

*IASS Working Paper Series*

IASS WP 2018-E001

Comparative Analysis of Turnover Intentions  
between Japanese and Foreign-owned  
Companies in Japan

*Shinji Hasegawa*, Waseda University,  
Faculty of Social Sciences

*Rei Hasegawa*, Daito Bunka University,  
Faculty of Business Administration

*Takashi Akiyama*, Waseda University,  
Global Education Center



*Institute for Advanced  
Social Sciences*

**Comparative Analysis of Turnover Intentions  
between Japanese and Foreign-owned  
Companies in Japan \***

Shinji Hasegawa <sup>(1)</sup>

Rei Hasegawa <sup>(2)</sup>

Takashi Akiyama <sup>(3)</sup>

No. 2018-E001

*IASS Working Paper Series*

*Waseda University*

September 2018

\* This paper is a part of the outcome of research supported by JSPS Grants-in-Aid for Scientific Research (16K13391), and Waseda University Grant for Special Research Projects (2017B-269, 2018B-250).

(1) Waseda University, Faculty of Social Sciences e-mail: hasegawa@waseda.jp

(2) Daito Bunka University, Faculty of Business Administration

(3) Waseda University, Global Education Center

# **Comparative Analysis of Turnover Intentions between Japanese and Foreign-owned Companies in Japan**

## **Abstract**

The purpose of this paper is to examine the factors determining employee's turnover intention by comparing Japanese firms with foreign-owned firms in Japan. It has been emphasized that human resource management (HRM) of Japanese companies is considerably different from that of foreign companies. HRM of foreign-owned firms in Japan also differs from that of Japanese firms since the former is facing the 'liability of lateness' and under the pressures for 'isomorphism' across national borders.

Assuming that, even in the same labor market, Japanese and foreign-owned firms are isolated from each other with little labor mobility, it is expected that the influencing mechanisms on turnover intention also differ since the actual turnover realizes through changing job to another company via the labor market.

In this study, we described a causal model among key constructs that may affect an employee's turnover intention directly or indirectly and conducted a comparative analysis of Japanese and foreign-owned firms using a multiple-group structural equation modeling (SEM). The results showed some similarities between the two groups concerning the mechanisms of turnover intention. At the same time, significant differences were also highlighted in a tendency of each construct, and the influence of job satisfaction and firm-specificity of skills.

## INTRODUCTION

Foreign direct investments in Japan remained quite low until recently. Even in 2016, the stock of inward direct investments in Japan was 4.9% of its GDP, which still remains at almost the lowest level in the world. This situation reflects the difficulty of foreign firms to enter the Japanese market, and various reasons have been so far suggested: fierce competition for market share among Japanese firms, peculiarities of Japanese business practices, the presence of exacting consumers, and so forth (Hasegawa, 2001; OECD, 2006; CAO, 2008).

So-called Japanese-style management has also been pointed out as a reason contributing to barriers to entry for foreign firms since it brought competitive advantage to the Japanese firms. Many researchers emphasize on human resource management (HRM), among others, since those resources being hard to imitate due to tacitness, embeddedness, and path-dependency are making firms' competitive advantages sustainable (Wright et al., 1994).

HRM of Japanese firms has been regarded to be quite different from that of Western companies (Dore, 1973; Iwata, 1977; Itami, 1987). The most characteristic features include the 'trinity' consisting of lifetime employment – seniority-based wages – one labor union for each enterprise (Abegglen, 1958), periodic and bulk hiring of new graduates (JIL, 2001; Honda, 2010), acquiring skills and competencies through in-house / on-the-job training and experiences (Koike, 1996; Koike & Inoki, 2002), among others. All of these features were thought to increase their sense of belonging to the company (Nakane, 1972) and their commitment to the organization (Takezawa & Whitehill, 1981). They were also regarded to decrease their intent to leave the company since changing jobs often lead to a worsening of working conditions such as lower pay, lower rank, or lower level of job security, by losing their assets being specific to the organization (Mincer & Higuchi, 1988; Ono, 1995; Inoki, 2001). Therefore, it was not a practical or promising behavior for Japanese employees to pursue their career outside their current firms; thus, a lower voluntary turnover rate was observed in Japan than other countries (Blinder & Krueger, 1996; OECD, 1996).

It has been pointed out that HRM practices of foreign-owned firms doing business in Japan are also quite different from those of Japanese companies while they are staying in the same Japanese market (Yoshihara, 1994). There are two possible explanations. One is the isomorphism mechanism (DiMaggio & Powell; 1983). While HRM of a foreign subsidiary will be forced to adapt, to some extent, to the local country's business environment ('local isomorphism'), it is also subject to the isomorphic pressures of three other different types: 'corporate isomorphism' encouraging to adopt the same system as the parent company, 'cross-national isomorphism' from the home country environment, and 'global inter-corporate isomorphism' through imitating or learning from the competitors in the global market (Ferner & Quintanilla, 1998). As a result of such isomorphism mechanisms working across national borders, HRM of foreign-owned companies in Japan has taken a different form from Japanese firms.

Another possible explanation is that foreign firms were late-comers in the Japanese market because Japan had strictly restricted its foreign direct investment from abroad under 'Foreign Capital Act' from the end of World War II until the latter half of the 1970s, so that the foreign firms had to postpone establishing their own subsidiaries. The delay in the entry of foreign firms into the Japanese market put them under not only the liability of foreignness (Hymer, 1960; Zaheer, 1995) but also the 'liability of lateness' (Hasegawa, 2001) especially in procuring the human resources from the Japanese labor market. For example, foreign-owned firms had to pay a wage premium to recruit eligible Japanese personnel compared to their local rivals (Spence, 1973). It may be due to the lack of credibility as a newcomer, resulting in their negative images for foreign firms in the Japan's labor market, such as being footloose by easily divesting or dismissing employees, so that until recently they had been rated much lower than the Japanese firms in the job searching activities of new graduates. Foreign-owned firms tried to overcome such liabilities by practicing HRM which is different from Japanese firms, with the confidence in their own HRM system being superior to the Japanese one. This explanation may be in line with the work of Pudelko and Harzing (2008), who concluded from their survey that American and German companies in Japan have refused to adapt to Japanese HRM practices.

From the consideration so far, it is suggested that foreign-owned firms in Japan which practiced HRM in a manner different from Japanese firms have been hiring workers with quite different characteristics from those hired by the Japanese firms, in terms of their organizational commitment, job involvement, personality, or behavioral pattern (Aoki, 1988; Ono, 1989; Koike, 1999). It is expected that the mobility of workers between Japanese and foreign-owned firms is low due to the difference in desired personnel sought by both parties. Due to the wage discrepancy being not negligible, even if the transition of a worker could happen from a Japanese firm to a foreign firm, the opposite move is expected to be rare. Once a worker shifts from a Japanese company to a foreign company, it will not be easy to return to Japanese firms, so they will continue seeking jobs among foreign-owned firms (Ono, 2007). All these resulted in the division of Japanese labor market into two sub-markets, one for workers for the Japanese firms and the other for those who preferred to work for foreign firms (Hasegawa & Hasegawa, 2016).

Based on the assumption that Japan's labor market is divided into two segments, the purpose of our paper is to elucidate the mechanism of generating employees' turnover intentions in Japanese firms and foreign-owned firms. That would give useful suggestions to management practices for both Japanese and foreign-owned companies in Japan to retain the employees with talent from leaving the company, and to minimize the decline in their sustained competitive advantage. This study also aims to make some contribution to research on the subsidiary role of the multinational firm, since we already pointed out elsewhere that recruiting and developing human resources will be crucial for foreign-owned firms in Japan in acquiring and evolving the subsidiary role of a multinational enterprise.

## **LITERATURE REVIEW AND DEVELOPMENT OF HYPOTHESES**

Many thorough reviews of the turnover literature have been published (e.g., Holtom et al., 2008). In our study, as Hom et al. (2012) point out, we apply the most orthodox model of turnover related work to clarify if there exists any difference among workers of Japanese firms

and Japanese subsidiaries of multinational firms. As shown in Figure 1, the framework of analysis consists of three parts which follow the sequential pattern of the causal structure; starting from (1) distal antecedents such as personality, organizational support → (2) attitudinal antecedents including job satisfaction, organizational commitment, firm-specificity of skills, and career opportunity → (3) criteria of turnover/turnover intention.

\*\*\*\*\* insert Figure 1

### **Turnover intention as a dependent variable**

Turnover intention is defined as an employee's intention to voluntarily change jobs or companies. Voluntary turnovers involve significant costs to the firm, such as replacement, pressure on remaining staff, loss of human capital, and so forth. Managers are more interested in turnover than turnover intention, but most research employs turnover intention since the latter vastly simplifies the research task (Cohen et al., 2015). Although a review of meta-analyses examining the relationship between turnover intention and actual turnover finds moderate correlations (Dalton et al., 1999), turnover intentions are considered to be one of the best predictors of actual turnover and are thus employed in the core turnover models (Mobley, 1977; Hom & Griffeth, 1991; Steel, 2002; Cho & Lewis, 2012).

### **Organizational support and employee's attitudinal factors**

Four attitudinal factors of employees are discussed in the current study. Two of them are emotional factors, namely, job satisfaction and organizational commitment, and two others are job-related, firm-specific skills and the perception of career opportunities at the current firm.

First, we look at the relationship among job satisfaction, organizational commitment, and perceived organizational support. Perceived organizational support (POS) is defined as the extent to which employees believe that their organization value their contribution and care about their employability (Eisenberger et al., 1986). We focus here on emotional support for employees, which is related with the atmosphere in the workplace and employees' perception of how much they feel comfortable and are given a discretionary way of working. We used the

degree of employees' perception of being expected to act creatively as a proxy for POS.

According to the social exchange theory (Blau 1964; Emerson, 1976), when employee and employer are in the position of reciprocal interdependence, POS should be returned by employee's voluntary contribution to organizational commitment (Mowday et al. 1979; Allen & Meyer 1990; Eisenberger et al., 2001). Gaertner (1999) investigated this relationship using meta-analytical structural equation modeling (SEM), and the results suggested that most of the structural determinants (defined as characteristics of the work setting and patterns of social interaction within the work setting) including POS affected job satisfaction, whereas they had a partial impact on organizational commitment. Also, job satisfaction had a positive association with organizational commitment, therefore, means working as a mediator between POS and commitment.

Meyer et al. (1993) argue that organizational commitment is a complex and multifaceted construct and consists of three components, namely, affective, continuance, and normative commitment. Lee & Bruvold (2003) showed that POS, of which they called PIED (perceived investment in employees' development provided by their employer), was positively associated with job satisfaction and affective commitment but not with continuance commitment. So, we apply affective commitment in our study.

We posit the following hypotheses.

Hypothesis 1: For employees of both Japanese and foreign-owned firms, POS is positively related to job satisfaction.

Hypothesis 2: For employees of both Japanese and foreign-owned firms, POS is positively related to organizational commitment.

Hypothesis 3: For employees of both Japanese and foreign-owned firms, job satisfaction is positively related to organizational commitment.

Employees' skills and knowledge accumulated over a long period within the firm currently employed constitute the sustained competitive advantages of the firm because of its heterogeneity, scarcity, and non-imitability (Hatch & Dyer, 2004; Chadwick & Dabu, 2009).

Tsui et al. (1997), based on a balanced view of employee-organization relationships, argued that firm-specific human capital acquired by those employees in a particular firm would foster the employees' trust that such investments will be reciprocated over a long term. Thus, firm-specificity works to increase employees' job satisfaction (Rhoades & Eisenberger, 2002), and also to prolong employment relationship at the current firm so as to enhance employees' affective commitment to the organization via 'organizational socialization' (Allen & Meyer, 1990; Barker & Feldman, 1990) and/or 'social identification' (Ashforth & Mael, 1989). Moreover, firm-specific skills are not readily transferable to other firms (Becker, 1964), because they can be most effectively used where they were created. Therefore, investment in those abilities become sunk costs and employees' continuance commitment to the organization will also be enhanced (Becker, 1960; Scholl, 1981; Bishop, 1977). Besides, from a management point of view, employers who value employees' firm-specific abilities as a source of their competitive advantage may seek to provide supporting practices attractive to employees so as to avoid insufficient investment in such human capital (Batt and Colvin, 2011) which could be brought by 'hold-up' (Williamson, 1975) concerns of employees. Hence, it is plausible that POS works to increase the firm-specificity of employees' ability. We propose the following hypotheses.

Hypothesis 4: For employees of both Japanese and foreign-owned firms, POS is positively related to firm-specificity of skills.

Hypothesis 5: For employees of both Japanese and foreign-owned firms, firm-specificity is positively related to job satisfaction.

Hypothesis 6: For employees of both Japanese and foreign-owned firms, firm-specificity is positively related to organizational commitment.

There are two forms of career opportunities: actual and perceptual (Milkovich et al., 1976). Employee interprets and perceives opportunities and limitations with the current firm relative to her/his own subjective career goals and paths. Kraimer et al. (2011) defined these perceived career opportunities (PCO) as the employees' perception of the degree to which work

assignments and job opportunities that match their career interests and goals are available with the current firm.

Perceived career opportunities are not formed in isolation, nor are they formed only under the current working conditions. Instead, we argue that employees perceive their career opportunities through their process of learning and obtaining experiences and skills within the firm (Newbury & Thakur, 2010). PCOs will also be provided from employees' anticipations that they could enjoy various benefits provided by HRM practices such as wages, promotion, work procedures, relationships with superiors and colleagues (Seibert et al., 2001); employees' expectations that acting creatively at their discretion would be supported by their employer will further enhance PCO (Landau & Hammer, 1986). Thus, we assume that two factors in our study, POS, and firm-specificity of skills, will have a positive influence on PCO.

We also assume that as an employee is more devoted to and feel more satisfied with the current job, she/he is likely to become fond of her/his organization and perceive better prospect about her/his career opportunities at the current firm. PCO is presumably one of the crucial aspects affecting the employee motivation to perform better her/his organizational commitment and quit/stay decisions (Landau & Hammer, 1986). Therefore, we suggest the following hypotheses.

Hypothesis 7: For employees of both Japanese and foreign-owned firms, firm-specificity of skills is positively related to PCO.

Hypothesis 8: For employees of both Japanese and foreign-owned firms, POS is positively related to PCO.

Hypothesis 9: For employees of both Japanese and foreign-owned firms, job satisfaction is positively related to PCO.

Hypothesis 10: For employees of both Japanese and foreign-owned firms, PCO is positively related to organizational commitment.

Hypothesis 11: For employees of both Japanese and foreign-owned firms, PCO is negatively related to turnover intention.

Regarding the relationship between POS and turnover intention, Rhoades and Eisenberger (2002) pointed out that organizational support perceived by employees would lead them to incorporate organizational membership and result in reduced turnover intention. Since employees compare the current firm's support with other firms before deciding to leave, the more they perceive the current organizational support is desirable for them, the less they feel that changing employers would be a better choice; thus, they tend to stay (Lee & Bruvold, 2003).

As for organizational commitment, many studies pointed out that all three components of commitment (affective, continuance, and normative) relate negatively to turnover intentions through emotional attachment, cost avoidance, or perceived obligation (Williams & Hazer 1986, Mathiew & Zajac 1990; Meyer et al., 2002). Thus, we propose the following hypotheses.

Hypothesis 12: For employees of both Japanese and foreign-owned firms, POS is negatively related to turnover intention.

Hypothesis 13: For employees of both Japanese and foreign-owned firms, organizational commitment is negatively related to turnover intention.

### **Positiveness**

The second distal antecedent, positiveness as individual traits, is discussed here. Positiveness indicates an employee's attitude and the way of thinking regarding how she/he manage jobs as well as life (Judge et al., 2003). In their extensive review of the research on voluntary employee turnover, Holtom et al. (2008) point out that to include individual differences such as personality as predicting factor for turnover is one of the major trends of the last decade.

Positiveness may create an ambivalent situation for an employee about turnover. Being positive implies, on the one hand, that an employee may evaluate her/his current work positively, and his evaluation, in turn, will have a positive effect on job satisfaction (Staw et al., 1994; Hulin & Judge, 2003; Staw & Cohen-Charash 2005) through a process of emotional generalization (Judge et al., 1997). Job satisfaction will then have a negative effect on turnover intention via the increase in PCO and organizational commitment. On the other hand, positiveness implies that an employee may always be looking for better opportunities even if

she/he is satisfied with the current job since self-evaluations of control over the environment are high (Judge et al. 2003). Thus, employees with high positive affect are more likely to proactively change their situations (Mobley, 1977; Isen & Baron, 1991), and positiveness will increase turnover intentions.

As for the organizational commitment, we presume that one needs more than just being positive to enhance attachment to the specific organization so that no direct path is drawn from positiveness to organizational commitment. Thus, we suggest the following two hypotheses.

Hypothesis 14: For employees of both Japanese and foreign-owned firms, positiveness is positively related to job satisfaction.

Hypothesis 15: For employees of both Japanese and foreign-owned firms, positiveness is positively related to turnover intention.

As discussed, we start with two distal antecedents which influence attitudinal antecedents and turnover intention. Since we supposed no correlation between these two distal antecedents, we eliminated a two-way arrow between them in Figure 2.

\*\*\*\*\* insert Figure2

## **METHOD**

### **Data**

We collected data from monitor members of a research company using a web survey in February 2013. Although the lack of sample representativeness for the target population is frequently pointed out in terms of coverage and frame problems, selection bias, or non-response (Groves, 1989; Groves et al., 2009), the online survey, even with different tendencies with respect to sample attributes, is not necessarily considered inferior in measurement quality to other conventional methods of the survey (Ishida et al., 2009).

As a first step, we randomly selected 3,273 people working for foreign-owned firms and 4,288 people working for Japanese firms from a database of monitored members of the research company. They were requested to respond to a questionnaire, of which 361 usable questionnaire responses were returned by foreign-owned firms' employees and 193 responses by Japanese firms' employees (a response rate of 11.0% and 4.5%, respectively). The average age of the employees was 44.2 years for foreign-owned firms and 40.36 for Japanese firms. The respondents were paid by internet service points. The respondents comprised of 58 women (16.1%) and 303 men (83.9%) for foreign-owned firms and 67 women (34.7%) and 126 men (65.3%) for Japanese firms. Origin of the foreign-owned firms for which the respondents work, by region, consisted of North America (33.2%), Europe (33.2%), Asia (25.2%), and others (8.3%). The number of previous job changes was none (19.9%), once (26.9%), twice (18.3%), and three times or more (34.9%) for the respondents of the foreign-owned firm sample, and the Japanese sample consisted of none (48.2%), once (24.9%), twice (10.9%), and three times or more (16.1%). Tenure (number of years on the job) for the foreign-owned firm sample consisted of less than 5 years (38.0%), 5-9 years (22.4%), 10-19 years (25.8%), 20-29 years (10.5%) and 30 or more (3.3%), and the Japanese sample consisted of less than 5 years (27.5%), 5-9 years (17.1%), 10-19 years (25.9%), 20-29 years (25.4%) and 30 or more (4.1%).

Closed-ended questions with a five-point Likert scale were adopted for each item. We constructed and analyzed the hypothetical model. First, we used exploratory factor analysis and could confirm that seven theoretical constructs were extracted from the dataset as we hypothesized. Then, we used a multi-group structural equation modeling (SEM) technique to make the comparison between Japanese and foreign firms.

## **Measures**

The multi-item scales were used for all the constructs.

***Turnover intention (turnoverint)*** is defined as an employee's intention to voluntarily change job or company. According to Kelloway et al. (1999), we used a three-item scale, namely, (1) I am thinking about leaving this organization, (2) I am planning to look for a new job, and (3) I

do not plan to be in this organization much longer.

***Perceived Organizational support (POS)*** represents the HRM practices for supporting employees and the scale used in this study measures the degree of an employee's perception of being expected to act creatively by her/his employer. According to Scott and Bruce (1994), we adopt a three-item scale, namely, (1) Creativity is encouraged here, (2) Our ability to function creatively is respected by the leadership, and (3) Around here, people are allowed to try to solve the same problems in different ways.

***Positiveness (positive)*** indicates an employee's attitude and the way of thinking regarding how she/he manage work and life. Applying from the core self-evaluations scale developed by Judge et al. (2003), the following three items are used: (1) I am capable of coping with most of my problems, (2) I am confident I get the success I deserve in life and (3) I determine what will happen in my life.

***Firm-specific skills (specific)***: We developed while referring to Griffith & Lusch (2007) and KLIPS (Korean Labor and Income Panel Study) survey, the following two original items to measure the perception about the extent to which employee's knowledge and skills are used in the current firm better than in others. (1) What I have experienced so far in this firm, I can only utilize best within this firm, and (2) The skills and knowledge which I have accumulated in this firm, will be best manifested in this firm.

***Job satisfaction (satisfaction)*** is the pleasurable emotional state resulting from the appraisal of one's job as achieving or facilitating the achievement of one's job values (Locke, 1969). According to Price & Mueller (1981), job satisfaction is defined as the degree to which individuals like their jobs, and we applied the two items, namely, (1) I am fairly devoted to my job and (2) I find real enjoyment in my job.

***Perceived Career opportunities at the current firm (PCO)*** are defined as the employees'

perception of the degree to which work assignments and job opportunities that match their career interests and goals are available with the current firm (Kraimer et al., 2011). According to Kraimer et al. (2011), we applied a three-item scale: (1) There are career opportunities at this firm that are attractive to me, (2) There are job opportunities available within this firm that are of interest to me, and (3) This firm offers many job opportunities that match my career goals.

***Organizational commitment (commit):*** According to Meyer et al. (1993), we applied the two items related to affective commitment, namely, (1) I am proud to be a member of this organization, and (2) This organization has a great deal of personal meaning for me.

## **ANALYSIS AND RESULTS**

First of all, we tried exploratory factor analysis to confirm seven theoretical constructs described above, namely perceived organizational support (POS), positiveness (positive), firm-specificity of skills (specific), perceived carrier opportunity at the current firm (PCO), job satisfaction (satisfaction), organizational commitment (commit) and turnover intention (turnoverint); and all the constructs were supported to be valid from the structural aspect. Prior to initiating the multi-group analysis in SEM, we tested two groups separately by using SEM and confirmed that the hypothetical model in Figure 2 is supported for both groups with the following modification. We set factor covariances between POS and positiveness to be zero since we assumed these two factors were not correlated. Also, we eliminated two paths: one from POS to turnoverint (H12) and the one from PCO to turnoverint (H11). Consequently, we obtained goodness-of-fit indices supportive of the path diagram depicted in Figure 3: for Japanese firms, CFI=0.970, RMSEA=0.064 and foreign-owned firms, CFI=0.981, RMSEA=0.049. Thus, we decided to adopt this as a baseline model for our study.

### **Test of configural invariance**

We employed a multi-group SEM to compare employees in Japanese firms and foreign-

owned firm on (1) means of seven constructs used in the study and (2) causal structures among these constructs.

The first step is to test for configural invariance by conducting a multi-group SEM for two groups simultaneously. It requires only the same configurations of causal structure for both groups with the equal number of factors and the same factor loading patterns. No equality constraints are imposed on any parameters between the two groups. The factor loading patterns are not shown in the path diagram in Figure 3 for clarity. The overall goodness-of-fit indices were acceptable being CFI=0.971, RMSEA=0.040.

\*\*\*\*\* insert Figure 3

### **Test of measurement invariance**

A hierarchical series of nested equality constraints were imposed on parameters of both groups, and we checked the goodness-of-fit indices step by step. As indicated in Table 1, equality constraints were imposed in turn as follows: (1) metric invariance meaning the factor loadings of all factors set to be equal among the two groups (Model 1), (2) factor variances were set to be the same (Model 2), (3) factor residuals were set to be invariant (Model 3), and (4) item residuals were set to be invariant (Model 4). The goodness-of-fit indices were indicated in Table 1, and the model 2 was the best fit as AIC being the smallest. We consequently adopted the model 2 for the comparison of causal structures as well as the latent means among the two groups.

\*\*\*\*\* insert Table 1

### **Test for the latent mean differences**

As the next step, the latent mean analysis was performed. Item intercept invariance (scalar invariance) was imposed on by setting the intercepts of all 18 items to be the same across the two groups. The goodness-of-fit indices are shown in Table 2, depicting the model 2 as the best fit with the smallest AIC and acceptable CFI being 0.977 and RMSEA 0.037.

The means and intercepts of the latent factor cannot be directly estimated in the latent mean analysis. We can test for the latent mean differences by fixing the means of latent factors of one group, Japanese as the reference group here, at zero and not fixing the means of foreign-owned firms allowing free estimation.

Table 3 shows the results. There were only two factors out of seven, namely job satisfaction and turnover intention, for which the estimated mean scores of foreign-owned firms were not statistically significant. Three factors, namely, POS, positiveness, and PCO, showed that the estimated mean scores of foreign-owned firms were statistically significantly higher than Japanese firms' employees. On the other hand, the estimated mean scores for firm-specificity of skills and organizational commitment were significantly lower in the case of foreign-owned firms' employees.

\*\*\*\*\* insert Table 2

\*\*\*\*\* insert Table 3

### **Comparison of the causal structure**

We performed a multi-group analysis in SEM including the latent mean analysis using the model 2 in Table 2, with constraints of metric invariance, scalar invariance, and factor variance invariance. Table 4 shows path coefficients and  $p$  values estimated for both groups and indicates whether or not each hypothesis is supported at a significance level of 0.05. Figure 4 expresses the same information on the path diagram. The number of stars in the upper row indicates Japanese firms' employees and the lower row foreign-owned firms.

Most of the hypotheses were supported for both Japanese and foreign-owned firms except the effect of job satisfaction on organizational commitment (H3) for Japanese.

\*\*\*\*\* insert Figure 4

\*\*\*\*\* insert Table 4

## DISCUSSION AND CONCLUSION

### **Latent mean analysis**

As Table 3 shows, there are rather clear-cut differences in the estimated mean values for each construct among the two groups. POS, positiveness, and PCO were significantly higher for employees working for foreign-owned firms than for Japanese companies. Regarding POS, we used the degree of employees' perception of being expected to act creatively as a proxy. Employees, as well as management, expect to work more creatively in the foreign firms to accomplish short-term performance since employee-organization relationships based on an economic exchange are dominant (Blau, 1964). Thus, the result of POS being significantly higher in the foreign-owned firms was in line with our expectation. Positiveness was significantly higher in the foreign-owned firms. We assumed that people who prefer to work under pressure to achieve high performance in a short-term tend to think positively about jobs and careers. Thus, this result was following our expectation. As for PCO, the result is consistent with previous studies that, for Japanese firms, the incentive system designed based on the rank hierarchy prevents employees' 'self-reliance' career development (Hirano, 2003). We could also predict this result from the researches that the work environment, such as open communication in the workplace or supervisor's career support, contributed to the career prospect (House et al., 2004) and which is said to be characteristic of foreign firms.

On the contrary, firm-specific skills showed significantly higher scores for employees in Japanese firms compared with those in foreign-owned firms, which is consistent with existing studies and our expectation. In Japanese firms, firm-specific human capital such as knowledge, and insight and judgment into the job in the firm is, to a more significant degree compared with Western firms, formed through experience within the workplace, OJT, job rotation, and so forth. These firm-specific employees' skills have been said not only to increase firm's productivity but also to provide the sustained competitive advantage to Japanese firms since those skills are difficult to imitate by competitors due to its tacitness and long-term path dependent accumulation process (Sano et al. 1997, Koike 2005). Japanese firms found reasons to bear the

cost of investing in company-specific human capital (Hashimoto, 1981; Hashimoto & Raisian, 1985) in that long-term employment and seniority-based wage profiles exist. Also, race and selection among employees within the firm taking a more extended period ensured strong incentives for employees to accumulate such firm-specific human capital by themselves (Hanada 1987; Koike, 1991; Morishima 1996).

The mean of organizational commitment also tended to be significantly higher for employees in the Japanese firms than foreign-owned firms. This result at first glance seems to be contrary to prior studies which showed that the organizational commitment of Japanese employees is lower than that of American employees (Lincoln & Kalleberg, 1985; Luthans et al., 1985). However, they were not comparing the Japanese firms with foreign-owned firms in Japan. In either case, most of the employees are Japanese, and the validity problem has often been pointed out in measuring their commitment (Sekimoto & Hanada, 1987; Lincoln & Kalleberg, 1991) using the Porter's OCQ (organizational commitment questionnaire) scale developed in the US (Porter et al., 1974). In addition, taking the sub-dimensional scale of commitment into account, it could be explained that employment practices peculiar to Japanese companies such as the longer years of service, extensive job experience through personnel transfer, or cooperative labor-management relations (Abegglen, 1958; OECD, 1972; Dore, 1973; Hirano, 2011) strengthen the affective and even normative commitment by employees in the Japanese firms (Sekimoto & Hanada, 1987; Meyer et al., 2012). Since the employees can only collect their investment in firm-specific human capital by staying at the same company, the continuance commitment, which we did not explicitly consider in our model, would have been expected to be higher in the Japanese firms than Western ones (Scholl, 1981; Rusbult & Farrell, 1983). This is especially true when considering that the job change market is underdeveloped in Japan and the promotion 'ladders' arrangement (Carmichael, 1983) having upwardly rising wage profile with strong characteristics of 'deferred wage' (Lazear, 1981) is widely introduced in Japanese companies.

Job satisfaction and turnover intention showed no significant differences among the two groups. As for turnover, although many said that employees working for foreign-owned firms change job among those companies more actively, few surveys and studies compare domestic

and foreign firms in Japan in respect of turnover rates and turnover intentions based on firm evidence. One of the few exceptions is the survey conducted by METI (1997), which shows that the turnover rate of foreign-owned firms is considerably lower than that of all corporations, including Japanese companies, both in the manufacturing and non-manufacturing sectors, that is, a tendency opposite to what had been commonly said was shown. However, we should keep in mind that METI's survey did not control attributes such as firm size or years of service. Our results showed no statistically significant difference between Japanese and foreign-owned firms at least as regards turnover intention.

Regarding job satisfaction, according to the international comparative survey so far, Japanese workers showed a lower degree of job satisfaction compared to other countries (Lincoln & Kalleberg, 1990; CAO 2014). Moreover, according to the survey on Japanese companies entering the United States, workers working for Japanese companies or under Japanese bosses showed lower job satisfaction than those who worked for non-Japanese firms (Pucik & Hanada, 1989). Based on these, it was expected that employees in Japanese firms would have lower job satisfaction than employees working for foreign-owned companies in Japan. In this regard, it may be possible to interpret that foreign-owned companies engaged in business in Japan are under the constraints of the Japanese labor market, and did not lead to improvement in job satisfaction. Conversely, another possible explanation is that the job satisfaction of employees working for Japanese companies is improving as the review of personnel policies such as reformation of working way and the introduction of a performance-based compensation system has progressed. In our model, the measurement scales for job satisfaction were limited to two items related to 'work itself' out of the five areas classified by Job Descriptive Index (JDI) (Smith et al., 1969). Therefore, introducing a scale included in other areas (such as rewards and interpersonal relationships) may lead to different consequences.

### **Causal structure**

With regard to the hypotheses we set up in the baseline model, all the hypotheses were supported for both Japanese and foreign, except for H3. In particular, regarding hypothesis 4, as shown in Table 4, we confirmed that POS significantly affected firm-specific skills by

showing higher standardized path coefficients for both domestic and foreign firms.

Regarding the influence of firm-specificity, the following two paths showed considerable differences in unstandardized coefficient values between domestic and foreign firms: the firm-specificity showed, on the one hand, a significant influence on the organizational commitment of employees (H6) for Japanese firms, whereas it was not so keen for foreign-owned companies. On the other hand, for PCO (H7), the impact from the firm-specificity was relatively small in Japanese firms, but it was not so for foreign-owned firms. About the difference in H6, it can be interpreted that, according to the skill-weights approach (Lazear, 2009), firm-specificity comes from the combination of general skills being required in different ways by companies, so that the employees working for foreign firms can easily move to other companies by bringing these skills since they are general. In contrast, for employees of Japanese firms, the impact of firm-specificity on organizational commitment has been more substantial due to the imperfection of external labor markets such as search costs and matching problem in changing jobs (Acemoglu & Pischke, 1998).

As for the path from job satisfaction to organizational commitment (H3), the hypothesis was supported for the employees in foreign-owned firms, but not statistically significant for those in Japanese firms while with the sign predicted by the hypothesis. This result shows the possibility that the simple influencing mechanism that enhances their motivation or affective commitment (Mowday et al., 1979; Allen & Meyer, 1990) by improving job satisfaction perceived by employees such as the worth of job or pride is no longer established in Japanese companies as it is. Thus, it is suggested that the reciprocal interdependence between employer and employee supposed in the social exchange theory is weakening in the Japanese firms, who have been making significant changes in their HRM policies. These changes are brought by the following three factors (Hasegawa, 2018):

One is the structural change in the Japanese economy. Until the bubble economy in the late 1980s, the Japanese companies were recruiting abundant young workforce by hiring new graduates and developed their skills and competencies via in-house training on the premise of long-term employment. Even in the face of a short-term economic downturn, the Japanese firms dealt with surplus personnel through re-training / placement change within the firm or the

affiliate group (Morishima, 1996). However, long-term recession since the collapse of the bubble, the financial crisis, the decline in population associated with the falling birthrate and the aging population, the intensification of global competition, and instability of firm's performance are all making it difficult to maintain the system in which companies have nurtured their human resources internally. Many Japanese companies are therefore moving to secure profits by making variable expenses of labor costs through externalizing non-core workers (JFEA, 1995). Changes in employment policies of these companies may not only lead to an expansion of irregular employment in Japan's labor market but also affect the mindset of employees with regular employment, and changes in the mindset may, in turn, be aiming for a divergence from the employees' commitment to the organization.

The second factor is technology innovation. Technological progress that accelerates in the ICT field such as AI or big data, while spreading to other different industries and bringing about changes in industrial structure, are raising demand for the personnel with more specialized knowledge and skills throughout the Japanese economy. In response to such needs, fostering human capital that depended heavily on in-house education and training as in the past cannot respond anymore both in quantity and quality. Since such knowledge and skills are rather general or job-specific than firm-specific, there is a risk that companies will not be able to recover the investment costs if the employees move to other companies. Also, the expiration period of the return to be obtained from investment in the human capital itself tends to shorten due to the influence of the ICT revolution (Chuma, 2015). The role of companies in human capital formation in many Japanese companies is thus on a downward trend, suggesting that the job satisfaction may not contribute to organizational commitment as in the past.

The third factor is the increased uncertainty and the request for securing the organization's strategic flexibility (Sanchez, 1995). The business environment is changing every moment due to the emergence of destructive technology, the arrival of competitors and substitutes from unexpected places, and the rapid pursuit of firms from the emerging market. Firms need to have the ability to read dynamic changes in such business environments, to introduce strategic resources, and respond quickly to change. For that purpose, it is no longer useful to make full use of the firm-specific ability accumulated in the employees confined in the company and to

compete with ‘integral’ (coordination-intensive) production system (Clark & Fujimoto, 1991). Instead, quickly introducing products and services to the market becomes vital for firms, by combining firm-specific skills with professional, job-specific and general skills, or rearranging them as necessary. Therefore, it is suggested that for employees, not to commit to a firm excessively has led them to increase their strategic flexibility (Takaishi et al., 2016).

However, the hypothesis 3 not being supported for the employees in Japanese firms does not mean that the job satisfaction has no effect on turnover intention in the Japanese firms. Improving job satisfaction leads to an increase in PCO, which, in turn, increases their organizational commitment and then lowers turnover intention; thus, job satisfaction has an indirect effect on turnover intention. This influence relationship gives the following practical suggestions of interest. Giving employees a job worth doing will no longer automatically raise their awareness of belonging to the company, as has been emphasized in the past. Instead, it is essential, for Japanese firms seeking to lower turnover intention, to design HRM policies so that improvement in job satisfaction leads to an increase in employees' perceptions of desirable internal career opportunities within the organization. It is also necessary for these measures to respond to changes in employees' career interests and goals, awareness of work, or even to changes in their subjective criteria for career success.

### **Concluding remarks**

We started this study with the recognition that the Japanese labor market had been split into two distinctive sub-markets, namely one consisting of employees working for Japanese firms and the other formed by employees working for foreign-owned firms, due to the difference in HRM practices. Such recognition led us aware of the possible situation that the mechanism influencing turnover intentions may differ between the two groups. However, the result of our analysis showed a similar pattern regarding the overall causal structure of turnover intention rather, this suggesting that HRM practices of foreign-owned firms have been put under pressure for ‘local isomorphism’ (Ferner & Quintanilla, 1998) more strongly, regarding employees’ turnover mechanism. The need for local adaptation resulting from the pressures to adopt local HRM practices and become isomorphic with the local employment system would put the

foreign-owned firms in a conflicting situation with pressures for 'corporate isomorphism', which seems to have caused the 'formation failure' of their subsidiary role in Japan where the institutional distance from home country is particularly large (Hasegawa & Hasegawa, 2016).

Another possible explanation is that such similarity has been brought about by the changing HRM practices of Japanese firms. Until recently, even in the face of the pressure for change caused by the entry of foreign firms, the Japanese employment system had been refusing such changes or trying to fix them locally, since institutional and strategic complementarity continued protecting it. These two types of complementarity were the basis for the existence of Japan's unique systems as an autonomous and stable equilibrium (Aoki, 2001). However, Japanese firms' HRM, just crossed the threshold at which point the stable equilibrium may collapse, may be interpreted as being changing towards global standards, as the Japanese economy is experiencing the structural transformation as above mentioned. Whichever point of view we take, our findings may suggest that the division of the labor market between Japanese and foreign-owned firms is going to disappear.

## REFERENCES

- Abegglen, J. 1958. *The Japanese factory: aspects of its social organization*. N.Y.: Free Press.
- Acemoglu, D., & Pischke, J-S. 1998. Why do firms train: theory and evidence. *Quarterly Journal of Economics*, 113: 79-119.
- Allen, N. J., & Meyer, J. P. 1990. The measurement and antecedents of affective, continuance and normative commitment to the organization. *Journal of Occupational Psychology*, 63:1-18.
- Aoki, M. 1988. *Toward a Comparative Institutional Analysis*. MIT Press.
- Aoki, M. 2001. *Information, Corporate governance, and institutional diversity: competitiveness in Japan, the USA, and the transitional economies*. Oxford University Press.
- Ashforth, B. E., & Mael, F. 1989. Social identity theory and the organization. *Academy of Management Review*, 14(1): 20-39.
- Barker, G. E. III, & Feldman, D. C. 1990. Strategies of organizational socialization and their impact on newcomer adjustment. *Journal of Managerial Issues*, 2(2): 198-212.
- Batt, R., & Colvin, J. S. 2011. An employment systems approach to turnover: human resources practices, quits, dismissals, and performance. *Academy of Management Journal*, 54: 695-717.
- Becker, H. S. 1960. Notes on the concept of commitment. *American Journal of Sociology*, 66(1): 32-40
- Becker, G. S. 1964. *Human capital: a theoretical and empirical analysis, with special reference to education*. University of Chicago Press.
- Bishop, J. H. 1997. What we know about employer-provided training: a review of the literature. *Research in Labor Economics*, 16: 19-87.
- Blau, G. 1964. *Exchange and power in social life*. John Wiley and Sons.
- Blinder, A. S., & Krueger, A. B. 1996. Labor turnover in the USA and Japan: a tale of two countries. *Pacific Economic Review*, 1(1): 27-57.
- CAO (Cabinet Office, Government of Japan). 2008. *Factor analysis of outward and inward direct investment: why is FDI in Japan low?* (in Japanese).
- CAO. 2014. *Survey on the attitude of young people of Japan and other countries* (in Japanese).
- Carmichael, L. 1983. Firm-specific human capital and promotion ladders. *Bell Journal of Economics*, 14(1): 251-258.
- Chadwick, C., & Dabu, A. 2009. Human resources, human resource management, and the competitive advantage of firms: toward a more comprehensive model of causal linkages. *Organization Science*, 20: 253-272.
- Cho, Y. J., & Lewis, G. B. 2012. Turnover intention and turnover behavior: implications for retaining federal employees. *Review of Public Personnel Administration*, 32(1): 4-23.
- Chuma, H. 2015. Reconsidering Becker's human capital theory under CT/AI revolution (in Japanese). *Japan Labor Review*, 57(10): 66-78.
- Clark, K. B., & Fujimoto, T. 1991. *Product development performance: strategy, organization, and management in the world auto industry*. Harvard Business School Press.
- Cohen, G., Blake, R. S., & Goodman, D. 2015. Does turnover intention matter? Evaluating the usefulness of turnover intention rate as a predictor of actual turnover rate. *Review of Public Personnel Administration*, 1-24.
- Dalton, D. R., Johnson, J. L., & Daily, C. M. 1999. On the use of "Intent to..." variables in organizational research: an empirical and cautionary assessment. *Human Relations*, 52(10): 1337-1350.
- DiMaggio, P. J., & Powell, W. W. 1983. The iron cage revisited: institutional isomorphism and collective rationality in organizational fields. *American Sociological Review*, 48: 147-160.
- Dore, R. P. 1973. *British factory, Japanese factory: the origins of national diversity in industrial relations*. University of California Press.
- Eisenberger, R., Armeli, S., Rexwinkel, B., Lynch, P., & Rhoades, L. 2001. Reciprocation of perceived organizational support. *Journal of Psychology*, 86(1): 42-51.
- Eisenberger, R., Huntington, R., Hutchison, S. & Sowa, D. 1986. Perceived organizational support. *Journal of Applied Psychology*, 71(3): 500-507.
- Emerson, R. M. 1976. Social exchange theory. *Annual Review of Sociology*, 2: 335-362.
- Ferner A., & Quintanilla, J. 1998. Multinationals, national business systems and HRM: the

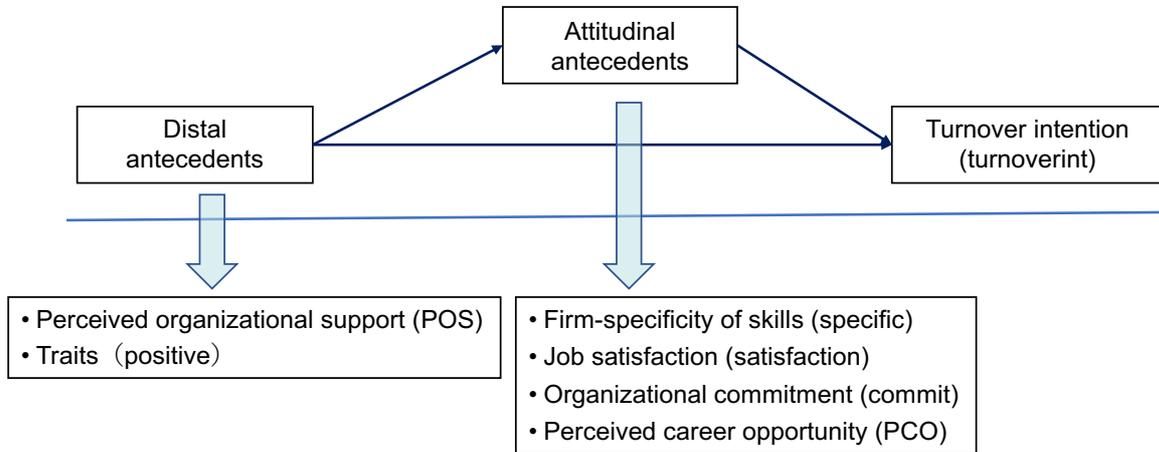
- enduring influence of national Identity or a process of ‘Anglo-Saxonization’. *International Journal of Human Resource Management*, 9(4): 710-731.
- Gaertner S. 1999. Structural determinants of job satisfaction and organizational commitment in turnover models. *Human Resource Management Review*, 9(4): 479-493.
- Griffith, D. A., & Lusch, R. F. 2007. Getting marketers to invest in firm-specific capital. *Journal of Marketing*, 71: 129-145.
- Groves, R. M. 1989. *Survey errors and survey costs*. John Wiley & Sons.
- Groves, R. M., Fowler, F. J., Couper, M. P., Lepkowski, J. M., Singer, E., & Tourangeau, R. 2009. *Survey methodology*, 2<sup>nd</sup> ed. Wiley.
- Hanada, M. 1987. Tournament mobility of Japanese firms promotion systems and strategic human resources management (in Japanese). *Organizational Science*, 21(2): 44-53.
- Hasegawa, S. 2001. A surge in inward direct investment in Japan and the strategy of multinational firms (in Japanese). *World Economic Review*, 45(9): 16-28.
- Hasegawa, S. 2018. Human capital in the era of globalization (in Japanese), *World Economic Review*, 62(3): 55-66.
- Hasegawa, S., & Hasegawa, R. 2016. Foreign-owned firms in Japan and a subsidiary role in the multinational enterprise. *Working Paper Series*, School of Social Sciences, Waseda University, 2015-06: 1-24.
- Hashimoto, M. 1981. Firm-specific human capital as a shared investment. *American Economic Review*, 71: 475-482.
- Hashimoto, M., & Raisian, J. 1985. Employment tenure and earnings profiles in Japan and the United States. *American Economic Review*, 75(4): 721-735.
- Hatch, N. W., & Dyer, J. H. 2004. Human capital and learning as a source of sustainable competitive advantage. *Strategic Management Journal*, 25: 1155-1178.
- Hirano, M. 2003. Self-reliance career development via the change in organization mode of Japanese firm (in Japanese). *Discussion Paper Series*, Kobe University, 1-29.
- Hirano, M. 2011. Diversification of employment categories in Japanese firms and its functionality: a study based on the human resource portfolio system. in R. Bebenroth & T. Kanai (Eds.), *Challenges of human resource management in Japan*: 188-209.
- Holtom B. C., Mitchell, T. R., Lee, T. W., & Eberly, M.B. 2008. Turnover and retention research: a glance at the past, a closer review of the present, and a venture into the future. *Academy of Management Annals*, 2 (1): 231-274.
- Hom, P. W., & Griffeth, R. W. 1991. A structural equations modeling test of a turnover theory: cross-sectional and longitudinal analysis. *Journal of Applied Psychology*, 76: 350-366.
- Hom P. W., Mitchell, T. R., Lee, T. W., & Griffeth, R. W. 2012. Reviewing employee turnover: focusing on proximal withdrawal states and an expanded criterion. *Psychological Bulletin*, 138 (5): 831-858.
- Honda, Y. 2010. Reconsidering the peculiarities of job-hunting activities of Japanese college graduates (in Japanese). in T. Kariya & Y. Honda (Eds.), *A Sociology of college graduates' employment*. University of Tokyo Press.
- House, R. J., Hanges, P. J., Javidan, M., Dorfman, P. W., & Gupta, V. 2004. *Culture, leadership, and organizations*. Sage Publications.
- Hulin, C. L., & Judge, T. A. 2003. Judge, job attitudes. in W. C. Borman, D. R. Ilgen, & R. J. Klimosk (Eds.), *Handbook of psychology: industrial and organizational psychology*: 255-276. Wiley.
- Hymer, S. 1960. The international operations of national firms, a study of direct foreign investment. Thesis (Ph.D.), MIT.
- Inoki, T. (Ed.) 2001. *Economics of job-change: job selection and human resource development* (in Japanese). Toyo Keizai.
- Isen, A. M., & Baron, R. A. 1991. Positive affect as a factor in organizational behavior. in L. L. Cummings & B. M. Staw (Eds.), *Research in organizational behavior*, 13: 1-53, JAI.
- Ishida, H., Sato, K., Sato, H., Toyoda, Y., Hagiwara, M., Hagiwara, M., Honda, N., Maeda, Y., & Miwa, T. 2009. *Toward establishing a reliable internet survey method* (in Japanese). SSJDA-42. Institute of Social Science, Univ. of Tokyo.
- Itami, H. 1987. *Management of humanitarianism* (in Japanese). Chikuma-shobo.
- Iwata, R. 1977. *Principle of Japanese management system* (in Japanese). Bunshindo.
- JFEA (Japan Federation of Employers' Associations). 1995. *Japanese management in the new era* (in Japanese).

- JIL (Japan Institute of Labour). 2001. *Universities and occupations in Japan and Europe: comparative survey results on higher education and occupation in 12 countries* (in Japanese).
- Judge, T. A., Erez, A., Bono, J. E., & Thoresen, C. J. 2003. The core self-evaluations scale (CSES): development of a measure. *Personnel Psychology*, 56: 303-331.
- Judge, T. A., Locke, E. A., & Durham, C. C. 1997. The dispositional causes of job satisfaction: a core evaluations approach. *Research in Organizational Behavior*, 19: 151-188.
- Kelloway, E. K., Gottlieb, B. H., & Barham, L. 1999. The source, nature, and direction of work and family conflict: a longitudinal investigation. *Journal of Occupational Health Psychology*, 4: 337-346.
- Koike, K. 1996. *The economics of works in Japan*. LTCB International Library Foundation.
- Koike, K., & Inoki, T. 2002. *Human resource formation in white-color workers: comparison between Japan, the US, UK, and Germany* (in Japanese). Toyo Keizai.
- Kraimer, M. L., Seibert, S. E., Wayne, S. J., Liden, R. C., & Bravo, J. 2011. Antecedents and outcomes of organizational support for development: the critical role of career opportunities. *Journal of Applied Psychology*, 96(3): 485-500.
- Landau, J., & Hammer, T. H. 1986. Clerical employees' perceptions of intraorganizational career opportunities. *Academy of Management Journal*, 29(2): 385-404.
- Lazear, E. P. 1981. Agency, earnings profiles, productivity, and hours restrictions. *American Economic Review*, 71(4): 606-620.
- Lazear, E. P. 2009. Firm-specific human capital: a skill-weights approach. *Journal of Political Economy*, 117(5): 914-940.
- Lee C. H., & Bruvold, N. T. 2003. Creating value for employees: investment in employee development. *International Journal of Human Resource Management*, 14(6): 981-1000.
- Lincoln, J. R., & Kalleberg, A. L. 1985. Work organization and work commitment: a study of plants and employees in the U.S. and Japan. *American Sociological Review*, 50: 738-760.
- Lincoln, J. R., & Kalleberg, A. L. 1990. *Culture, control and commitment: a study of work organizations and work attitudes in the United States and Japan*. Cambridge University Press.
- Locke, E. A. 1969. What is job satisfaction?. *Organizational Behavior and Human Performance*, 4: 309-336.
- Luthans, F., McCaul, H. S., & Dodd, N. G. 1985. Organizational commitment: a comparison of American, Japanese, and Korean employees, *Academy of Management Journal*, 28: 213-219.
- Meyer J. P., Allen, N. J., & Smith, C. A. 1993. Commitment to organizations and occupations: extension and test of a three-component conceptualization. *Journal of Applied Psychology*, 78 (4): 538-551.
- Meyer, J. P., Stanley, D. J., Herscovitch, L., & Topolnytsky, L. 2002. Affective, continuance, and normative commitment to the organization: a meta-analysis of antecedents, correlates, and consequences. *Journal of Vocational Behavior*, 61: 20-52.
- Meyer, J. P., Stanley, D. J., Jackson, T. A., McInnis, K. J., Maltin, E. R., & Sheppard, L. 2012. Affective, normative, and continuance commitment levels across cultures: a meta-analysis. *Journal of Vocational Behavior*, 80:225-245.
- Mathiew, J. E., & Zajac, D. M. 1990. A review and meta-analysis of the antecedents, correlates and consequences of organizational commitment. *Psychological Bulletin*, 108: 171-194.
- METI (Ministry of Economy, Trade, and Industry of Japan). 1997. *31st Survey of Trends in Business Activities of Foreign Affiliates*.
- Milkovich, G. T., Anderson, J. C., & Greenhalgh, L. 1976. Organizational careers: environmental, organizational, and individual determinants. In Dyer L. (Ed.) *Careers in organizations: Individual planning and organizational development*. Cornell University, 17-30.
- Mincer, J., & Higuchi, Y. 1988. Wage structures and labor turnover in the United States and Japan. *Journal of the Japanese and the International Economies*, 2(2): 97-133.
- Morishima, M. 1996. The evolution of white-collar human resource management in Japan. in B. Kaufman et al. (Eds.), *Advances in Industrial and Labor Relations*, 7: 145-176. JAI Press.
- Mobley, W. H. 1977. Intermediate linkages in the relationship between job satisfaction and employee turnover. *Journal of Applied Psychology*, 62: 237-240.

- Mowday, R. T., Steers, R. M., & Porter, L. W. 1979. The measurement of organizational commitment. *Journal of Vocational Behavior*, 14: 224-247.
- Nakane, C. 1972. *Japanese Society*. University of California Press.
- Newbury, W., & Thakur, P. 2010. Multi-level impacts on perceived career opportunity from global integration: human capital development within internal institutional environments. *International Journal of Human Resource Management*, 21(13): 2358-2380.
- OECD. 1972. *Reviews of manpower and social policies: manpower policy in Japan*.
- OECD. 1996. *Employment outlook*.
- OECD. 2006. *Economic Survey of Japan 2006*.
- Ono, A. 1989. *Traditional practices of Japanese-style employment and the labor market* (in Japanese). Toyo Keizai.
- Ono, A. 1995. Promotion and wage structure in the firm (in Japanese). *Hitotsubashi University research series, economics*, 36: 3-101.
- Ono, H. 2007. Careers in foreign-owned firms in Japan. *American Sociological Review*, 72: 267-290.
- Porter, L. W., Steers, R. M., Mowday, R. T., & Boulian, P. V. 1974. Organizational commitment, job satisfaction, and turnover among psychiatric technicians. *Journal of Applied Psychology*, 59: 603-609.
- Price J. L., & Mueller, C. W. 1981. A causal model of turnover for nurses. *Academy of Management Journal*, 24(3): 543-565.
- Pucik, V., & Hanada, M. 1989. *Management culture and the effectiveness of local executives in Japanese-owned US corporations*. University of Michigan Press.
- Pudelko, M., & Harzing, A. W. 2008. The golden triangle for MNCs: standardization towards headquarters practices, standardization towards global best practices and localization. *Organizational Dynamics*, 37(4): 394-404.
- Rhoades, L., & Eisenberger, R. 2002. Perceived organizational support: a review of the literature. *Journal of Applied Psychology*, 87(4): 698-714.
- Rusbult, C. E., & Farrell, D. 1983. A longitudinal test of the investment model: the impact on job satisfaction, and turnover variations in rewards, costs, alternatives, and investment. *Journal of Applied Psychology*, 68: 429-438.
- Sanchez, R. 1995. Strategic flexibility in product competition. *Strategic Management Journal*, 16(S1): 135-159.
- Sano, Y., Morishima, H., & Seike, A. 1997. *Frontiers of Japanese human resource practices*. Japan Institute of Labour.
- Scholl, R. W. 1981. Differentiation organizational commitment from expectancy as a motivational force. *Academy of Management Review*, 6: 589-599.
- Scott, S. G., & Bruce, R. A. 1994. Determinants of innovative behavior: a path model of individual innovation in the workplace. *Academy of Management Journal*, 37(3): 580-607.
- Seibert, S. E., Kraimer, M. L., & Liden, R. C. 2001. A social capital theory of career success. *Academy of Management Journal*, 44(2): 219-237.
- Sekimoto, M., & Hanada, M. 1987. Organizational commitment and its Influence factor (in Japanese). *Industrial and Organizational Psychology Research*, 1(1): 9-20.
- Smith, P. C., Kendall, L. M., & Hullin, C. L. 1969. *The measurement of satisfaction in work and retirement*. Rand McNally.
- Spence, M. 1973. Job market signaling. *Quarterly Journal of Economics*, 87(3): 355-374.
- Steel, R. P. 2002. Turnover theory at the empirical interface: problems of fit and function. *Academy of Management Review*, 27: 346-360.
- Staw, B. M., & Cohen-Charash, Y. 2005. The dispositional approach to job satisfaction: more than a mirage, but not yet an oasis. *Journal of Organizational Behavior*, 26:59-78.
- Staw, B. M., Sutton, R. I., & Pelled, L. H. 1994. Employee positive emotion and favorable outcomes at the workplace. *Organization Science*, 5(1): 51-71.
- Takaishi, K., Hasegawa, R., & Hasegawa, S. 2016. Strategic flexibility, organizational commitment, and innovative behavior among foreign subsidiaries and domestic Japanese firms. *Journal of Business and Economics*, 7(4): 549-561.
- Tsui, A. S., Pearce, J. L., Porter, L.W., & Tripoli, A. M. 1997. Alternative approaches to the employee-organization relationship: does investment in employees pay off. *Academy of Management Journal*, 40: 1089-1121.

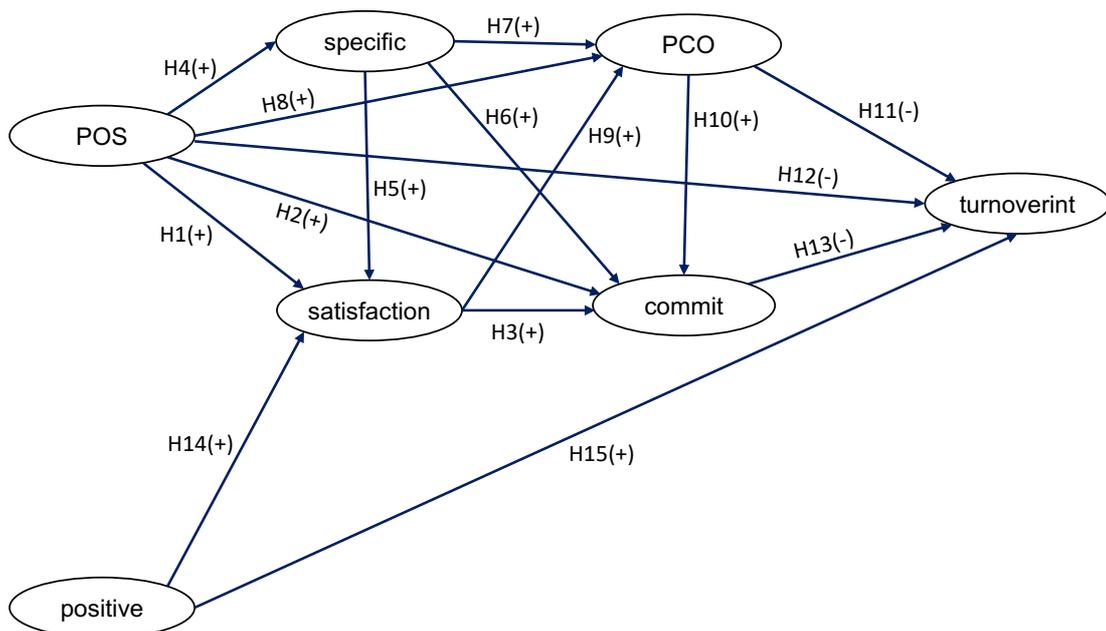
- Williams, L. J., & Hazer, J. 1986. Antecedents and consequences of satisfaction and commitment in turnover models: a reanalysis using latent variable structural equation methods. *Journal of Applied Psychology*, 71: 219-231.
- Williamson, O. E. 1975. *Markets and hierarchies: analysis and antitrust implications*. Free Press.
- Wright, P. M., McMahan, G. C., & McWilliams, A. 1994. Human resources and sustained competitive advantage: a resource-based perspective. *International Journal of Human Resource Management*, 5(2): 301-326.
- Yoshihara, H. (Ed.) 1994. *Foreign-owned firms in Japan* (in Japanese). Dobunkan.
- Zaheer, S. 1995. Overcoming the liability of foreignness. *Academy of Management Journal*, 38(2): 341-363.

**Figure 1: Framework of analysis**

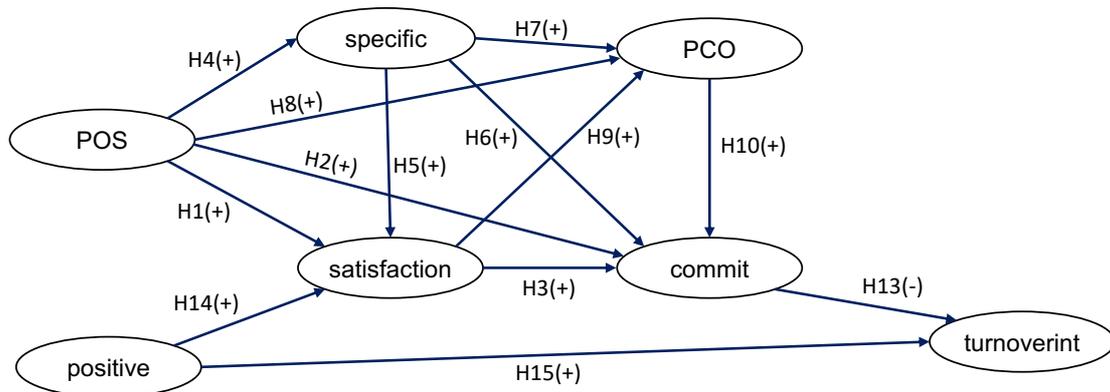


Note: ( ) labels of latent factors

**Figure 2: Hypothetical model**



**Figure 3: Baseline model**



**(1) Tested two groups separately**

Goodness-of-fit indices:  
 - Japanese: CFI=0.970, RMSEA=0.064  
 - foreign: CFI=0.981, RMSEA=0.049

**(2) Eliminated 2 paths**

from POS to turnoverint (H12)  
 from PCO to turnoverint (H11)

**(3) Tested configural invariance by multi-group analysis**

Goodness-of-fit indices: CFI=0.977, RMSEA=0.039

**Table 1: Fit indices for the measurement invariance test**

|                      | Baseline                   | Model 1 | Model 2 | Model 3 | Model 4 |         |
|----------------------|----------------------------|---------|---------|---------|---------|---------|
| Equality constraints | Metric invariance          |         | ○       | ○       | ○       |         |
|                      | Factor variance invariance |         |         | ○       | ○       |         |
|                      | Factor residual invariance |         |         |         | ○       |         |
|                      | Item residual invariande   |         |         |         |         | ○       |
| Fit indices          | CFI                        | 0.977   | 0.978   | 0.978   | 0.977   | 0.971   |
|                      | RMSEA                      | 0.039   | 0.037   | 0.037   | 0.037   | 0.040   |
|                      | AIC                        | 650.605 | 636.299 | 633.887 | 635.731 | 670.419 |

**Table 2: Fit indices for the measurement invariance test with latent mean analysis**

|                      |                                       | Model 1 | Model 2 | Model 3 | Model 4 |
|----------------------|---------------------------------------|---------|---------|---------|---------|
| Equality constraints | Metric invariance & Scalar invariance | ○       | ○       | ○       | ○       |
|                      | Factor variance invariance            |         | ○       | ○       | ○       |
|                      | Factor residual invariance            |         |         | ○       | ○       |
|                      | Item residual invariande              |         |         |         | ○       |
| Fit indices          | CFI                                   | 0.977   | 0.977   | 0.976   | 0.971   |
|                      | RMSEA                                 | 0.037   | 0.037   | 0.037   | 0.040   |
|                      | AIC                                   | 703.261 | 700.898 | 702.845 | 736.956 |

**Table 3: Results of latent mean analysis**

|              | Japanese | foreign-owned | <i>p</i> value |
|--------------|----------|---------------|----------------|
| POS          | 0        | 0.533         | ***            |
| positive     | 0        | 0.453         | ***            |
| specific     | 0        | -0.243        | **             |
| PCO          | 0        | 0.355         | ***            |
| satisfaction | 0        | 0.053         | 0.482          |
| commit       | 0        | -0.177        | *              |
| turnoverint  | 0        | 0.047         | 0.615          |

note: \*\*\*  $p < .001$ , \*\*  $p < .01$ , \*  $p < .05$

### Table 4: Comparison of causal structure

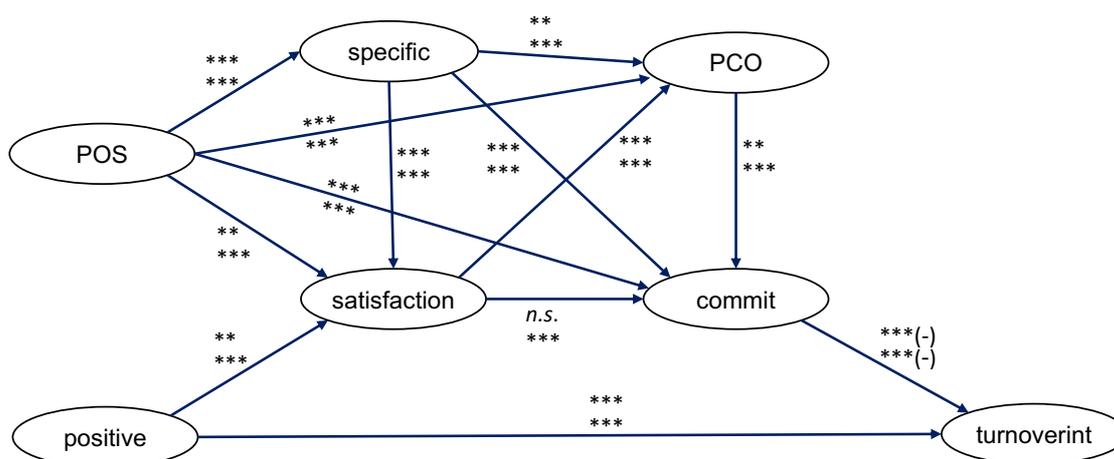
|     |              |                | Japanese         |           |         | foreign-owned    |           |         |     |   |
|-----|--------------|----------------|------------------|-----------|---------|------------------|-----------|---------|-----|---|
|     |              |                | path coefficient | std. path | p value | path coefficient | std. path | p value |     |   |
| H1  | satisfaction | ← POS          | 0.217            | 0.293     | 0.001   | ○                | 0.165     | 0.202   | *** | ○ |
| H2  | commit       | ← POS          | 0.286            | 0.266     | ***     | ○                | 0.212     | 0.207   | *** | ○ |
| H3  | commit       | ← satisfaction | 0.012            | 0.008     | 0.911   | ×                | 0.221     | 0.176   | *** | ○ |
| H4  | specific     | ← POS          | 0.623            | 0.616     | ***     | ○                | 0.561     | 0.547   | *** | ○ |
| H5  | satisfaction | ← specific     | 0.310            | 0.425     | ***     | ○                | 0.350     | 0.440   | *** | ○ |
| H6  | commit       | ← specific     | 0.552            | 0.519     | ***     | ○                | 0.390     | 0.391   | *** | ○ |
| H7  | PCO          | ← specific     | 0.223            | 0.247     | 0.005   | ○                | 0.411     | 0.419   | *** | ○ |
| H8  | PCO          | ← POS          | 0.269            | 0.295     | ***     | ○                | 0.191     | 0.189   | *** | ○ |
| H9  | PCO          | ← satisfaction | 0.381            | 0.309     | ***     | ○                | 0.314     | 0.255   | *** | ○ |
| H10 | commit       | ← PCO          | 0.215            | 0.182     | 0.007   | ○                | 0.232     | 0.228   | *** | ○ |
| H13 | turnoverint  | ← commit       | -0.390           | -0.380    | ***     | ○                | -0.365    | -0.327  | *** | ○ |
| H14 | satisfaction | ← positive     | 0.168            | 0.200     | 0.004   | ○                | 0.177     | 0.190   | *** | ○ |
| H15 | turnoverint  | ← positive     | 0.714            | 0.570     | ***     | ○                | 0.590     | 0.453   | *** | ○ |

note 1) \*\*\*  $p < .001$

2) ○: Hypothesis supported; X: Hypothesis not supported at 5% significance level

3) std. path; standardized path coefficient

### Figure 4: Comparison of causal structure in the path diagram



**Goodness-of-fit indices:**

CFI=0.977, RMSEA=0.037

note: 1) \*\*\*  $p < .001$ , \*\*  $p < .01$ , \*  $p < .05$

2) Japanese in upper row, foreign-owned in lower row