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Jonathan Morris, John Hassard and Leo McCann

ABSTRACT

This article identifies two, nation-wide, forms of governance or organizing capital, 'shareholder' capitalism and 'managerial' capitalism, epitomized by the USA and Japan respectively. Furthermore, it identifies the implications for managers in these systems. The article argues that both varieties of capitalism have been forced to modify, due to pressures from globalization. Shareholder capitalism in the USA has been intensified with an even greater emphasis on 'shareholder value'. In Japan, meanwhile, poor national economic performance has led to pressures upon managerial capitalism to take on features more akin to the shareholder variety. Such pressures have been transmitted to managers with a more intensified work regime. However, many of the HRM features of the Japanese model remain, despite these pressures.

KEYWORDS

HRM ▪ Japan ▪ middle managers ▪ organizational governance ▪ USA

1. Introduction

The emergence of a 'post-industrial' age for developed economies, based on economic liberalization, globalization, technological change and the

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knowledge economy has, it is argued, radically altered the governance structures at both organizational and economy-wide levels. At the macro-(national) level of governance, traditional structures are purportedly under threat from the pressures of intensified competition and the mobility of industrial investment activity of multinational companies (MNCs), arising from globalization pressures and facilitated by global economic liberalization and information and communications technology (ICT) developments. Notwithstanding debates over the extent and pervasiveness of globalization (Hay & Marsh, 2000; Hirst & Thompson, 1999), it is evident that capital has intensified its internationalization pressures. Furthermore, increasingly this involves non-OECD, developing and transitional economies. In 2002, four of the top-six investment recipients were transition economies (UNCTAD, 2003). In part, this is market-seeking activity on the part of multinationals, but there is also extensive evidence of '*maquilladora*' type of investments, where MNCs seek low-cost labour in such economies and re-export to developed-economies (Bailey, 2003; Lowe et al., 2000; Martin, 1999). Moreover, this underestimates their incorporation into the international economy via subcontracting (Gamble et al., 2004). Further, transitional-economy investment places pressure upon the home economy and on home country organizations to reform governance structures, in order to meet these new competitive pressures (Lane, 2001).

There has been growing interest in exploring differing national and society-wide patterns of governance (Hall & Soskice, 2001; Whitley, 1999). This first emerged in order to explain how the Japanese economy prospered despite different governance structures and forms of organization from those in the USA (Gerlach, 1992) and was later extended to analyse the East Asian newly industrialized economies (Orru et al., 1997) and 'transition' economies (Martin, 1999). However, at a time of growing interest in this literature, there is also evidence that these divergent capitalisms are under pressure to converge towards a western (US) model (Berggren & Nomura, 1997; Dore, 2000, 2004). In short, whereas economies such as Japan had been characterized by a form of stakeholder-managerial capitalism based on managerial control and paternalism, there is a growing influence in such economies of strong shareholder control (Ezzamel et al., 2007) and, in the public sector, greater 'value-for-money' accountability.

While new macro-governance structures are emerging, organizational-level structures are also purported to be evolving (Castells, 2000). It is argued that there have been profound changes in organizational structure, strategy and form, including a shift from the bureaucratic-hierarchical form, inappropriate in the context of increased market volatility, uncertainty and increased competition which is, essentially, our definition of organizational governance.

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'Post'-bureaucratic forms have emerged, leaner and flatter and thus more responsive, flexible and focused (Drucker, 1992; Handy, 1995; Kanter, 1989), including more modular forms (Schilling & Steensma, 2001).

This article will explore the themes of macro- and micro-level changes in two major economies – Japan and the USA – based on a three-year research study of new organizational forms in the two countries and of the consequences of such restructuring for middle managers. Three main research questions will be addressed. First, are large organizations moving to post-bureaucratic organizational governance forms? Second, are there major differences between US and Japanese organizations? Third, what is it like to manage in this new environment? This involved interviews with senior managers in ten US and eight Japanese organizations. We will contend, in the context of new governance structures, that at the macro-level there are considerable pressures for convergence, in Japan at least, with a move from the stakeholder-managerial capitalism model to a greater shareholder influence. Nevertheless, the embeddedness of 'institutionalized capitalism' means that this shift should not be overstated.

At the micro-level, meanwhile, while we argue that considerable moves have been made towards more flexible organizational forms, they are largely modifications of pre-existing bureaucratic structures and thus the use of the term post-bureaucratic is extremely misleading (Farrell & Morris, 2003; McCann et al., 2008). Furthermore, while middle managers in these organizations are under extreme pressures in all three countries, their roles have been, if anything, enhanced by the hybrid forms (Balogun & Johnson, 2004; Huy, 2002), confounding certain predictions.

2. The new organizational paradigm

The 1990s was replete with authors urging large firms to rethink their internal governance, that is, how they structure and strategize. After 60 years of employing a hierarchical, bureaucratic, multi-divisional form with multiple layers of management and a fairly safe career structure for managers and workers based on a well-developed internal labour market, this model was no longer suited to more volatile market conditions. Child and McGrath (2001), for example, point to four organizational pressures to reform including greater organizational interdependency, the disembodiment of performance from asset ownership, business practice velocity and power based on knowledge.

The prescription offered by the US 'guru' literature was to dismantle the bureaucratic-hierarchical form by downsizing and delayering, to focus

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on core activities, to replace structures with a flatter, more responsive, structure and to re-engineer the business process (Hammer & Champy, 1993).

The prime focus (or victims) of the restructuring process were middle managers, with certain authors vitriolic critics (Peters, 1992). While Littler et al. (2003) note predictions of the demise of the middle manager are long-held, Heckscher and Applegate (1994) have argued that there were excessive managerial levels in organizations leading to increased bureaucracy, reduced accountability, remote decision-making, excessive monitoring and poor communications. However, negative consequences associated with such delayering and downsizing include the collapse of internal labour market careers, increased workloads, reduced commitment, increased mobility, and a reduction in loyalty (Sennett, 1998). Moreover, this coincided with the business guru literature exhorting greater commitment from managers and employees via the psychological contract (Rousseau & Parks, 1993) and middle managers elevated to change agents.

3. The new paradigm in practice: the USA and Japan

3.1. USA

The 'classic' US organizational form, as exemplified by GM and AT&T, was multidivisional with central control and coordination of decentralized operations, an internal labour-market, relative job security and a bureaucratic hierarchy of seven levels of management (Chandler, 1977; Kanter, 1977). This model came under intense pressure due to competition, market share loss to foreign competitors and leading US business conglomerate break-ups (Davids et al., 1994). Moreover, while US firms had typically relied on stock markets for investment finance, share ownership patterns began to shift to large institutional investors, which put share prices under far greater scrutiny and forced companies to cut costs wherever possible (Useem, 1996). As a consequence, large firms began to radically reappraise their structures and strategies, including concentrating on core competencies and vertically disintegrating non-core areas. They were also exhorted by business and academic gurus to downsize, delayer and move to flatter forms, with employees accepting the end of secure employment.

There is certainly clear evidence of downsizing and delayering. MacDuffie (1996) charts trends in the US auto producers, noting that in the 1980s downsizing was largely confined to hourly paid blue-collar workers, but that by the 1990s white-collar and management employees were affected. He makes the distinction between *volume reduction restructuring* and *work-design restructuring*. The former was essentially a continuation of historical

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trends and characterized the industry from 1979 to 1986, but the latter kicked in during the late 1980s as lean production and management principles were introduced. However, a considerable number of jobs were also 'lost' through divestment of large parts divisions, with jobs thus shifting ownership.

Similarly, Batt's (1996) research on US telecommunications found vertical disintegration, partly forced by government deregulation. The shift from 'bureaucracy' to 'enterprise' led to downsizing and delayering; lower and middle managerial jobs were broader, spans of control wider, promotions harder to come by and employment security lessened (Cappelli, 1999). Other studies point to significant downsizing, particularly in large firms (Lee, 1997). However, such downsizing has not always been the panacea firms had hoped (Budros, 1997; Cascio, 1993).

There is less systematic evidence of delayering. Nevertheless, both Batt (1996) and MacDuffie (1996) note delayering in telecommunications and automotives, with greater workloads for managers (see also Heckscher, 1995). However, the 'exhortation' literature on delayering/downsizing outweighs the empirical literature.

While downsizing and delayering are taken as 'givens', the macro-data point in the opposite direction, a 'managerial-downsizing paradox'. The number of managers actually increased in the USA in the 1980s (Gordon, 1996) and some 35 per cent of the US labour force are still in careers of ten-plus years (Jacoby, 1999). Littler and Innes (2004) offer four interpretations: i) certain firms over-emphasized the extent of downsizing, announcing higher cutbacks than actually made (to impress investors), a 'pseudo-downsizing' exercise; ii) a 'burn-and-churn' hypothesis, with turnover of managers, but the numbers remaining similar; iii) a 'soft-sandwich' hypothesis, where de-layered managers are re-deployed; iv) a managerial downsizing hypothesis. For Australia, they found a combination of 'burn-and-churn' and 'soft-sandwich', plus downsized and delayered managers finding positions in smaller firms.

3.2. Japan

Japan's variety has been termed 'managerial', 'stakeholder' or 'alliance' capitalism (Gerlach, 1992). Whereas firms in US capitalism are shareholder focused, Japanese firms are responsive to a wider constituency, including employees. Indeed, Japanese firms have neglected shareholder interests in order to protect core employees (Dore, 2000). Japan's model comprises close bank–industry links, enterprise group cross-shareholding links, and corporate paternalism (Edwards & Samini, 1997). This has manifested itself in particularistic employee relations and enabled large Japanese organizations

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to offer secure employment, seniority-based pay and employee welfare provision.

Differences between the two varieties of capitalism can be over-estimated. US firms, historically, had internal labour markets and long-term employment (Jacoby, 1985). Moreover, the Japanese HRM system was crystallized post-1945 and only applies to large firms and males (Berggren & Nomura, 1997). Nevertheless, there have been significant differences in managing under a managerial governance regime as opposed to a shareholder one (Jacoby et al., 2005). Even so, Japan's system faces considerable pressures to reform, including the low growth–no growth cycle since 1990 and global competition. Indeed, Dore (2004) noted a shift from stakeholder capitalism to a more shareholder oriented one, with shareholders much more critical of sharing dividends with employees. This is manifested in a growth of stock market analysts in Japan, aggressive US-owned hedge funds in Tokyo, foreign participation in stock-trading and ownership, a decline in trust in managers and greater external scrutiny. Union power has also declined.

In addition, a rapid increase in merger and acquisition (M&A) activity by foreign-owned firms is evident, with certain large industrial sectors particularly affected including automotives, financial services and retail, which has impacted on organizational governance norms and practices. Finally, there has been the impact of the rapid internationalization of Japanese firms (particularly to China), subsequent economic 'hollowing-out' (*kudoka*) and its impact on governance and HRM.

There is evidence of changes to the governance structure, strategy and HRM of large Japanese organizations. The *keiretsu* structures, enterprise groupings with interlocking shareholdings, both bureaucratic and flexible, are becoming looser, due to internationalization (Bailey, 2003; Munakata, 1998; Steven, 1996; Westney, 1996) and foreign M&A activity in Japan (UNCTAD, 2000). Foreign owners are becoming less reliant on the *keiretsu* and moving to global sourcing strategies. While these examples are fairly limited in number, they have put pressures on competitors to follow suit, such as at Nissan. Moreover, major *keiretsu* members have reassessed their partnerships (Ikeda, 1998). Thus *keiretsu* relations appear to be moving towards more fluid and arm's-length terms.

Japanese HRM practices have also faced reform pressures, again within a global competition context, domestic stagnation, an ageing workforce and previous over-recruitment in the 1980s (Chuma, 2002), with consequent considerable downsizing and the deinstitutionalization of permanent employment. Societal and institutional pressures have also impacted, with large Japanese firms at first extremely reluctant to downsize, in order to preserve reputation (Usui & Colignon, 1996) but later seeking a 'safety-in-numbers'

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approach with one large firm announcing downsizing before a flood of announcements. The 1990s downsizing also included outright dismissals and hiring-freezes (Ahmadjian & Robinson, 2001).

Okubayashi (1998) also notes delayering with the emergence of a 'softer' structural organization with a flatter managerial hierarchy. These trends have implications for HRM, notably lifetime employment and seniority pay. While lifetime employment remains robust, it is being modified (Clegg & Kono, 2002; Kato, 2000; Matanle, 2003), being offered to fewer employees for a shorter duration and with a spectacular growth of atypical employment (Sato, 2001). The seniority-based pay system is also shifting, towards a more individualized, performance-based one (Endo, 1998; Shibata, 2002). Certain groups have been more affected than others including middle-aged and older managers. Moreover, significant associated negative affects include a breakdown of solidarity, greater competition between employees and potential motivational problems (Inagami & Whittaker, 2005).

4. The survey data

4.1. Methodology

The methodology comprised mini-case studies, with multiple interviews per organization. Three to ten personnel were interviewed per organization, including HRM and general managers. Japanese interviews took place in June and July 2002, July and December 2004, and US interviews in August 2003 and April 2004. Several middle managers in each organization were also interviewed. Most organizations received two visits with related background interviews. Company documentation was also collected.

Organizations ranged from medium to large-scale, including private and public sector, manufacturing and services and high technology and mature products (Tables 1 and 2). The organizations are part-matched,

Table 1 Activities in Japanese organizations

JElComps	Semiconductors, electronic products
JAutoComps	Automotive components
JLocalGovt	Local authority
JSteel	Steel, related products
JUniversity	University
JRob	Industrial robots
JAuto	Automotives
JEl	Semiconductors, telecommunications, ICT

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Table 2 Activities in US organizations

ALBank	Financial services
AHBank	Financial services
AEl	Telecommunications, semiconductors
AHospital	University hospital
AUtility	Electricity, gas utility
ALocalGovt	Local authority
ASteel	Steel, related products
ARetail	Retailing
AHR	HR outplacement
AAuto	Automotives

although access problems meant that the match was not perfect. Nevertheless, the sample covered a broad section of industries in the two economies.

4.2. Emerging structures: Changing boundaries of the firm

Japanese large firm boundaries have been relatively permeable with large firms typically relatively vertically disintegrated within the *keiretsu* networked enterprise group. That the networked *keiretsu* is under pressure was, partially, confirmed in our study. JAuto had undergone the most radical reform of its *keiretsu*, presaged by an extremely poor competitive market position and, subsequently, a large stake in the company being bought by a foreign competitor. JAuto had formally had a vertical *keiretsu* typical of the auto industry, but this was being radically restructured. Only four major core component suppliers remained in the *keiretsu*, despite outsourcing increasing, and the company was moving to global sourcing. This had direct repercussions for JAutoComps, the product of a merger of two important suppliers to JAuto, in which JAuto held 30 per cent stakes. The merger of two suppliers, with complementary technologies, was 'strongly encouraged' by JAuto as its supply base was rationalized to cut costs by 20 per cent. JAutoComps was no longer regarded as part of the *keiretsu* despite the equity stake and continuing to be a major supplier, a signalling device to supplier firms that relationships were moving to more arm's-length ones. The two public sector organizations (JLocalGovt, JUniversity), were also shifting their organizational boundaries, albeit in different ways. JLocalGovt had started outsourcing certain services (e.g. daycare nursery centres) to the private sector. JUniversity, meanwhile, had introduced a much more flexible structure via extensive workforce casualization.

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The boundaries of several US organizations had also changed, although the pattern was more mixed and the institutional context different. Two banks (ALBank, AHBank) had rapidly expanded due to deregulation of state banking laws and a rapid phase of M&A activity. ASteel and ARetail were relatively new companies, and had grown organically and through acquisition. The most radical changes were found at AAuto, with an extensive divestment and outsourcing strategy, involving selling off major parts divisions as independent business and outsourcing anything not core to auto assembly. AEl had also outsourced major parts of the business, including manufacturing to third-party Original Equipment Manufacturer and specialist producers in 'strategic transactions'.

Changing boundaries were also evident elsewhere. AHBank, AUtility and AHospital, for example, had undertaken widespread outsourcing of peripheral, standardized, hotel and housekeeping services (AHospital), which had caused quality problems, and it was also trying to reduce its reliance on nursing agency staff. ASteel was a relatively young mini-mill producer, using lean principles. ARetail, was relatively vertically integrated, and had kept functions such as distribution, warehouses and trucking in-house as it could be done at lower cost. ALocalGovt, meanwhile, had contracted out services to a limited degree in the early 1990s.

4.3. Emerging structures: Downsizing and delayering

Large organizations in the USA and Japan had downsized employee numbers considerably, although the USA predated Japan in this by approximately 10 years. Downsizing was evident across Japanese organizations. However, this does not necessarily imply restructuring; it may be due to volume reductions or technological change. In JSteel's case, technological change had led to downsizing, as had organizational restructuring. JSteel had the largest downsize; employment levels fell at its main plant from 25,000 to 3500 (1988–2002). Other organizations had undergone similar, if smaller, downsizing, largely unrelated to volume reduction. JEl, had reduced management positions from 70 to 26 and its workforce by 20 per cent (12,000) as had JAuto, without any cut in production volumes, and JRob reduced its workforce by 33 per cent. Several firms had downsized their Japanese workforce while increasing it overseas, notably in China (JRob, JSteel, JElComps). JLocalGovt had reduced its workforce by 30 per cent, in part by privatizing services.

Given the lifetime employment commitment, the organizations employed a variety of alternative downsizing methods. All had dramatically reduced recruitment, JEl cut recruits from 80 to 30 and JLocalGovt were

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recruiting only half the number of retirees. Several organizations, including the two biggest (JAuto, JEl), had dramatically increased the number of mid-career hires, a radical departure for Japanese firms. Most organizations actively encouraged early retirements, 45 at JSteel. Similarly, organizations transferred older workers to affiliates (*Shukkō*), under inferior terms and conditions. Managers were the most affected by downsizing, particularly older middle managers in support functions. A radical streamlining at JLocal-Govt, for example, had reduced middle management positions considerably.

In the US sample, the downsizing picture was mixed. Several organizations had undergone radical downsizing. AEl and AAuto had undergone major job losses from divestments. AEl's employment level had fallen by almost a half (from 155,000 to 85,000), with further plans to reduce it to 60,000, using divestments, delayering and downsizing, organizational restructuring and volume reduction. Severe competition in the mobile phone market and the cyclical nature of the semiconductor industry led to cost-cutting measures. Managers at all levels had been affected. AAuto had reduced its managerial workforce by 50 per cent and its blue-collar workers by 30 per cent by a combination of volume reduction and organizational restructuring combined with divestments and outsourcing. Both banks downsized, despite business expansion, as had AUtility, including managerial downsizing due to delayering and outsourcing (to India, ALBank). ALBank and AUtility had reduced employment levels in acquired companies. ARetail and ASteel, young companies run on 'lean' principles, had not downsized but AHospital and ALocalGovt had, with managerial downsizing in the former.

Downsizing methods varied, as in Japan. Where it differed, however, was in using compulsory redundancies. Sometimes such schemes were brutal, AEl ranked employees, with the lowest 10 per cent made redundant, termed 'rank-and-yank'. AEl was a 75 year-old organization, which formerly had an implicit jobs-for-life policy. It also lost jobs due to divestment and outsourcing, with employees transferring employers, but factories were closed and the work transferred elsewhere in the USA and East Asia.

AAuto also used a variety of methods including factory closures with compulsory redundancies (with priority for re-employment), had transferred employees to new companies and had had a hiring freeze. However, they were left with an ageing workforce (average age 52, at AUtility it was 47). Many of the companies had voluntary-redundancy packages, with ALocalGovt not filling vacant posts. The banks, AUtility and AHR had all, however, made compulsory redundancies through managerial downsizing and by delayering. AHospital downsized, without compulsory redundancies, in part through managers losing their job titles but retaining remuneration in a move to avoid credentialism and 'title creep', an example of Littler and Innes's (2004)

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'soft-sandwich' hypothesis and an issue noted in a number of organizations. AUtility's respondents reported that in the past, if a manager could not finish a job, another was appointed and at AHBank there was a proliferation of vice-presidents. One negative consequence of downsizing was reported at AHR where sales managers had been cut back drastically, potentially damaging the business.

Downsizing does not necessarily imply organizational restructuring but delayering certainly does. Six of the Japanese organizations had reduced managerial layers, which had implications for the organizational form and wider HRM systems (with regard to managerial careers, promotion, motivation). While a major consideration for US firms, it is more profound in Japan with careers and promotion largely synonymous with seniority. Delayering was most prevalent at the largest organizations (JAuto, JEl, JAutoComps, JSteel). JSteel had reduced its middle and junior management layers from five to three, to speed up decision-making and resulting in work intensification, broader task-roles, increased spans-of-control and far fewer promotion opportunities. JAutoComps had reduced its layers dramatically, from seven to three, again at junior/middle manager levels, resulting in potentially speedier promotion for junior managers but with fewer posts to apply for. A similar story was played out across the private sector, but not in the public sector organizations. However, at JLocalGovt a dramatic cut in divisions led to managerial positions being cut considerably (10%) while JUniversity had broadly casualized administrative positions.

Such delayering was evident in most of US organizations (six of ten). The most radical was at AAuto where six layers were taken out, by merging and removing layers. Moreover, there was also managerial downsizing per layer, which inevitably led to managerial work intensification. AHBank removed a large number of layers (four), in a smaller organization than AAuto, across the managerial hierarchy. Bank respondents indicated that they had decentralized from a hierarchical 'empire' model to a lean matrix one, with 'four years of bloodshed'. Interestingly, however, the respondent added '. . . but we're a bank, hierarchy is part of our DNA, we won't lose it completely, no-one ever does'.

AEl had similarly drastically reduced its hierarchy, from fourteen layers to seven, with a target of five. AHospital had merged small units and increased spans of control. At other organizations, the picture was more mixed, AHR had delayered, ARetail and ASteel had not but had relatively flat structures, while ALBank added a layer consequent to merger. AUtility also added a layer in one of its merged parts, but had taken five out in the other. ALocalGovt had effectively delayered-out all clerical, sub-managerial staff, and also had a relatively flat structure.

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4.4. Organizational governance and HRM

While a section on HRM in an article on organizational governance might, at first glance, seem a little tangential, we would argue that the orientation of these two 'varieties-of-capitalism' adds salience and resonance. How have the types of restructuring outlined impacted on HRM systems and what are the implications for managing? Specifically, four themes are addressed: job security, payment systems, managerial roles and work and managerial careers.

i) Managerial job security

Job security in large Japanese corporations has been synonymous with 'progressive' Japanese HRM practices. The Japanese salaryman has a strong ideological and aspirational presence in wider Japanese society, devoting their working life to the company which duly rewards them with lifetime employment. The heroic white-collar salaryman trying to beat off the competition on behalf of his company is expressed in popular consciousness in a series of *manga* (comics) and videos titled *Sariraman Kintaro*. It is hard to envisage a middle-manager in the USA or UK similarly portrayed, other than in the role of (black) comic anti-hero.

Is such lifetime employment in Japan sustainable in a downsizing context? Compulsory dismissals of regular employees, particularly managers, is rare in Japan and a last resort in the downsizing decision-making process. It is both legally difficult and extremely damaging to corporate reputation and no organization had undertaken compulsory redundancies, protecting and maintaining lifetime employment. All Usui and Colignon's (1996) measures were used in one or more organization. Reductions in overtime work and bonuses were common, as was temporary and permanent worker reassignments and dispatches, *shukkō* or *tenseki* (JSteel, JAutoComps), while at JElComps managers retained their employment but lost their status position and associated pay. Temporary and part-time employees were dismissed at several companies (JElComps, JSteel) but in others use was increasing, replacing permanent employees (JUniversity). Factory closures had occurred in two cases (JAuto, JSteel) with regular workers reassigned. All the Japanese organizations had either stopped, or gradually reduced, new graduate hires, a radical step in Japan, with loss of corporate 'face'. There was no evidence of any mid-career hire freezes, with three firms (JAuto, JEl and JElComps) rapidly increasing their numbers, to introduce specialist skills and managers with alternative organizational perspectives.

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Voluntary retirements were widely practised, particularly at JSteel, JEl and JAutoComps (all large companies). At JSteel, managers could retire as early as 45. Although this did not represent a dismissal, there is often a fine line between the two, with considerable pressure on managers to 'volunteer', peer pressure and *katatakati*, or 'tap on the shoulder'.

Thus lifetime employment is still largely intact in Japanese organizations, but it is of a shorter time duration and privileged to fewer managers. Interestingly, at Matsushita mid-career employees were offered higher monthly salaries but reduced pension payments upon retirement (Tabata, 1999). Many mid-career employees accepted this offer, presumably 'hedging their bets' on whether they would still be employed 20 years hence. JEl had also introduced such a scheme. This confirms Lincoln and Nakata's (1997) assertion that while Japanese companies have, notionally, introduced new HRM practices, many had not actually implemented them, a signalling exercise to reduce managerial expectations.

Changes in HRM in the USA were more mixed than in Japan and were far less homogenous. Significant changes were found at the two largest oldest organizations (AEl, AAuto). Historically, both were bureaucratic, hierarchical, vertically integrated, relying on internal labour markets and offering job security and clear promotion patterns for managers. However, this model had been gradually eroded over 20 years at AAuto and 10 at AEl. Organization structures were flattened, AEl and AAuto had become considerably less vertically integrated and job security and promotion prospects had been reduced by downsizing and delayering. At AEl there had been a 'rule of thumb' that if you had been employed for 10 years, you effectively had a job for life. This had gone, as it had at AAuto. Similarly, AUtility were historically a monopoly provider, with long-term stable, well-paid jobs and an internal labour market. Deregulation had altered market conditions, job security had been eroded but union agreements over seniority and hiring freezes resulted in an ageing workforce (47 average).

AHBank respondents reported much less job security, due to outsourcing, with middle managers being the most affected group. Their ALBank counterparts reported no change, despite 500 redundancies. Jobs were fairly secure at AHR but this was starting to be eroded, with increasing future insecurity and an end to the internal labour market. At ALocalGovt employment was fairly secure, but an open jobs market had been introduced. The pattern at AHospital was mixed with job security for clinical and medical staff and nurses, but not managers. Respondents at ASteel and ARetail reported relative job security, but this was a function of company age, expansion and favourable market conditions. Interestingly, ARetail relied primarily on the internal labour market, but employed a high percentage of atypical

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workers in-store (up to 50%). Moreover, there was no sense here of the implicit job security once found at AEl and AAuto.

ii) Managerial remuneration

The demise of Japan's seniority-based pay systems has also been heralded. Our study supports this, albeit with caveats. Delayering alone has impacted on seniority pay with the organizations merging layers and employees with differing seniority at the same grade. Accelerated promotion will similarly impact, as will mid-career hires (50% of JAuto managers, 30% at JEl). Additionally, individual pay elements were increasing in all the private sector organizations. Pay systems have always been more nuanced that a mere seniority-based one, with performance-related (*satei*) elements (Endo, 1998). However, bonus pay was becoming more closely tied to individual, group and corporate performance (JAuto, JSteel, JEl, JLocalGovt). Consequently, there were growing pay disparities at the same grade (30% at JAuto, JEl, 20% at JRob). However, seniority is important as promotion depends on time-served, the youngest second-level manager was 32 and third-level 40-plus.

Changes to pay systems in the US organizations were less apparent, because individualized pay had a longer history and seniority was consequently less important. Nevertheless, changes were occurring, with individualized elements of pay growing and bonuses more closely tied to performance. Only two organizations did not have individualized pay: ALocalGovt, described as 'extremely conservative', and AHR, which despite being a HR-outsourcing business, had no HR department until four years ago. AHR, however, intended to introduce individualized pay. At other organizations, individualized pay was significant. At ALBank, a bonus of between 50 and 90 per cent of base pay (seniority dependent) was based on individual and corporate performance (plus stock options). ARetail was similar, while at ASteel a bonus of up to 50 per cent was available, based on unit performance.

AHBank, AEl, AUtility and AHospital's pay systems all reflected wider changes to HRM. AHBank's group-wide bonus did not motivate staff and had been replaced with a more individualized bonus based on the 'balanced scorecard' approach. Similarly, AUtility replaced its group-wide bonus with a decentralized bonus based on critical factors. AEl had tried to shift from a relatively egalitarian entitlement culture to a performance-based one. AHospital, meanwhile, had PRP based on an annual performance review similar to, as the respondent noted, an 'at-risk corporation', extremely unusual for a healthcare organization, and the bonus could be as high as base pay. Potential insecurity of PRP was evident at AAuto. Despite an

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individualized bonus of 30–50 per cent, managers had not received it due to poor corporate performance, irrespective of individual performance. Set against a backcloth of downsizing, delayering and work intensification, the implications for motivation are perhaps self-evident.

iii) Managerial career development

These organizational governance trends in the USA and Japan have consequences for managerial promotion opportunities and career paths. In Japan the impact of downsizing and delayering has considerably diminished promotion opportunities and put pressures on the lifetime employment/seniority systems. Japanese managers traditionally worked extremely long hours and waited decades for promotion, certain that they would be promoted at least once, that pay would rise with seniority and they had jobs for life (until 55). This trade-off is now being broken. Promotion is much harder to achieve and uncertain in all but one of the study companies. At JSteel, 70–80 per cent of junior managers were promoted to second-level manager positions and 40 per cent to third, now these figures are 40 per cent and 10 per cent. The exception was JAuto where managerial numbers had increased, despite radical downsizing, with the company increasing division numbers to cope with environmental pressures, alternative fuel technology, etc. There were, however, positive developments, with average ages for first and second promotions dropping considerably. At JLocalGovt, first promotion age had dropped from the late to early 30s, while at JRob managers could jump grades or spend a very short period of time at level two.

In the US sample, managerial career path change was acknowledged, particularly at the banks, AHR, AAuto and AEl. AEl's HR Director, reflecting on his own career, noted 'I've been here for 27 years and kept on getting promoted even though I didn't really try. Now it's much more difficult and we rotate managers.'

What this signifies, in both the USA and Japan, is a split between small numbers of young 'high fliers' who benefit from the changes and the majority of managers who may be stuck at the first tier for their careers. This, together with performance-related pay, has implications for managerial solidarity, particularly in Japan where it has been traditionally strong.

iv) Managerial work and roles

All US respondents reported managerial work intensification, accompanied by broader spans of control and wider task environments. The organizations reported intensification due to downsizing, delayering and hiring freezes.

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Middle managers daily working hours varied from 10–12 per day. Respondents also noted that new, labour-saving, technologies had, paradoxically, increased workloads for individual managers. At ALocalGovt and AHospital, ICT technology had eradicated the need for clerical staff, such work was now undertaken by managers. ALBank was Dutch-owned and time zone differences meant that managers often had weekend emails. AEl and AAuto respondents noted harmful effects on 'work–life' balance and saw it as an inevitable consequence of intensified competition.

Most respondents noted wider task environments, in large part due to downsizing and delayering, with individual managers doing jobs formerly done by two or more, or at two layers. AHR cited 'squeezing costs'. Middle managers were expected to be supervisory managers and carry out a job, the AHR respondent described this as 'supervisory plus moving dirt'. Managers in certain organizations (AEl, AAuto, and AUtility) also increasingly worked in cross-functional teams, which again added to workload.

In Japan, job tasks have also, almost inevitably, changed considerably. All sample respondents reported increased tasks and spans of control, even JAuto. At JAutoComps middle manager roles have widened to embrace management and organizational roles. At JSteel such managers combined traditional supervision with project management duties. This had also led to work intensification, at JElComps a 12-hour day was the norm and 15–16 hours not unusual. This was common across the Japanese sample. These developments had inevitable impacts on morale and motivation. All Japanese respondents noted that managerial motivation was problematic (and our respondents were HR managers). Moreover, JEl managers reported individualistic opportunistic behaviour as a consequence of performance-related pay and JAutoComps managers reported a decline in peer group solidarity.

Such problems of middle manager motivation were not so readily recognized by US respondents, although it was noted at AEl, AHospital ('it caused a large amount of angst'), AUtility, AAuto and AHR. AEl attempted to counter the negative effects of lack of career opportunities by rotating managers through different jobs at the same level, but accepted its limitations. At AHR pay for managers was increased and training improved, while AHospital's respondent viewed delayering positively arguing 'in a delayered organization people's strength and weakness come out, it's difficult to hide'. Elsewhere (AAuto, AEl) respondents acknowledged problems but argued that downsizing and delayering were business imperatives.

4.5. The impact on managers

Such developments have, indeed, impacted greatly upon the working lives of middle managers. Space constraints preclude detailed analysis of such

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impacts here (Hassard et al., 2008; Iida & Morris, 2008; McCann et al., 2004, 2006, 2007; Morris & Farrell, 2007; Morris et al., 2006, 2007). However quotes from the middle managers are indicative of such pressures. Moreover, while there are differences in the managers' responses in the two countries, similarities are more prominent. Broadly, the impacts can be categorized as work intensification and, associatedly, an increased range of tasks; career insecurity and increased job insecurity; reduced loyalty, organizational commitment and motivation and, finally, negative impacts on work–life balance.

Work intensification for managers was common across the managers' sample. This was a consequence of downsizing and delayering in organizations, with an increased range of tasks expected of managers. A manager at ALBank reflected on his long working hours by reporting:

> So the answer to your question is that now I'm working Saturday and Sunday or in the evening you go home and check your emails and see what you've got . . . that's the difference in the world today.

Similarly, a manager in JLocalGovt, reported that:

> This means that there is a lot of pressure on managers, we have to work a lot harder. There are a lot less of us and there are going to be even less. For example, we have forty days holiday a year, but most managers only take 10 to 20.

With regard to impact on managers' careers, the results were mixed. For certain, younger (and 'high-flying') managers, delayering and downsizing had given them opportunities to progress more quickly than hitherto, especially in Japan. These were, however, a small minority. For the majority, career prospects had worsened. A manager at AAuto summed this up:

> In particular my career has stalled . . . because of the changes in the way we're managing our business now, like there's few jobs to go into.

Managerial career prospect uncertainty was part of a broader concern with job security. While this was more strongly expressed in the USA, it was also evident in Japan. A manager at JSteel, for example, noted that:

> well I would say it's changed because I think there's a broad view of security now, everybody's in a state of flux, everybody's not sure of anything and so I think that that helps the concept that really job insecurity is in you as an individual.

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Similarly, a manager at an AEl reported that:

> Oh it's been unbelievably stressful for all of us, managers and non-managers right, it's been stressful because you see friends leaving, it's been stressful because there are less people to do the work that's there.

Given the combined impact of downsizing and delayering, work intensification, a broader range of tasks, fewer promotion prospects and increased job insecurity, managerial motivational and commitment issues arose. As a Japanese manager noted:

> And so the loyalty into the company per se has declined actually for a while, when we had [a] lifetime employment system people were used to stick to the company rather than to get jobs or particular skills or professions. But that has changed . . .

A manager at AEl noted that:

> That was tough, really rough, and you know you would get the phrases being like rank and yank, so rank us and then yank us out, because at the same time we were downsizing.

Almost inevitably, such developments had a deleterious effect on the work–life balance of managers, with most reporting a worsening situation. A JSteel plant manager noted:

> That's true, I rarely meet my family now. I was in the US for a year, but I went there all by myself and even so the situation hasn't changed. Even though I'm back in Japan it's not changed, I rarely meet my family now. I don't like that situation.

In the USA, a manager at AUtility reported:

> It's a battle, I mean you know all I have to do is see the look on my wife's face . . . you know, when are you coming home, where are you, what time should I expect you? You know it's different every night.

Discussion and conclusions

The article had three primary aims. First, to ascertain whether organizations were moving to a new governance post-bureaucratic regime. Using

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Heckscher and Applegate's (1994) definition, the answer would be yes, since they defined 'post-bureaucratic' organizations as embracing a large number of features including, inter alia, worker participation efforts, the use of ICT, and cross-functional teams. However, this is far too loose a definition to make bold claims of a move from bureaucracy as an organizing principle to post-bureaucracy.

What seems to be emerging in the USA and Japan are simpler flatter structures and downsized organizations, particularly in larger older organizations. Moreover, there has been a concentration on core activities, again particularly among the large old firms. This has been more pronounced in the USA, as organizations were historically vertically integrated. In Japan organizations were traditionally disintegrated within narrow firm boundary confines but vertically integrated in enterprise groups. There is evidence of *keiretsu* disintegration, but this is not conclusive. However, as argued elsewhere, post-bureaucracy is a misleading term and neo-bureaucracy might serve better. Hierarchy and bureaucracy remain, but not perhaps to the same extent (Farrell & Morris, 2003).

Perhaps as interesting are sub-questions of why organizations take out layers and how? The guru literature suggests that they have done so to make themselves more flexible, to quicken decision-making and decentralize. There is evidence of the first two in Japan and the USA, although little evidence of middle managers gaining greater autonomy as a consequence. However, cost reductions are probably the major reason for delayering. Moreover, ICT developments have certainly facilitated delayering. There is also evidence of 'bandwagoning' with delayering following organizational 'fad' (Morris, 2002). Turning to how organizations delayered, two choices were available, to completely take out layers or to merge. While this distinction may be slightly artificial, it offers some pointers. Both types were in evidence, with the merger-type more prevalent. Cost-cutting, increasing decision-making speed and promoting 'high-flying' managers were all important rationales. Again, other research is cautious (Morris, 2002), suggesting that there may be a degree of 'cosmetic' delayering with layers purportedly removed but a very wide pay band remaining (Morris, 2002). Certainly we should be cognizant of signalling behaviour, particularly in Japanese organizations, where major change is reported but unenacted (Lincoln & Nakata, 1997). Senior managers sending out signals of possible future change was evident in our survey.

What of the issue of convergence/divergence in organizational governance, in particular convergence to singular, universalistic, uniform structures, practices and policies? Economic theorists would argue for convergence based on market rationality and efficiency of market disciplines (Campbell et al., 1991). Contrastingly, the 'variety of capitalism' literature argues that

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different societies have distinctive organizational arrangements (Fligstein & Freeland, 1995; Hall & Soskice, 2001). Granovetter (1994) further argued for social embeddedness of economic actions and relationships between organizations and institutions. However, while persuasive, such embeddedness may be a residual, leading to organizational inertia and thus slowing, but not stopping, convergence.

There is definitive evidence of convergence from our study organizations but this is two-way. US organizations undoubtedly converged towards Japanese organizational practices during Japanese manufacturing hegemony in the 1980s, witnessed by vertical disintegration and changes to work organization principles. More recently, in the context of new governance structures, at the macro-level there are considerable pressures for convergence in Japan, with moves from the stakeholder-managerial capitalism model to greater shareholder influence, and consequent moves to a US 'neo-bureaucratic' form (Dore, 2004). Nevertheless, the embeddedness of 'institutionalized capitalism' means that this shift should not be overstated. In short, our conclusions are somewhat inconclusive.

The rationale for such moves may be several. Global economic pressures may indeed be pushing organizations towards universalistic structures. Alternatively, it may also be the case that with US economic resurgence, Japanese organizations are turning to what they see as American governance panaceas (Japanese academics, business leaders and managers are avid readers of the US management literature). Additionally, the growth of foreign ownership of Japanese industry, notably in automobiles and finance, may be prodding Japanese organizations towards a US-inspired model.

Finally, what are the implications for managers, especially middle managers, in this emerging organizational milieu? The organizational changes in the USA and Japan have led to common repercussions for managers in both countries, with intensification and a greater range of tasks and responsibilities. The data indicate that old certainties of job security and seniority have been eroded, some time ago in the USA and more recently in Japan. For a minority, promotion will come quicker, but for the majority it will be more difficult and careers have, thus become more uncertain. This, in turn has led managers to question their motivation and commitment to their organizations. Work–life balance is also a major issue in long-hour environments with significant deleterious effects.

Differences, however, remain. Managerial jobs in Japan are far more secure than in the US organizations, in the sense that Japanese organizations have largely held on to their implicit guarantee of long-term employment. Moreover, even when managers are transferred to subsidiaries they are, at least, guaranteed employment, albeit on inferior terms and conditions. Seniority, meanwhile, though under attack, is still important in Japanese

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organizations. In short, organizational governance regimes are being pressured towards ones geared far more to a shareholder orientation. This has implications for managers, which in many ways share a common trajectory but differences remain.

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