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Tomasz Olejniczak, Fabian Jintae Froese

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Development and fit of HRM over time in foreign subsidiaries: the case of Japanese subsidiaries in Poland

Tomasz Olejniczak*

Department of Management,
Kozminski University,
59 Jagiellońska str.,
03-301 Warsaw, Poland
Email: tolejniczak@kozminski.edu.pl
*Corresponding author

Fabian Jintae Froese

Department of HRM and Asian Business,
University of Goettingen,
Platz der Goettinger Sieben 5,
37073 Goettingen, Germany
Email: ffroese@uni-goettingen.de

Abstract: Human resource management (HRM) is a critical function in the context of foreign subsidiaries, yet we know little about how it is established and developed over time. Based on a longitudinal, in-depth study of 12 Japanese manufacturing subsidiaries located in Poland we investigate how HRM develops over time in a foreign subsidiary and how the fit between its elements is maintained and managed. The paper contributes to the subsidiary literature by proposing a theory-based and empirically driven stage model of subsidiary HRM development over four stages: initiation, controlled growth, functional integration and global integration. We identify typical changes in HRM practices (staffing, training, appraisal, rewards and industrial relations) prevalent in each of these stages. Moreover, we identify internal and external contingency factors (industry, mode of establishment, regional headquarters and key organisational actors) that influence the development and fit of HRM over time.

Keywords: international human resource management; Japan; Poland; subsidiary; organisational life cycle; fit; stage models; global staffing.

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Biographical notes: Tomasz Olejniczak, PhD, is an Assistant Professor at the Department of Management, Kozminski University, Poland. He received his MA in Management from The University of Tokyo and his PhD from Kozminski University which he joined in 2012. He is a Research Fellow of Japanese Ministry of Education and Japan Foundation. His research interests include international human resource management, Japanese subsidiaries and manufacturing.

Fabian Jintae Froese is Professor and Chair of HRM and Asian Business, University of Goettingen, Germany, and Editor-in-Chief of *Asian Business & Management*. He obtained a Doctorate in International Management from the University of St. Gallen, Switzerland, and another Doctorate in Sociology from Waseda University, Japan. His research interests lie in expatriation, diversity and talent management.

1 Introduction

Given increased business globalisation and far-reaching networks of multinational companies (MNC), the management of people in foreign subsidiaries has gained importance both for management practice and for research. Prior research has investigated HRM in foreign subsidiaries from different perspectives, most notably the contingency approach, which focuses on key contingency factors that may influence the international transfer of HRM systems and their adoption by subsidiaries (Beechler and Yang, 1994; Kostova, 1999; Gamble, 2010). Studies representing the contingency approach identified a wide range of factors influencing HRM, including subsidiary strategy (Bird et al., 1998; Gamble, 2010); institutional context (Kostova, 1999); national culture (Berber et al., 2017); IHRM practices used by the MNC's headquarters (Pudelko, 2005; Pudelko and Harzing, 2007; Björkman et al., 2008); negotiating capabilities of local actors (Ferner et al., 2005); subsidiary levels of autonomy (Martin and Beaumont, 1998, 1999, 2001); and life cycle stage (Kynighou, 2014).

Insightful as these studies are, we still know little about how HRM in foreign subsidiaries develops over time (Kynighou, 2014; Brewster et al., 2016). One of the main research gaps in the existing literature is the scarcity of research concerning the process of HRM development in foreign subsidiaries that would illustrate the complex pressures to which subsidiaries are subjected over time (Kynighou, 2014). One dimension that has been largely overlooked is internal fit, i.e. the interconnection between HRM practices on a subsidiary level. As a result, we still do not know what path the process of HRM development follows in a subsidiary and how the internal logic of fit between evolving HRM practices is maintained over time.

This study contributes to the literature in the following ways. First, we contribute to an increased understanding of HRM practices within foreign subsidiaries (Kynighou, 2014; Welch and Björkman, 2015; Maharjan and Sekiguchi, 2016; Sekiguchi et al., 2016) by developing a theory based and empirically driven model of how HRM evolves over time in foreign subsidiaries. Drawing from Milliman et al. (1991), we propose a stage model and pay attention to the various contingencies in the context of foreign subsidiaries.

Second, building on and extending prior work concerning the concept of fit (Donaldson and Joffe, 2014; Nissen, 2014; Peltokorpi and Froese, 2014) we investigate how various types of HRM fit are managed and maintained over time. To obtain a more comprehensive understanding, we disentangle different configurations of internal and external fit, and discuss how these evolve over time.

Finally, this study investigates the situation of Japanese subsidiaries, one of the major foreign direct investors in the world, in Poland, an important transitioning economy in Eastern Europe. To date, research on HRM in Poland and other Eastern European

countries has been relatively scarce (Meardi, 2002, 2007; Weinstein and Obloj, 2002; Meardi and Toth, 2006; Morley et al., 2016; Winter, 2010; Berber et al., 2017). Thus, our findings provide some important insights on contextual factors and contingencies affecting the process of HRM development in foreign subsidiaries located in East European transitioning economies (Beamond et al., 2016; Brewster et al., 2016).

The remainder of this paper is structured as follows. In the next section, we introduce and critically review the concept of fit in the HRM process and then relate it to contingency theory. Then, we describe our methodology and present our findings. In our final discussion section, we elaborate on our theoretical and practical implications and provide suggestions for future research.

2 Literature review

2.1 The concept of fit and the HRM process

‘Fit’ is defined as the “degree to which the needs, demands, goals, objectives, and/or structure of one component are consistent with the needs, demands, goals, objectives, and/or structure of another component” (Nadler and Tushman, 1980, p.40). The concept originated in the early 1960s in the research on contingencies between organisational structure and production technology (Woodward, 1965), and was later extended to contingencies among strategy, structure, environmental and task uncertainties (Lawrence and Lorsch, 1967; Donaldson and Joffe, 2014). In the HRM literature, ‘fit’ appeared as early as the 1980s and became commonly understood as adapting human resource strategy to its larger organisational context to achieve higher performance (Baird and Meshoulam, 1988). ‘HRM fit’ has been further distinguished between internal and external fit (Ordóñez de Pablos, 2005; Lengnick-Hall et al., 2009), the former referring to maintaining coherence between groups of HRM practices, and the latter to aligning HRM practices with the company’s strategy (Baird and Meshoulam, 1988). Although the idea of ‘fit’ originated in the strategy subfield of HRM (Bird and Beechler, 1995; Boxall et al., 2007; Ordóñez de Pablos, 2005), it was very quickly disseminated to other subfields, such as micro-HRM (Arthur, 1994; Dyer and Reeves, 1995; Macky and Boxall, 2008) and finally to IHRM, where Milliman et al. (1991) inspired a debate concerning IHRM fit and its dynamics, putting forward three main propositions.

First, they concluded that the internal and external fit concepts were insufficient when dealing with the complexities inherent in MNCs. Thus, they proposed a new typology consisting of four types: (1) internal fit within various HR functions; (2) external fit between the HRM functions and the Organisational Life Cycle (hereafter OLC) stage; (3) internal fit between the HR functions on the corporate and foreign subsidiary levels; and (4) external fit between the HRM practices and the firm’s cross-national and cross-cultural environment (Milliman et al., 1991 p.334). They also noted that the first three should be considered within their specific organisational level of analysis, i.e. MNC or foreign subsidiary. Second, they added the concept of HR ‘flexibility’ defined as “the capacity of HRM to facilitate the organization’s ability to adapt” (Milliman et al., 1991, p.325). They discussed it in relation to fit as a separate but complementary continuum. Third was the provision of a dynamic framework incorporating both fit and flexibility. In line with prior studies, they adopted an OLC approach (Miller and Friesen, 1980), which was dominant at that time and theorised how MNCs focus on fit and flexibility varies by OLC stages (Milliman et al., 1991, p.325).

Despite its comprehensive nature and seminal contributions, Milliman et al.'s (1991) framework has not been tested empirically. This may be due to the methodological challenges it posed (Delery, 1998; Verburg et al., 2007) or to the decreasing popularity and increasing criticisms of OLC models (Levie and Lichtenstein, 2010). OLC models adhere to biological metaphor by employing stage names related to the process of human life (including birth, growth, maturity and decline) and assume that the development of an organisation follows a predictable pattern characterised by sequential development stages occurring in a hierarchical progression that is not easily reversed (Quinn and Cameron, 1983, p.33). As such OLC models were criticised for being descriptive, too deterministic and focusing on product or organisation life cycle as the sole independent variable while not considering contingencies of multiple host countries (Sparrow and Braun, 2008).

Over the years, it became apparent that OLC models are only one out of many possible ways to illustrate the passage of time in organisational processes. Other such ways include evolutionary, metamorphosis and stage models (Baird and Meshoulam, 1988; Gersick, 1991; Milliman et al., 1991) as well as number of theoretical perspectives on dynamic organisational design (Nissen, 2014). Evolutionary models, despite sharing similar biological metaphor, focus much more on environmental factors and evolutionary forces that shape the fate of a given organisation (Aldrich and Pfeffer, 1976; Aldrich and Ruef, 2006). Metamorphosis models, on the other hand, focused on major shifts and disruptions rather than small incremental steps in the development process. Proponents of this approach argued that growth is not a smooth, continuous process and that change occurs only when there is an immediate threat to organisational or entity survival (Greiner, 1972; Tushman and O'Reilly, 1996). Stage models assumed the most generic and balanced view arguing that although organisations need to be environmentally responsive, actions and strategic choices of organisational actors can often significantly influence their destiny (Chandler, 1962). Finally, dynamic organisation design researchers have developed several theoretical frameworks dealing both with organisational equilibrium and flux that provide an insight into the complex nature of organisational processes (Nissen, 2014). All of these developments make it necessary to revisit the concept of HRM fit, as Nissen points out "a dynamic view of organization requires a dynamic fit concept" (2014, p.35).

2.2 The contingencies of subsidiary's HRM process

To discuss the notion of HRM fit and its changes over time, one needs to supplement it with the contingency theory, with its underlying assumption that the best way to organise people depends on the number of exogenous and endogenous factors (Schuler et al., 1993; Taylor et al., 1996; Schuler et al., 2002). Over the years researches managed to identify a multitude of such independent variables influencing HRM both at the MNC and subsidiary level (Taylor et al., 1996). Endogenous factors include such issues as organisational structure of the MNC and its administrative heritage (Bartlett and Ghoshal, 1989); international entry mode (Dowling et al., 1998); headquarters international orientation (Perlmutter, 1969); competitive strategy and experience in managing international operations (Schuler et al., 1993); subsidiary characteristics (Prahalad and Doz, 1987; Bartlett and Ghoshal, 1989); and organisational life cycle (Milliman et al., 1991). Exogenous factors include among others industry and country characteristics (Schuler et al., 1993); country culture (Hofstede and Hofstede, 2001);

Schuler et al., 2002); host-country socio-economic conditions (Milliman et al., 1991); inter-organisational networks (Dowling et al., 1998); and multi-level institutional contexts (Kostova, 1999).

Empirical researchers in the contingency approach traditionally tended to explore the concept of HRM fit in the multi-contingency perspective (Fotis, 2014; Nissen, 2014) by studying the alignment of multiple internal and external contingencies in order to achieve better organisational performance of the subsidiary. For instance, Bird et al. (1998) explored how subsidiaries acquire knowledge of Japanese HRM practices while developing a typology of subsidiary organisational learning patterns and a description of HRM transfer dynamics including various internal and external contingencies (Bird et al., 1998, p.343). Gamble (2010) identified multiple patterns of hybridisation and several context-specific contingencies such as firm-level perceptions of sources of competitive advantage, and norms prevalent in local labour markets. Kostova (1999) studied the contextual embeddedness of the process of transfer and adoption of HR best practices discovering that ideas will only transfer successfully if they can be embedded into social, organisational and relational contexts.

Despite significant contributions some researchers argued, however, that the contingency approach was overly static (Nissen, 2014) and that it “merely expanded the complexity of fit equation” (Sparrow and Braun, 2008, p.78) while abandoning the dynamics of the OLC approach. Martin and Beaumont (2001) noted, for example, that Kostova’s research “is relatively silent on the process by which such states might be achieved” (p.1238). This statement reflects a wider realisation that a more comprehensive and dynamic approach to HRM in MNCs is necessary to enrich the existing contingency debate (Schuler et al., 2002; Quintanilla and Ferner, 2003; Ferner et al., 2005; Welch and Björkman, 2015; Brewster et al., 2016). In fact, some empirical studies have begun to revisit the issue of HRM fit and its changes over time. Björkman et al. (2008) investigated changes in HRM practices in European subsidiaries in China over a ten-year period advocating for more finely grained research on micro-processes at the firm level and changes in HRM practices (p.156). Similarly, Pudelko and Harzing (2007) who conducted a large-scale, cross-sectional study of global convergence towards ‘best practices’ in IHRM, recommended the need for more micro-level data to understand how subsidiaries’ characteristics and managers’ knowledge and perceptions influence these processes. Researchers in the subsidiary control and autonomy debate (Ghoshal and Nohria, 1993; Birkinshaw and Hood, 1998), who focus on micro-level endogenous contingency factors of actors negotiating power, and complex interrelationships between MNCs and foreign subsidiaries, report similar findings. For example, Martin and Beaumont (1998, 1999, 2001) provided observations of the longitudinal nature of subsidiaries’ HRM development including co-ordination and control efforts by MNCs and counter-pressures based on formal, micro-political and cultural processes. Ferner et al. (2005) revealed that actors within the UK subsidiaries played an important role by negotiating and resisting full implementation of the policy by an American MNC headquarters. More recently, Kynighou (2014) reported on variations in corporate influence on HRM over the life cycles of ten Cyprus-based subsidiaries. The results confirm that MNCs’ influence over HRM practices fluctuates according to the subsidiary’s life-cycle stage, and illustrate different types of MNC influences and factors that shape it (Kynighou, 2014). Taken together, these studies call for more research on subsidiaries’ HRM using more dynamic approach and stages models.

In this paper, while drawing from Milliman et al.’s (1991) OLC model, we employ stage models due to their generic character and suitability to the HRM development

process. Stage models do not assume a deterministic life-cycle approach and permit space for an actor's action, which is crucial in the process of HRM development (Ferner et al., 2005). Furthermore, rather than focussing on disruptions as in metamorphosis models, stage models incorporate the logic of sequential building blocks and incremental development. Also, stage models do not overstress environmental responsiveness as evolutionary models do, which can be extremely useful when attempting to strike a balance between internal and external aspects of HRM fit (Gamble, 2010). Finally, we have consciously decided to apply classical approaches such as stage models and contingency rather than more advanced dynamic organisational design approaches (Nissen, 2014) for two reasons. First, because subsidiary HRM researchers have missed the opportunity to participate in that early discussion with OLC stage models (Welch and Björkman, 2015, p.311) as a result of which we still know very little about how HRM evolves in a subsidiary and what factors influence this process. Secondly, we believe that providing this broader picture of the overall process is necessary before engaging in a more finely grained debate on the dynamics of fit and organisational design (Nissen, 2014) or measuring the specific influence of each factor. Our literature review leads us to the following research questions:

RQ 1: *How do HRM practices develop within foreign subsidiaries over time?*

RQ 2: *How does HRM fit evolve over time?*

3 Methodology

This study is based on a comparative case study research of 12 Japanese manufacturing subsidiaries located in Poland. In the following paragraphs, we introduce the context of our study, then provide an overview of our sample and data collection procedure, and elaborate on our data analysis strategy.

3.1 Context

This study investigates the development of HRM and fit in the context of Japanese subsidiaries in Poland. This unique choice of research sample and research context has been driven by four main reasons.

First, Poland provides an interesting ground for analysing HRM development in MNE subsidiaries due to relics of its socialist past including strong labour unions, low labour productivity and a high level of social benefits (Weinstein and Obloj, 2002; Moczyłowska, 2012). While the rapid pace of transformation attracted FDI, making Poland one of the largest recipients of FDI in the region (Cieślak and Ryan, 2002; Winter, 2010), it has also led to a rapid increase in wages and decrease in unemployment levels (Domanski et al., 2013), a dramatic shift in traditional models of work (Jürgens and Krzywdzinski, 2009) as well as vulnerability to economic crisis (Pavlínek, 2015). This rapidly changing reality of an emerging economy serves as a relevant context for exploration of HRM flexibility in Japanese subsidiaries operating under conditions of rapid transformation and a constantly shifting labour market.

Second, Japanese manufacturing subsidiaries represent an ideal population for exploration of HRM fit as it has been often pointed out in the literature that Japanese companies develop highly integrated HRM systems (Hatvany and Pucik, 1981; Jacoby, 2005). To that end, Japanese subsidiaries in Poland are extremely interesting since they

represent a ‘second wave’ of Japanese FDI in Europe, while the first wave of Japanese FDI occurred in the UK and Western Europe in the 1970s and 1980s. Consequently, Japanese subsidiaries in Poland will be under double pressure to maintain the internal fit among the HRM system as well as internal fit with HRM practices from their regional headquarters and subsidiary networks in which they function (Kawai, 2012).

Third, Japanese subsidiaries in Poland were chosen because of substantial socio-cultural differences between the two countries, which might influence the process of HRM development. According to Hall’s classification, the two countries are positioned on opposing sides where Japan is a high context and Poland a low context culture (Hall, 1989; Gesteland, 2005), which could potentially influence employee relations including communication with employees. Using Hofstede’s dimensions, we find significant differences in the time orientation dimension and to a lesser extent in both masculinity-femininity and power distance dimensions (Hofstede and Hofstede, 2001). In addition, results of the GLOBE study indicate that Poland and Japan differ in the areas of assertiveness, performance orientation, institutional collectivism and humane orientation, and places the two countries in different country clusters: Poland in the Eastern Europe cluster and Japan in the Confucian Asia cluster (House et al., 2004).

Fourth, our study adds to the scarce research concerning foreign subsidiaries in emerging economies in general (Tan et al., 2012; Beamond et al., 2016; Brewster et al., 2016) and former socialist economies in particular (Meardi, 2002, 2007; Meardi and Toth, 2006; Morley et al., 2016; Winter, 2010; Berber et al., 2017). Little is known about Japanese subsidiaries in Poland (Hwang et al., 2008; Majek and Hayter, 2008; Olejniczak et al., 2018). Given the increasing interest in quantitative studies based on Japanese subsidiaries (Beamish, 1997; Gong, 2003; Ando, 2016; Kotabe, 2019; Oki, 2019), providing an in-depth process perspective on this population of companies in Eastern Europe is an important contribution.

3.2 Sample and procedure of data collection

We collected data on 12 Japanese manufacturing subsidiaries located in Poland over three years, from 2011 to 2013. Study sites were identified in accordance with purposeful theoretical sampling (Eisenhardt, 1989; Glaser and Strauss, 1999) as well as variation sampling (Patton, 2002) to achieve maximum diversity within an otherwise homogenous sample. Table 1 presents the profiles of the visited companies, for which the only common factor was the fact that all were Japanese subsidiaries operating in the manufacturing sector. Companies were diverse in other respects including size, industry, years of operation, mode of investment and geographical location within the host country.

In accordance with pragmatic assumptions, we collected all relevant data, to answer the research questions (Mackenzie and Knipe, 2006; Creswell and Clark, 2011). Our research design can be characterised as an embedded case study (Yin, 2009; Creswell and Clark, 2011) in which qualitative data play the major role, while quantitative data are collected in order to provide context for the findings. Qualitative data included such items as interviews, movies, press articles, pictures and artefacts; while quantitative data included level of employment, number of Japanese expatriates, size of investment, financial performance, etc. Data collected in this study included 34 hours of interviews and nearly 3500 pages of qualitative and quantitative data.

Table 1 Profiles of visited companies and the overview of collected data

<i>Company</i>	<i>Location in Poland</i>	<i>Industry</i>	<i>Age</i>	<i>Scale</i>	<i>Mode of investments</i>	<i>Top manager's nationality</i>	<i>Respondents</i>	<i>Number of interviews</i>	<i>Length of interviews (h)</i>	<i>Number of pages of secondary data</i>
Company A	Central	Electronics	Mature	Large	Greenfield	Japanese	President HR Manager HR Specialist	4	2	226
Company B	North	Automotive	Mature	Large	Greenfield	Japanese	HR Manager and board member HR Manager HR Specialist	6	4,5	420
Company C	West	Automotive	Mature	Large	Greenfield	Japanese	President HR Manager	4	7,5	504
Company D	Central	Other	Mature	Large	Greenfield	Polish	HR Manager HR Specialist	2	1,5	142
Company E	West	Electronics	Medium	Large	Greenfield	Japanese	Production director HR Specialist	2	1,5	351
Company F	Central	Other	Mature	Large	Greenfield	Polish	President Production director	2	1,5	156
Company G	Central	Electronics	Medium	Large	Greenfield	Japanese	President HR Manager	2	2	120
Company H	West	Automotive	Young	Medium	Greenfield	Japanese	HR Manager	2	1,5	242

Table 1 Profiles of visited companies and the overview of collected data (continued)

Company	Location in Poland	Industry	Age	Scale	Mode of investments	Top manager's nationality	Respondents	Number of interviews	Length of interviews (h)	Number of pages of secondary data
Company I	West	Automotive	Mature	Small	Greenfield	Japanese	COO (2) HR Manager HR Specialist	7	5	184
Company J	West	Other	Mature	Medium	Greenfield	Japanese	Vice-president Production director HR Specialist	5	1,5	488
Company K	South	Automotive	Mature	Large	Brownfield	Japanese	HR Specialist	1	2	373
Company L	South	Other	Mature	Large	Brownfield	Polish	Board members (3) HR Manager	3	3,5	207
								40	34	3413

Notes: Age: young < 5 years; medium 5 < 10 years; mature 10 < years of operation.

Scale: small 1 < 50 employees; medium 51–250 employees; large 215 < employees.

Interviews were with the representatives of the HR departments responsible for the implementation and development of HR practices. In most of the companies, we conducted interviews with both Polish and Japanese managers in their native languages, which has resulted in revealing some interesting differences in perception. While local managers tended to be more optimistic, focused on the internal issues of the local subsidiary but at the same time quite vague in their statements, their Japanese supervisors tended to be more critical, provided precise, data-driven statements and presented the broader perspective of the Japanese MNE. Overall, this has contributed to a more balanced view in accordance with the triangulation procedure utilised in the case study method (Yin, 2009). In order to avoid loss of context the analysis of data has been conducted in the original language of the respondent and only the relevant passages were translated into English for the purpose presentation.

3.3 Data analysis

In line with the pragmatic paradigm (Mackenzie and Knipe, 2006) data analysis focused on a research problem and moved back and forth between empirical data and theory in search of the best explanation. On the one hand, the analysis was driven by the literature concerning stage models and HRM fit (Milliman et al., 1991), which required extension and empirical validation. On the other hand, the question concerning fit in the specific context of Japanese foreign subsidiaries in Poland called for an exploration of empirical data. The outcome was a theoretically based and empirically driven stage model of how HRM and fit develops over time in foreign subsidiaries. We employed a comparative case study analysis approach (Eisenhardt, 1989; Laws and McLeod, 2004; Yin, 2009), which allowed the study to maintain methodological rigour and efficiently manage a growing amount of data from multiple study sites. Data analysis was divided into two cycles (Saldaña, 2013) and conducted using MAXQDA software for qualitative analysis.

Initial coding involved multiple procedures such as Process Coding, Structural Coding, Simultaneous Coding and Attribute Coding (Saldaña, 2013). These resulted in identifying the HRM practices used in every subsidiary, estimating the time of their implementation and grouping them into larger categories representing groups or HRM practices such as ‘appraisal’ and ‘training’. Additionally, identified categories included actors involved in the process, sources of practices and various influencing factors. Table 2 illustrates the first cycle of coding including the transition from raw data to meta-categories. We describe Table 2 and our findings

Table 2 Identification of HR practices and other analytical categories in the first cycle of coding

<i>Original data</i>	<i>Initial coding</i>	<i>Categories</i>	<i>Meta-Categories</i>
<i>Assessment is conducted only for the purpose of contract extension, these are standardised assessments. We have employee assessment rubrics for the purpose on extending contracts.</i>	Assessing employees in a formal way	Formal assessment	Practices (WHAT?)
<i>For this purpose, we use a system of periodic assessments that has already been implemented in late 2009.</i>	Implementing assessment in the 3rd year	Year 3	Time (WHEN?)

Table 2 Identification of HR practices and other analytical categories in the first cycle of coding (continued)

<i>Original data</i>	<i>Initial coding</i>	<i>Categories</i>	<i>Meta-Categories</i>
I: <i>And how did the idea of these meetings come into being?</i> R2: <i>Nobody inspired me. I started these meetings during the crisis. People were [...] very scared. It was necessary to inform them how the company is doing.</i>	President developing a practice of meetings with employees	President	Actors (WHO?)
<i>The challenge sheet, like I said, has been adapted in the large part from the Japanese challenge sheet. It is a little bit more elaborate, but as I said the basic elements with regard to the determination of individual tasks, evaluation, assessment system, these are all according to the Japanese model.</i>	Transferring practices from Japan	Japan	Sources (WHERE FROM?)
I: <i>Did these audits have any influence on HR?</i> R: <i>Well, we were subjected to audits. Our HR activities such as for ex. training policy were under scrutiny because, you know, people development is very important.</i>	Auditing personnel function	Audit	Factors (WHY?)

The main outcome of the first cycle of coding were cases studies that included time series, summarising the process of HRM development in each of the 12 companies. Each time series includes two fields entitled ‘practices’ and ‘time’. Horizontal rows entitled ‘practices’ represent groups of practices constituting the HRM system of a given subsidiary, such as recruitment, training, assessment, motivation and communication. Each practice identified in a subsidiary is depicted in the form of a bar. Additionally, the sixth row groups together the manufacturing practices used in the subsidiaries. The vertical columns entitled ‘time’ represent the years of operation of a given subsidiary. Year has been chosen as the best unit of measurement, since it constituted a basic unit of strategic planning in all companies, and management methods were implemented and modified on a yearly basis. The length of a practice bar represents the moment of implementation and an estimated time during which given practices were used. An example of one of the time series is provided in Figure 1.

The second cycle of coding employed both Axial and Causation Coding (Saldaña, 2013, pp.163–174) and focused on identifying relationships between different categories, discovering qualitative examples of fit, their changes over time, as well as internal and external contingency factors. The results of the second cycle of coding permitted development of the theory based and empirically driven stage model of subsidiary’s HRM development process, which has been described in more detail in the following section.

4 Findings

In line with our two research questions and proposed stage model, we first present our identified stages. As our findings also revealed intriguing differences depending on contextual differences, we later report those findings in the following subsection.

4.1 Stage of model of the process of subsidiary's HRM development

The comparative analysis of the process of HRM development in 12 Japanese subsidiaries has revealed some regularities enabling development of a stage model presented in Table 3. Vertical columns represent four stages of HRM development characterised by distinctive internal and external fits. Horizontal rows represent specific groups of HRM practices including staffing, training, appraisal, rewards and industrial relations. The purpose of the model is twofold: first, to illustrate how HRM practices develop over time in a foreign subsidiary (RQ1); second, to show what the fit looks like at each stage of development (RQ2). In the following four subsections, we describe each stage in more depth, beginning with the organisational context, HRM practices and fit.

Table 3 Development of HR practices over time in a subsidiary

	<i>Stage I Initiation</i>	<i>Stage II Controlled growth</i>	<i>Stage III Functional integration</i>	<i>Stage IV Global integration</i>
Staffing	External recruitment Japanese expatriates and externally recruited locals	Internal recruitment	Internal labour market Domestic talent pool	International internal recruitment Global talent pool (Declining number of expats)
Training	Initial training (including training abroad)	Specialised training	Internal training	International communities of practice
Appraisal	No formal system Collection of personal data (database of employees)	Periodic assessment Hoshin kanri	Assessment of competences	International integration of criteria
Rewards	Base pay Discretionary bonus	Bonus system Formal advancement criteria	Career paths	International career paths
Industrial relations	Communication with managers No systematic approach	Communication with employees Setting up labour councils	Communication of values Close cooperation between management and employees	Communication with stakeholders CSR/including various stakeholders

Source: Own work based on analysis of time series

4.1.1 Stage I: initiation

- *Organisational context:* The first stage comprises the first months following the subsidiary's formal establishment. During this stage, expatriate managers dispatched to the host country focus on factory construction, the setting up of production lines and the recruitment of local managers and workers.
- *HRM practices:* The focus of HRM at this stage is on recruitment and training, including sending core employees to a Japanese mother factory, so-called inpatriation (Froese et al., 2016). Appraisal in this stage usually does not take place, since subsidiaries only conduct a trial production process. As a result, the information collected about employees is limited to the most basic data required for personnel accounting (i.e. name and address). Rewards are predominantly discretionary and distributed directly by local or expatriate managers with no formal bonus, motivational or communication systems.
- *Fit:* In this first stage, subsidiaries demonstrate low to medium levels of fit. There is low internal fit between HR practices, which tend to be completely disconnected from each other. At the same time, however, the level of external fit between the current stage of subsidiary development and HR practices such as training and recruitment remain high as employees get accustomed to the production lines and acquire basic skills. In the case of training, there was also a high level of internal fit between the HR functions on the subsidiary and MNC levels, since all managers and core engineering staff underwent training in a Japanese mother factory.

At the end of the first year, from December to June engineers and core staff of operators went on training to the Japanese factory. [...] Over 100 people [...] At the same time this plant was built and, how to say it, since they did not yet know how to produce [our product], during the process of building and installing machines we sent them to Japan to learn the production at the plant, which was already operating.

Board member (Company B)

Finally, subsidiaries were calibrating external fit between their HRM practices and the local context by, for example, setting minimum wages in accordance with local legal requirements or adjusting their recruitment practices to the local culture.

I know that in the case of recruitment for operators in Japan physical exercise tests are carried out [...] Here these tests are carried out for the police or the army but in case of a workplace it is difficult to ask candidate: 'Please do 50 push-ups!'. So this practice was not adopted.

HR Manager (Company B)

4.1.2 Stage II: controlled growth

- *Organisational context:* Transition to the second stage usually occurs when subsidiaries reach their full production capacity and begin implementation of ISO 9001, which for a manufacturing company constitutes a crucial condition for conducting business (Wu and Wu, 2019). The increase in production volumes usually brings to light various problems, which require formalised regulations and quality improvement frameworks. Subsidiaries therefore tend to increase their degree of formalisation and standardisation of both personnel and manufacturing practices to stabilise the production process.

- *HRM practices*: ISO 9001 implementation requires formalisation of recruitment and training. Subsidiaries implement formal provisions related to the practice of internal recruitment, guaranteeing current employees priority when applying for vacancies before external recruitment begins. For training, subsidiaries develop annual plans and budgets, and initiate specialised training programs focused on core engineering staff and middle management. Additionally, for improving production efficiency, periodic assessments, formal bonus systems and advancement criteria are introduced. Due to legal requirements, subsidiaries begin formalisation of industrial relations by introducing regular meetings with employees and establishing formal communication channels such as ‘works councils’ or labour unions.
- *Fit*: In the second stage, subsidiaries demonstrate medium to high levels of fit. Internal fit between HR practices reaches a medium level because appraisal becomes closely linked with reward systems. Subsidiaries demonstrate some internal HRM fit with HQ practices (e.g. *hoshin kanri*¹) and some external fit with the local environment as they adapt to local norms of industrial relations by establishing worker representation and outsourcing mid-level management training in the area of soft-skills to local consulting companies.

We have a lot of middle managers and we actually came to the conclusion that this is the most neglected group that participated the least in so-called ‘soft’ trainings. Middle managers are the most neglected group but a terribly important one, because that is where it all takes place. They provide direct guidance to the people in the production line, they introduce TPM, suggestion system, they make these periodic evaluations etc.

HR Manager (Company C)

However, by far the highest degree of fit is achieved between the HRM and production process, strictly regulated by ISO norms. Thus, subsidiaries at this stage are inward oriented and focus on standardisation and efficiency.

The company has all the certificates and, as you know, ISO certificates require training and continuous improvement of competence and qualifications. Therefore, the training department had to be developed.

HR Manager (Company B)

4.1.3 Stage III: functional integration

- *Organisational context*: Transition to the third stage occurs, when subsidiaries achieve full maturity in terms of on-going production processes and begin to seek flexibility by expanding their scope of products and developing advanced manufacturing capabilities such as Total Productive Maintenance (TPM).² As the first company-wide program for improving efficiency of the production process, TPM requires the involvement of the entire company, from line employees to top management, and is a key test of organisational culture strength. While the previous stage focuses on measuring and maintaining quality and efficiency, the third stage seeks to achieve constant improvements, acquire new customers and increase production efficiency while minimising costs.
- *HRM practices*: In the third stage, both recruitment and training become internally oriented and focus on development and utilisation of the domestic talent pool. In

addition to assessment of results, appraisal begins to include the evaluation of competences and soft skills. Consequently, the focus of the reward system shifts from financial incentives for performance improvement to long-term development opportunities outlined in the form of career paths. Industrial relations become focused on communication of values, development of organisational culture and establishing close cooperation between management and employee representatives.

- *Fit*: All these changes place significant pressures upon HRM, requiring closer integration of its functional elements and achieving much higher levels of fit. While management maintains its focus on an external fit between production and HRM, an increased pressure to achieve a much higher internal fit between HRM practices can also be observed. In the third stage, all practices become interconnected and produce visible reinforcing effects. The statement below illustrates the moment of achieving fit between HRM and *kaizen* by transitioning from second stage practices (financial incentives) to third stage practices (communication of values combined with regular appraisal).

Despite the fact that for each improvement suggestion that employee submitted we paid around 50 PLN, which in itself should be motivating, the results were poor. Only when we explained to leaders and employees that: 'Listen, this is a part of the *kaizen* culture and it is terribly important in our [organisational] culture to improve efficiency'. Only then and through the introduction of these elements to the periodic semi-annual assessment, we noticed that it started to work.

HR Manager (Company C)

As subsidiaries continue to be more internally oriented, external fit with the environment and internal fit with parent company HRM practices still leaves room for improvement. Subsidiaries in this stage begin to shape their own organisational culture while learning to improve production practices, but they are not yet fully aware how their culture is connected to parent company principles or local communities.

4.1.4 Stage IV: global integration

- *Organisational context*: Transition to the fourth stage occurs when subsidiaries begin to expand locally and integrate globally. Expansion can take a physical form of new facilities or a form of increased competence, e.g. by creating an R&D department. Subsidiaries at this stage are generally able to implement demanding and complex production practices such as 'Just-In-Time'.³ Expansions into new areas coupled with seamless integration with global networks of suppliers and customers requires subsidiaries demonstrate both perfect control of their own operations and great flexibility in adjusting to clients' and partners' needs that change in real time. Without intensive international communication, uniform standards and world-class managers and professionals, the implementation of such systems is simply impossible.

We had to pass Toyota audits in order to be admitted to 'Just-In-Time'. They cannot afford for anyone to not deliver something, because stopping one production line means stopping the production lines of all other suppliers who work in JIT. These are serious costs, so they need to be sure, they must have confidence in suppliers that something like this simply will not happen.

HR Specialist (Company K)

- *HRM practices*: Expansion requires regional or global integration of the subsidiary's activities and a shift from subsidiary-specific HRM practices to company-wide IHRM practices. As a result, HRM practices in the areas of staffing, training, appraisal and rewards undergo international standardisation with MNC group wide practices. Selected local managers are included in the global talent pool and become involved in global communities of practice while being assessed with international criteria. Labour relations at this stage become more focused on communication and cooperation with stakeholders and include themes, which resemble the best practices of global MNCs, such as ecology, ethics and corporate social responsibility (CSR).
- *Fit*: Subsidiaries finally catch up with their parent companies and become fully fledged members of the MNC's network in this stage. While fit between HRM practices and with subsidiary stage of development are maintained and further improved, subsidiaries achieve new levels of external fit with the environment and internal fit with parent company IHRM practices. Examples of these developments are CSR activities, which respond to dual pressures of local responsiveness and global integration.

The topic of CSR at the corporate level has significantly grown recently. They sent a manager here and at the end she said that she was impressed with our level of consciousness. She probably expected some wild men in a wild country... So we explained that our CSR policy is tailored due to limited resources, and that our actions have to be based more on the involvement of people and their creativity.

HR Manager (Company C)

4.2 *Internal and external contingency factors*

While the above stage model describes the typical development path, findings also revealed differences depending on internal and external contingencies, including industry, mode of establishment, the existence of regional headquarters and the role of key organisational actors. These factors constitute boundary conditions of the HRM development process in the subsidiary context and significantly influence the rate of progression and management of misfits. Finally, we also look at culture as a contingency factor.

Findings suggest industry is closely related with progression to the later model stages. This could be attributed to differences of competitive strategies resulting from the emerging economy status of Poland and the initial reasons behind the FDI. We found that whereas many subsidiaries from the electronic industry invested in Poland in search of cheap labour (compared to Western Europe), subsidiaries from the automotive sector were more focused on the competences and skills of local employees. As a result, the four stages were present in subsidiaries from the automotive industry, whereas subsidiaries from the electronics industry tended to limit themselves to practices from the first or second stage.

As our sample included both brownfield and greenfield investments we expected to find significant differences in HRM. However, we only found one major difference in stage one: whereas greenfield investments necessitated massive hiring, in brownfield investments, expatriates had to conduct massive layoffs and outplacement programs to downsize employment. The HRM development process in the subsequent stages proceeded in a similar fashion in both greenfield and brownfield investments.

Another interesting idiosyncratic finding resulted from the role of regional headquarters. Subsidiaries differed in terms of their access and usage patterns of HRM. While subsidiaries tended to draw knowledge about HRM practices from all available sources, we were able to identify some patterns. For example, while rewarding practices tended to be developed locally, Japanese sources provided good practices in the areas of specialised training and industrial relations, and regional headquarters tended to be a preferred source of appraisal practices but also an important reference point for training, motivations and industrial relations. In some cases, regional headquarters had such a strong influence that subsidiaries developed 'hybrid identities' (Voisey, 2010), perceiving themselves as European rather than Japanese.

Our company is one of the oldest investors in Europe. What I often like to say is that our Japanese are more 'European' than the others, and maybe that's why we do not feel so very 'Japanese'. We think of ourselves as a European company. Of course, kaizen and TQM come from Japan, but for us these are natural things. My headquarters is first London and then Tokyo.

President (Company F)

Findings also revealed the crucial role of key organisational actors including local HR managers and Japanese expatriates as enablers of the international transfer of HRM practices. Managers who experienced setting up a foreign subsidiary internalised their knowledge and could successfully replicate and accelerate the speed of implementation of (HR) practices in another foreign subsidiary. For instance, Company H could implement practices from the second and third stages of HRM development within only two years of operation. Such a rapid pace of development resulted from the influence of Polish managers, who previously experienced establishing a similar plant in a different location, and were simply replicating the process in the same order.

A lot of things we did using the principle of 'copy & paste'. Especially when it comes to matters related to formalising procedure at a different level of business organisation. It helped us a lot, and therefore the setup of this factory could go in a relatively smooth and fast way. I am not surprised that other factories first do this, then do that, because there is a lot of work and people are new, everything is new. On the other hand, we being the first 10 people employed [...] we saw, we had a vision of how we wanted it.

HR Manager (Company H)

Finally, findings reveal that compared with other contingency factors, culture played a relatively limited role. In fact, it most often appeared in the interviews as a subjective excuse for lagging behind in implementation of certain HRM practices in some subsidiaries rather than an objective limitation that affected them all. We found formalisation was much more a result of stage of development rather than related to the culture of low context. Even in the case of time orientation, which constitutes the most dramatic difference between Japan and Poland, with Japanese culture being extremely long-term and Polish culture being extremely short-term oriented, we found mixed results. Although some interviews confirmed that these differences lead to difficulties with employee retention and motivation, we also found cases where they were perceived as advantageous.

For sure, the Japanese know how to plan and they have this certain quality that they are able to predict many potential risks. [...] Polish often act impromptu [...] But when these two approaches meet: our 'let's go!' approach and their more restrained approach, we get this kind of nice synergy.

HR Specialist (Company B)

5 Discussion

This study investigated the process of HRM development and fit in Japanese subsidiaries in Poland. Findings indicate that all subsidiaries followed a similar path characterised by gradual accumulation and increase in complexity of HRM practices. Furthermore, findings reveal that foreign subsidiaries tend to go through four stages characterised by a different configuration of internal and external fits. Despite similarities, findings also showed differences depending on internal and external contingency factors. In the following, we discuss the contributions of our proposed stage model and the issue of fit and its contingency factors vis-à-vis the extant literature.

5.1 *Theoretical contributions*

The study makes several theoretical contributions to the IHRM literature. First, drawing from the conceptual model by Milliman et al. (1991) we developed a theoretically driven and empirically based stage model of how HRM and fit develop over time in foreign subsidiaries. The model by Milliman et al. (1991) was originally designed to comprehend HRM in the MNC. We specifically applied, tested and extended the model in a foreign subsidiary context. As in other related studies (Quinn and Cameron, 1983; Baird and Meshoulam, 1988; Kynighou, 2014), we could identify distinct stages. Stages identified in the current study bear significant resemblance to longitudinal models discussed in the existing literature concerned with the subsidiary's autonomy and control, such as the 'start-up' and 'maturity' stages put forward by Kynighou (2014) and the 'continuum of HRM control strategies used in MNEs' put forward by Martin and Beaumont (1999). Whereas Kynighou (2014) focused on the relationship between headquarters and subsidiaries, we focused on the fit within the foreign subsidiary and its local context. In addition to confirming existing longitudinal models, we believe that stages representing bundles of time and HRM process offer an interesting way to combine the streams of research described by Brewster et al. (2016). The analysis of development over time in each company revealed an interesting question of time as a measure of progress. Although we expected a similar rate of progression in all companies located in a similar environment, our findings suggest that the speed of progression from stage to stage was different in each company. Although interviews mentioned optimum minimal time frames for the implementation of individual practices (e.g. two years for periodic assessments), due to increasing complexity we could not find conclusive evidence regarding how many years/months each stage would take. These findings call into question comparisons based solely on time and provide a strong argument in favour of simultaneous consideration of timing, process stage and contextual factors in which HRM developments occur (Brewster et al., 2016).

Second, we contribute to the extant literature by increasing our understanding of the dynamic changes of fit over time. Our findings suggest that the concepts of fit coupled with the stage approach are valuable conceptual frameworks that enable a more comprehensive understanding of the complex multidirectional pressures to which subsidiaries are subjected over time. The proposed stage model could be characterised as normative and equilibrating (Nissen, 2014) as it represents an ideal situation in which at a given point in time, HRM practices achieve a perfect 'fit' both internally and externally. In reality, such a situation was rarely the case. Rather, findings revealed that companies managed to achieve only partial fit between some, but never all, groups of HRM practices. As a result, subsidiaries remained in a constant state of flux, pursuing temporal and partial equilibriums (Nissen, 2014). This finding confirms that subsidiaries will pursue fit to increase their efficiency and performance (Donaldson and Joffe, 2014).

Third, we extend Milliman et al.'s (1991) model by identifying internal and external contingency factors that influence the process of HRM development and fits over time in the specific context of a foreign subsidiary (Fotis, 2014). More specifically, findings revealed that industry, mode of establishment, the existence of regional headquarters and the role of key organisational actors had substantial influence on HRM development and fit. The importance of such contingency factors has been identified in related research. For instance, international business research has identified the important role of internal subsidiary characteristics and entry mode (Bartlett and Ghoshal, 1989). Donaldson and Joffe (2014) identified competitive strategy, size and task uncertainty in shaping the content and context of fit (Donaldson and Joffe, 2014). A particularly noteworthy finding is the important and complex role of regional headquarters in the process of transfer and diffusion of HRM knowledge (Kawai, 2012; Chiang et al., 2017), and cultural identity for foreign subsidiaries decreasing the cultural distance between home and host countries (Hofstede and Hofstede, 2001). Our findings also provide some insights into the role of organisational actors and their awareness as one of the main boundary conditions of efficiency in the HRM development process (Ferner et al., 2005; McNulty and Brewster, 2017). This finding provides strong evidence in favour of conscious organisational design as well as diagnosis and management of misfits (Donaldson and Joffe, 2014). Finally, somewhat contrary to our expectations, we found that culture did not play a leading role as a contingency factor affecting the process of HRM development. This is consistent, however, with existing findings that cultural and other contingency factors should be granted equal attention while studying HRM in the highly dynamic context of emerging economies (Gamble, 2010; Tan et al., 2012; Berber et al., 2017).

5.2 Managerial implications

The model presented in the paper offers some managerial implications. First, since HRM development is an incremental process, skipping stages is not possible and forces managers to gradually implement HRM practices while managing balancing fit and flexibility. Ideally, our proposed model can serve as a roadmap for HRM development allowing for predicting next steps and managing the fit. In addition, findings indicate that it is possible to accelerate the process through transferring best HR practices from other subsidiaries, which serves as an important practical recommendation. Second, although it is true that HRM in subsidiaries are in a constant state of flux where only partial fit between the elements is achieved, managers should constantly monitor and balance the development process. Our findings have indicated that serious problems may arise from

significant misfits between stages of development of HRM elements. This is especially true as subsidiaries progress to later stages and their HRM systems become increasingly integrated and interconnected, and so each missing or underdeveloped practice in one area can affect the entire system. Finally, while the paper identifies several contingency factors, which have influence on the speed of HRM development in a subsidiary, the findings suggest that managers should pay more attention to organisational actors and their ability to utilise existing knowledge from the HQ and subsidiary networks. Cultural context factors might be less problematic. Findings indicate that managers utilise culture as an excuse for systemic problems resulting from lack of fit between HRM practices, all the while overlooking the opportunities offered by cultural diversity and synergy.

5.3 Limitations and future research directions

The limitations of this study also provide inspiration for future research. First, we conducted our empirical study on Japanese subsidiaries in Poland. Thus, our findings are to a certain extent context bound. At the same time, our context also provides important insights on HRM in Poland and other transitioning (East European) countries, particularly considering the limited amount of research on this region. Japanese MNEs are known for their ethnocentric management approach (Kopp, 1994; Sekiguchi et al., 2016; Oki, 2019). Thus, we believe that our findings could, at the very least, be generalised to other Japanese subsidiaries in the former socialist emerging economies of Central and Eastern Europe. While findings concerning specific organisational practices and fit are highly context specific, the normative stage model of HRM could, with some caution, be applied to manufacturing subsidiaries regardless of country of origin, explaining the transition from local to global HRM (Tan et al., 2012; Thite, 2014). The finding that socio-cultural differences played no major role, suggest the generalisability of our findings. Nevertheless, more research is needed to validate and further extend the proposed stage model to other contexts.

Second, the retrospective nature of the study (Blazejewski, 2011) including the issue of data loss caused by the 'recall effect' (Glick et al., 1990; Golden, 1997; Mayer, 2008) and the influence of knowledge of outcome on the interpretation of data, the 'spoiler effect' (Van de Ven and Huber, 1990) could have biased our findings. We undertook several counter-measures to improve reliability (Soulsby and Clark, 2011; Dawson, 2013): (1) additional consultations and interviews with managers who had been present during the initial stage; (2) additional visits after two years to assess the reliability of our respondents to minimise the 'spoiler effect'; and (3) triangulation of data sources (Van de Ven and Huber, 1990; Golden, 1997, p.1250; Mayer, 2008). Future researchers could follow foreign subsidiaries over longer time spans. For instance, it would be interesting to investigate the process of downsizing and closing of foreign subsidiaries.

Third, despite collecting some quantitative data related to company profile and performance, this is primarily a qualitative study. Our findings are based on 12 in-depth case studies. Our findings already suggest differences depending on internal and external contingency factors. Subsequent studies could test the model in different contexts. In line with existing streams of research, other studies might focus on contingencies such as the influence of organisational actors, environmental factors and sources of knowledge on the speed and content of the process of HRM development (Brewster et al., 2016). Future studies could also investigate the consequences, e.g. financial performance, innovation,

employee work attitudes, of fit at various stages and other causal relationships. This line of research is crucial to explaining the heterogeneity and idiosyncrasies of the HRM development processes revealed in this study.

6 Conclusions

This paper presents a stage model of HRM development over time in foreign subsidiaries (Milliman et al., 1991; Kynighou, 2014), and discusses the concepts of HRM fit while providing empirical evidence showing how they are maintained and managed over time. Our findings highlight the importance of considering the time-related process of HRM development (Brewster et al., 2016). Given the exploratory and qualitative nature of the study, more research is encouraged in different country contexts to further increase our understanding of the processes and consequences of HRM development in foreign subsidiaries.

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Notes

- 1 *Hoshin kanri* refers to a management process for identifying goals (usually annual) and deploying them throughout all levels of business planning and activity (Bird, 2005, p.378).
- 2 Total Productive Maintenance (TPM) refers to the practice of transferring various maintenance-related duties to machine operators, however, over the years TPM has evolved into a company-wide program aimed at strengthening production capabilities and corporate competitiveness (Bird, 2005, p.447).
- 3 'Just-In-Time' (JIT) is a system that produces only the necessary items, at the necessary time, and in the necessary quantity to meet customer demand. Its underlying philosophy is to seek manufacturing excellence through the elimination of waste in all aspects of the production system, with particular attention being placed on reducing excess levels of in-process and finished goods inventories (Bird, 2005, p.257).