

# Knowledge Transfer in Culturally Distant M&A: Japanese Cultural Effect?

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## Introduction

A fundamental factor to consider in knowledge transfer of cross-border M&A is understanding how cultural effects of a country will influence, or inhibit the success of knowledge sharing between two units. M&A have been used as vehicles to obtain, learn and develop on previous knowledge bases, resources and capabilities that may be rare to a specific firm or location (Vaara et al. 2012). In order to understand the possible tensions that may arise in M&A, elements of Japanese culture will be explored to develop an understanding of how the Japanese cultural norms, beliefs and systems may affect the knowledge transfer process in an M&A. Through this lens, Japanese cultural aspects will be applied to concepts like knowledge transfer to see how tensions, or compatibility to knowledge sharing may arise.

The transfer of knowledge is different to the creation of knowledge and often formal organisations that have bureaucratic structures incur rigidities that result in them being poor vehicles for learning (Kodama, 2005). This is because instead of learning and innovation sources occurring inside organisations, it may often be more successful when it occurs between organisations (Kodama, 2005). Organisational learning has to be a collective learning process (Richter & Vettel, 1995). This can be understood by considering the organisational learning capacity which is the organisational and managerial traits, procedures, skills and systems that facilitate the learning process to occur (Akgun et al. 2013). Organisational learning capacity is comprised of four facets: managerial commitment, systems perspective, openness and experimentation, and knowledge transfer and integration (Akgun et al. 2013). Considering this, organisations can transfer knowledge and subsequently integrate this knowledge through verbal and nonverbal communication and information systems (Akgun et al. 2013). Through cross-border M&A, the internalisation of environmental knowledge can allow the other unit to extract and transfer knowledge (Richter & Vettel, 1995).

Knowledge transfer is the beneficial use and assimilation of knowledge, capabilities and skills that are transferred between units (Vaara et al. 2012). In the context of knowledge transfer, terms can range from knowledge sharing, co-creating and social exchanges (Jung & Takeuchi, 2010). In terms of the knowledge that can be learned, this can include information that is perceived as being valuable, learning styles that others may benefit from, team building of new capabilities and alternative methods of understanding (Vaara et al. 2012). Organisations can evolve as the environment does and they are able to learn and unlearn their status quo through their corporate behaviour so they are able to cope with complexity, uncertainty and unpredictable environments (Takeuchi, 2009). The knowledge integration process creates new knowledge by using various networks and systems to transcend the corporate boundaries (Kodama, 2009).

One reason as to why cross-border M&A is appealing is due to the cultural distance perception which is the possible obtainment of valuable sources of capabilities that are unique to the individual units (Vaara et al. 2012). There is evidence to suggest that with particular capability combinations, firms may find their capabilities are complementary to another firm, despite having cultural differences (Vaara et al. 2012). Whilst knowledge acquisition and accumulation itself do not necessarily result in increased performance, it is the potential that if knowledge is well managed it could lead to positive firm performance outcomes (Ueki et al. 2010). This provides the opportunity for firms to exploit possible synergies where the firm has the potential to achieve a sustainable competitive advantage (Chakrabarti et al. 2009). The knowledge creation process may lead to sustainable competitive advantages due to the culture of sharing knowledge and new insight development that organisational learning creates (Jung & Takeuchi, 2010). In order for this to occur, however, organisations must tap into external sources of knowledge as not all critical knowledge resides within the organisational boundaries (Wilhelm et al. 2011). The generation of knowledge enables an organisation to achieve a process of organisational self-renewal in which boundaries can be expanded upon (Richter & Vettel, 1995). It is based on the fundamentals that when individuals within firms are able to share knowledge with each other, a 'learning organisation' can be developed (Jung & Takeuchi, 2010).

## Background Review

Typically M&A motives are the opportunity for organisations to internationalise, enter new markets, achieve economies of scale, integrate their value chain, exploit international market opportunities and tap into the potential of obtaining scarce and potentially valuable resources (Chakrabarti et al. 2009). Through these activities, organisations may be able to exploit synergies which lead to greater operational efficiency and increased market power (Ferreria et al. 2014). Whilst these possible outcomes sound appealing and highly attractive, there are various potential consequences of M&A that can negatively impact an organisation. Among these, poor target selection can lead to lack of synergies, insufficient training and integration can cause unnecessary conflict and cultural differences can exacerbate the tense situation (Ferreria et al. 2014). However, from the perspective of organisation learning, benefits that may arise are that culturally distant M&A can assist in reducing innovation barriers and rigidities and there is the potential that cultural distance can leverage performance as access to effective embedded routines and practices can be shared (Chakrabarti et al. 2009).

Furthermore, a topical discussion in the management literature regards the post-acquisition performance of M&As. One perspectives from researchers suggest the organisational and national cultural differences between firms are what causes the poor post-acquisition performance, and that culturally closer nations can lead to better outcomes (Vaara et al. 2012). This is contrasted by alternative scholars who suggest cultural differences can be a source of value creation for domestic and international acquisitions where capability development and value creation is facilitated (Vaara et al. 2012). These differences in opinion arise due to the complex nature of the organisation, the

multiple and intertwined layers of culture, and the dynamic between acquisition performance and managerial intentions (Vaara et al. 2012).

To lead on from this, managers must also consider the possibility that without sufficient understanding of cultural factors and the role that culture plays in cross-border M&A, knowledge transfer may not be successful. When a cross-border M&A is host to a collision of beliefs, values and norms, there are inevitable differences in opinion, work style and compatibility. Despite scholars arguing that the benefits of cross-border M&A arise with the convergence of culturally distant firms and unique thinking styles of employees, these are the same sources that can simultaneously lead to the divorce of the two units. In order for potentially damaging and irreparable incompatibilities to be minimised, the management and executive team must ensure these inconsistencies are considered and addressed in the context of cross-border M&A.

## **Background to Japanese Learning Approaches**

As the purpose of this research is to review knowledge elements and the effects that Japanese culture may have on knowledge creation, learning and sharing in an M&A sphere, it is essential to firstly consider these constructs within a Japanese context and background. To that extent, how Japanese managers and organisations originally approach learning concepts need to be explored so an in-depth level of analysis can be conducted.

It is important to recognise there are different forms of knowledge flows that exist and each knowledge type must have the necessary conditions to facilitate the transfer (Birkinshaw et al. 2010). There are fundamental differences in terms of what is emphasised and what has been explored with Japanese and Western knowledge creation in the literature (Ueki et al. 2005). Western scholars typically focus on the performance effects of using knowledge creation tools, whereas Japanese authors emphasise knowledge creation in regard to shared vision and philosophy (Ueki et al. 2005). Within these differences in literature, there is the common theme that there are distinguishing factors between firms that manage existing knowledge, and firms that create new knowledge (Wilhelm et al. 2011). To understand this, knowledge can be understood in the context of exploitation and exploration (O'Reilly & Tushman, 2008). Managers that share and utilise existing knowledge, are exploiting the current skills and information the firm has, whereas knowledge creation is an exploration process of new ideas and ambiguous areas (O'Reilly & Tushman, 2008; Wilhelm et al. 2011). These knowledge characteristics and abilities have been argued to benefit Japanese automotive and electronic industries (Wilhelm et al. 2011). Their ability to create new knowledge occurs with their focus on tacit knowledge and these processes are then refined to be exploited and improved (Wilhelm et al. 2011). It is often typical that Japanese knowledge will be more tacit based, opposed to explicit knowledge which may be more common in Western cultures (Yildiz et al. 2010). It is with these reasons Japanese organisations enhance individual learning capacity where skill development practices are viewed as an essential HRM component of many Japanese companies (Takeuchi et al. 2003). In saying this, it is important to acknowledge that the dynamics of organisational learning are an evolving process and it plays a part in producing positive firm outcomes (Takeuchi et al. 2013). This

emphasises the necessity of learning in a group context, opposed to only a few people in key positions assuming learning roles (Takeuchi et al. 2013). One of the key understandings that arise from Japanese culture, history and business systems is the notion of keiretsu, and keiretsu business groups. Whilst keiretsu are not trusts, cartels or conglomerates, they are a sophisticated, multifaceted management device that are groups of firms with an intricate web of inter-firm relations (Lai, 1999). It is important for organisations dealing with Japanese firms to know if they are dealing with a member of a KBG. The reason behind this is that if so, the interactions will be more or less constrained by its keiretsu relationships (Lai, 1999).

Another important term is capability transfer which can be defined as the exclusive use of tacit and explicit knowledge (Bjorkman et al. 2007). This can be extended to the tools and processes that are in practice within the acquired or acquiring firm (Bjorkman et al. 2007). Japanese organisations value new knowledge as it allows them to sensitise their employees to specific tasks of knowledge which can lead to learning advantages for Japanese organisations (Richter & Vettel, 1995). It is well recognised within the literature, and also by practitioners that problem solving of a team-based nature, which fosters knowledge conversion is prominent amongst Japanese manufacturers (Takeuchi et al. 2013). A strong feature within Japan's knowledge creation is their high performing networks that exist where knowledge sharing is enabled with their core suppliers (Wilhelm et al. 2011). The bases of this is the importance of supplier relationships where organisations establish long term commitments despite their reduction in market options (Lee et al. 2000). The benefit of this is so they are able to take advantage of close cooperation and coordination within the production chain which thus allows fast and flexible development of new products (Lee et al. 2000). There are several channels of knowledge transfer that occur with various meetings of the company's own supplier association (kyohokair), or from the core suppliers collaboration in self-study groups (jishuken), which leads to sub-networks within the larger network system (Wilhelm et al. 2011). Facilitation of external communication such as close co-operation with original equipment manufacturers has been demonstrated with Toyota and this has been recognised as a human resource management system that supports the knowledge creation process (Ueri et al. 2005). It is identified as a management tool that may be useful in employing organisational learning and innovation (Ueri et al. 2005). These relationships demonstrate two types of knowledge, as well as knowledge-transfer channels: buyers' transfers of knowledge to their suppliers in terms of process improvement through supplier training; and buyers' sharing of knowledge between their suppliers in terms of new products based on the product co-designing (Machikita et al. 2016).

However, in contrast, a risk with strong supplier ties and knowledge sharing in this context is that it can lead to structural inertia and an inward focus can reduce ability to respond to external changes (Wilhelm et al. 2011). The Duncan Findings for the Openness-to-Change suggest that whilst US managers scored the highest, Japanese managers scored lower, although they were still higher than Chinese managers in their results (Takeuchi, 2009).

Given these concepts, learning occurs in many various forms and in many various organisational settings. There is no one best approach to

learning for individuals in organisations, but the most appropriate approach and method is dependent upon the nature of the firm's knowledge environment (Pisano, 1994). This notion is supported by effect knowledge within an inter-firm context where the goal of multi-technology innovations, will require co-opetition (enable effective sharing of existing knowledge) and competition (an incentive to create new knowledge) (Wilhelm et al. 2011).

## Shared Identity

An important facet within knowledge transfer and cross-border M&A is shared identity (Vaara et al. 2012). In order for knowledge transfer to occur, Bjorkman et al. (2007) identified the necessity of a shared identity in order for trusting connections to be developed. The importance of a shared identity is critical given the perception that organisations do not literally learn, rather the individuals within organisations share knowledge and new insights, which therefore, develops new values and knowledge (Richter & Vettel, 1995). The development of a shared identity between two units is assisted by organisational trust, values, norms and patterns of the organisational members (Bjorkman et al. 2007). A community culture will be fostered through teamwork and a people-oriented work environment where individuals feel encouraged and trusted (Jung & Takeuchi, 2010). The idea of shared identity results in the notion of 'the hidden value' which enables the shared values within the firm to develop new competencies and knowledge (Kodama, 2005).

Organisational and national cultural differences in M&A have an effect on identity building (Bjorkman et al. 2007). Identity building is defined as various social categories that can be activated during the process of organisational change (Vaara et al. 2012). Within organisational identities, double acculturation can occur in international acquisitions where two units are merged to become one identity (Bjorkman et al. 2007). This process is a fundamentally influencing factor within the identity-building process because during times of change and conceived instability, organisational trustworthiness and attractiveness is associated with similarities in beliefs and values (Vaara et al 2012). The positive similarity-attraction relationship notion suggests that with a greater degree of similarity between two parties, the greater the attraction will be (Pornpitakpan et al. 1999).

The consequences of identity building and social integration is when shared identity fails. These consequences may occur if there is perception one group is not contributing or participating in developing the shared culture and this can leave the other group feeling suspicious of their activity and as if their organisational identity is threatened (Bjorkman et al. 2007). When this occurs, the social identity theory explains that individuals can begin to idolise their organisational identity so they are able to positively maintain their identity in this period of perceived threat from the other unit (Bjorkman et al. 2007). The ramifications of these instances can be the formation of "in-groups" and "out-groups" (Vaara et al. 2012).

The causes for failure in developing shared identity can be attributed to insufficient social integration and lack of cohesive activities (Ferreria et al. 2014). Moreover, unpredictable effects can arise with foreign languages, fundamentally different lifestyle approaches and ways of thinking (Bjorkman et al. 2007). The fostering of a shared identity between two culturally

different units is essential in developing pivotal relationships in M&A contexts (Chakrabarti et al. 2009).

The remaining discussion aims to explain the cultural effect on knowledge transfer in culturally distant M&A, firstly exploring Japan's positioning in terms of Hofstede's collectivism-individualism and long-term/short-term cultural dimensions. Following this, Human Resource Management processes affect are analysed to explore cultural effect on knowledge transfer in this perspective, and finally socialisation tactics explain the unique culture that Japan has and how this may affect shared identity. Through this analysis, an understanding can be developed as to how culturally distant units may react in situations of knowledge sharing when their fundamental beliefs may differ.

### **Collectivism in Japan**

In-groups have been stated as being more important in collectivist cultures where influence on individuals' behaviour is exerted as there are fewer specific in groups, unlike individualistic cultures such as the US (Gudykunst et al. 1992; Takeuchi, 2008). Hofstede (1984) defines collectivism as a preference for tightly knit social frameworks and emphasises "we", opposed to "I". Japan is typically known as being a collectivist culture where fit with others in the firm is important, social harmony is emphasised, as well as interpersonal sensitivity (Pornpitakpan, 1999). In studies regarding Japanese management philosophies, some of the most frequently adopted corporate value orientations were the emphasis of ethics, sustainability, developing trust, harmony, and honesty, contributing to society and protecting the environment (Wang, 2010).

There is argument that collectivist cultures are more likely to conclude sharper distinctions between members of in groups and outgroups given the perception that in-group relationships are more intimate, compared to members of individualistic cultures (Gudykunst et al. 1992). There is potential given the Japanese collectivist culture that in certain circumstances they may be perceived as detrimental to the shared culture. This can occur as collectivism is associated with homogeneity of effect where unquestioned acceptance of in-group norms may tend to lead to solidarity in the group (Gudykunst et al. 1992). This suggests that if in-group members are sad, one is sad; if joyful, one is joyful (Gudykunst et al. 1992). How this may affect shared identity in M&A is through value commitment which is the employee's involvement to their organisation values (Takeuchi & Takeuchi, 2009). As management philosophy that is mission-driven has become an essential ethical foundation for many Japanese companies, this facilitates a transformation of commitment into productive effort as there is such distinct direction for individuals where there are set constraints with employee behaviour (Wang, 2010). The possible tension that may arise here is within the shared identity because Japanese employees who are strongly guided by their organisational mission and ethics, may perceive threat if there is conflict in regards to the organisational mission.

This is in comparison to the other unit sharing the identity and cultures of the firms and if they stem from a typically individualistic culture, they are usually emotionally detached from their in-groups where individual behaviour can be explained by internal mechanisms opposed to in-group norms and

beliefs (Gudykunst et al. 1992). These theories were confirmed by studies where Japanese respondents rated relationship terms associated with two of their major in-groups as more intimate than the US respondents (Gudykunst et al. 1992). Furthermore, the predictability of the in-group member's behaviours within collectivistic, high-context cultures is important, or else unpredictable behaviour is likely to be ignored (Gudykunst et al. 1992). Given this, knowledge sharing considering these in and outgroup dynamics may be more successful if facilitated in a manner in which takes into account the Japanese orientation.

Often for knowledge transfer to be enabled, workers as part of their shared identity must value delegation and equal roles in the decision making process where sharing of information is encouraged with key constituents (Cox et al. 2012). This is typically apparent in participative styles and performance-orientation preferences where charisma is valued (Cox et al. 2012). This is most common in Anglo nations like Australia, Canada and New Zealand (Cox et al. 2012). In comparison to typically collectivist societies like Japan, collectivist nations are more receptive to transaction and autocratic leadership styles where the encouragement of diverse inputs and individual perspectives are not as culturally common (Cox et al. 2012; Gill, 2012). This is due to the collectivist nature where valuing group orientation over individual interests is emphasised (Gill, 2012). A feature of collectivism is protecting members within the group by providing security and in return, loyalty is established (Cox et al. 2012; Gudykunst et al. 1992). There is emphasis on protecting a group's 'face' and reputation and thus social interaction is tightly developed and unified by formal social frameworks (Cox et al. 2012; Gill, 2012). Given the nature of collectivism, knowledge transfer can be examined in two perspectives; "enabling" knowledge transfer and "inhibiting" knowledge transfer.

### **Collectivism in Japan: Various Inhibitors and Enablers**

Firstly, it is important to note that various aspects of the Japanese culture can be viewed from lenses that enable and also inhibit knowledge transfer. In stating that they may be enablers or inhibitors, does not result in the cultural element being exclusive and defined to that context where knowledge transfer is either successful or unsuccessful. It may be that in particular circumstances, aspects of Japanese culture may more easily assist knowledge transfer, whilst in other situations, these same attributes may be obstacles for knowledge transfer.

Given this understanding, in terms of how the collectivist culture within Japan could act as a barrier to knowledge transfer is that individuals may be uncomfortable in unfamiliar group knowledge sharing contexts. As Japanese employees typically make group decisions, the worker is likely to be extended from the group in order to demonstrate their unique perspective and understanding of knowledge (Gill, 2012). As sharing of knowledge will be done in isolation of the group there is the chance that the worker may perceive they will threaten the group's reputation and 'face' if the knowledge is misunderstood or misinterpreted (Takeuchi, 2009). This is particularly applicable and relevant to a Japanese collectivist culture as there is detailed group precision in planning before decisions are enacted and individual decision making is rare (Gill, 2012). The individual may perceive outspoken

opinion to be disrespectful to hierarchical structure which is often determined on the basis of age, title and status (Gill, 2012). Additionally, if the worker is extending their knowledge transfer to a member within the firm who is ranked above them, this may be culturally unacceptable as status and position is of grave importance (Gill, 2012; Takeuchi, 2009). This is unlike the individualistic worker who values opportunities to take initiative and interact in participative environments (Cox et al. 2012). These values can often arise from the individualistic worker placing importance in charismatic leadership which encourages calculated risk taking and challenging the status quo (Judge et al. 2014).

On the other hand, given these theories, there is also the opportunity to understand how knowledge transfer may be successful from a Japanese collectivist culture. Collectivism in Japanese firms is likely to improve the operational performance of a firm given the combination of teamwork and cooperation (Gill, 2012). One possible reason for this could be that cooperative relationships that utilise cross-functional teams have typically lower costs and higher productivity (Gill, 2012). This is evident in Japanese firms where Quality Control Circles were developed to improve quality and decrease defects and this has assisted in the creation and dissemination of knowledge (Gill, 2012; Ueki et al. 2005). Studies suggest team-based problem solving practices can assist financial performance positively and practices like QCC and Kaizen may work properly overseas (Takeuchi et al. 2013). This is supported by the notion that spur quality improvement has been identified as a practice that impacts knowledge creation and builds a firm's flexibility (Ueki et al. 2005). In addition, Japanese knowledge sharing occurs as firms in the US are adopting QCC and emphasising team based projects, where they are looking to their Japanese counterparts for guidance (Takeuchi, 2008). How differences in culture can benefit acquiring firms, is the possibility of breaking down rigidities which can assist in developing richer knowledge frameworks and promoting innovation and learning (Bjorkman et al. 2007). Given collectivist societies emphasise long-term orientation and social ties and social frameworks, Japanese workers typically belong to groups and place the collective interests above individual interests (Cox et al, 2012; Jung & Takeuchi, 2010). However, members of collectivistic cultures may act inclusively toward their respective in-group, but not necessarily collectively to other in groups (Triandis et al. 1998). Hofstede & Bond (1988) explain within Japanese managers and employees, they are famous for their pragmatic synthesis; what is true or who is right is not as important as what works and how the contribution of individuals that have different thinking patterns can be orchestrated as to facilitate a common goal.

Ueri et al. (2005) suggest Japanese firms have evolved in a sophisticated manner where their capabilities accommodate incremental, as well as radical innovations through their organisational learning. This occurs for instance with Toyota where accumulation of wisdom and experience is valued, as well as sharing a culture that is based on strong values and visions (Ueri et al. 2005). Given these cultural foundations, this may contradict the common perception where Japanese firms are primarily focused on harmony and consensus (Ueri et al. 2005).

## Long-Term Orientation

This leads into the discussion of Japan's long-term orientation. In cultures that value long-term orientation, thrift is emphasised, and instant gratification of desires is not expected (Hofstede & Minkov, 2010). Long-term orientation has been identified as Hofstede's fifth dimensions of national cultures. Within long-term orientation, tenacity in all pursuits undertaken is supported and self-assertion is discouraged (Hofstede & Minkov, 2010).

Continuing from the discussion of OEM relationships, Japanese manufacturers have close relationships with their suppliers, in contrast to American or European OEM (Wilhelm et al. 2011). This relationship emphasis is on stable and long term knowledge sharing with their key networks (Wilhelm et al. 2011). In order for effective supplier quality management, the process is facilitated with the assumption of long-term cooperative relationships (Baird et al. 2011). Whilst Nissan and Mitsubishi have previously implemented stringent processes with their suppliers, there is the opportunity to evaluate these decisions as positive. One justification behind the detailed processes and timely decision making that occurs relates to kaizen which is the continuous change and improvement, again leading back to the long term criteria (Kodama, 2005). Kaizen is evident in Toyota's selection of suppliers where price is not only the criteria, but the organisation's ability to constantly improve their capabilities is also a required factor (Wilhelm et al. 2011).

Various theoretical studies on HR and quality management suggest team-based problem solving HRM techniques is the foundations of organisational learning which then helps develop valuable returns to a firm (Takeuchi et al. 2013). Organisational capabilities like improvement and suggestion systems and production problem solving help develop firm capabilities for implementing programs that will gain returns through best-practice solutions that allow rapid diffusion within the organisation (Takeuchi et al. 2013). This is evident in Nissan and Mitsubishi production processes where quality control and planning systems like total quality management just-in-time production emphasise their long term focus (Gill, 2012). Systems like QCC are tools for shop-floor management, but also employee training in terms of problem solving (Machikita et al. 2016). How this system positively effects employee knowledge creation and learning is that the autonomies in these processes can stimulate individuals' creativity and facilitate individual think and self-education (Machikita et al. 2016).

Whilst these cultural norms translates into their business procedures with the intention of continuously improving the quality of all activities so customer expectations can be exceeded and so relationships can prosper, there are also benefits that arise within this (Baird et al. 2011). Systems like total quality management support the organisation's ability to learn by shaping corporate learning culture, supporting employees, teams and the unit as a whole which is extremely relevant for knowledge creation and sharing (Akgun et al. 2014). These facets of learning can be contributed to Japan's absorptive capacity which is comprised of potential absorptive capacity and realised absorptive capacity (Bjorkman et al. 2007). Potential absorptive capacity is related to the organisation's ability to acquire and utilise knowledge, and realised absorptive capacity regards knowledge transformation and exploitation (Bjorkman et al. 2007). Nissan and Mitsubishi success in absorptive capacity simultaneously contributed to their downfall where precise decision making and planning inhibited necessary risk taking

(Gill, 2012, O'Reilly & Tushman, 2008). From the perspective that various organisational activities require tolerance of ambiguity and consistent sensing to seize opportunities, Japanese long-term orientation can both positively influence their ability to achieve this, but in other perspectives and areas, may also possibly hinder this process.

How this may negatively affect Japanese organisations is that their planning process systems have led to excessive amounts of time spent on concepts and details with no implementation urgency (Gill, 2012; Kodama, 2005). This poor sense of urgency and failure to address management problems is identifiable in Nissan and Mitsubishi (Gill, 2012). This resulted in the organisations developing a complacency in their market position and delays in decision making (Kodama, 2012). This is in contrast to Fujitsu for example, who formed strategic communities very quickly and from this, they realised high involvement and high shared values (Kodama, 2005).

However, on the other hand Japanese firms have been shown to scan both customers and competitors in their market analysis where the value within these capabilities are not just customer analysis, but the right kind of customer identification (Lee et al. 2000). In conjunction, considering the preference for long-term orientation in Japanese culture, this may be conducive to the characteristics of an exploratory strategy and approach. This regards the organisational ambidextrous approach where firms simultaneously implement exploitative (short-term achievement) with explorative (long-term objective) strategies (March, 1991). Whilst the characteristics of exploration are termed as search, variation, experimentation and discovery, there is alignment with explorative approaches in terms of Japanese long-term focus and the value of continuous improved performance (Gill, 2012; March, 1991).

## **HRM Processes Affect**

The next cultural dimension regards the role of Human Resource Management in Japanese organisations. One orientation is that Japanese organisations have been restrained by "Japanese-style management" which is based on traditional systems like lifetime employment and wages that are based on seniority (Takeuchi, 2009). Career development in Japanese organisations is typically distinguished by the nurturing generalists through delayed assessment and advancement (Chen et al. 2004). These traditional approaches incorporate extensive employee training over a lengthy period to ensure specific needs are met (Chen et al. 2004). There are several reasons why these traditional based values may cause tension with modern Westernised firms (Takeuchi, 2009). The traditional Japanese approach to HRM selection, dismissal and reward systems have been based on collectivism (Gill, 2012; Takeuchi, 2009). How this worked at Nissan was a performance based incentive system replaced pay and promotion based on work attendance and tenure and age opposed to actual performance (Gill, 2012). This resulted in employee complacency as consensus and cooperation was rewarded, which thus delayed decision making and achieving accountability (Gill, 2012). One of the problems this caused was the lack of urgency regarding profit orientation (Gill, 2012). Whilst this was culturally rare in Japan, one of the performance bonuses were cash and stock options which was directly linked to operating profits and revenues (Gill, 2012). This

may contrast to individualistic oriented cultures where it has been the cultural norms to receive individual rewards that are based on performance, contribution and achievement of goals (Takeuchi, 2009). Findings suggest firms with individual-based HRM policies may enjoy greater financial performance (Takeuchi, 2009).

Considering these traditional HRM practices, when Japanese firms are bound by bureaucracy, they may find limitations in organisational evolution occurring naturally (Nonaka, 1988). This is explained as firms must have a degree of freedom between the parties and units so creative conflict can be developed, in order for firms to continuously evolve (Nonaka, 1988). A part of knowledge creation and thus sharing is the ability for managers to adjust their mind-set and explore new business opportunities (O'Reilly & Tushman, 2008). The firms require the ideas and behaviours of managers to be flexible because often, if a manager has a particular decision making style, their subordinates will also process information in a similar way (Nonaka, 1988). This has developed from their ability to recognise how their manager will respond and when this occurs the will to challenge existing information is unlikely (Nonaka, 1988). One company that has successfully achieved confrontation for creativity and development of new knowledge and ideas is Honda (Nonaka, 1998). Despite differences in employees rank in the firm, individuals are encouraged to participate in meaningful discussion (Nonaka, 1998).

Furthermore, long-term orientation of longstanding employment, whilst it may lead to stronger and unified groups, is linked to the training and development system many of the Japanese manufacturers have established (Takeuchi, 2009). This investment results in an accumulation of human and social capital. With the lifetime employment approach, Japanese corporations are able to invest heavily in their human capital with extensive in-house training programs that are facilitated by organisational learning (Chen et al. 2004). A large number of Japanese semiconductor manufacturers in particular, emphasise the accumulation of intangible assets like technological expertise and training personnel from a tacit knowledge perspective (Kodama, 2009). From this lens of shared understanding with knowledge integration, these processes lead to the development of dynamic human networks that goes beyond practitioners' formal organisations (Kodama, 2009). When this occurs, networks between people, groups and organisations are launched and this enables the organisation to establish complementary relationships with formal organisations (Kodama, 2009). These dynamically formed networks, whilst often informally occurring, are essential for organisations to obtain new competences so the networks can also thus be renovated to match the external environment (Kodama, 2009). This is in comparison to the Western counterparts where training facilities, resource expenditure and learning opportunities that are provided within the organisation is not as high (Chen et al. 2004). Asahi managers believe learning occurs with flexibility and change, as job rotations is a large part of their business model where the results lead to greater perspectives for the generation (Nonaka, 1988). This is because meaning is practically specific to the context and job rotation facilitates this. An organisation that is always evolving, is an organisation that is always learning and these firms transform the flow of information into a stock of knowledge and simultaneously share this information to the other departments (Nonaka, 1988). Within this

process, the outcome of the information that has been generated, must then be assessed as to what is valuable and what can be discarded and this is often determined by the strategic vision of the organisation (Nonaka, 1988).

There are additional effects Japanese management may have on a cross-border M&A influencing the knowledge sharing and integration process. Differences can arise when a Japanese supervisor is highly empowered, in comparison to a manager whose culture is typically of low power distance. When high power distance is compared to low power distance, the former expresses leader-subordinate relationships, which is distinct to the cultures that are typically low power distance where equality and collective decision making is common (Cox et al. 2012). Traditional Japanese management style has been characterised as a humane orientation where horizontal communication, bottom-up decision making and person-oriented superior-subordinate relationships have long been seen as unique managerial practices to Japan (Jung & Takeuchi, 2014). Korea, in contrast, has a model which is relatively hierarchical in terms of superior-subordinate relationships, vertical communication and top-down decision making (Jung & Takeuchi, 2014). In a comparison GLOBE study (Global Leadership and Organisational Behaviour Effectiveness) between Japan and Korea, these interesting results were found. Whilst Japan and Korea are relatively similar and close in terms of culture and geography, when it comes to collectivism, there are subtle distinctions between their management styles (Jung & Takeuchi, 2014). Korean cultures comply with power distance and whilst Japanese cultures also emphasise rank and seniority in the aspects identified above, they traditionally also adopt a humane orientation simultaneously with their lifelong employment style and supplier relationships they commit to (Jung & Takeuchi, 2014).

How these practices increase the power Japanese supervisors have over subordinates is through 'nenko payment systems' (difficulty in changing jobs due to company and seniority bases), relatively weak enterprise unionism and the progression of reward systems which are gravely contingent on the supervisor's personal assessment of the employee's performance (Jung & Takeuchi, 2014). These processes and systems may be incompatible if the dominant logic dimension of knowledge transfer process is adopted. This is a process that requires a foreign acquired firm to embed some of the acquirer's routines, and this can also be extended to preferred procedures and processes (Reus, 2016). The costs involved in knowledge transfer, however, are typically going to be higher when culturally distant countries attempt to adopt organisational practices, even when the receiving unit see them to be attractive (Bjorkman et al. 2007). A factor of increasing cost is the differences that will occur in cognitive structures and the values that are found in the systems and embedded norms (Bjorkman et al. 2007).

Finally, in terms of management and leadership in shared identity processes, there may often be a Leader Group, which is the formation of leaders of the individual shared identity groups, and they are to merge and integrate the knowledge of all the groups (Kodama, 2005). In their role of synthesising capability, they also need to construct dialogue to resolve various issues that can arise from learning (Kodama, 2005). A process perspective must be adopted within acquisition integration to understand the possible projected synergies, which are highly dependent upon how effectively the integration process is managed (Bjorkman et al. 2007).

## Socialisation Tactics

Lastly, there are similarities between studies conducted regarding the exploration of managing the post-acquisition process (human and task integration to foster value creation) and studies regarding Japanese adjustment periods and processes (Birkinshaw et al. 2000; Takeuchi & Takeuchi, 2009). Task integration has been identified as concerning the value creation aspect of the acquisition which is measured by transfers of capabilities and operational synergies (Birkinshaw et al. 2000). These findings suggest that in addition to task integration, human integration should also be encompassed in the post-acquisition process (Birkinshaw et al. 2000). Human integration refers to organisational culture, shared identity and general satisfaction (Birkinshaw et al. 2000). Human integration is the creation of positive attitudes towards the integration of employees from both units (Birkinshaw et al. 2000). Considering these task and human integration dimensions, a unique feature of Japanese organisational culture is the expectation that new hires will have multiple skills and knowledge areas throughout the organisation, and they will not have a fixed and stable job process that is assigned to them (Takeuchi & Takeuchi, 2009). This is particularly applicable during phases of adjustment periods where new employees are selected (Takeuchi & Takeuchi, 2009). The aim for the new hire is to achieve the designated tasks and objectives, opposed to prioritising fit with a specific job criteria (Takeuchi & Takeuchi, 2009). There are important implications from studies that shows Japanese managers will generally be reluctant in selecting an individual who whilst may have the correct abilities required for the role, may not be a match with the company's values or culture (Jung & Takeuchi, 2014). The Japanese process depicts elements of both task and human integration as the priority is not only one specific task, but adjustment and skills to the overall organisation. It is suggested that task integration should be conducted in conjunction with human integration (Birkinshaw et al. 2000). This is because task integration on its own, does not lead to rapid achievement of synergies the management team desired, but to a level of satisfaction which in return limits the scope of interaction between the two units (Birkinshaw et al. 2000). Whilst the two integration elements may not occur to the same extent, or simultaneously, in order for the process to be entirely successful, both task and human integration has to be effective (Birkinshaw et al. 2000). In saying this, Takeuchi & Takeuchi (2009) recognise organisations that strategically encourage interpersonal approaches in the newcomer adjusting to the socialisation process will be more effective in achieving adjustment, opposed to alternative tactics.

## Conclusion

From this analysis, it is clear Japanese companies have their own strengths and weaknesses that are all perspective dependent. Japanese organisations have successfully strategized and implemented planning behaviour which assists the organisation attitude towards learning from their environment (Richter & Vettel, 1995). From these elements, it is fair to conclude Japanese organisations will be successful in their own unique way, taking into consideration environment and context. There have been several processes

and cultural norms that have benefitted knowledge transfer whilst other processes required improvement.

From this context of knowledge development, integration and transfer, particular elements of Japanese culture have been examined as to how their unique nature of conducting business may effect these concepts in a cross-border M&A. By exploring the collectivism-individualism orientation of Japan, the long-term/short-term cultural dimension, HMR processes affect and socialisation tactics, how Japanese organisations interact with knowledge has been thoroughly analysed.

It is from this discussion that managers, practitioners and even governmental institutions must consider the unique approach Japanese employees and organisations adopt regarding knowledge concepts in their bid for cross-border M&A. Whilst Japanese cultural elements may assist and promote knowledge transfer and learning in particular situations, they can also be obstacles to overcome in alternative situations. From this perspective, it is important to note that particular facets of Japanese culture will not exclusively hinder or encourage elements of knowledge transfer, it may just be that in various circumstances, particular cultural attributes will either be more subtle or prominent in the knowledge process.

Lastly, this discussion of organisational learning, knowledge creation and knowledge transfer is context and perspective dependent. The variables and environments between various cultures, organisations and nations are all unique and will differ. These concepts are likely to adapt based on the distinctive setting at hand.

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