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**ORIGINAL ARTICLE** 



# How HR managers develop ideas about HR reform: the role of inter-corporate knowledge exchange in Japan

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# Abstract

Following a call for actor-centric research in HRM, we look at the modes how HR managers acquire HR knowledge. Our interview study with HR managers of large established companies in Japan finds a clear preference for direct inter-corporate knowledge exchanges instead of the engagement of outside consultants. Discussing our findings, we explain the reasons for this preference. Abstracting from the case of Japan, we then propose with reference to institutional theory and isomorphism that the way HR knowledge is spread is linked to the nature of employment systems. In external labour markets, HR knowledge has been reported to be predominantly spread through business consultants, educational institutions, and career changes of HR professionals, resulting in normative isomorphism. We propose that in internal labour markets, like Japan's, companies resort to direct inter-corporate knowledge exchange, which leads to mimetic isomorphism.

**Keywords** Japan  $\cdot$  Human resources management  $\cdot$  HR innovation  $\cdot$  Institutional theory  $\cdot$  Isomorphism

## Introduction

Human resources management practices of Japanese companies continue to attract attention. Yet, while once described as highly coherent and deserving some credit for the success of Japanese corporations, the focus has long since shifted towards

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a discussion of changes that Japanese companies are making to remain competitive (Schaede, 2020). Initially, by looking at incentive systems, career advancement or the length of employment, authors focused on the classic characteristics of Japanese human resource management such as remuneration, advancement by seniority, and long-term employment (e.g. Conrad, 2011; Endo, 1998; Inagami & Whittaker, 2005; Keizer, 2011; Morris et al., 2018; Matanle, 2003; Nonaka, 1988; Peltokorpi, 2013). Later research looked at changes in the composition of workforces, especially the increasing importance of non-regular employees (e.g. Gottfried & Hayashi-Kato, 1998; Keizer, 2008; Meyer-Ohle, 2009). More recently, research has focused on initiatives to improve employee diversity through increasing employment of women (e.g. Nakagawa & Schreiber, 2014; Nemoto, 2013; Olcott & Oliver, 2014; Pudelko & Tenzer, 2023) or foreign employees (e.g. Conrad & Meyer-Ohle, 2022; Sekiguchi et al., 2016; Koyama, 2022; Huang et al., 2019; Moriya, 2012).

These studies have largely focused on HR practices and policies to eventually conclude that changes to these have only progressed slowly and overall appear somewhat inconsequential. For example, innovations that at one point were widely discussed as inevitable, like a transition from seniority-based pay to performance-based pay, eventually turned out to be rather limited. Without making normative judgements about the desirability of particular reforms, theoretical frameworks like the Varieties-of-Capitalism, have explained the limited nature of these changes by the fact that the practices of the Japanese employment and managerial system are highly interdependent and complementary and that individual practices are thus difficult to change without changes to the overall system (Conrad & Meyer-Ohle, 2023; Vogel, 2006). Moreover, practices have shown a strong alignment across large companies (e.g. Conrad, 2011; Keizer, 2008; Rear, 2022).

Following a call for actor-centric research in the study of human resources management (Brewster et al., 2016; Lewis et al., 2019; Rupidara & McGraw, 2011), this article focusses not on HR practices and policies per se, but on how HR knowledge behind these practices and policies is acquired. Here, we argue that the nature of employment systems has a major impact on the modes of HR knowledge acquisition. Changes to HR practices require the prior acquisition of knowledge regarding best practices, alternative options, possible consequences, costs, and modes of implementation. HR knowledge is generated and diffused through channels such as business consultants, business schools, HR seminars, the movement of HR professionals between companies, and inter-corporate exchanges among HR personnel (Amarakoon et al., 2018; Süß & Kleiner, 2008). We ask how HR knowledge is acquired and spread in Japan. Based on our findings and abstracting from Japan, we propose that there is a systematic link between the nature of employment systems and the way that HR knowledge is spread. In systems with external labour markets, business consultants, business schools, HR seminars, and the movement of HR professionals between companies are the predominant forms of knowledge generation and diffusion, resulting in normative isomorphism. In internal labour markets, like Japan's, we see a stronger influence of mimetic isomorphism with a strong reliance on inter-corporate HR knowledge exchange. This might lead to slower and less radical HR reforms, without implying any judgement on the quality of outcomes.

#### Literature review

The processes that underlie HR innovations in organizations are still comparatively under-researched, especially with regard to the specific processes of HR knowledge acquisition and diffusion (Amarakoon et al., 2018; Huang & Tansley, 2012; Jemine & Guillaume, 2021). In an early contribution, Kossek (1987), building on DiMaggio and Powell (1983), largely relates differences in diffusion to environmental forces (unions, technology, labour market). Organizations adopt innovations to appear legitimate to their environment and attitudes towards innovation depend on corporate cultures and some path dependency. In terms of diffusion, she sees an important role for consultants, stating that innovations that can be easily marketed by them might diffuse faster. Süß and Kleiner (2008), also following an institutional approach, define the following possible sources of HR knowledge: consultants, HR education, benchmarking, industry publications and events, trade and professional associations, employee movements, industry discussion groups, and interorganizational knowledge exchange (Süß & Kleiner, 2008). Amarakoon et al. (2018) investigate learning capabilities in HR and find that companies seek information through the participation in industry events, discussions with other companies, and by recruiting HR professionals with relevant training and experiences. Kitay and Wright (1999) note an increasing use of consultants in Australia with the aim to bypass unions and to focus on the relationship with individual employees. Martin-Rios (2014) analyses HR knowledge flows between companies and proposes that the willingness to share knowledge depends on existing contractual relations between companies as well as perceived overall utility and credibility of partnering companies. Within the expanding research on the processes underlying management innovations, Mol and Birkinshaw (2014) differentiate between three types of external influence on innovations: (1) independent consultants, agents and gurus, (2) external sources such as the observation of other companies, and (3) external experiences of employees through prior outside employment or education and training. Overall, the discourse on management innovations is closely linked to the discourse on the role of management consultants (Wright et al., 2012). While noting an important role of management consultants overall, some commentators point to national differences in the use of consultants. While consultancy usage is particularly high in Anglo-Saxon countries (Kipping & Wright, 2012; Sturdy, 2011), Faust and Schneider (2014) note that functional equivalents to consultancy, such as internal knowledge generation through employees or business partners, play a bigger role in other countries; the preferences for one mode or the other depending on factors such as the involvement of labour unions or work councils.

Management reforms and the different modes of knowledge acquisition can be linked to isomorphic pressures. DiMaggio and Powell (1983) distinguish three types of isomorphic pressures that lead organizations to become increasingly similar: *coercive*, *mimetic* and *normative*. *Coercive* isomorphism originates out of pressures (formal or informal) from politics or society that force an organization to act in a certain way to maintain its legitimacy and "may be felt as force,

as persuasion, or as invitation to join in collusion." (DiMaggio & Powell, 1983, p. 150). *Mimetic* isomorphism is primarily a consequence of uncertainty about organizational technologies. This leads organizations to imitate peers who are perceived to be particularly successful or influential. Mimetic pressures have been found to emanate from actors that are perceived to be similar (Greve, 1996), successful and prestigious within a field (Haveman, 1993), as well as through networks of board members and the migration of executives (Jonsson, 2009; Kraatz & Moore, 2002). Normative isomorphism is primarily a result of professionalization. Professionals strive for legitimacy and some occupational autonomy by defining the scope of their work to each other and the outside. DiMaggio and Powell (1983) identify here two important sources of isomorphism, the formal education of professionals with a legitimation by university specialists and the growth of professional networks through which new models can easily diffuse. The selection of personnel from a narrow range of educational institutions and throughout careers ensures that those 'who make it to the top are virtually indistinguishable' (DiMaggio & Powell, 1983, p. 153) and adopt reforms that have been normatively sanctioned by the profession. Management associations with common standards, codes of conduct, and formal qualifications (Farndale & Brewster, 2005) as well as consultants as standardizers of organizational practices can be conduits of normative isomorphism (Wright et al., 2012).

When introducing new management practices, Japanese companies have often moved in parallel, a practice that has been described with the term *yokonarabi* (horizontal alignment). Ito (2016) defines the practice as:

the actions, before making a decision, of stopping to look what other people in the same domain or institutional field are doing and then deciding to do pretty much the same thing. The legitimacy of an organisation's actions can be enhanced by putting it into the wider context of the institutional field rather than through demonstrable claims to logic or rationality (68).

Chikudate (1999) argues that Japanese companies when changing management practices often follow what is perceived as common sense in the industry and thus align themselves with the actions of dominant corporations. Anchordoguy (2005) found the practice in R&D in the high-tech sector, arguing that companies were striving to maintain a state of orderly communitarian competition. The term has also been used for the alignment of salaries within industries (Weathers, 1999; Xu, 1997) and in the study of behaviour in the banking sector (Nakagawa & Uchida, 2011). Sakakibara and Kusonoki (1993) refer to strong isomorphic pressure with regard to Japanese employment practices that even foreign affiliated companies in Japan cannot avoid. Olcott (2008) refers to the term in a discussion of changes to the management of human resources in the wake of mergers involving foreign companies, arguing that such firms have been able to withstand yokonarabi pressures better than local firms and that this has resulted in new employment practices. Brinton and Mun (2015) adopt the concept of yokonarabi from Olcott and report how well HR managers are informed about initiatives of other companies and how they develop a shared understanding by attending HR seminars and studying HR journals. Sekiguchi (2013) does not use the term yokonarabi, but points to bandwagon effects when arguing that Japanese companies are prone to falling to management fashions. He relates this to the generally homogeneous and collectivist make-up of Japanese society as well as the existence of various vertical and horizontal corporate groupings connected through strong intergroup communication channels.

While this literature review has highlighted different potential modes for the acquisition and spread of HR knowledge, it remains unclear which factors can explain the dominance of particular modes of HR knowledge acquisition. To find answers to this question, we looked at the case of Japan, a country that has shown a strong tendency of horizontal alignment in the adoption of new management practices. We designed an interview study with Japanese HR managers that asked:

- (1) What modes of HR knowledge acquisition are employed in HR reform? Here, we understand HR reform as a larger change to the way that human resources are managed in a firm that goes beyond small incremental changes.
- (2) Why are some modes of HR knowledge acquisition used more than others?
- (3) What are the features of the dominant mode of HR knowledge acquisition?

Based on the discussion of our empirical findings, we later derive propositions about the relationship between the type of labour market, forms of knowledge acquisition, and types of isomorphism that go beyond the case of Japan.

#### Methodology

Since the factors affecting HR knowledge acquisition are not well understood, we opted for a qualitative and exploratory research approach, conducting semi-structured interviews. This allowed us to first follow a deductive approach by posing questions based on the literature, but also to adjust our questions inductively as our interview study progressed (Charmaz, 2014; Charmaz & Belgrave, 2012). We began our interviews by asking informants to outline one major HR reform that their company had initiated in the last five years and whether, in the process of initiating, designing or implementing this reform, they had utilized outside consultants. We derived this question from our review of the mostly US-based literature on HRM, the high visibility of HR consultants at seminars that we had attended in Japan, and finally the fact that the staff of Japanese HR departments largely comes from a generalist background and thus might lack specialist HR know-how. Once it became clear that instead of HR consultants inter-corporate knowledge exchange was the dominant form of HR knowledge acquisition, we drilled deeper into the details of this practice during our interviews.

As for the targeted informant group, we aimed to create a dataset that represents HR managers from well-established, large Japanese companies. Such companies have significantly influenced the prevailing understanding of the Japanese employment and management system. In retrospect, during the analysis of our data, we observed that a significant portion of the interviewed companies were recognized by other firms or the business press for their innovative HR practices. Consequently, our sample may exhibit some self-selection bias. However, after triangulating (Yin, 2014) our interview data within the HR informant group, which included representatives from companies not known for HR innovation, as well as incorporating additional interviews with five human resource consultants, we have confidence that our findings regarding HR knowledge acquisition are generally applicable to larger companies in Japan.

We specifically targeted HR managers within the central HR unit of corporate headquarters or holding companies. We approached them based on previous interactions from research projects, engagements at HR conferences and seminars, and through intermediaries who could facilitate access to representatives from our target companies. This resulted in a sample of HR managers from 32 companies, or 37 if we include three recently established large companies often characterized as venture companies, as well as two smaller yet technologically advanced and internationally active medium-sized supplier companies (Appendix). While some informants emphasized that they were expressing their personal views, we conducted the interviews at their workplaces, approached them or were introduced to them as representatives of their companies, thereby assuming consent from their employers. The average number of employees across all 37 companies was 40,191, with a median of 30,000. Interviews were conducted in Japanese, lasting between one to two hours, and recorded with written consent while ensuring informant anonymity. The transcribed interview data were initially line-coded using the Dedoose software. Codes partly mirrored the questions deductively derived from the literature review such as "use of consultants", "external HR education of informant", "experience of informant in HR role in a different company", and "interorganizational knowledge exchange". Due to open-ended questions and the flexibility of the interview protocol, additional codes such as "private circles as HR knowledge sources", "exchange with non-Japanese companies" or "consultants as discussion partners" emerged inductively during the coding process (Charmaz, 2014; Charmaz & Belgrave, 2012). Based on the iterative deductive/inductive approach and openness of the interview protocol, the data allow the identification of trends and larger themes, but do not allow meaningful exact descriptive statistics. We still include some numbers in the findings, but due to the small sample size, these should only be considered as representing a trend. Consistent with the approach of Chidlow et al. (2014), we preserved some of the original flavour of the source data in the examples provided. Finally, we utilize the term 'Japanese HR manager' as a collective label, synonymous with 'HR managers in Japanese companies,' emphasizing that we do not consider ethnicity as an explanatory factor, despite all of our informants appearing to be native Japanese.

#### Findings

As stated above, to learn about the sources of HR knowledge, we began our interviews by asking informants to outline one major HR reform that their company had initiated in the last 5 years. Informants outlined reforms such as the global integration of HR after international expansion or mergers, the implementation of talent management, or work style reforms. We then asked whether, in the process of initiating, designing or implementing this reform, they had utilized outside consultants, this leading to a general discussion about the processes of change in HR practices in the informants' companies. Here, most of our informants denied significant involvement of consultants. Only 5 companies said that they had used consultants to evaluate existing practices and to suggest changes, while 15 companies explicitly stated that they had designed their reforms in-house. 31 companies described consultants in their role as service providers, for example as vendors for technical, training, or for survey solutions or as providers of benchmarking data.

Explaining the reasons behind their decision not to employ consultants to assess, design and implement HR reforms, informants pointed to the difficulties that consultants would have in understanding the specific situation in their companies. Further, some informants expressed apprehension about the effects that the involvement of consultants might have on relationships with unions and employees.

Perhaps, the reason why we are doing it like this is that in the case of Japan, the feelings of employees may be of great importance. So, even if we called in the HR consultants, if they proposed a drastically different new system, even if the system might be good, we have to be aware of the reaction of the employees, this is very important. Therefore, we did it this time without any HR consultants (Company 28).

Instead, informants pointed to the importance of exchanges with other companies.

Sometimes, yes, we try to contact consultants, so I might have friends in places like A, B, C [names three prominent consultancy companies] who are HR consultants, but they are more like advisors, because they don't know the real situation, what happens in the company. It is easier to communicate with other companies' HR rather than consultants (Company 8). Instead of using consultants to gather information, it is better to get the information directly from the companies, isn't it? The Japanese traditional companies all do it like this. While we all say this is highly confidential, the reality is that we are completely open to each other (Company 18).

We hire consultants to get more information about what the other companies are doing. But, basically, within our industry [names industry] we exchange information a lot. So, we don't need any consultants (Company 14).

Triangulating this information with data from our interviews with consultants confirmed that clients, rather than employing consultants for comprehensive HR consultancy services (beginning with the analysis of the status quo, leading to the recommendation of change and resulting in the implementation of reforms), expected them to be able to provide information about the activities of other companies. This may then lead to the provision of services, for example in leadership education or employee satisfaction surveys. Consultants seem to generate the bulk of their revenues from such service provision.

Instead of using consultants, all but one informant emphasized the importance of exchanges with HR managers from other companies in informing their own decisions on HR reform. An analysis of our interview data allows a morphology of these inter-corporate exchanges. In the following, we look at the way that such inter-corporate exchange takes place, the content addressed and the parties involved. This leads us to the perceptions of this activity among our informants. We provide excerpts from the interview data in the text and in tables to illustrate our findings. If not stated otherwise, these excerpts should not be seen as singular evidence but rather as representations of common practice and opinions across our sample.

#### The "How" of inter-corporate knowledge exchange

HR managers describe various occasions where exchange with other companies is taking place. At the lowest level of engagement, managers attend conferences, seminars or workshops organized by business associations, think tanks or universities. In addition, companies might have regular meetings between HR personnel at the industry level or set up their own study groups once they have gotten to know each other better. Finally, companies visit each other and conduct hearings. Such exchanges often go beyond the boundaries of industries or company groupings. Several informants explained modifications to their HR systems by sharing presentation materials with us that they had prepared for visiting representatives from other HR departments. Lastly, informants expressed that apart from formal arrangements, they actively seek informal opportunities to meet HR colleagues from other companies (Table 1).

Informant company	
15	HR goes to study groups, to seminars and the like, we also go to other companies, where we learn through conducting a hearingThere are many companies in our industry that do about the same work as we do and many are of the same size as us. We have regular meetings between these companies and exchange information
11	I go to academic meetings and association meetings and there are also colleagues from other HR departments. We frequently have study groups on the weekends among those col- leagues. Some of these have become friends and I go to their places to gather information. There are also books and magazines
20	This is very important to me. We do things like having study groups with various companies. We also organize these by ourselves. I have a network of key men in HR from companies like [names a leading automobile manufacturer, a leading electronics company and a lead- ing retailer]. With them, I have various study groups
27	For example, actually this material, we used it to explain to another company what we are currently doing and asked what they are doing
23	We do this a lot, actually recently,,we have been going out often. We often exchange information with companies like [names several leading electronics manufacturers, a food manufacturer and a pharmaceutical company]

Table 1 The "How" of inter-corporate knowledge exchange

#### The "What" in inter-corporate knowledge exchange

Topics addressed at the meetings range from very concrete operational information on salary tables and rules and regulations to more policy and strategic information on the organization of global human resources management, the introduction of diversity management or changes in work culture and practices (Table 2).

#### The "Who" in inter-corporate knowledge exchange

HR managers share information within the same industry and might do this on a regular basis, for example biannually. Yet, HR managers also actively seek the exchange with companies outside of their industry, actively pursuing companies that are known for certain innovations in the way they manage their human resources. Here, the industry and the size of companies do not seem to matter. For example, a major automobile manufacturer might arrange to learn about the activities of a much smaller food manufacturer, a major electronics manufacturer about a specific programme that a smaller household goods manufacturer has initiated. Some HR managers expressed that they were not interested in talking to Japanese companies, but rather in learning from counterparts in foreign affiliated firms (Table 3).

Informant company	
18	We disclose the whole salary data. I know the salary level of the senior managers, leaders and normal employees in every company. Within the industry, we consult each other, where things are moving to
29	We have exchanges with companies from the same industry and from other industries. When we go there, we ask what has become of your wage system, what about your retirement age, what about the staff housing system? this kind of large topic
27	Female staff on managerial track also had to wear a uniform. But we heard from the other companies that making them wear a uniform amounts to discrimination. Therefore, we did away with this. At this time, we had various discussions with companies about how to change smoothly, because among the 50 and 60 year old female veterans were those that said it is good to have a uniform
2	I went to this company [provides name] a few months ago to exchange information with the HR staff The company has appointed a president from the outside and this has led to a mind-set change, bringing in staff from foreign affiliated companies with various experi- ences. I heard that a lot has changed. Whether for good or bad, we have in our company not talked a lot about bringing in staff from the outside, not having brought in a lot of staff from the outside might have been a mistake
19	For example, when the discussion about female employees and affirmative action came up, there were companies that were advanced in this area, so we went there and interviewed them

Table 2 The "What" in inter-corporate knowledge exchange

Informant company	
18	The top HR managers of the companies that account for about 80% per cent of sales in our industry meet twice a year
8	I usually try to communicate with companies that are not like my company. I have friends in [mentions a leading retailer, electronics company and trading company]
4	The reform of work practices,, so we have discussions with many companies [names an automobile company, a trading house, an electronics manufacturer], many famous compa- nies come asking us and we will package the information for them, explain it to them
11	For recruitment, there are companies like [names a major communications company]. I have an acquaintance whom I got to know through a university event. I go to talk to him regularly. Then for training, I have a food company I go to, especially inquiring about executive training

Table 3 The "Who" in inter-corporate knowledge exchange

#### The "Perceptions" about inter-corporate knowledge exchange

Informants perceive such exchanges as largely unproblematic and as a give and take. Many stressed that this was an important source of information, yet that companies would eventually need to come up with their own policies. Managers mentioned the common practice of benchmarking with other companies, this pointing to knowledge exchange as a way to overcome legitimacy concerns. Representatives of two companies pointed out that competition in the industry was not straightforward and that in an industry undergoing restructuring, keeping open channels of communication with competitors in the same industry might even be positive in case possible future mergers.

Justifying the openness in exchanges, informants either stated their belief that companies were not competing in human resources or the conviction that their systems were uniquely suited to their own companies and could therefore not easily be copied. Yet, while most managers seemed to be quite open and even willing to share sensitive information, some were more hesitant. For example, one company informant reported that, while exchanging information in the industry on larger changes, there was an understanding between companies not to exchange payroll information. Another informant reported that the company had been investigated for breaches of antitrust regulations for participating in a sales cartel and that its managers could therefore no longer talk to others in the same industry.

In terms of assessment of the practice, perceptions differed. Some pointed to the considerable requirement on time and resources of inter-corporate knowledge exchange, indicating that there might be some value in working with consultants after all. Finally, some pointed to the risk of everyone moving in the same direction while copying practices (Table 4).

Informant company	
34	It is quite open. For example, if it is about the labour situation, if we want to have informa- tion, if we receive information, we also have to give information. It is a give and take
8	Most of the big companies have some pressure to globalize, but they don't have experience, practice, that's why we try to share
23	Wherever we go, we help each other. Rather than a source of competitiveness, HR is a shared foundation, therefore we help each other
28	Rather than a sense of competition, there seems to be a sense that people teach each other when they are in trouble
26	When engineers and technicians exchange ideas with other companies, this information might be very important, and might be the source of a company's uniqueness. Yet in HR, what is important is that the business and background of every company differ. A policy that is nice and useful for company A is not necessarily useful for us. This is why everyone talks openly about various things
33	I went to visit 5–6 companies and asked them what they are doing. Since I am not an HR professional, getting to know from each what they are doing is useful. Yet, what to do, what to prioritize, to say it frankly, for that it was less useful. There is no company that is the same as [names own company], each company is different
8	My boss always says, you don't have to benchmark every time because they are they, we are we, so we are in a different industry and have a different business model, so we cannot always follow others
18	If A changes, B changes, C changes, all change at once We are all competitors, yet, if busi- ness becomes tough for one company, if there is no successor, then a large company has to absorb. For this to become a merger with positive relationships it is very important to have had communication in meetings beforehand
30	This is my personal belief: Japanese companies, in many cases we tend to, the attitudes towards external benchmarking or external best practices, tend to be a little more leading towards copying [sic, English interview data]
15	We do this by ourselves. Yet, it is tough, if you have 60 people in human resources and you want to study everything by yourselves and do everything on your own. I think it would be good to use consultants efficiently in the future

Table 4 The "Perceptions" about inter-corporate knowledge exchange

# Discussion

Our research has found that inter-corporate knowledge exchange is a significant mode to acquire new HR knowledge as a basis for HR reform in Japan, while other modes of HR knowledge acquisition, such as consultants or certified HR education, are of lesser importance. In this discussion, we contextualize this finding within the discourses of isomorphism and eventually propose that the nature of the employment system plays a pivotal role as an explanatory factor for the prevalence of specific modes of HR knowledge acquisition within a particular country.

Martin-Rios (2014), having conducted one of the rare studies about interorganizational exchange of HRM information in a Western context, found that such exchanges are usually dependent on the existence of business transactions in other areas or the perceived current and future utility of companies to each other. Yet, in our interviews, existing business transactions and strategic utility were not identified



as significant explanatory factors for engaging in HR knowledge exchange. Japanese HR managers interact with those from competing companies and also across unrelated industries. Therefore, the centrality of this activity in Japan needs further explanation.

We propose that the dominant use of inter-corporate knowledge exchange results from the interplay of legitimacy concerns, the perception by HR managers that HR is of minor importance in the competition between companies, and a shared uncertainty among HR managers facing significant challenges to their established roles.

The aim of organization members to claim and maintain legitimacy in their roles is a major building block of institutional theory (DiMaggio & Powell, 1983). With regard to legitimacy, our findings show that consultants are not considered capable drivers of change. In Japanese corporations with strong company-level unions and the perception of unique corporate cultures, consultants are not perceived as having sufficient understanding of the working of corporations. Thus, the direct deployment of consultants beyond service and information provision might undermine the role of HR managers and board members involved in the process.

Yet, HR departments still need to source HR information and legitimize their actions. We propose that this is especially so, since most HR managers are themselves a product of internal labour markets. HR managers typically enter companies directly after university, with no HR qualifications, and usually start their careers off in sales or production, before rotating through other functions. They eventually enter HR, but might well rotate out of this function again in the future (Aoki, 1990; Jacoby, 2004). These employees might know the company well, but lack specialist knowledge in managing human resources (Conrad & Meyer-Ohle, 2023; Hirano, 2013). Our sample mirrored this state, with only seven informants (see Appendix) reporting experiences in other companies and most HR managers stating that they had arrived in HR after having been extensively rotated through the company. Therefore, we propose that to gain knowledge as well as legitimacy, HR managers resort to inter-corporate knowledge exchange. They justify this with the low importance of the HR function in terms of inter-corporate competition. While the HR function in Japan has overall been described as important (Aoki, 1990; Hirano, 2013), HR managers' perceptions might be grounded in the largely uniform role of HR departments in organizing the recruitment of fresh graduates, organizing the rotation and promotion of employees, taking care of administrative matters and dealing with company unions (Debroux, 2016). The increase in mid-career recruitment could be seen as a growing source of conflict and competition between HR departments, yet so far this has been limited to employees for specialized tasks, with recruitment usually being overseen by the recruiting divisions themselves, not involving HR departments. In addition, large companies very rarely engage head-hunters to actively lure staff away from competitors (Peltokorpi & Froese, 2016). Thus, so far, companies do not actively compete for employees by differentiating their employment conditions.

We further propose that the active exchanges between the members of different HR departments are linked to a shared uncertainty about the future role of HR, pressuring managers to identify workable solutions and to reassert their legitimacy. Many companies have reorganized into holding companies (Schaede, 2008), within which they have installed HR units. Holding company HR units focus on tasks such

as the integration of employment standards across group companies in and outside of Japan, the introduction of global employee databases, developing talent management, introducing leadership training and development programmes, conducting diversity initiatives, or the reform of work practices (hatarakikata kaikaku). Our interviewees also reported expectations towards central HR units to serve as business partners or consultants to divisions. Informants reported that this role change was mostly not initiated from within HR departments or operational divisions. Instead, they were a result of demands by the government, such as for diversity initiatives or work practice reforms (Kojima et al., 2017), or from board members, who had realized that companies needed to look beyond HR operations in Japan to truly globalize. Traditional HR tasks, such as running payrolls or welfare systems or dealing with in-house unions have been outsourced or reduced. Thus, to stay relevant, HR departments need to redefine their own positions in corporations. We propose that this shared uncertainty about the future role of HR in corporations, as well as the introduction of new tasks that require specialized knowledge and new organizational solutions, has led to an increased willingness of and need for HR staff to communicate with others across companies. While prior research has highlighted alignments of practices within industries or within Japan's vertical and horizontal industry groupings (Sekiguchi, 2013; Sturdy & O'Mahoney, 2018), the fact that HR is currently in flux might explain our finding that HR knowledge exchanges take place across industries and between unaffiliated companies. Especially where companies are industry leaders themselves, HR managers might look for knowledge exchange outside their own industry to gain new ideas. From our interviews and participation in HR seminars, we sensed that these knowledge exchanges are used by HR managers to legitimize their actions and to receive recognition for innovative solutions.

Overall, if interpreted in the light of DiMaggio and Powell's (1983) proposition about different kinds of isomorphic pressures, we propose that mimetic pressures are more important than normative pressures in the Japanese HR context. HR professionals with formal qualifications, as conduits of normative pressure, still play a comparatively small role in Japan (Conrad & Meyer-Ohle, 2023). Also, the role assigned to consultants diminishes their ability to act as conduits of normative isomorphism through the standardization of organizational practices (Wright et al., 2012). As a consequence of HR managers seeking knowledge and legitimacy via inter-corporate knowledge exchange, mimetic pressures appear to be more important. This is in line with the bandwagon effects described for the development of practices in Japanese industry (Sekiguchi, 2013).

We have stated in the introduction that reforms of Japanese business practices have been described as progressing only slowly and overall as somewhat inconsequential. For example, when asked about the outcomes of the intense discourse on the change of remuneration systems in Japanese companies towards merit-based systems in the early 2000s, informants admitted that, while adopting some elements of merit, remuneration systems still heavily feature seniority elements and salary differentiation has therefore remained low. This situation has been explained with the highly interdependent elements of the Japanese employment system (Aoki, 1990; Conrad, 2011; Keizer, 2011) or the state of Japan's



political economy (Vogel, 2018), yet we propose that the institutional setting in which reforms are initiated and conceptualized also helps to explain this situation. Instead of implementing drastic change based on concepts from academia or consultants, companies and their HR personnel look at learning from other companies. This practice might lead them to eventually mimic concepts that are already the result of extensive compromising in originating organizations. Further compromising might then take place during the dissemination process. Here, we are not arguing that this approach necessarily leads to inferior outcomes or that slower speed or compromising needs to be negative. For example, research has pointed to equivalents to consultancy that have produced equally good or even better results. Utilizing alternative sources of knowledge acquisition instead of consultancy can lead to higher acceptance for reforms in companies and societies (Faust & Schneider, 2014; Sturdy & O'Mahoney, 2018). Thus, investigating the specific institutional processes of how reforms are initiated and conceptualized helps understanding the intensity and pace of change.

Finally, abstracting from the Japanese case, we propose that different types of knowledge exchange and isomorphism dominate in different types of employment systems (Table 5). Employment systems with external labour markets are job-based, while internal labour markets are membership-based (Aoki, 1990; Keizer, 2011). In external labour markets, HR managers are hired for and achieve legitimacy through their specific HR expertise. This expertise is often acquired through specific outside education in business schools and further legitimized through standards and accreditation by professional bodies. HR professionals develop their careers through the employment in different companies. Companies can thus acquire HR knowledge by recruiting HR professionals with specific expertise and experience in other companies. With companies generally competing for employees at every career stage, the management of human resources is competitive and companies might therefore be reluctant to share company-specific HR knowledge. Finally, frequent changes in personnel and leadership and a larger emphasis on professional skills leads to a larger openness of companies towards the engagement of outside consultants. Via such externally validated conduits, companies will develop normative assumptions about desirable practices, which will ultimately lead to normative isomorphism.

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	Employment system with external labour markets	Employment system with internal labour markets
Sources of HR knowl- edge	Professional HR managers (++) Business consultants (++) Business schools (+) HR seminars (+) Inter-corporate exchange (-)	Inter-corporate exchange (++) Business consultants (+) HR seminars (+) Business schools (-) Professional HR managers (-)
Dominant type of isomorphism	Normative	Mimetic

Table 5 HR knowledge exchange and isomorphism

-=unimportant; +=some importance, ++=very important

Source The authors

In contrast, in *internal labour markets*, HR managers develop their career typically in only one company. Legitimacy is here predominately achieved through their understanding of the state and processes of that particular company. In the case of Japan, this even leads to an emphasis on employees being developed into generalists through the frequent rotation through different corporate functions, thus employees sometimes lacking specialist knowledge and professional identity. As HR employees are being educated primarily internally and there being only a limited market for professional HR skills, the influence of outside education through universities and professional bodies is lower, as is the ability to acquire knowledge by recruiting employees from other companies. While this situation should provide opportunities for outside consultants, their limited insider-understanding of companies undermines their legitimacy. Companies, being highly dependent on their existing workforces, also seem to strive for largely harmonious labour relations, undisrupted by outsiders. For Japan, this is further accentuated by the existence of company instead of industry unions. The HR function is very important to companies, as employees need to be developed in-house, but with limited mid-career hiring, the competition of HR departments in different companies is largely restricted to the initial hiring of fresh graduates. Given this limited competition and the lack of other sources of HR knowledge, internally developed HR managers seek direct knowledge exchange with like-minded and -positioned colleagues in other companies within and outside their own industries, while relying on consultants predominately for specific knowledge input and the provision of selected services. This type of knowledge exchange will ultimately lead to mimetic isomorphism.

## Conclusion

Following a call for actor-centric research in the study of human resources management, this article focusses on how HR knowledge behind HR practices and policies is acquired. Studying managers involved in the management of human resources in Japan, we have found that these depend on active knowledge exchange with managers from other companies. We have related this practice to the characteristics of the Japanese employment system with its internal labour market and, based on this, suggested the existence of a general link between the nature of employment systems and how the adaptation of new practices is occurring. We suggest that internal labour markets favour inter-corporate knowledge exchange and lead to mimetic isomorphism, while external labour markets favour the development and spread of standards through business schools, consultants and the movement of HR professionals (normative isomorphism).

Working with qualitative interview data from a limited number of companies from one country, we have formulated our findings as propositions and thus see opportunity for future quantitative research to test these. As acknowledged in the methodology section, our sample of companies might somewhat overrepresent those that have been more innovative in the introduction of new management practices and might be particularly active in intra- and inter-industry HR knowledge exchange. A study that also includes less innovative and smaller companies might



thus be beneficial. Here, we suspect more intra-industry learning to be taking place with follower companies trying to keep up with the leaders in their respective industry, suggesting a two-tiered, sequential development pattern from first inter-industry to then intra-industry exchange. Even though based on the size of our sample we are not in a position to break the findings down to industry levels, we suspect that industry might not be a major factor in determining the prevalence of inter-corporate knowledge exchange, but this should also be tested by future research.

Current developments in the Japanese employment system might provide further opportunity to test our findings. We propose that the current willingness of HR managers to share information across companies is grounded in the shared uncertainty about the future role of HR in Japan and the need to deal with increased demands by governments and boards with regard to issues of diversity, work practices, and talent management. This together with tighter labour markets and an increase of midcareer hiring might eventually lead to companies seeking to distinguish themselves more through their work practices, as is the case in external labour markets. It will be interesting to see whether companies will then become more protective of their HR knowledge and whether different modes of HR knowledge acquisition will play a larger role.

Lastly, we assert that our findings carry implications for practitioners, particularly when operating in cross-border contexts. It is crucial to recognize that HR managers adopt distinct approaches to HR reform. Some may draw inspiration from the practices of other companies, some may seek guidance from consultants, while others may rely on their professional training. These different approaches can potentially give rise to conflicts if left unaddressed, but they can also be cultivated as sources of creativity. This might, for example, apply after cross-border mergers of companies operating in structurally different labour markets or when long-established subsidiaries are being restructured.

Number	Industry	Employees in 1000	Informant position	Experience of changing company mid-career
1	Food/beverages	10–50	SHRM	
2	Food/beverages	10–50	SGHRM	
3	Chemical	10–50	SHRM	
4	Food/beverages	1–10	SHRM	Х
5	Electronics	>100	SHRM	
6	Electronics	10–50	SHRM	
7	Consumer goods	1–10	SGHRM	
8	Industrial supplies	10–50	SGHRM	Х
9	Chemical	10–50	SHRM	
10	Media	1–10	SHRM	

#### **Appendix: Interviewed informants**

Number	Industry	Employees in 1000	Informant position	Experience of changing company mid-career
11	Industrial goods	10–50	SHRM	Х
12	Retail	10–50	HRM	Х
13	Retail	10–50	CHRM	
14	Trading	10-50	SHRM	
15	Software	1–10	CHRM	
16	Communication	50-100	SHRM	
17	Transport	10-50	SHRM	
18	Food	10–50	SHRM	Х
19	Machinery	10–50	CHRM	
20	Electronics	>100	GCCHRM	
21	Transport	10–50	SHRM	
22	Electronics	50-100	SGHRM	
23	Electronics	10-50	SHRM	
24	Industrial supplies	<1	CHRM	
25	Industrial supplies	<1	CHRM	
26	Industrial supplies	50-100	CHRM	
27	Chemical	1–10	CHRM	
28	Retail	50-100	GCCHRM	
29	Food	1–10	CHRM	
30	Beverages	10–50	SGHRM	
31	Transport	10-50	SHRM	
32	Household goods	10-50	CHRM	
33	Healthcare	10–50	CHRM	Х
34	Machinery	50-100	SGHRM	
35	Media	1–10	CHRM	Х
36	Trading	50-100	SHRM	
37	Consumer goods	1–10	SHRM	

CHRM Chief HR Manager, GCCHRM Group Company Chief HR Manager, SGHRM Senior Global HR Manager, SHRM Senior HR Manager

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### Declarations

**Conflict of interest** On behalf of all authors, the corresponding author states that there is no conflict of interest.

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