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The Adoption and Implementation of High-Performance Work System in Subsidiaries of Japanese Multinational Companies in Vietnam: a Qualitative Study

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Background and purpose: Managing human resource in foreign subsidiaries of Multinational Companies (MNCs) has been a challenging task due to the cultural diversity. High Performance Work System (HPWS) has been adopted by headquarters of MNCs in their subsidiaries as a form of control. The current research aims to explore the adoption and implementation of HPWS in subsidiaries of Japanese MNCs in Vietnam.
Design/Methodology/Approach: A qualitative research design was conducted with data collected from semi-structured in-depth interviews with 33 managers working in 11 subsidiaries of Japanese MNC in Vietnam. Content analysis was used to analyze the data.
Results: The results suggested that although HPWS was not fully implemented in these establishments, ability enhancing, motivation enhancing and opportunity enhancing bundle of HPWS were adopted to a varying extent. In addition, HPWS was adopted as a reactive response rather than a strategic choice. Finally, cost-benefit consideration may provide explanation for the non-systematic implementation of HPWS in affiliations of Japanese MNCs in Vietnam.
Conclusion: The research provides some evidences to support the best-fit approach to HPWS adoption and implementation. Although HPWS has the potential to improve organizational performance, it must be internally aligned with the context of the organization.

Keywords: *High performance work system, Adoption, Implementation, Subsidiaries, Japanese multinational companies, Vietnam*

1 Introduction

Vietnam is a transition economy, with only 30 years of experience since the structural reform from a strictly centralized system, to a market-oriented economy. Open policies and high economic growth have attracted waves of foreign direct investment, mainly in the form of Multi-national Companies (MNCs) (Bartram, Stanton, & Thomas, 2009; Budhwar, Varma, & Patel, 2016). These businesses have introduced human resource (HR) management practices used primarily by companies in Western cultures (King-Kauanui, Dang, & Cotleur, 2006). However, research in Vietnam suggested a diversity of HR practices being implemented by such companies in Vietnam

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(Nguyen, Teo, & Ho, 2018). Vo and Stanton (2011), for example, explored the differences in the adoption of HR practices among MNCs of US and Japan origin. Specifically, the transfer of HR practices from headquarters to Vietnamese subsidiaries was found to be easier among US MNCs than Japanese MNCs. Other research acknowledged the dilemma faced by MNCs in transferring their HR practices to Vietnamese subsidiaries and highlighted the role of industrial sectors in the successful introduction of HR practices in subsidiaries (Vo & Hannif, 2012). Overall, available pieces of evidence support the divergent views of HR practices adopted by subsidiaries of MNCs operating in Vietnam (P. S. Budhwar et al., 2016; Nguyen et al., 2018). On the other hand, others studies advocate the adoption of High Performance Work System (HPWS) by MNCs in their subsidiaries in order to enhance competitiveness (Foley, Ngo, & Loi, 2012; Demirbag, Tatoglu, & Wilkinson, 2016).

HPWS refers to a combination of separate but complementary human resource management practices aiming at fostering employee ability, motivation, and commitment (Datta, Guthrie, & Wright, 2005). The role of HPWS in improving organizational performance has been well documented in the literature (Combs, Liu, Hall, & Ketchen, 2006; Subramony, 2009). In addition, several meta-analyses have confirmed the positive impact of HPWS on firm performance across societal cultures (Rabl, Jayasinghe, Gerhart, & Kühlmann, 2014; Dastmalchian et al., 2020). Not only at the organizational level, the positive links between HPWS and individual attitude and behaviors have been reported (Jiang, Lepak, Hu, & Baer, 2012; Fang et al., 2015). With the available evidence, it is necessary to investigate the adoption of HPWS in subsidiaries of MNCs in Vietnam, which has not been heavily researched. The current study, therefore, addresses this gap in the current literature by examining the extent to which HPWS is adopted by subsidiaries of Japanese MNCs in Vietnam, and the reasoning behind such level of adoption.

Japan has been among the top countries in terms of Foreign Direct Investment (FDI) in Vietnam with the amount of more than $42 billion as of 2017 (MPI, 2017). While Japanese Multinational Companies (MNCs) in Vietnam have enjoyed continuous success, they are also facing tremendous problems. According to Retro (2019), among 796 surveyed Japanese companies in Vietnam, nearly 66% are reporting profit, while about one-fifth of them are operating at loss. In addition, wage hikes, fierce competition, quality of employees, and difficulties in developing new clients are among the top challenges faced by Japanese companies in Vietnam. Japan enjoyed its great success with its global strategy during the 1980s with the surge in outward FDIs, with the transfer of management and production techniques as the key success factor (Fitzgerald & Rowley, 2015). However, Hirasaka, Kusaka, and Brogan (2021) reported a rapid decline in the competitiveness of Japan during the last 30 years, which saw its ranking drop from 1st in 1990 to 34th in 2020. They pointed out that current business leaders in Japanese companies cannot respond effectively to changes in the environment by making appropriate decisions. The ineffectiveness of human resources development programs is to blame for the problems. Similarly, Nakagawa, Nakagawa, Fukuchi, Sasaki, and Tada (2018) suggested that while Japanese companies help in developing the hots countries' competitiveness in manufacturing, their performances were below expectation. One of the main causes for the phenomenon is related to the Japanese international management style, in which a similar management style is adopted in the host-country subsidiaries as it is adopted in the headquarter (Buckley, 2009).

Specifically, this research aims to answer the following research questions:

RQ1: To what extent do subsidiaries of Japanese MNCs in Vietnam adopt High Performance Work System? How strong are these systems in such subsidiaries?

RQ2. What are the drivers and obstacles of HPWS adoption in these subsidiaries?

RQ3. What are the benefits and costs of adopting and implementing HPWS subsidiaries of Japanese MNCs in Vietnam?

To answer the above research questions, we try to explore the extent to which managers know about HPWS as a system and the extent to which HPWS components are adopted and implemented at the subsidiaries. Then, we evaluate the strength of the HRM systems in Japanese Subsidiaries based on the framework proposed by Bowen and Ostroff (2004) in which a strong HRM system should be perceived as high in distinctiveness, consistency, and consensus.

We then seek to figure out the reasons for HPWS adoption in these subsidiaries. Finally, the current study explores the possible benefit and cost of adopting and implementing HPWS in Japanese operations in Vietnam.

A qualitative research design with in-depth interviews was conducted to collect data. This exploratory research adds to the current understanding of HPWS adoption in subsidiaries of Japanese MNCs in Vietnam in the following aspects. First, this research is among the first to investigate the diffusion of HPWS among subsidiaries of Japanese MNCs in the context of Vietnam. Second, this study examines both the benefits and cost of HPWS adoption among subsidiaries of Japanese MNCs in Vietnam. Finally, this paper takes the view of local managers in exploring the possible pros and cons of HPWS implementation in subsidiaries of MNCs to effectively design HRM systems in the respective organizations.

2 Literature review

2.1 High performance work system (HPWS)

Some thirty years ago, a group of scholars (Huselid, 1995; Delaney & Huselid, 1996; Huselid & Becker, 1997) proposed that a set of human resource management practices would promote competitiveness and enhance the performance of the implementing firms. In addition, these authors also found the synergy effects of the mentioned practices. These HR practices are often referred to as "high performance work practices" (Huselid, 1995), "progressive HRM practices" (Delaney & Huselid, 1996) or "high performance work system" (Macky & Boxall, 2007). The current study inherits the term high performance work system (HPWS) to refer to "a set of separate but interrelated human resource management practices aiming at fostering employee ability, motivation, and commitment" (Datta et al., 2005). Although there is no universally agreed upon list of practices to constitute HPWS, these can be categorized according to the ability-motivation-opportunity framework (Jiang et al., 2012; Do, Budhwar, & Patel, 2019; Phuong, 2020). This study conceptualizes HPWS as consisting of three bundles: 1) ability-enhancing practices that deal with rigorous selection and progressive training; 2) motivation-enhancing practices which include transparent and objective performance appraisal and performance-based compensation and advancements; and 3) opportunity enhancing practices that focus on delegation of authorities, participative decision making and provision of supports.

2.2 Determinant of HPWS adoptions

Extant research has identified many factors predicting the adoptions of HPWS in organizations, ranging from the macro external environments such as national economic growth rate and registration (Lawler, Chen, Wu, Bae, & Bai, 2011), and industrial factors such as manufacturing and service operations (Combs et al., 2006) to firm characteristics such as firm age, firm capital (Phuong, 2020), relationship with stakeholders (Qiao, Wang, & Wei, 2015), and ownership types (Demirbag et al., 2016). In addition, studies also acknowledge the influence of top management characteristics as determinants of HPWS adoption. Qiao et al. (2015) found that owners' commitment to human resources as an important determinant of HPWS adoption. Phuong (2020) showed that CEO's educational attainment is positively related to the extent of HPWS implementation. Lawler et al. (2011) report that the presence of a third-country general director also increases the probability of HPWS admission.

Regarding the diffusion of HPWS from headquarters to subsidiaries of MNCs, extant works have provided shreds of evidence of both convergent and divergent findings. Overall, researchers seem to agree that MNCs utilize HPWS as a strategic management tool and a mechanism of control (Foley et al., 2012; Demirbag et al., 2016). Studying the operation of various MNCs in one host country, Foley et al. (2012) found that headquarters' strategic human resource management orientation is positively influences the adoption of HPWS in subsidiaries. In addition, the stronger the influence of headquarters the larger the extent that HPWS is adopted in subsidiaries. Similarly, in a study of one source country, i.e. US-based, MNCs, Lawler et al. (2011) also found similar results in which the influence of the parent companies are important predictors of HPWS adoption in subsidiaries. On the other hand, there were also remarkable differences across MNCs of different origins. For example, Foley et al. (2012) studied subsidiaries of MNCs in Hong Kong context and found that American MNCs tend to adopt HPWS to the largest extent, followed by European MNCs, and Asian MNCs to the least. Instead of implementing HPWS, Asian MNCs tend to appoint source country CEO to exert control over the subsidiaries. In addition, comparable management philosophy which stresses benevolence, certainty and consensus, instead of strategic management is also identified as the reason for the low level of HPWS adoption in subsidiaries of Asian MNCs. Lawler et al. (2011) studied US MNCs' subsidiaries in different host countries and indicated that some host country characteristics such as economic growth and per capital spending on education foster the application of HPWS in subsidiaries of US MNCs. Demirbag et al. (2016) found that the diffusion of HPWS in subsidiaries in Turkey is different between two groups of MNCs, the developed-country based and emerging-country based. Specifically, the author reported that developed-country MNCs focus more on strategic HRM, training, and empowerment while emerging-country MNCs emphasize the transparency of information sharing and performance-related compensation. Budhwar et al. (2017) studied the development of HRM in MNCs from BRICS nations and found that HRM constitutes a major weakness among MNCs in most countries except for the Indian IT sector. The authors also suggested that while HPWS is widely adopted in many MNCs in different areas of the world, there is a paucity of research on the adoption and influence of HPWS on firm performance in the BRICS context. In a recent study, Ahmad, Allen, Raziq, and ur Rehman (2019) compared the adoption of HPWS between MNCs and domestic firms in Pakistan and indicated that there were differences between these two types of firms in the adoptions of such practices as performance review, performance-related compensations, and training. The research also reported that the host-country institutions influence the adoptions of HRM practices in MNCs' subsidiaries. Min, Zhu, and Bambacas (2018) studied the adoption of HPWS among Chinese indigenous firms found that unlike MNCs

in China, certain HPWS practices have been implemented in conjunction with local traditional HRM practices. Overall, available research concluded that there is no universal pattern of HPWS adoption in subsidiaries of MNCs, with characteristics of both source countries and host countries coming into play. The inconclusiveness of previous works also justifies the current study.

3 Method

3.1 Procedure

This study employs qualitative method with data collected from semi-structured in-depth interviews with Vietnamese middle managers working in Japanese subsidiaries. In total, 33 semi-structured interviews with Vietnamese managers in 11 Vietnamese subsidiaries of Japanese MNCs were conducted. To collect the data, the research has gone through several steps. First, based on the list of Japanese MNCs companies provided by the Japan External Trade Organization (JETRO) Vietnam, the authors, with the support from Vietnam Japan Institute for Human Resources Development, contacted 50 companies in five provinces in Northern Vietnam to invite them to join the research. Because each of the subsidiaries is under the director of a Japanese expatriate, personal contacts with the Japanese General directors are necessary. After one month, 11 companies agreed to participate in the study. Second, at each of the subsidiaries, an official meeting with the General Director and Human resource – Administrative manager was held before the interviews. During the meeting, the research team explained and clarified the purpose and process of the study. Only after getting consent from the Japanese General Director, were the interviews conducted. Third, at each company, three interviews were held with HR-Admin manager, and two other middle managers based on the General Director's assignment. The research team also had the opportunity to conduct a 15-minute interview with the General Director regarding their previous work experience and current assignment at the subsidiary. The interviews were conducted from March to December of 2020 with several periods of suspension due to Covid 19.

As required by the participating companies, all interview sessions were conducted at the site of the subsidiaries. In addition, the names of the companies and the participants must be kept confidential. Interview schedules were arranged by the head of the HR-Admin departments based on the interviewees' and interviewers' convenience. Each interview session lasts up to 60 minutes. As per companies' regulations, no videos, pictures, and voice recordings were allowed during the interviews. Therefore, the research team used a pre-designed form to record responses from the interviewees, with each of the two interviewers taking notes simultaneously. After the interviews, the two interviewers exchange and compare notes to prepare an interview script. Three days after the interview, a script of the interview content was sent to each of the interviewees for verification and confirmation.

The current study deploys the standardization vs. localization debate (Pudelko & Harzing, 2007). Standardization refers to the notion that MNCs wish to transfer their HRM practices from their home country to subsidiaries either to maintain control or to exert competitive advantage (Fenton-O'Creevy & Wood, 2007). On the other hand, institutional theory (Kostova & Roth, 2002) argues that firms need to conform to the external institutional force to gain legitimacy and to survive. Localization occurs when MNCs adapt their practices to the host environment. Then, based on the cost-benefit analysis (CBA) framework, this paper seeks explanations for the level of HPWS adoption in the targeted subsidiaries. Based on the above conceptual framework, the questions are developed as follows: (1) What HPWS practices are adopted in the organization and to what extent? (2) Why are these HPWS practices are adopted? (3) What are the drivers and obstacles to HPWS adoption and implementation in the organization? (4) What are the benefits and cost of HPWS implementation?

To ensure that the respondents fully understand the questions in the interview, the researchers sent a cover letter to each of the respondents one week before the interviews. In this letter, a widely used definition of HPWS was supplied to the interviewees. This study adopts the definition put forward by (Datta et al., 2005, p. 135) in which HPWS refers to "systems of human resource (HR) practices designed to enhance employees' skills, commitment, and productivity". After that, the interviewees were provided with a list of 13 HPWS practices used in this research. The list of HPWS practices was extracted from previous works in the Vietnamese context (Do & Shipton, 2019; Phuong, 2020). The practices are divided into ability enhancing, motivation enhancing, and opportunity enhancing practices. The full list of items is given in Appendix 1.

In addition, throughout the interviews, directions and clarifications were provided when necessary to ensure clarity of answers. After each session, the interviewers concluded with a summary of what was discussed to ensure the accuracy of the data. In addition, to ensure the accuracy of data and unbiased responses, the researchers made clear to the respondents that the study aims to understand their perceptions and opinions regarding the adoption of HPWS in their respective organizations. Therefore, there were no right or wrong answers and no attempts to link their answers with their skills or ability (O'Dwyer, 2004).

3.2 Data analysis

In the current study, the participants' responses were analyzed using content analysis technique (Krippendorff,

Table 1: Information about subsidiaries and respondents

Subsidiary/ Company	Industry	Year operating In Vietnam	Current General Director's Western Experience	Firm size	Interviewees
A	Automobiles	25	U.S experience	101-200	HR, FM, SM
B	Construction and Engineering	20	None	101-200	HR, PM, QC
C	Supporting industry/ Manufacturing	22	None	201-300	HR, PUR, FM
D	Auto parts	17	U.S experience	201-300	HR, PE, PUR
E	Chemical/plastic	15		201-300	HR, IT, FM
F	Supporting industry/ Manufacturing	14	None	101-200	FM, HR, ACC
G	Medical Equipment	14	None	201-300	IT, FM, QC
H	Solutions / Software	15	None	<100	PM, HR, ACC
I	Water Solution	7	No	<100	SM, HR, ACC
J	Consulting Service	4	Yes	<100	GM, PM, SALE
K	Engineering	22	No	201-300	PM, HR, QC

Note: HR: Human Resource, ACC: Accounting and Finance Manager, SM: Sale and Marketing Manager, PM: Project Manager, QC: Quality Control Manager, PUR: Purchasing Manager, FM: Factory Manager, IT: Information Technology Manager, GM: General Manager.

2018). Following an inductive reasoning process, the current study aims to develop new findings from collected data. Data analysis was conducted in accordance with the four stages proposed by Bengtsson (2016), including de-contextualization, re-contextualization, categorization, and compilation. Specifically, data analysis was performed with the following 5 steps. First, interview notes and scripts were read and reviewed multiple times to identify relevant and meaningful statements by extracting and paraphrasing loops. Second, these statements were then subtracted, consolidated, and clustered into categories. Third, the categories were subsequently modified and redefined when new information emerges. Fourth, a code system was developed and each category was given a corresponding code. Fifth, each transcript was reviewed thoroughly and appropriate codes were attached with the relevant texts. To ensure the validity of findings, two researchers analyzed the data separately and then results were discussed and debated until consensus was reached (Graneheim & Lundman, 2004).

4 Results

4.1 The adoption and implementation of HPWS, and the strength of the HR practices

At the beginning of the interviews, the researchers asked the respondents about their familiarity with the term HPWS based on the definition provided to them. It appeared from the interview data that most of the respondents have not heard about the term. There were only two exceptions, the human resource managers at company E and company I. According to these managers, they have learned about the term during the MBA courses that they attended at the universities.

"I was introduced to the term during my HRM course which I completed as a part of my MBA program. The professor clarified the components of HPWS as well as the possible positive impacts it may exert on the firm's performance. But it seems that these systems are more popular in US-European companies". I have been working for 3 Japanese Companies so far but none of them have adopted a full version of such systems." (HR at company E).

Respondents are asked to evaluate the strength of the HPWS based on three dimensions of distinctiveness, consistency, and consensus (Ostroff & Bowen, 2000). Bowen and Ostroff (2004) proposed that a strong HRM system should be perceived as high distinctiveness, high consistency, and high consensus. Distinctiveness measures the visibility, understandability, legitimacy of the HR department, and relevance to employees' goals (Li, Frenkel, & Sanders, 2011). Consistency requires that the HRM system creates an unambiguous perception about the causal relationship between behaviors and consequences. In addition, HRM practices must display consistency between what has been said and what has actually been done. Finally, consensus refers to the agreement among policymakers –

typically HR and line managers – in the way HR practices are implemented (Delmotte, De Winne, & Sels, 2012). It was shown that although only a few of the interviewed managers heard about the term HPWS, they had a good understanding of the three bundles of HPWS, namely ability enhancing practices, motivation enhancing practices, and opportunity enhancing practices. In addition, the respondents reported that, while one or more practices in each of the bundles are implemented, they are not usually adopted and implemented as a system. Moreover, the respondents also indicated a low level of distinctiveness, consistency, and consensus in the implementation of such practices.

Table 2: HPWS adoption and implementation, and strength of the system

Firm	Ability Enhancing Practice	Motivation Enhancing Practice	Opportunity Enhancing Practice	Distinctiveness	Consistency	Consensus
A	△	△	△	Low	Low	Low
B	△	O	△	Low	High	Low
C	△	X	△	Low	Low	Low
D	O	△	△	High	Low	High
E	△	△	△	Low	Low	Low
F	△	△	△	Low	Low	High
G	△	△	O	Low	Low	Low
H	△	△	△	Low	Low	Low
I	X	△	O	Low	Low	High
J	△	X	△	Low	Low	Low

X: No practice implemented; △: One or more practices implemented; O: All practices implemented.

"We are implementing a bit of everything but not in a systematic way. Regarding recruitment, for some positions, we receive a lot of applications, we can seek the qualities that we wanted. However, for other positions, we have to accept candidates who are just 60% to 70% of our expectations". (HR at company C).

"In many cases, it is the Japanese Managers who have the final say in hiring decisions. Although I and the direct supervisor rejected the candidates based on their lack of competency, the Japanese managers made the decision." HR Company E.

"Training for operators and production workers is conducted at the work stations. I assigned a senior operator to train the newcomers. Extensive training is available only for senior managers, I am among 15 managers to attend the training program." (FM at company A).

"Training at my company mainly focuses on compliance, safety, security, and quality assurance. Another work-related training is conducted at the worksite based on the job training method. There is no official training plan". (PM at Company K).

"As required by the headquarter, we are trying to build a new human resource system, in which we focus on linking pay and bonus with performance as well as competency. But this is applied only for V3 (senior staff level) and above. For lower levels, there will be no change". (FM at company F).

4.2 Drivers and Obstacles to HPWS adoption and implementation

It can be drawn from the interviews that the adoption and implementation of HPWS components in Japanese MNCs subsidiaries in Vietnam was largely reactive rather than proactive. There was consensus among the respondents that changes in the HRM practices were applied to cope with the declining market and increasing competition from local companies.

"More than 98% of our business are from Japanese Client. After 30 years, Foreign Direct Investment from Japan started to slow down. We need to look for Non-Japanese clients. We had to change our human resource policies toward performance-oriented ones." (PM at Company K).

"When we started our business here, there are few local competitors. But after 20 years, many Vietnamese companies can compete with us. They are much more flexible and aggressive in approaching our traditional clients. We have been losing our business. From the last few years, we started focusing on training, delegation, and performance-based compensation for our front office staff." (PM at Company B).

"We used to sell our products from Business to Business. However, the market is becoming more competitive recently. We had to focus on the Business to Customer

Market and a new sale force has been established with separate remuneration systems largely based on performance." (SM at Company E).

Another driver for the adoption and implementation among subsidiaries of Japanese MNCs in Vietnam was related to diminishing productivity and high turnover rate due to rigid compensation and promotion systems.

"Some of the staff lose their motivation, they are already at the top of their salary rank. The company does not have policies for them to improve their position or salary level". (ACC at company F).

"We have a six-month backorder and we are far behind our delivery schedule. We need to assemble 23 vehicles per day to meet the demand. We are stuck at 19 vehicles a day, but we used to assemble 31 per day. The production workers told me that no matter how many vehicles they assemble a day, their salaries stay the same, so they only commit to a fair day's work. I proposed to the director board that we need to apply a piece-rate system to motivate our production workers". (SM at Company A).

Table 3: Drivers and Obstacles to HPWS adoption and Implementation

Drivers of HPWS adoption and implementation	Percentage of respondents mention	Sample Comment
Reaction to Poor Performance and Market Difficulty	75.6%	We need a new breed of employees who are more competitive and aggressive in order to win the non-Japanese market. About half of the managers join the company during the last three years. (HR company A)
		We have experienced negative growth for the last three years. This trend is not short-term, now we need to look for new markets but our people are not equipped with necessary ability and skills. We need to develop a new HRM system. (FM at company C).
		We are facing fierce competition in all markets, including Japan. The whole global company has to adopt a new HRM system. Here we hired a consulting company to set up our system in compliance with headquarters' requirements. (HR at company B).
Low productivity and High turnover rate	60.6%	Our productivity decreases, we used to produce 150% of current daily output. The workers are no longer motivated to perform. (FM at company E)
		Our price is 30% higher than those offered by our main competitors, mostly indirect cost. We need to make our workforce "lean". Some people earn high salaries but contribute very little. (PM Company I)
		We are losing our key people in almost every department. Pay is one of the reasons but lack of motivation and growth opportunities are also obvious. (HR company D)
Obstacles to HPWS adoption and implementation	Percentage	Sample Comment
General Director' short-term assignment	63.6%	The G.D. will complete his assignment in a year. He is not making a lot of change. (HR at Company E)
		He is not here for long. He will not overhaul the old system because it is costly and it will take time for results to realize. Success is also uncertain. (PUR Company C).
Compatibility Across Foreign Establishment	57.5%	We need to ensure that our human resource management practices are compatible with those in other establishments such as Thailand and Indonesia. (HR at Company F).
		It is difficult to apply a new HRM system because the headquarter emphasizes a similar system in all operational bases. (GM at company J).
Lack of HR expertise	66.7%	The company did not have a Human Resource department before. The company has tripled its employees during the last five years. I was hired from another company to build the HR system. (HR at Company H).
		In fact, I think we don't have Human Resource department, what the department does mainly involves administrative work like compensation and benefit, and general affairs work such as social insurance or annual leave. All other tasks like recruitment, training, and performance management are delegated to direct managers like me. (PUR at company C).

Regarding the obstacles in adopting and implementing HPWS, it appeared from the interviews that although the General Directors at Japanese MNCs in Vietnam may acknowledge the potential influence of HPWS, they hesitate to thoroughly adopt such a system because of their short-term assignments in Vietnamese subsidiaries. In general, the Japanese expatriates will be assigned to work as a General Director in one subsidiary for a period of three years. Based on their performance at the subsidiary, the period may be extended to 5 years. In addition, the international experience serves as one important criterion for the subsequent assignment of promotion.

"I have proposed the plan for the adoption of performance-enhancing human resource practices several times during the company's management meetings. The General Director seemed unwilling to make a wholesale change to the system because he knows that he will not stay here for long." (HR at company D).

"My boss told me that he is in his final year in the country, so he would not try to interrupt the system. He suggested that I could speak to the new G.D who will arrive very soon". (FM at company G.)

During the interviews with the General Directors, such impact was confirmed.

"I will be here for three years and this is my second year in charge. I don't want to change everything here. The previous General Director had set up all the structure and process, I will only adjust them to match with the condition". (G.D at Company D).

"I will be here for three years, and to be frank, I would like to extend my stay in Vietnam. I need to focus on improving business results and not to make dramatic changes to the overall systems." (G.D. at company J).

Another obstacle to the adoption and implementation of HPWS in Japanese subsidiaries in Vietnam was that such systems have not been implemented in other subsidiaries. The headquarter would like to ensure comparable systems across subsidiaries in the same region.

"My G.D told me that the human resource management practices have been designed by our Headquarter in Japan and they are applied consistently in our subsidiaries in other countries as well". (HR at Company D).

"We can adjust our recruitment procedures and policies. However, we could not change our salary levels because they have been determined by the headquarter. Sometimes we found a very good candidate but we could not recruit them because of our rigid salary table". (PM at company H).

"We also have the global competency guide and promotion must be based on these competencies. In order to be promoted, the candidates have to be trained by the Headquarters and pass the exams". (HR at company D).

The final obstacle to the adoption of HPWS adoption and implementation, according to the interviewed managers was the lack of HR expertise. There was a strong agreement that the roles of the human resource department in their companies are mainly administrative and general affairs rather than human resources.

"I am the manager of the HR-GA (Human Resource-General Affair) department and was rotated from QC department. I don't have expertise and experience in human resource management. We hired a professional HR consulting company to build our HR system two years ago. However, the system is not yet implemented because we are not trained to operate it". (HR at Company G)

4.3 The benefits and cost of HPWS adoption and implementation

According to the managers, the application HPWS bundles of ability, motivation, and opportunity enhancing practices is expected to exert a positive impact on employee motivation and productivity.

"This year, for the first time, the G.D. announced the company's profit target for the years and the amount of bonus for each level of target achieved. The employees seem to pay a lot of attention to it. I find that the employees are working harder." (FM at company C).

In addition, managers believe that a new high performance human resource system would help in cutting indirect costs. According to them, the current system is bulky and overlapping. Application of the new system would largely reduce redundancy and reduce indirect costs.

"We are providing solution and work in projects, we do not need that much personnel in the back-office. I think we can cut about 50% of the total back-office staff to save cost." (ACC at company H).

Finally, managers also indicate that the adoption of opportunity-enhancing practices such as autonomy or empowerment would

"When working with Japanese clients, it must be contacted and followed by a Japanese manager because it is the custom. However, when dealing with local or non-Japanese clients, we need to make quick decisions and we need to be flexible". (PM at company K).

Regarding the potential cost of adopting and implementing HPWS in subsidiaries of Japanese MNCs. There was a unanimous concern that applying the new high performance work system would lead to a massive turnover rate. The managers suggested that the new system would create a lot of job demand while at the same time salary and benefit of some positions would be reduced.

"According to the new salary table proposed by the consulting company, about 30% of the position will face a significant pay cut. In addition, fringe benefits will also be reduced. We announced the new policy in March and since then 12 employees resigned". (HR at company K).

Set up cost is mentioned by many of the managers as one of the potential costs of implementing HPWS in their

Table 4: Perceived benefits and cost of HPWS adoption and implementation

Benefit and Cost of HPWS adoption and implementation	Percentage	Sample Comment
Productivity increase	67%	Only 20-30% of the new recruits meet my expectation. It will take a lot of time to train them. The company should focus on hiring the right people rather than picking anyone who applies. (FM at company F).
		Our staff will surely do better if their effort and performance are fairly rewarded. I can promise at least 30% increase in productivity if rewards are based on performance. (FM at Company A).
Indirect cost reduction	57.5%	I hope the new HR system can make ways to manage poor performers out of the company. Some of our staff are just playing around at work without fear of losing their jobs. (QC at company K).
		Some departments are very awkward. There are 4 employees in one department whose job can be done by just one person. If we can reduce some redundant staff we can cut our cost. (PUR at company C).
Competitiveness	51.5%	Decision-making at this organization is extremely slow. For the approval of just 250 dollars for running a campaign, I had to wait for nearly a month. An effective delegation policy is needed at this company. (SM at company A)
		The G.D wanted us to expand to the Non-Japanese market, but we are very slow in response to customers' inquiry because of the centralized decision-making. (SM at company I)
High Turnover	72.8%	Many of the employees will be negatively influenced by the new system. They lost their benefits and many of them decided to quit. (ACC at company F).
		The new system is view as a threat to many positions. Unlike before, they are now required to work and achieve measurable targets. Some of the employees talk about quitting. (HR at company C).
Set-up cost	48.4%	We hired one of the most prestigious consulting company to set up the personnel system. It was very costly.
		The headquarters required that we hire a Japanese consulting company to set-up the new HR system. The consulting fee of this company is much higher than other famous companies in the market, but we have no choice.
Operating/training cost	42.4%	We had to hire an outside consultant to conduct training to all our management on how to use the new system.
		Even the Japanese Directors are not familiar with the new system. We need to hire a Japanese Consulting Company to train them.

organizations. Because of the shortage of HR expertise, the new HR system must be developed by an outside consulting company. The process was perceived as lengthy and costly.

"It took nearly one year and a half for the consulting company to finish setting up the system. The cost for this phase is almost 20% of our total annual payroll. The second phase will also be costly". (HR at company B).

Training cost and operation cost represent another concern for managers in applying the new human resource management system. The new system must be well announced and cascade down to all employees. In addition, training and consultation during the application of the new system also require significant investment.

"To be able to operate the new system, a lot of training and consultation would be necessary. Because our super-

visors are not involved in the development process, they need to be trained from the basic details." (HR at company F).

Cost-benefit consideration

It emerged from the interview that although the General Directors might be aware of the potential benefit of HPWS, the associated cost hinders the application of such systems in the subsidiaries. Rather, the management of the subsidiaries opts for the cheaper alternative to gradually adopt such systems.

"The G.D. asked me to estimate the cost for setting up the new HR system. He concluded that we are not able to afford the amount. He then assigned a task force including of members from various departments to adjust the current system step by step". (ACC at company G).

"The G.D. announced that he is hiring a new senior HR manager to be in charge of setting the new system. The main reason was to save costs. He understood that the process would be longer but much less costly". (GM at Company J).

"I was hired to develop the new HR system in this company. The boss expected the new system to be up and running in three years. I can recruit up to 3 staff to help me on this project". (HR at company K).

5 Discussions

The current qualitative study aims firstly to evaluate the adoption and implementation of HPWS in Japanese MNC subsidiaries in Vietnam (RQ1). The results indicated that none of the investigated companies currently adopt a fully integrated High Performance Work System. Rather than that, the individual organization adopts each bundle of HPWS to a varying degree. Moreover, the study provides evidence that the strength of the HRM system in the establishments is low. The findings further add to the complexity of evidence regarding the adoption and implementation of HPWS in subsidiaries of Japanese MNCs. On the one hand, both Takeuchi, Lepak, Wang, and Takeuchi (2007) and Park, Mitsuhashi, Fey, and Björkman, (2003) found that HPWS increased the performance of both Japanese local companies and subsidiaries of Japanese corporations Russia and the US, providing supports for the notion of "best practices" in HRM. On the other hand, Miah and Bird (2007) acknowledged remarkable differences in the application of HRM practices among local Japanese companies, Japanese subsidiaries in South Asian Countries, and indigenous South Asian firms. They argued that HRM practices in Japanese subsidiaries are influenced by both styles of the parent company and the style dominated in the local companies. Therefore, HRM practices in such establishment are adjusted according to the context of the host country. Findings of the current research, together with those reported by Miah and Bird (2007) provide evidences of a bet fit approach rather than a best practice approach (Koster & Benda, 2020) to HPWS among foreign affiliations of Japanese MNCs. It can be found from the data that HPWS adoption and implementation are perceived by the managers as a reaction towards the changes in the environment and responses to internal problems rather than as a proactive strategic choice. This finding contradicts to previous studies, which claimed that MNCs utilize HPWS as a strategic management tool (Foley et al., 2012; Demirbag et al., 2016). However, a recent study on the implementation of HPWS in Vietnamese local firms (Do et al., 2019, p.155) provided evidence that Vietnamese firms consider HPWS as one of the effective means that help organizations to respond to external pressures. This finding provides support for the localization approach to HRM as suggested by the institutional theory.

The second aim of the research is to identify the drivers and obstacles to the adoption and implementation of HPWS in subsidiaries of Japanese MNC in Vietnam (RQ2). Among the obstacles to the adoption and implementation of HPWS, the short-term assignment of GD was perceived to be significant. In addition, the requirement of comparability of HRM across foreign establishments might hinder the implementation of HPWS in one establishment. Finally, lack of HR expertise was acknowledged as one of the difficulties in such adoption. The fact that HPWS has been implemented to a certain degree in each subsidiary can be explained the tendency to adopt and implement HPWS in a step-by-step manner by Japanese MNCs (Takeuchi & Chen, 2001). Similar scheme has also been reported by Takeuchi, Wakabayashi, and Chen (2003) who found that high commitment work practices such as retention-focused ones were implemented as a prerequisite for the adoption of HPWS in Japanese affiliations in China and Taiwan.

In answering RQ3, the current paper found out that HPWS can bring about improvement in productivity, indirect cost reduction, and competitiveness but the adoption of HPWS also incurs significant set-up cost, training cost, and high turnover rate. In addition, cost-benefit consideration is an important determinant of HPWS adoption in Vietnamese subsidiaries of Japanese MNCs. This finding seems to agree with previous work in the topic conducted in Vietnam. For example, Phuong (2020) found that capital resource was positively correlated with HPWS adoption among Vietnamese firms.

6 Contribution and Implications

The current paper makes several contributions to the current understanding of HPWS. Theoretically, the results add to common knowledge that HPWS is implemented in subsidiaries of MNCs as either a strategic management tool or control mechanism. In fact, the adoption of HPWS in Vietnamese establishments of Japanese MNCs can be viewed as a reaction strategy in response to the changes

in the environment. Moreover, the findings support institutional theory which argues that the institutional environment significantly influences a firm's internal structure and policies. In a study of HPWS adoption in local Vietnamese firms, Do et al. (2019) found that most managers in the interviewed firms believed that HPWS is a key success factor in fostering human capital, which in turn enhances firm performance.

Second, regarding the obstacles to HPWS adoption, the current study finds that the assignment of a Parent-Country General Director, especially on a short-term basis, presents a significant barrier to the adoption and implementation of HPWS in Vietnamese subsidiaries of Japanese MNCs. Although Japanese General Directors acknowledge the potential benefits of HPWS, they often hesitate to make a wholesale change to the HRM system, due to limited time in charge. This finding adds to previous suggestions that the use of Japanese directors, which is common in Japanese companies, is an obstacle to business development (Maharjan & Sekiguchi, 2017), and that the presence of a third-country general director may increase the probability of HPWS admission (Lawler et al., 2011).

Third, the findings suggested that while HPWS has been acknowledged as HRM best practice, the adoption of HPWS involves both benefits and cost. This research proposed that cost-benefit consideration can provide an explanation for the underutilization of HPWS rather than lack of knowledge on the benefit of HPWS or lack of resources for HPWS implementations.

On the practical side, HPWS has been found to be a potential source of competitive advantage for Japanese subsidiaries operating in Vietnam. Therefore, in order to improve the business performance, Japanese subsidiaries may need to introduce HPWS practices one by one, focusing on the most salient practices such as merit-based compensation and selective hiring. As pointed out by Huy, Vu, Hoang, and Nguyen (2020), the Vietnamese labor market is competitive, firms who wish to implement selective hiring may need to couple it with a performance-based system. Previous works have suggested that the traditional ways of doing business in Japanese organizations make it difficult for business expansion to non-Japanese clients due to a lack of appropriate skills among employees (Nakagawa et al., 2018). Furthermore, the seniority-based human resource management system creates a barrier for improving employees' productivity. In addition, because inadequate HRM expertise hinders the adoption of HPWS, this can be resolved by hiring competent HR managers who set up the necessary condition for the step-by-step implementation of HPWS.

7 Limitations

The first limitation of the current study was that it investigated the adoption and implementation of HPWS solely from the perspective of managers. Because there may be differences between the perception of HRM practices between employees and employers and among employees (Wang, Kim, Rafferty, & Sanders, 2020), therefore, the results may not fully capture the opinions of all stakeholders. Future research can explore and compare the perceptions from different perspectives to create a more thorough understanding of HPWS adoption and implementation in subsidiaries of Japanese MNCs.

The second limitation was that the current study was conducted with a small sample of Japanese subsidiaries in Vietnam. In addition, the companies investigated in this study were relatively small in size. Because firm size has been verified to foster the implementation of HPWS (Phuong, 2020), the results may not generalize to large Japanese MNCs in Vietnam. Future research may compare the implementation of these practices in small and large subsidiaries of Japanese MNCs in Vietnam.

8 Conclusion

High performance work system has widely been regarded as universal best practices in human resource management. Many MNCs from developed countries use HPWS in their foreign establishments as a control mechanism or as a strategic management tool. Despite evidence of successful adoption and implementation of HPWS in subsidiaries of MNCs, this research suggests that the effective adoption and implementation of human resource management systems in subsidiaries of MNCs may be dependent on a number of factors such as the business environment of the subsidiaries, the availability of resource, and the readiness of the personnel. This research explores the adoption and implementation of HPWS in Vietnamese affiliations of Japanese MNCs and sheds some light on the transfers of HRM practices from Japanese headquarters to their foreign establishments.

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Appendix 1

High Performance Work System Scale

1. My company strives to select the right employees.
2. Long-term employee potential is emphasized.
3. My company applies a rigorous staffing process.
4. Extensive training programs are provided to employees.
5. Promotional training programs are offered to employees
6. Performance is evaluated based on objective quantifiable results.
7. Individuals receive bonuses based on the profit of the organization.
8. Compensation is linked to individual/group performance
9. Employees are allowed to participate in performance management process.
10. My company fosters employee's involvement in decision-making
11. Employees of this firm are given lots of opportunities to decide how to do their work.
12. My company provides employees with challenging and fulfilling jobs.
13. My company provides a lot of support for the employees.