
Human Resources Departments of Japanese Corporations: Have Their Roles Changed?

Mitsutoshi Hirano

Kobe University

The purpose of this paper is to examine whether the roles of the human resources (HR) departments of Japanese corporations have changed. This study compares the operations of HR departments in Japanese firms today with those during the stable growth period in Japan (1975–1996), as well as with the business partner theory advocated in the United States. Using survey data obtained from the answers 365 HR managers provided to a questionnaire, this study finds that the centralization of personnel management and intensive accumulation of personnel information which characterize the HR departments of Japanese firms have mostly remained unchanged since the stable growth period. Moreover, the advantages of HR managers, such as high status within companies and promising career paths, have remained unchanged. Japanese HR departments negotiate individual personnel transfer issues with line managers, using sticky personnel information—that is, information embedded in the workplace about employees’ characteristics—as their sources of power. They then contribute to the reform of workplaces by placing the right persons in the right positions. To fulfill these duties, HR managers are required to have experience working in multiple divisions, thorough knowledge of various personnel roles within the company, and the imagination to match their employees to their right roles. As a result, the career paths of HR managers extend to a variety of functions, and they come to have high status which vests them with bargaining power over line managers.

I. Introduction

The purpose of this study is to examine whether the roles of the human resources (HR) departments in the headquarters of Japanese corporations have changed, and if so, which aspects have changed and which have remained the same. Specifically, this study analyzes the operations of current HR departments through comparison with those of the “Japanese employment system” (Nitta and Hisamoto 2008) or “Japanese HR management” (Hirano 2006) which were born during the period of rapid economic growth in Japan (1960–1974) and matured during the stable growth period (1975–1996), and also in light of the business partner theory advocated in the United States. The main targets of analysis are the HR departments of large Japanese corporations and medium-sized firms (hereinafter referred to as “Japanese HR departments”), focusing on the power and personnel information possessed by these departments.

Historically, Japanese HR departments have been characterized by the great power they possess over other line departments in terms of the various HR management functions (hereinafter referred to as “HRM”) they perform (Kagono et al. 1983; Japan Institute of Labour 1992; Yamashita, 2008). In American companies, by contrast, HRM is relatively

decentralized and HR departments generally have lower status than line departments (Jacoby 2005). The differences in the roles of Japanese and American HR departments are represented by whether they are directly involved in determining the transfer of individual employees. Although they are not involved in this process (Kato 2002a), American HR departments are groups of HR professionals specialized in the development and implementation of personnel and training systems (Kato 2002b). Japanese HR departments, on the other hand, make use of their thorough knowledge of employees and positions within the company to determine individual personnel transfer issues together with line managers. Because of this, there is a sort of check-and-balance relationship between the HR department and line managers, which could be called “personnel transfer dynamics” (Yashiro 2002). Whether the transfer of an employee is successful depends on the quantity and quality of information concerning the employee possessed by the HR department (Hirano 2006). To be more specific, while line managers aim to optimize only that which is within their responsibility, the HR department is committed to handling personnel transfer issues from the perspective of total or company-wide optimization. This inevitably results in conflict, and in such cases, the negotiations between the HR department and a line manager will be influenced by the quality of the personnel information possessed by the HR department and its ability to process such information to assign personnel in line with the company’s business strategy. Such differences between Japanese and American HR departments in terms of the power vested in them and the functional skills required of HR staff are linked in a complementary manner with career development methods, incentive systems (personnel ranking systems) and organizational coordination functions. Masahiko Aoki elucidated a principle that can be used to clearly account for this point, called the duality principle (Aoki 1988, 1989). I will start the main discussion by taking up this concept.

II. Duality Principle

The duality principle for organizational modality, advocated by Masahiko Aoki, Professor Emeritus of Stanford University, theoretically explored the differences between Japanese and American personnel management systems in the 1980s through comparative institutional analysis and had a great impact on subsequent personnel management studies. To explain this principle briefly, when an organization is regarded as an information processing device that relies on exchanges of various resources with the external environment, the organization needs a proper information system (information processing, communications, and decision-making, as well as coordination of these operations) in order to take action appropriate to its environment. To achieve this, an information system that uses time and resources efficiently is desired. Accordingly, it is necessary to make appropriate decisions regarding the quantity and quality of information circulating among employees engaged in production and other services, and regarding the allocation within the organization of the power and responsibility for using such information. When employees process information,

they must intend to perform these tasks. Therefore, the organization has to create an incentive system to encourage employees to make efforts in a certain direction.

Incentive and information systems can be structured in various ways. It is particularly important that the efficient use of skills required for a certain information system is secured by employees who are properly motivated by the corresponding incentive system. At the same time, it is necessary to provide training for employees to enable them to acquire the necessary skills. Training means providing employees with work experience in an orderly sequence—or in a word, career development. To put it differently, personnel management can be understood in substance as the assembly of a “career development system,” which develops employees’ skills, an “incentive system,” which motivates employees to acquire skills, and the “exercise of the power to manage personnel issues” including personnel transfer, with a view to allowing the information system to function successfully. When the information system and personnel management are effectively integrated, the combination will have a positive effect on an organization’s business performance.

The Japanese organizational mode employed during the stable growth period (hereinafter referred to as the “Japanese mode”) functioned to complement internal management in the following manner. First, Japanese firms chose to employ decentralized information systems (hereinafter referred to as “DIs”). For DIs to be successful, they had to promote sharing among employees of their various work experiences and knowledge and to enhance inter-department communications, thereby fostering personnel equipped with “firm-specific integrated skills”¹ (Hirano 2006). Secondly, personnel with firm-specific integrated skills could be fostered by providing employees with the opportunity to experience multiple jobs (assigned through personnel transfers), and the success or failure of a particular training method (career development) was determined by the personnel management framework. In other words, the best approach for equipping employees with firm-specific integrated skills through personnel transfers was an ability-based grading system which was not linked to any specific job. Thirdly, since personnel transfers beyond sectional boundaries must be determined from the perspective of total or company-wide optimization, the power to manage personnel issues tended to be centralized in HR departments. That is, the Japanese personnel management mode was organization-oriented centralized personnel management (hereinafter referred to as “CP”), consisting of a wide variety of career development activities which enabled better use of workplace information, ability-based grading systems emphasizing balance within an organization, and centralization of the power to manage personnel issues in the HR department enabling systematic personnel assignment from a company-wide perspective (Aoki 1989; Hirano, Uchida, and Suzuki 2009) At the same time, this mode functioned as a complement to a labor market with reduced mobility and strict

¹ Referring to comprehensive skills that incorporate expertise in a specific field, contextual skills, integrative skills, and malleable skills. For details, see Hirano (2006, 18).

restrictions on dismissal for restructuring purposes.²

On the other hand, if a company adopts a centralized information system (hereinafter referred to as a “CI”), whereby the upper and lower levels of a hierarchy are linked through information processing by way of command or standards, employees specialized in their respective fields are required and the power to hire and fire employees would be delegated to each level of the hierarchy. Thus, CI fits with market-oriented decentralized personnel management (hereinafter referred to as “DP”). When companies that select this personnel management approach account for the majority, market competition will promote the standardized evaluation and development of specialized skills and encourage and enable individual workers to move from one organization to another in the pursuit of better opportunities. In such a situation, organizational integrity and the line managers’ authority can be established only by concentrating decision-making under these managers and vesting them with the power to manage personnel issues; otherwise, the base underpinning their authority would be fragile. Thus, DP—which consists of a career system aimed at achieving standardized promotion of skills, job-based grade systems defined by market-oriented policy, and decentralization of the power to manage personnel issues to line managers—would be compatible with CI. Aoki (1989) called the combination of CI and DP the American organizational mode (American mode), and it was frequently seen in corporations in the United States at that time.

III. Prediction of Evolutionary Japanese Personnel Management Mode

1. Evolutionary Japanese Personnel Management Mode

It is possible for a personnel management mode to fail to adapt to changes in the environment and lose the functionality that it previously displayed. In fact, the Japanese personnel management mode, which had been highly esteemed as the source of Japanese companies’ international competitiveness during the stable growth period, was suddenly attacked as the main culprit for Japan’s recession when the employment situation became severe in Japan (1997), and the *raison d’être* of HR departments started to be strongly doubted. HR departments now had to face the argument that they were no longer necessary. Yashiro (1998), a leading advocate of this view, regarded HR departments as bureaucratic units that hold the power to determine personnel transfers, and argued that this power should be decentralized to line managers. While predicting greater labor market mobility due to the advancement of globalization and the aging of the population, Yashiro argued that individuals should be able to choose their career paths autonomously with the aim of improving their own expertise, and to enable this, HR departments should be barred from get-

² Japanese labor law has established restrictions on dismissal under case law which make it difficult for companies to adjust their labor forces by laying off workers. At the same time, this case law recognizes employers’ broad discretion to administer their personnel affairs, such as the broad power to order personnel reshuffling within a company (Otake, Ouchi, and Yamakawa 2002).

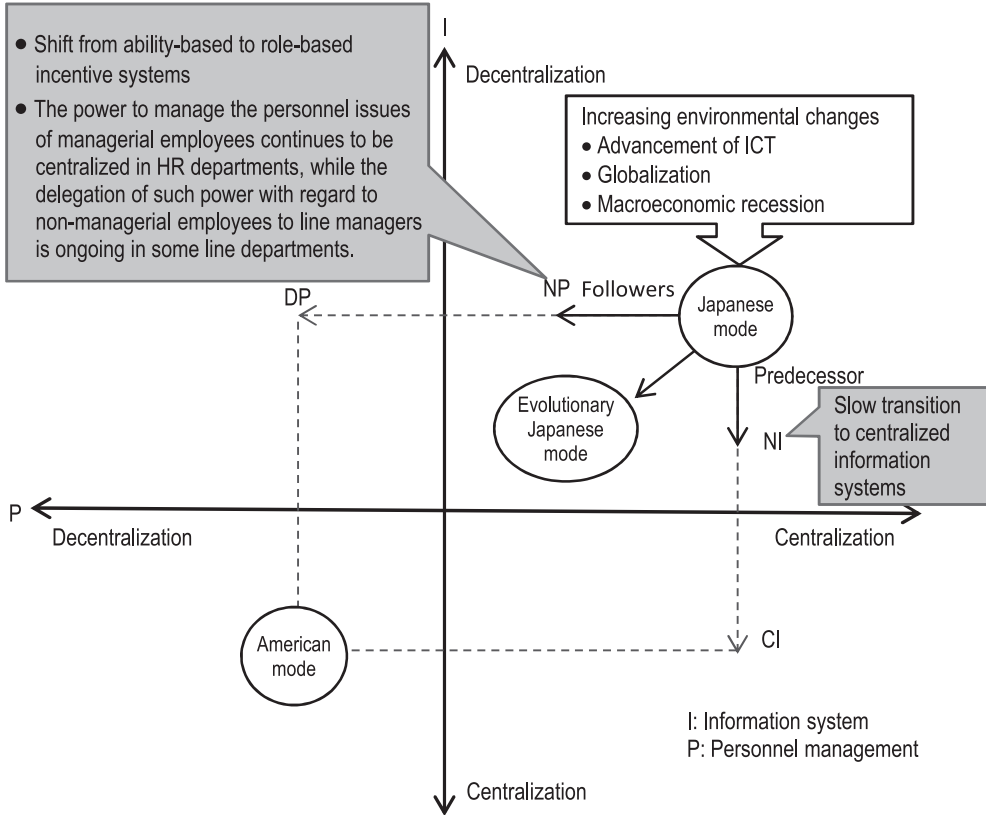
ting involved in the process of determining personnel transfer issues, so that the in-house labor market mechanisms could function. Regarding Yashiro's argument, Jacoby commented as follows: "...the depiction of HR departments as all-powerful bureaucracies is a dated stereotype. Nevertheless, it contains sufficient truth to make Yashiro's book a plausible brief for reform and a contribution to the debate over the Japanese corporation" (Jacoby 2005, 7).

HRM can only gradually be transformed because it is required to complement the information system and is subject to the rule of path dependence. Actually, since the beginning of the severe employment situation period (since 1997 until today), amid environmental changes or impacts such as the globalization of corporate activities, advancement of information and communications technology (hereinafter referred to as "ICT"), and the global financial recession, Japanese companies have made various attempts to reform their HR systems. Their overall tendency seems to be a movement away from focusing the grading and treatment of employees on their individual attributes to a job-oriented focus. To put it differently, in light of the duality principle, in-house information systems are changing from DI to slightly CI, and in concert with this, incentive systems are changing from CP to slightly DP.

Hirano (2006) depicted the current personnel management approach as an evolutionary Japanese mode, characterized as follows (Figure 1).

What are the mechanisms of this evolution? They can be explained by the relationship between environmental changes and in-house information systems. While CI is effective when the environment is stable or undergoing very violent change, DI is more effective when environmental changes are more gradual (Aoki 2001). In other words, in a stable environment, standardizing task coordination processes will increase information efficiency (CI). When environmental changes are moderate, efficiency can be improved by combining *ex post facto* coordination in response to environmental changes and horizontal coordination through information sharing and assimilation of tasks (DI). However, when the environment is extremely unstable, or, in other words, undergoing violent change to the extent that it totally changes within the period of time necessary for horizontal communications, swift decision-making is required. In this case, a top-down approach wherein the power and the decision-making processes are clear (CI) would be most efficient.

Each company makes three types of decisions: strategic decisions (decisions on business targets and strategies); administrative decisions (decisions on organizational structures and work flows); and operating decisions (decisions on various operational standards) (Ansoff 1965). From the beginning of the severe employment situation period (since 1997 until today), the Japanese organizational mode was impacted by the external environment (i.e. the increasing uncertainty of the environment), and it is presumed that in response to this, the strategic decision-making processes have moved toward CI, whereas the administrative and operating decision-making processes have largely remained DI. To be more specific, as the environment undergoes violent changes, the flow from a "strategic decision" to an "administrative decision" will be a top-down, swift and centralized decision-making



Source: Hirano (2006, 80), partially revised.

Figure 1. Prediction of the Evolutionary Japanese Personnel Management Mode

process (CI), whereas the flow from an “administrative decision” to an “operating decision” will continue to be based on horizontal coordination between middle management and the workplace (DI). All in all, the information system is changing into a mildly centralized form (new information system, NI).

At the same time, personnel management will evolve into a hybrid of ability-based and job-based ranking policies, according to the duality principle. Specifically, a personnel ranking system can be structured by (i) applying a job-based ranking policy to managerial employees in order to translate their job performance into assigned duties that can be assessed on the market, while (ii) applying an ability-based ranking policy to non-managerial employees to motivate them to improve their firm-specific integrated skills, in such a way that these policies complement each other. In the past, Japanese HR departments had determined personnel transfer issues by collecting and accumulating information on individual employees and using it as the source of the departments’ power. Qualitative information embedded in the workplace about employees’ characteristics is difficult to transfer to an-

other place, therefore, that may be sticky (von Hippel 1994).

Since the job-based ranking policy encourages the delegation of the power to determine grading standards and choose candidates for promotion to line managers (Hirano 2003), the “asymmetric personnel information costs” and “sticky personnel information costs” incurred by line departments and by the HR department will increase.³ The amount of effort that can be invested in cutting the personnel information costs depends on the type of personnel. In order to cut the personnel information costs, the HR department would manage core personnel in a centralized manner, while delegating the management of other personnel to their respective line departments. Specifically, the transfer of managerial employees would be subject to the HR department’s centralized management. On the other hand, with regard to non-managerial employees, the HR department would be involved in determining personnel transfer issues only for certain personnel, such as those in charge of core corporate functions or those with high-level performance, while the management of other personnel would change into a form wherein more power is delegated to line managers (new personnel management, NP).

³ Hirano (2006) proposed a concept of personnel information costs. This is divided into two types, asymmetric personnel information costs and sticky personnel information costs. Asymmetric personnel information costs can be explained as follows. Personnel information concerning each employee who belongs to a line department is accumulated by the line manager who observes him/her on a daily basis, whereas information on company-wide staff needs is accumulated by the HR department, both in a fragmentary manner. When information is unevenly distributed between the parties when they negotiate a personnel transfer issue, if a target employee is making a great contribution to the performance of his/her department, the line manager would refuse to offer this employee to the HR department as a candidate for a personnel transfer because the line manager would be more motivated to improve the immediate performance of his/her line department rather than to contribute to HR development on a company-wide basis. That is, the asymmetry of personnel information gives the line manager an incentive not to disclose information to the HR department. Line managers’ tendency to withhold their human resources, which is frequently observed, generates such asymmetric personnel information cost because the company fails to earn profit that could be realized through company-wide optimal assignment of human resources. On the other hand, sticky personnel information costs can be explained as follows. This is concerned with the nature of personnel information per se. Less sticky information is objective information managed by a personnel information system. In fact, pieces of information such as the transfer records, personnel evaluation records, and training records are compiled into a database, and the HR department is able to use such information at low cost. However, in addition to such documented formal information, if the HR department intends to use qualitative information that will be conducive to predicting an employee’s performance potential in a new position to be assigned while determining his/her transfer, HR staff has to visit the employee’s workplace and collect information on site, which generates additional costs. Furthermore, the HR department would also incur the cost of training HR staff to improve their competencies to handle personnel information appropriately. These costs would increase if the target employee is a non-managerial employee who has not worked for the company for long and whose personnel information available is therefore limited. Furthermore, as the number of employees increases, the amount of information to be processed will also increase and this leads to the need to increase the number of HR staff.

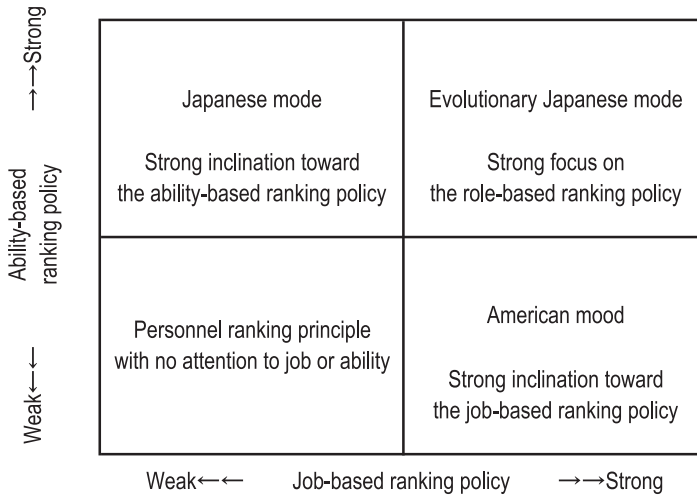


Figure 2. Conceptual Diagram of the Incentive System

2. Role-Based Ranking Policy

A hybrid personnel ranking policy could be called a role-based ranking policy. This role-based ranking policy can be regarded as a ranking principle which employs both ability-based and job-based ranking policies as subordinate factors. By focusing on the patterns of combination between the ability-based and job-based ranking policies, we can identify the characteristics of the role-based ranking policies adopted by companies. A role-based ranking policy should be understood as two independent axes crossing at right angles, rather than as a balance between ability-based and job-based ranking policies. Using this approach, we can categorize companies into those at which either an ability-based ranking policy or a job-based ranking policy predominates, and those at which both ability-based and job-based ranking policies are important.

According to the prediction of the evolutionary Japanese mode, there is likely to be a diverse array of personnel ranking systems ranging from those strongly inclined toward an ability-based ranking policy and those strongly focused on a role-based ranking policy (Figure 2). In fact, many companies shift to a job-based ranking policy for managerial employees, while maintaining an ability-based grading system for non-managerial employees. Even with regard to managerial employees, some companies apply several ranking principles and implementation patterns. For example, if it is easy to measure the value of an employee's job (e.g. a line manager), personnel management of the employee would be strongly inclined toward a job-based ranking policy, whereas in the case of jobs whose value is difficult to measure (e.g. back-office staff, engineers, sales representatives, project leaders), a strong focus on role-based ranking policies which use both job and ability as metrics can be observed. Companies are likely to evaluate their employees using ability-based and job-based ranking policies to different degrees within the context of a single,

uniform ranking system—the role-based ranking policy. As role-based ranking policies are flexible in combining these policies, they will become the mainstream in Japan in the future.

IV. Realities of the Evolutionary Japanese Personnel Management Mode

1. Data

Let us now look at the realities of the evolutionary Japanese personnel management mode using data. The data used here has been taken from a survey jointly conducted by Kobe University and the Japan Management Association (JMA) (Kobe University Graduate School of Business Administration, KIMPS, and JAM 2009; hereinafter referred to as the “Kobe University Survey”). The survey report is available on the Kobe University website.⁴ The survey targeted the HR managers of major firms throughout Japan: a questionnaire was sent to 5,000 firms on February 2, 2009, and phone calls were made to 3,500 firms between February 10 and 19 to urge the firms to return the completed sheet. Responses were collected from 365 firms (response rate: 7.3%). By industry, 192 firms (52.6%) were engaged in manufacturing, 21 firms (5.8%) in construction, 42 firms (11.5%) in wholesale/retail, 29 firms (8.0%) in information and communications, 32 firms (8.8%) in service, and 49 firms in others (including one respondent that did not disclose its business sector). By number of regular employees (excluding part-time employees and other non-regular employees), 227 firms (62.2%) have less than 1,000 employees, 103 firms (28.2%) have from 1,001 to 10,000 employees, and 28 firms (7.7%) have 10,000 or more employees. By corporate structure, 253 firms (70.3%) were independent companies, 33 firms (9.2%) were the headquarters of holding-operating companies (meaning holding companies that operate their own business in addition to owning stocks in other companies), 27 firms (7.5%) were companies controlled by holding-operating companies, 9 firms (2.5%) were the headquarters of purely holding companies (meaning holding companies that only engage in the business of owning stocks in other companies), 23 firms (6.4%) are companies controlled by purely holding companies, and 15 firms (4.2%) fit none of these categories.

2. Incentive System

A factor analysis (principal factor method, promax rotation) was conducted on a five-point scale in relation to questions concerning the standards used by surveyed companies to determine the grades assigned to managerial and non-managerial employees. As shown in Table 1, two factors were extracted and named “job-based ranking policy” (American type) and “ability-based ranking policy” (Japanese type), respectively. Although Cronbach’s alpha coefficient was relatively low, ranging between 0.50 and 0.61, as the questions prepared for the analysis accurately reflected the respective characteristics of the

⁴Kobe University, Graduate School of Business Administration, Discussion Paper. http://www.b.kobe-u.ac.jp/paper/2009_26.pdf.

Table 1. Standards Used for Determining Grades (Five-Point Scale)

	Cronbach's alpha
Job-based ranking policy	
• Value of the job assigned to the employee	Managerial: .57
• Value of the role that the employee is expected to play	
• Timely review of the employee's salary in light of his/her market value	Non-managerial: .50
Ability-based ranking policy	
• Abilities and skills possessed by the employee (job performance)	Managerial: .57
• Assignment of different grades to employees who do the same job, depending on their abilities and experience	Non-managerial: .61

job-based and ability-based ranking policies, the simple arithmetic mean of the composite variables for these factors was used in the analysis. As described above, the role-based ranking policy (evolutionary Japanese mode) is defined as a category in which both job-based and ability-based ranking policies score over three points. The ability-based ranking policy is defined as a category in which the ability-based ranking policy scores over three points, while the job-based ranking policy scores less than three points. The job-based ranking policy is defined as a category in which the job-based ranking policy scores over three points, while the ability-based ranking policy scores less than three points. Samples were grouped based on these definitions.

Table 2 is a cross tabulation by category of the incentive system applied to managerial and non-managerial employees. With regard to managerial employees, the role-based ranking policy was adopted by the largest group of firms (139 firms [38.9%]), followed by the ability-based ranking policy adopted by 106 firms (29.7%), and the job-based ranking policy adopted by 84 firms (23.5%). With regard to non-managerial employees, the ability-based ranking policy was adopted by the largest group of firms (142 firms [39.8%]), followed by the role-based ranking policy adopted by 124 firms (34.7%) and the job-based ranking policy adopted by 63 firms (17.6%). As for the combination of policies applied to managerial and non-managerial employees, the number of firms adopting the role-based ranking policy for both types of employees, which is assumed to be the evolutionary Japanese personnel management mode, was the largest, with 108 firms (30.2%). 22 firms (6.1%) adopted a combination of the role-based ranking policy for managerial employees and the ability-based ranking policy for non-managerial employees. At the same time, as many as 101 firms (28.3%) adopted the ability-based ranking policy for both managerial and non-managerial employees—the traditional Japanese personnel management mode. Meanwhile, the American personnel management mode of applying a job-based ranking policy to both managerial and non-managerial employees was adopted by 52 firms (14.5%).

Table 2. Cross Tabulation by Category of the Incentive System Applied to Managerial and Non-Managerial Employees

Unit: Number of firms

	Non-managerial				Total
	Role-based (evolutionary Japanese)	Ability-based (Japanese)	Job-based (American)	Other	
Managerial					
Role-based (evolutionary Japanese)	108	22	7	2	139
Ability-based (Japanese)	3	101	1	1	106
Job-based (American)	13	12	52	7	84
Others	0	7	3	18	28
Total	124	142	63	28	357

3. The Organ with the Power to Manage Personnel Issues and Collect and Accumulate Personnel Information

In the Kobe University Survey, the development department (engaged in the development of products, operational modes, business models, etc.) was chosen as the target line department. Respondents were required to provide the method in which decisions on the 13 personnel issues are made, indicated in Table 3, by choosing from among five options: “1. The development department has the power to decide; 2. The development department’s intentions are given more weight; 3. I cannot say either department is superior; 4. The HR department’s intentions are given more weight; 5. The HR department holds the power to decide.” The higher the score, the more centralized under the HR department the power to manage personnel issues is considered to be. By conducting a factor analysis (principal factor method, promax rotation) of the survey results, the following three factors were extracted: (i) decisions on the system, framework, standards and rules for personnel management (“standard [framework]-setting”); (ii) decisions on the implementation of HR practices, including personnel transfers (“implementation”); and (iii) decisions on promotion of position (*shoshin*) or promotion of grade (*shokaku*) (“promotion”).

The next question asks to what extent the HR department is familiar with personnel information on individual employees who belong to the development department compared with the development department, with five answer options: “1. The development department is more familiar; 2. The development department is slightly more familiar; 3. The development department is as familiar as the HR department; 4. The HR department is slightly more

Table 3. Decisions on Personnel Issues of the Development Department
(Five Point Scale)

	Cronbach's alpha
Standard (framework) setting	
• Limits (budgets) on salary increases and bonus payments	Managerial: .77
• Limits on the number of employees promoted	Non-managerial: .75
• Labor relations agreements	
• Standards for determining grades	
Implementation	
• Selection of new recruits	Managerial: .79
• Scores (ranks) assigned to individual employees during personnel evaluation	Non-managerial: .75
• On-the-job training programs	
• Off-the-job training programs	
• Staffing plans	
• Personnel transfer and assignment within the same department	
• Personnel transfer and assignment to different departments (jobs)	
Promotion	
• Promotion of position	Managerial: .94
• Promotion of grade	Non-managerial: .92

Table 4. Extent of Familiarity of the HR Department with Personnel Information on Individual Employees (Five Point Scale)

	Cronbach's alpha
Formal personnel information	
• Records of assignment to departments and divisions	Managerial: .77
• Records of personnel evaluation	Non-managerial: .77
Sticky personnel information	
• Skills possessed	Managerial: .86
• Career orientation and goals	Non-managerial: .86
• Potential to perform new jobs successfully	
• Strengths, weaknesses and other personality traits	

familiar; 5. The HR department is more familiar.” The higher the score, the more intensively is such personnel information collected and accumulated by the HR department. By conducting a factor analysis (principal factor method, promax rotation) using the elements of the personnel information indicated in Table 4, two factors were extracted: (i) formal personnel information which can be obtained via the personnel information system; and (ii) sticky personnel information which can be obtained only by interviewing the employee

Table 5. Characteristics of Personnel Management by Personnel Ranking System Category

	Unit: Mean Value (Standard Deviation)		
	Role-based (evolutionary Japanese)	Ability-based (Japanese)	Job-based (American)
Managerial employees	N=139	N=106	N=84
Ability-based ranking policy	4.08 (0.47)	4.25 (0.46)	2.27 (0.75)
Job-based ranking policy	3.99 (0.44)	2.36 (0.66)	4.27 (0.52)
Power to manage personnel issues: standard (framework) setting	3.76 (0.73)	3.85 (0.75)	4.04 (0.68)
Power to manage personnel issues: implementation	2.79 (0.66)	2.62 (0.67)	2.63 (0.70)
Power to manage personnel issues: promotion	3.38 (0.89)	3.41 (1.00)	3.27 (1.05)
Collection and accumulation of sticky personnel information	2.72 (0.79)	2.48 (0.77)	2.50 (0.88)
Non-managerial employees	N=124	N=142	N=63
Ability-based ranking policy	3.92 (0.70)	3.92 (0.95)	2.50 (0.88)
Job-based ranking policy	3.97 (0.54)	2.76 (0.94)	4.17 (0.62)
Power to manage personnel issues: standard (framework) setting	3.77 (0.75)	3.93 (0.73)	3.84 (0.71)
Power to manage personnel issues: implementation	2.76 (0.64)	2.64 (0.66)	2.67 (0.71)
Power to manage personnel issues: promotion	3.35 (0.87)	3.41 (0.99)	3.24 (1.04)
Collection and accumulation of sticky personnel information	2.69 (0.78)	2.43 (0.80)	2.66 (0.92)

or investigating how the employee is evaluated by people around him/her. The latter type of information is called qualitative personnel information embedded in the workplace about employees' characteristics, and that may be sticky. Table 5 shows the comparison between the incentive systems for managerial employees and for non-managerial employees in terms of personnel management characteristics.

Table 2 and Table 5 show that the incentive systems currently employed by Japanese firms are divided between role-based ranking systems and ability-based ranking systems. In view of the fact that many Japanese firms adopted ability-based grading systems during the stable growth period, it may be possible to say that Japanese firms introduced aspects of job-based ranking policies but did not completely change to the American type, but rather

shifted to role-based ranking systems, which are hybrids. With regard to the power to manage personnel issues and the collection and accumulation of personnel information, comparison with the situation during the stable growth period is impossible due to a lack of data, but by reading the mean values relating to the power to manage personnel issues, it can at least be said that HR departments have not totally delegated this power to line departments. Rather, line departments and HR departments seem to be sharing the power to manage personnel issues and to be mutually checking and coordinating with each other in terms of the exercise of the power. Looking more closely, it can be seen that the degree of the centralization of power under HR departments is higher for “standard-setting” and “promotion” than for “implementation.” This suggests that line managers play the major role in exercising the power to manage personnel issues in the domain of “implementation,” and that HR departments intervene when necessary. With regard to sticky personnel information on individual employees, HR departments are familiar with this type of information to a considerable extent. Focusing on differences in personnel management characteristics by type of incentive system, it can be seen that the degree of centralization of the power to manage personnel issues regarding “implementation” and to intensively collect and accumulate personnel information is higher under incentive systems in connection with role-based ranking policies than under other types of incentive systems. It is presumed that HR departments that have shifted to role-based ranking systems are more involved in determining personnel transfer issues.

V. Comparison with Theories for Reform of the Role of HR Departments Advocated in the United States

1. Business Partner Theory

Controversy regarding reform of the role of HR departments has also existed in the United States since around 2000. The key term in this movement is “business partner.” Before 2000, the HR departments of U.S. firms had invested their efforts only on office work and ensuring compliance with rules. They had no vision with regard to linking HR to the strategic creation of value, and went to great lengths to carry out HR programs that did not help achieve business targets and to supervise the progress of such programs (Baill 1999; Ulrich et al. 2008; Boudreau and Ramstad 2007). HR professionals did not have a seat at the table when management decisions were made; they were excluded from this process. To change this situation, HR departments must become business partners. Specifically, HR departments must function as the representatives of HR professionals who play a significant role in developing HR strategies linked to business strategy. They must promote the outsourcing of office work and computerization of administrative tasks, tackle organizational development and change management, hear employees’ opinions, promote HR development, and prepare HR matrices. The main focus of this theory was to enable the ideas originating in HR departments, which had been far weaker than their Japanese counterparts, to be

linked with business management, such as the business strategy. The U.S. business partner theory can be analyzed by two factors: (i) the roles of HR departments; and (ii) competencies of HR professionals. Japanese and American HR departments will be compared in terms of these points.

2. Comparison of the Roles of HR Departments

According to Ulrich (1997), the leading advocate of the business partner theory, HR departments can be divided into four roles from the perspective of deliverables; that is, what an HR department delivers: (i) Strategic Partner; (ii) Change Agent; (iii) Employee Champion; and (iv) Administrative Expert. Ulrich and other advocates of this theory argue that by fulfilling all of these roles in a balanced manner, HR departments can realize their true value as business partners.

However, equal weight should not be given to each role. In concert with trends in the study of strategic human resources management (e.g., Fombrun, Tichy, and Devanna 1984), the role of HR departments was moving in the direction of strategic partnership. For example, Lawler et al. (2006) divided the roles of HR departments into five categories based on periodic surveys of HR managers (National Study by the Center for Effective Organizations; hereinafter referred to as the “CEO Survey”), and traced the changes in terms of the proportion of time allocated by HR departments to activities corresponding to the respective categories.

As shown in Table 6, the time allocated by American HR departments to functioning as strategic business partners remained virtually unchanged between 1995 and 2004. However, HR managers responded in every triennial survey that the time allocated to this role had increased significantly compared to five to seven years previously. This could be interpreted to mean that HR managers considered it desirable for the time allocated to the role of a strategic business partner to increase, and that they responded based on this desire (Lawler et al. 2006, 20). Assuming that this is the case, responses concerning the “current status” are the only reliable data. In the Kobe University Survey, we asked the same questions that were asked in the CEO Survey of Japanese HR managers. Even taking it into account the fact that the translation was imperfect, the results of these surveys may be effective in showing general tendencies in the differences between Japanese and American HR departments.

The percentages of time allocated to the roles of Strategic Business Partner (in the Kobe University Survey, this role was defined as engaging in strategic operations as a business partner; developing strategic personnel plans and organizational designs and carrying out strategic innovation as a member of the top management) and Human Resources Service Provider (in the Kobe University Survey, this role was defined as support for the implementation of HR practices: implementing and carrying out HR practices) were higher among American HR departments. On the other hand, the percentages of time allocated to the roles of Maintaining Records (in the Kobe University Survey, this role was defined as

Table 6. Characteristics of Personnel Management by Personnel Ranking System Category

Unit: %

Role	CEO Survey					
	1995 (N=130)		2001 (N=150)		2004 (N=100)	
	5-7 years ago	Currently	5-7 years ago	Currently	5-7 years ago	Currently
Maintaining Records	22.9	15.4	26.8	14.9	25.9	13.2
Auditing/Controlling	19.5	12.2	17.1	11.4	14.8	13.3
Human Resources Service Provider	34.3	31.3	33.1	31.3	36.4	32.0
Development of Human Resources Systems and Practices	14.3	18.6	13.9	19.3	12.6	18.1
Strategic Business Partner	10.3	21.9	9.1	23.2	9.6	23.5

Role	Kobe University Survey	
	2009 (N=318)	
	Currently	
Maintaining Records	16.2	
Auditing/Controlling	15.0	
Human Resources Service Provider	26.2	
Development of Human Resources Systems and Practices	21.7	
Strategic Business Partner	21.0	

Sources: The data from the CEO Survey was compiled by combining the tables in Lawler et al. (2006, 21–22), except for the 1998 survey. The data from the Kobe University Survey was compiled by re-analyzing data obtained in the survey by Kobe University Graduate School of Business Administration, KIMPS, and JAM (2009), V. Q2.

accumulating and organizing personnel information; collecting data on employees and performing maintenance on such data so that it can be retrieved when required), Auditing/Control (in the Kobe University Survey, this role was defined as internal auditing and control; promoting compliance with internal rules, laws and regulations, and union-related provisions), and Development of Human Resources Systems and Practices (in the Kobe University Survey, this role was defined as developing and carrying out HR systems and practices; development of new systems and methods) were higher among Japanese HR de-

partments.

Lawler et al. (2006) analyzed the correlations between the five roles of HR departments and the clarity of a “Strategic Focus.” They found a positive correlation between the role of Strategic Business Partner and the clarity of a strategic focus, while finding a negative correlation with the role of Maintaining Records. Based on these findings, Lawler asserted the effectiveness of the role of Strategic Business Partner, while warning that the strategic focus would become blurred if HR departments used a great deal of time to perform the role of Maintaining Records. However, in Japan, the task of accumulating and organizing personnel information is HR departments’ source of power when they are involved in determining personnel transfer issues. This suggests a difference between Japanese and American HR departments in terms of the impact that the centralization of power in HR departments and their collection and accumulation of personnel information could have on business management performance.

3. Comparison of the Competencies of HR Professionals

In the United States, HR professionals are taught that they should have a firm theoretical foundation, accept HRM theory as an established decision-making science, and improve their HR professionalism in the same manner as professionals in marketing and finance (Christensen 2006; Boudreau and Ramstad 2007). The key competencies required of HR professionals are: (i) knowledge of the business, covering the traditional HR competencies in relation to administrative operations and the ability to understand strategic issues such as finance, business, competition, and customer demands and to link this understanding with HRM; (ii) delivery of HR practices, which refers to the ability to deliver state-of-the-art and innovative HR practices and change management; and (iii) technology expertise, as is required for outsourcing, use of information technology, and the development and application of measurement scales and HR matrices.

On the other hand, the key competency of Japanese HR professionals is knowledge of the various divisions within the firm and development of a broad network of human connections, as they are expected to be involved in personnel transfer decisions. This tendency can be inferred from the differences between the career development processes of Japanese and American HR managers. By analyzing the results of the Japan Institute of Labour (JIL) joint research project entitled “International Comparison of the Employment Management of University Graduate White-Collar Workers” (Japan Institute of Labour 1998; survey conducted in 1995 in the United States and in 1996 in Japan), Kato (2002b, 305) found that it is relatively rare both in Japan and the United States for HR managers to follow career paths beyond their functional category, with the important exception that more than half of Japanese HR managers had experience in sales, and one out of five had been engaged in sales for a longer period than in HR.

The Kobe University Survey, conducted 13 years after the abovementioned JIL survey, indicated that HR managers had a wide range of work experience outside HR, mainly in

Table 7. Top 5 Previous Positions Held before Assuming the Office of HR Manager (N=310)

	Frequency	Percentage
HR, education	86	27.7
Sales	49	15.8
Business planning	41	13.2
General affairs, secretarial affairs	31	10.0
Marketing	18	5.8

Source: Compiled by re-analyzing the data obtained in the survey by Kobe University Graduate School of Business Administration, KIMPS, and JAM (2009), II, Q7.

Table 8. Top 5 Positions Held by HR Managers within Their Firms (N=337)

	1st	2nd	3rd	4th	5th
Function	General affairs, secretarial affairs	Sales	Business planning	Accounting, finance	Marketing
Frequency	150	143	108	80	69
Percentage	44.5	42.4	32.0	23.7	20.5

Source: Compiled by re-analyzing the data obtained in the survey by Kobe University Graduate School of Business Administration, KIMPS, and JAM (2009), II, Q7.

sales. As shown in Table 7, with regard to the positions held by HR managers prior to becoming HR managers, fewer than 30% were promoted within HR or educational departments, and more than 70% were transferred from other departments, such as sales, business planning, general affairs and secretarial affairs, and sales planning. Table 8 shows that many HR managers have experience in positions other than HR. Furthermore, with regard to the types of positions held for the longest periods of time within a firm by HR managers, more than 60% developed their careers while mainly engaged in functions other than HR, such as sales (Table 9). Thus, one out of five HR managers had more experience in sales than in HR, which coincides with the finding in the JIL survey. Looking at the subsequent career paths of HR managers, many became managers of line departments (18.9%) or managers of other back-office departments (22.8%), or moved to other functions (19.8%), in addition to being promoted to HR executives (38.7%). Thus, most HR managers move beyond HR in their careers. This means that, among managers of line departments, there are quite a few who

Table 9. Top 5 Positions Held by HR Managers for the Longest Periods (N=320)

	1st	2nd	3rd	4th	5th
Function	HR, education	Sales	Accounting, finance	General affairs, secretarial affairs	Business planning
Frequency	120	62	30	19	16
Percentage	37.5	19.4	9.4	5.9	5.0

Source: Compiled by re-analyzing the data obtained in the survey by Kobe University Graduate School of Business Administration, KIMPS, and JAM (2009), II, Q7.

have served as an HR manager. Meanwhile, 46.3% of all respondent firms answered that they had HR executives ranked as senior executives or a higher position. With regard to attendance at strategy planning meetings convened by the president, HR managers “attend every meeting” (38.2%) or “attend almost every meeting” (38.7%).

VI. Conclusion

Compared with personnel management during the stable growth period, the current evolutionary Japanese personnel management mode has changed in some aspects and remained the same in others. One significant change relates to the incentive system, in which there has been a shift to role-based ranking systems which measure the importance of a role on the basis of its value on the market and incorporates personal attributes or ability. In other words, role-based ranking systems focus on the degree of each employee’s contribution to the added value given by the market, which can be assessed by the role assigned to each division in the case of a unit manager, or by the increase in the ability of or expertise demonstrated by each employee in the non-managerial position. With this focus on the individual, all employees can be ranked based on their roles (Ishida and Higuchi 2009). In addition, the essence of role-based ranking systems lies in re-evaluating *ex post facto* the ranks of the roles assigned to employees and enabling them to be promoted in grade without transfer to different divisions or promotion in position, thus motivating employees to “enhance their roles.”

On the other hand, HR departments retain centralized power to manage personnel issues and collect and accumulate personnel information, and HR managers still have promising career paths and high status within firms. In connection with the incentive system, HR departments remain involved in determining personnel transfer issues unless personal factors are eliminated from the ranking standards. In fact, HR departments have greater power than line departments in terms of “standard-setting” and “determination of promotion” (Table 5). However, the centralization of the power to manage personnel issues in HR departments has greater relevance to the departments’ involvement in determining personnel

transfer issues than is defined by the incentive system according to the role-based ranking policy. Specifically, American HR departments serve as business partners to top management in implementing the strategies laid down by top management and the finance department, or business management plans deduced, whereas within Japanese firms, human resources exist from the beginning as a given condition and create roles, and a strategy is developed ex post facto using the results achieved by these roles. In short, the intended strategy of Japanese firms is more of an “emergent strategy” (Mintzberg and Waters 1985). Japanese HR departments, while making use of the sticky personnel information as the source of their power, consult and negotiate with line managers about personnel transfer issues, and search for and select the right persons to assign to the right positions as well as flexibly promoting personnel training beyond sectional boundaries, thereby contributing to workplace reform. To fulfill these duties, HR managers are required to have experience in a variety of tasks in multiple divisions, thorough knowledge of various roles within the company, and the imagination to match employees to the right roles. At the same time, they need to develop a broad network of human connections within the company. As a result, the career paths of HR managers extend to different functions and they come to have high status which vests them with bargaining power over line managers.

The conclusion reached by this study coincides with the insights presented by foreign researchers in their recent studies on the Japanese employment system (e.g. Jacoby 2005; Olcott 2009); that is, that a personnel management approach can change only gradually because it is embedded in each country’s institutional mechanisms or social context. The roles of HR departments are incorporated into complementary relationships with various systems beyond the domain of personnel management. For this reason, we cannot find significant changes in the distinguishing features of Japanese HR departments—centralized personnel management power and the collection and accumulation of personnel information—since the stable growth period. This study provides us with the implications that Japanese HR departments must not give up on their efforts to collect and accumulate detailed personnel information on individual employees that is embedded in the workplace, determine transfers of employees through close negotiation with line departments, and thereby contribute to workplace reform. As for non-managerial employees, however, the scope of the human resources subject to concentrated management by HR departments has narrowed due to the costs involved in collecting and accumulating personnel information. A more detailed study on this point needs to be carried out in the future.

References

- Ansoff, H. Igor. 1965. *Corporate strategy : An analytic approach to business policy for growth and expansion*. New York: McGraw-Hill.
- Aoki, Masahiko. 1988. *Information, incentives and bargaining in the Japanese economy*.

- Cambridge: Cambridge University Press.
- . 1989. *Nihon kigyō no soshiki to jōhō* [Organizations and information of Japanese corporations]. Tokyo: Toyo Keizai Shinposha.
- . 2001. *Toward a comparative institutional analysis*. Cambridge: MIT Press.
- Baill, Barbara. 1999. The changing requirements of the HR professional: Implications for the development of HR professionals. *Human Resource Management* 38 (2):171–75.
- Boudreau, John W., and Peter M. Ramstad. 2007. *Beyond HR: The new science of human capital*. Boston, MA: Harvard Business School Press.
- Christensen, Ralph. 2006. *Roadmap to strategic HR: Turning a great idea into a business reality*. New York: AMACOM.
- Fombrun, Charles J., Noel M. Tichy, and Mary Anne Devanna, eds. 1984. *Strategic human resource management*. New York: John Wiley & Sons.
- Hirano, Mitsutoshi. 2003. Kyaria hattatsu no shiten kara mita shain kakuzuke seido no joken tekigo moderu: Shokuno shikaku seido to shokumu tokyu seido no sekkei to unyo no kadai [Contingency model for personnel grading systems from the viewpoint of career development: Issues with the design and management of qualification and job grading systems]. *The Japanese Journal of Administrative Science* 17, no. 1:15–30.
- . 2006. *Nihongata jinji kanri: Shinkagata no hassei puresesu to kinosei* [Japanese human resource management: Its emergent process and functionality]. Tokyo: Chuo Keizaiisha.
- Hirano, Mitsutoshi, Yasuhiko Uchida, and Ryuta Suzuki. 2009. Knowledge combination and value-creation mechanism under the Japanese-style career system. *Japan Labor Review* 6, no. 3:95–114.
- Ishida, Mitsuo, and Junpei Higuchi. 2009. Jinji seido no nichī-bei hikaku: Seika shugi to amerika no genjitsu [Comparison of human resources systems in Japan and the US: Performance-based policy and the realities in the United States]. Kyoto: Minerubua Shobo.
- Jacoby, Sanford M. 2005. *The embedded corporation: Corporate governance and employment relations in Japan and the United States*. Princeton, NJ: Princeton University Press.
- Japan Institute of Labour. 1992. *Daikigyo no honsha jinjibu* [Headquarters human resources departments of large corporations]. JIL Material Series no. 23, the Japan Institute of Labour, Tokyo.
- . 1998. *Kokusai hikaku: Daisotsu howaitokara no jinzai kaihatsu, koyo shisutemu—Nichi-bei-doku no daikigyo (2), anketo chosahen* [International comparison: Human resources development and employment systems for university graduate white-collar workers—Large corporations in Japan, the US and Germany (2), questionnaire survey]. JIL Research Report no. 101, the Japan Institute of Labour, Tokyo.
- Kagono, Tadao, Ikujiro Nonaka, Kiyonori Sakakibara, and Akihiro Okumura. 1983. *Nichi-bei kigyo no keiei hikaku: Senryakuteki kankyo, tekio no riron* [Comparison of

- management in Japanese and US corporations: Theory of adaptation to the strategic environment]. Tokyo: Nihon Keizai Shinbunsha.
- Kato, Takao. 2002a. Jukuren keisei to shoshin tonamento: Beikoku no ote meka to daiginko no jirei [Development of skilled workers and competition for promotion in the tournament form: Cases of US major manufacturers and banks]. In *Nichi-bei-ei-doku no hikaku: Howaito kara no jinzai keisei* [Comparison among Japan, the U.S., the U.K. and Germany: Human resources development of white-collar workers], ed. Kazuo Koike and Takenori Inoki, 185–222. Tokyo: Toyo Keizai Shinposha.
- . 2002b. Daikigyo ni okeru kyaria keisei no Nichi-bei hikaku [Comparison of career development at large corporations in Japan and the US]. In *Nichi-bei-ei-doku no hikaku: Howaito kara no jinzai keisei* [Comparison among Japan, the U.S., the U.K. and Germany: Human resources development of white-collar workers], ed. Kazuo Koike and Takenori Inoki, 289–307. Tokyo: Toyo Keizai Shinposha.
- Kobe University Graduate School of Business Administration, KIMPS (Kobe Institute for Management and Personnel Studies), and JAM (Japan Management Association), eds. 2009. “Sozosei kanki no tameno jinzai manejimento chosa” oyobi “kaihatsu bumon no sozosei wo shien suru jinzai manejimento chosa” no kekka hokoku [Report on the results of the “survey on human resources management to foster creativity” and the “survey on human resources management to support the creativity of development departments”]. Discussion Paper 2009-26, Kobe University, Hyogo.
- Lawler, Edward E., John W. Boudreau, Susan Albers Mohrman, Alice Yee Mark, Beth Neilson, Nora Osganian, University of Southern California, Center for Effective Organizations, and Human Resource Planning Society. 2006. *Achieving strategic excellence*. Stanford, Calif.: Stanford University Press.
- Mintzberg, Henry, and James A. Waters. 1985. Of Strategies, deliberate and emergent. *Strategic Management Journal* 6, no. 3:257–72.
- Nitta, Michio, and Norio Hisamoto, eds. 2008. *Nihonteki koyo shisutemu* [Japanese employment system]. Tokyo: Nakanishiya Shuppan.
- Olcott, George. 2009. *Conflict and change: Foreign ownership and the Japanese firm*. Cambridge, UK: Cambridge University Press.
- Otake, Fumio, Shinya Ouchi, and Ryuichi Yamakawa, eds. 2002. Kaiko hosei wo kangaeru: Ho to keizaigaku no shiten [Statutory regulations on discharge: From the viewpoint of law and economics]. Tokyo: Keiso Shobo.
- Ulrich, Dave. 1997. *Human resource champions*. Boston, MA: Harvard Business School Press.
- Ulrich, Dave, Wayne Brockbank, Dani Johnson, Kurt Sandholtz, and Jon Younger. 2008. *HR competencies: Mastery at the intersection of people and business*. Alexandria, VA : Society of Human Resource Management.
- von Hippel, Eric. 1994. “Sticky information” and the locus of problem solving: Implications for innovation. *Management Science* 40, no. 4:429–39.

- Yamashita, Mitsuru. 2008. Jinjibu [Human resources departments]. In *Nihonteki koyo sisutemu* [Japanese employment system], ed. Michio Nitta and Norio Hisamoto, 235–68. Tokyo: Nakanishiya Shuppan.
- Yashiro, Atsushi. 2002. *Kanrishokuso no jinteki shigen kanri: Rodo shijoronteki apurochi* [Human resources management of managerial employees: Labor market theory approach]. Tokyo: Yuhikaku.
- Yashiro, Naohiro. 1998. *Jinjibu ha mo iranai* [Human resources developments are no longer necessary]. Tokyo: Kodansha.