leads to differentiated HRM practices, versus looking for coherence in some HRM aspects to support shared values. Balancing these contradictory objectives remains a major challenge for practitioners.

This research, as does any study, suffers some shortcomings that might be overcome in forthcoming study. Although comparing the contrasted cases of French and Japanese MNCs in Asia allows for some generalization of the results, it would be useful to introduce other European MNCs, as well as US firms, together with other Asian MNCs, including Korean and Chinese firms. In addition, a quantitative approach might shed a different light on the questions under investigation, which would be very useful.

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