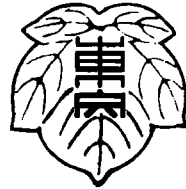


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Research Paper 2014-W65
2014-2

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The preliminary study of strategic flexibility and employees' innovative behavior in foreign-owned firms and domestic firms in Japan: The mediating influence of organizational commitment¹

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Abstract: This study examines how employees' innovative behavior is influenced by firms' strategic flexibility and employees' organizational commitment in European, US, Asian, and domestic firms in Japan. Organizational commitment mediates the relationship between employees' perception of strategic flexibility and their innovative behavior. We found that, although perceived strategic flexibility affects employees' innovative behavior via organizational commitment in European, Asian, and domestic firms in Japan, the relationship between strategic flexibility and innovative behavior is not evident in US subsidiaries in Japan.

1. INTRODUCTION

In the world of hypercompetition, innovation is the key word for maintaining growth and effectiveness for all firms, regardless of size or sector. As if attempting to recover from the economic stagnation that has plagued Japan since the 1990s, Japanese firms have been striving to revitalize the economy through radical and incremental innovation.

Innovation is begun and enhanced not only by strategies planned and executed through a top-down approach in an ever-changing environment, but also through the proactive and creative behavior of forefront employees, such as salespersons who are eager to respond to customers' needs or mechanics who aim to maximize operational efficiency. In order to satisfy the diverse and changing needs of today's customers, inducing innovative ideas and fostering organizational commitment among employees, is critically important.

Strategic flexibility, i.e. a firm's ability to reallocate resources quickly and smoothly in response to change (Buckley and Casson, 1998), is an important research topic that has been posited to affect firms' innovation (Bock, Opsahl, George, & Gann, 2012; Hitt, Keats & DeMarie, 1998; Johnson, Lee,

¹ This work is a part of the outcome of research supported by Grants-in-Aid for Scientific Research (Project number: 23330134).

Saini & Grohmann, 2003). However, little empirical evidence exists to support this argument, and the process of how firms' strategic flexibility leads to innovation has not been fully researched.

Consequently, this study investigates the effects of firms' strategic flexibility on employees' innovative behavior in Japan. The study also explores the mediating effects of employees' organizational commitment between the two variables, given employees' perception of strategic flexibility may enhance organizational commitment, which in turn, induces proactive engagement in change-oriented behaviors.

Yet, in Japan, two different human resource management (HRM) practices exist; foreign-owned firms of multinational enterprises practice a different style of HRM to Japanese domestic firms (Hasegawa, Takaishi, & Hasegawa, 2013; Ono, 2007; Pudelko and Harzing, 2008). Foreign-owned firms in Japan hire employees with different characteristics than those hired by the Japanese firms, in terms of their organizational commitment, job involvement, and qualities of the employed individual such as behavioral patterns (Aoki, 1988; Koike, 1999; Ono, 1989). In this research, we also focus on differences in commitment culture between foreign-owned and domestic firms in Japan and explore their effects on employees' innovative behavior.

We posit that although strategic flexibility and organizational commitment may affect employees' innovative behaviors in both foreign-owned firms and Japanese domestic firms as a universal mechanism, the process of how strategic flexibility and organizational commitment affect innovative behavior in foreign subsidiaries may vary to an extent depending on the parent company's organizational culture. In this research, we seek to identify the mechanism by which strategic flexibility may directly affects as well as via organizational commitment on innovative behavior in European, U.S, Asian and domestic firms in Japan.

2. THEORY AND HYPOTHESES

Employees' Innovative behavior

Innovation often stems from the creative ideas of individual employees (George & Zhou, 2001) and innovative behavior results from the interaction between employees' personal and contextual factors (Amabile, 1996; Madjar, Oldham, & Pratt, 2002; Oldham & Cummings, 1996; Zhou & George, 2001). Yuan & Woodman (2010) have defined innovative behavior as an employee's intentional introduction or application of new ideas, products, processes, and procedures to his or her work role, work unit, or organization. Scott and Bruce (1994) have viewed innovative behavior as a multistage process with different activities and different individual behaviors necessary at each stage. Researchers have explored the antecedent variables of innovative behavior such as organizational climate (Scott and Bruce, 1994), supervisor influence (Janssen & Van Yperen, 2004), job characteristics (Oldham & Cummings, 1996), coworker helping (Zhou & George, 2001), and expected positive image (Yuan & Woodman, 2010).

Then, we assume that firms' strategic orientation toward changing environment and employees' psychological identification with their organization both lead to enhancing the spontaneity of innovative behavior,

Strategic flexibility and organizational commitment as antecedent variables

Strategic flexibility is the capability of a firm to protect against or respond quickly to changing competitive conditions and thereby develop and/or maintain a competitive advantage (Hitt, Hoskisson, & Harrison, 1991; Hitt, et al., 1998). Hitt, et al. (1998) pointed out the significance of strategic flexibility for firms seeking to achieve operational effectiveness in the new competitive landscape driven by the technological revolution and increasing globalization.

It has been suggested that strategic flexibility as perceived by employees results in improved firm performance by enhancing creativity, innovation, and competitive capability (Hitt et al., 1998; Johnson et al., 2003 Nadkarni & Herrmann, 2010). However, there exists no empirical findings and theoretical explanations are needed to support the effects of strategic flexibility on employees' change-oriented behavior.

Drawing from this literature, we posit that firms' strategic flexibility as a contextual factor influences employees' innovative behaviors, irrespective of whether they are Japanese or foreign-owned firms.

Hypothesis 1: Strategic flexibility will directly affect innovative behavior in (a) European, (b) US, (c) Asian, and (d) domestic firms in Japan.

Organizational commitment as a mediator

In addition to the direct influence of strategic flexibility on innovative behavior, we contend that strategic flexibility affects innovative behavior indirectly via the mediating variable of organizational commitment. That is, strategic flexibility may enhance organizational commitment because employees' perception of organizations' ability to anticipate environmental changes and grow by flexibly responding to the changes may facilitate employees' senses of alertness and psychological reliance on the organizations. Employees' organizational commitment, which is defined as a psychological state that binds an employee to an organization (Allen & Meyer, 1990), has been shown to be positively related with change-oriented behaviors such as proactive customer service behavior (Rank, Carsten, Unger, & Spector, 2007), personal initiative (Den, Hartog, and Belschak, 2007), and innovation-promotive behavior (Takaishi & Furukawa, 1986).

We contend that organizational commitment leads to innovative behavior in both domestic and foreign-owned firms. Conversely, employees who lack organizational commitment would not be willing to expend extra effort on behalf of the organization (Hitt et al., 1998). Thus, these findings lead us to postulate that strategic flexibility positively affects organizational commitment, which in

turn, may result in increased innovative behavior.

Hypothesis 2: Organizational commitment will mediate the relationship between strategic flexibility and innovative behavior in (a) European, (b) US, (c) Asian, and (d) domestic firms in Japan.

Commitment culture in foreign-owned firms and domestic firms in Japan

Japanese style management or corporate culture is considered quite different from those of Western firms (e.g. Abegglen, 1958; Ouchi, 1981; Pudelko & Harzing, 2007). Scholars have pointed out lifetime employment, seniority, and homogeneous culture as unique features of Japanese corporate culture, to name a few. Japanese HRM practices have also been researched in the context of high-commitment culture (Fischer & Mansell, 2009; Lincoln & Kalleberg, 1990; Ono, 2007).

On the other hand, Asian firms with a growing influence have recently accelerated their direct investment in Japan. These firms are mainly from China, Hong Kong, Korea, and Taiwan and historically have been influenced by Confucianism and collectivism (Bae & Lawler, 2000; Hofstede, 1991; Phuong-Mai, Terlouw, Pilot, 2005). Culturally, needless to say, Japan is characterized by the latter as well.

Contrary to popular belief, that employees' organizational commitment may be higher under collective cultures than individualistic culture, research findings are reverse and inconsistent. Randall (1933) found that affective commitment was lower in collective culture. Luthans, McCaul, and Dodd (1985) found the level of self-measured organizational commitment was higher among American employees than Japanese and Korean employees.

Triandis (1995) have found that in individualistic culture an employee who is independent will enjoy positive self-esteem and identify with an organization when his or her personal goals align with the goals of the organization. Further, in individualistic culture, organizations provide employees with commitment-enhancing features. In collective cultures, an employee is less likely to strongly identify with an organization, and organizations are unlikely to provide employees with commitment-enhancing features (Triandis, 1995).

However, Hatrup, Mueller, & Aguirre (2008) found that affective organizational commitment was largely independent of whether the culture was individualistic or collective. Nonetheless, a meta-analysis of employee commitment across cultures undertaken by Fischer & Mansell (2009) found that affective organizational commitment was influenced by individualism, but not by collectivism. Thus, organizational commitment may be lower in Asian firms and domestic Japanese firms that share collective culture than in European and US subsidiaries in Japan. However, we suspect that this does not necessarily mean that mediating effect of organizational commitment between strategic flexibility and innovative behavior is lower in Asian and Japanese firms than in

Western firms in Japan.

It is beyond the scope of our study to investigate the relationships between employee commitment and individualism/collectivism cultures. However, we suspect that the effect of organizational commitment on innovative behavior may vary by national culture. Then, although we do not set particular hypothesis, we will explore the varying size and processes of mediating effects of organization commitment between strategic flexibility and innovative behavior among counties.

Based on the following model (Fig.1), the purpose of this research is to clarify the mechanisms of how employees' innovative behaviors are influenced by firms' strategic flexibility and employees' organizational commitment in European, US, Asian and domestic firms in Japan.



Figure 1 Study model

3. METHODS

Sample

This study was conducted in Japan. In this study, the proposed relationships were limited to two types of personnel: employees working for foreign-owned firms from Europe, US, and Asia, and employees working for Japanese firms. For this reason, we collected data using a web survey from employees registered in a monitoring database of a marketing firm.

As a first step, we randomly selected 3,273 people working for foreign-owned firms and 4,288 people working for Japanese firms, from a marketing firm's database comprised of ten thousand monitored members.

The selected individuals were requested to respond to a questionnaire; 193 responses were received from employees of Japanese firms and 341 usable questionnaire responses were received by employees of foreign-owned firms (a response rate of 4.5% and 10.4%, respectively). Among the foreign-owned firms' employees, 115 people worked for European firms (33.1%), 116 worked for US firms (34.0%), and 83 worked for Asian firms (24.3%). European firms were primarily from Germany, France, the UK, and Switzerland, whereas Asian firms were mainly from China, Korea, Taiwan, and Singapore. The average employee age was 44.0 years for European firms, 44.6 for US firms, 44.7 for Asian firms, and 40.4 for Japanese firms. The respondents were paid by Internet service points.

The male: female ratios by firm category are listed in Table 1.

Table 1 Ratio of gender on sample

	European		US		Asian		Japanese		Total	
	n	%	n	%	n	%	n	%	n	%
Female	20	17.4%	15	12.9%	13	15.7%	67	34.7%	118	22.1%
Male	95	82.6%	101	87.1%	70	84.3%	126	65.3%	416	77.9%
Total	115	100.0%	116	100.0%	83	100.0%	193	100.0%	534	100.0%

Table 2 shows the ratio of tenure (number of years on the job) by the category of firms.

Table 2 Ratio of tenure on sample

	European		US		Asian		Japanese		Total	
	n	%	n	%	n	%	n	%	n	%
Less than 5 years	42	36.5%	34	29.3%	43	51.8%	53	27.5%	182	34.1%
5 to 9 years	28	24.3%	25	21.6%	19	22.9%	33	17.1%	111	20.8%
10 to 19 years	30	26.1%	34	29.3%	12	14.5%	50	25.9%	134	25.1%
20 to 29 years	13	11.3%	17	14.7%	5	6.0%	49	25.4%	87	16.3%
More than 30 years	2	1.7%	6	5.2%	4	4.8%	8	4.1%	20	3.7%
Total	115	100.0%	116	100.0%	83	100.0%	193	100.0%	534	100.0%

Measures

A multi-item scale was used in this study. The items composing each construct were averaged to create a respective measure for each variable. The instructions and all items were written in Japanese. Survey items of the following variables were translated and back-translated by bilingual professionals.

Innovative behavior. We measured this variable with Scott and Bruce's (1994) six-item innovative behavior scale. We dropped one item ("is innovative") from the list of original items. Subsequently, the remaining five items from their scale were combined to create an overall scale of innovative behavior. Examples of items are "I search out new technologies, processes, techniques, and/or product ideas," and "I promote and champion ideas to others."

Strategic flexibility. We adapted Grewal & Tansuhaj's (2001) five-item scale. Nadkarni & Herrmann (2010) found this scale was valid and reliable. Examples of items are "We frequently change our strategies and structures to derive benefits from environmental change", and "Our strategy reflects a high level of flexibility in managing political, economic, and financial risks".

Affective organizational commitment. This variable was measured with three items. We

adapted one item from Allen, Meyer, & Smith's (1993) affective commitment scale: i.e., "I really feel as if this organization's problems are my own." Moreover, we developed two items modifying the negative wording of the original affective commitment scale to something more positive, including "I feel like part of the family at my organization", for which Meyer et al.'s (1990) original item was "I do not feel like part of the family at my organization."

4. RESULTS

Means, standard deviations, reliabilities, and correlations among the study variables are presented in Table 3 (a) and (b). There were consistent positive and significant relationships between innovative behavior and affective organizational commitment across all foreign-owned firms and domestic firms

Table 3 (a) Descriptive Statistics, Alpha Coefficients, and correlations in European and US

firms	European firms			US firms			1	2	3	4	5
	<i>M</i>	<i>SD</i>	α	<i>M</i>	<i>SD</i>	α					
1.Gender	0.17	0.38	—	1.13	0.34	—	—	-0.34 **	0.17	0.16	-0.11
2.Tenure	2.17	1.10	—	2.45	1.20	—	-0.28 **	—	0.10	0.22 *	0.10
3.Affective organizational commitment	2.28	0.94	0.79	2.52	1.05	0.82	-0.17	0.05	—	0.64 **	0.24 *
4.Strategic flexibility	2.61	0.91	0.93	2.88	1.02	0.92	-0.04	0.16	0.56 **	—	0.16
5.Innovative behavior	3.32	0.94	0.93	3.33	0.91	0.94	-0.04	0.25 **	0.20 *	0.29 **	—

Notes. Correlation coefficients for employees at European firms in Japan are below the diagonal, and correlations for employees at US firms in Japan appear above the diagonal.

Gender (0 = male, 1 = female).

Tenure (1 = Less than 5 years, 2 = 5 to 9 years, 3 = 10 to 19 years, 4 = 20 to 29 years, 5 = More than 30 years)

N = 115 for employees at European firms, N = 116 for employees at US firms

* $p < 0.05$. ** $p < 0.01$

Table 3 (b) Descriptive Statistics, Alpha Coefficients, and correlations in Asian and Japanese domestic firms

	Asian firms			Japanese domestic firms			1	2	3	4	5
	<i>M</i>	<i>SD</i>	α	<i>M</i>	<i>SD</i>	α					
1.Gender	0.16	0.37	—	1.35	0.48	—	—	-0.20 **	-0.16 *	-0.13	-0.21 **
2.Tenure	1.89	1.16	—	2.62	1.25	—	0.04	—	0.06	0.04	0.14 *
3.Affective organizational commitment	2.18	0.99	0.84	2.27	1.03	0.86	-0.06	0.04	—	0.71 **	0.37 **
4.Strategic flexibility	2.24	0.93	0.89	2.22	1.01	0.93	-0.11	0.10	0.70 **	—	0.37 **
5.Innovative behavior	3.19	0.91	0.91	2.87	0.98	0.93	-0.12	-0.06	0.38 **	0.34 **	—

Notes. Correlation coefficients for employees at Asian firms in Japan are below the diagonal, and correlations for employees at Japanese domestic firms appear above the diagonal.

Gender (0 = male, 1 = female).

Tenure (1 = Less than 5 years, 2 = 5 to 9 years, 3 = 10 to 19 years, 4 = 20 to 29 years, 5 = More than 30 years)

N = 83 for employees at Asian firms, N = 193 for employees at Japanese domestic firms

* $p < 0.05$. ** $p < 0.01$

in Japan. Innovative behavior is positively, significantly correlated with strategic flexibility in European, Asian, and domestic firms in Japan. However, US firms showed a positive but non-significant relationship between the two variables.

Comparisons among the means of affective organizational commitment did not reveal any significant differences across the four types of firms ($F = 2.17, df = 3, 503; ns$). However, there were significant differences on strategic flexibility ($F = 13.30, df = 3, 503, p < 0.01$) and innovative behavior ($F = 8.10, df = 3, 503, p < 0.01$).

The means of strategic flexibility in US firms ($M = 2.88, SD = 1.01$) and European firms ($M = 2.61, SD = 0.91$) were significantly higher than in Asians firms ($M = 2.24, SD = 0.93$) and Japanese domestic firms ($M = 2.22, SD = 1.01$). And, innovative behavior was higher in US firms ($M = 3.33, SD = 0.91$) and European firms ($M = 3.32, SD = 0.93$) than in Japanese domestic firms ($M = 2.87, SD = 0.98$).

Hypothesis 2 predicted the mediating effects of organizational commitment on strategic flexibility and innovative behavior. We adopted Baron and Kenny's (1986) mediated regression approach to perform mediation analyses testing. First, mediator is regressed on the independent variable (strategic flexibility); second, the dependent variable (innovative behavior) is regressed on the independent variable (strategic flexibility); third, the dependent variable (innovative behavior) is simultaneously regressed on independent and mediating variable (organizational commitment and strategic flexibility). According to Baron and Kenny, mediation effects are present if the following criteria are met.

First, the independent variable must affect the mediator in the first equation. Second, the independent variable must be shown to affect the dependent variable in the second equation. Third, mediator must affect the dependent variable in the third equation. Finally, the effect of the independent variable on the dependent variable must be less in the third equation than in the second equation. Perfect mediation holds if the independent variable has no effect when the mediator is controlled and, partial mediation is supported if the independent variables' effect is smaller but still significant when the mediator is controlled.

The results of hierarchical regression are summarized in Table 3. First, in the case of European firms in Japan, we introduced the independent variable (strategic flexibility) and mediating variable (affective organizational commitment) after controlling for gender and tenure. Column 1 indicated that strategic flexibility significantly contributed to innovative behavior beyond the effects of control variables: ($\Delta R^2 = 0.06, p < 0.01$), thereby meeting Baron and Kenny's (1986) second criteria. Next, we entered strategic flexibility on affective organizational commitment. Column 2 showed the significant contribution of strategic flexibility on affective organizational commitment ($\Delta R^2 = 0.31, p < .01$). Thus, the first criterion was achieved. Then, the control and affective organizational commitment were entered into the equation as shown in column 3. Affective organizational commitment significantly affected innovative behavior ($\Delta R^2 = 0.06, p < 0.01$), meeting the third

criterion. To examine the fourth criterion, we entered the control, affective organizational commitment, and strategic flexibility into the equation to predict innovative behavior as shown in the fourth column. The regression coefficient for strategic flexibility for innovative behavior was significant. However, the size of regression coefficients decreased from the condition where affective organizational commitment was excluded in column 1 ($\beta = 0.26, P < 0.01$ became 0.21, *ns.*), indicating full mediation. The Sobel test for the significance of these indirect paths was then conducted to determine the mediating effects of organizational commitment. We obtained a *z* score of 2.55, $p < 0.05$ for innovative behavior. Together, these results support Hypothesis 2 for (a) European firms in Japan.

Table 4 Summary of regression analysis results

		European firms				US firms			
		Innovative behavior	Affective organizational commitment	Innovative behavior	Innovative behavior	Innovative behavior	Affective organizational commitment	Innovative behavior	Innovative behavior
Step 1	Sex	0.04	-0.18*	-0.06	0.05	-0.13	0.06	-0.18*	-0.15**
	Tenure	0.21**	-0.09	0.24*	0.22*	0.02	-0.02	0.04	0.02
	R^2	0.06*	0.03	0.06	0.06*	0.02	0.06*	0.02	0.02
Step 2	Affective organizational commitment			0.25**	0.08			0.44**	0.25*
	ΔR^2			0.06*	0.04*			0.19*	0.06**
Step 3	Strategic Flexibility	0.26**	0.56**		0.21	0.18	0.64**		0.01
	ΔR^2	0.06**	0.31**		0.03	0.03	0.36**		0.00
	Overall adjusted R^2	0.10	0.32	0.10	0.10	0.02	0.40	0.18	0.05
	Overall model <i>F</i>	5.32**	19.01**	5.10**	4.10**	1.74	27.03**	9.50**	2.45*
		Asian firms				Japanese domestic firms			
		Innovative behavior	Affective organizational commitment	Innovative behavior	Innovative behavior	Innovative behavior	Affective organizational commitment	Innovative behavior	Innovative behavior
Step 1	Sex	-0.09	-0.02	-0.14	-0.09	-0.15**	-0.07	-0.18**	-0.13**
	Tenure	-0.10	-0.03	-0.08	-0.09	0.10	0.02	0.13	0.10
	R^2	0.02	0.01	0.02	0.02	0.06**	0.03	0.06	0.06**
Step 2	Affective organizational commitment			0.35**	0.29*			0.34**	0.20*
	ΔR^2			0.12**	0.15**			0.11**	0.12**
Step 3	Strategic Flexibility	0.34**	0.70**		0.13	0.35**	0.69**		0.21*
	ΔR^2	0.11**	0.48**		0.00	0.12**	0.48**		0.02*
	Overall adjusted R^2	0.10	0.47	0.11	0.13	0.16	0.50	0.16	0.18
	Overall model <i>F</i>	3.92*	25.14**	4.23**	4.70**	13.50**	64.25**	12.73**	11.42**

* $p < 0.05$. ** $p < 0.01$

The same procedures were applied to the samples from US, Asian and domestic firms in

Japan. The results indicated that for US firms, strategic flexibility did not contribute to innovative behavior ($\Delta R^2 = 0.03$, *ns.*), indicating that Baron and Kenny's (1986) second criterion was not met. Therefore, Hypothesis 2 was rejected for (b) US firms in Japan.

For Asian firms in Japan, a significant contribution of strategic flexibility on innovative behavior and affective organizational commitment ($\Delta R^2 = 0.11$, $p < 0.01$ and $\Delta R^2 = 0.48$, $p < 0.01$, respectively) was indicated. Affective organizational commitment significantly affected the innovative behavior ($\Delta R^2 = 0.12$, $P < 0.01$) and the regression coefficient for strategic flexibility for innovative behavior became non-significant when affective organizational commitment was entered in column 4 ($\beta = 0.34$ $P < 0.01$ became 0.13 , *ns.*), thus indicating full mediation. In addition, partial mediation was indicated for domestic firms in Japan as the regression coefficient for strategic flexibility for innovative behavior was significant but its size became smaller when affective organizational commitment was entered in column 4 ($\beta = 0.35$, $P < 0.01$ became 0.21 , $P < 0.01$). Sobel tests for the mediating effects of organizational commitment for Asian and domestic firms in Japan showed $z = 3.08$, $p < 0.01$ and $z = 4.76$, $p < 0.01$ respectively. Therefore, Hypothesis 2 for (c) Asian firms in Japan and (d) domestic firms in Japan were supported.

Hypothesis 1 predicted that strategic flexibility and innovative behavior would be positively related in (a) European, (b) US, (c) Asian, and (d) domestic firms in Japan. In Table 4, after controlling the effects of organizational commitment, strategic flexibility showed a significant relationship with innovative behavior only in domestic Japanese firms ($\beta = 0.21$, $P < 0.05$), whereas such a relationship was not detected among European ($\beta = 0.21$, *ns.*), US ($\beta = 0.01$, *ns.*) and Asian firms ($\beta = 0.13$, *ns.*). Therefore, Hypothesis 1 was supported only for (d) domestic firms in Japan but not supported for (a) European, (b), US and (c) Asian firms in Japan. In sum, strategic flexibility directly explained innovative behavior only in Japanese domestic firms whereas strategic flexibility did not directly contributed in foreign-owned firms.

It also should be noted that affective organizational commitment contributed to innovative behavior more in Asian and domestic firms than in European and Japanese firms. In column 4 of Table 4, affective organizational commitment accounted for the innovative behavior's variance of 15% in Asian firms and 12% in domestic firms, compared with 4% in European and 6% in US firms.

5. DISCUSSION

In this paper, we analyzed the relationships between the firm's strategic flexibility, employees' organizational commitment, and innovative behavior. We focused four types of firms operating in Japan; Japanese firms, European firms, American firms, and Asian firms. Contrary to our expectation, our results showed that strategic flexibility directly predicted innovative behavior only in domestic

firms in Japan but not in any foreign firms in Japan. We reason that strategic flexibility per se might bring changes that induce an employee resistance to change (King & Anderson, 1995; Kotter, 1995). Then, Shimizu & Hitt (2004) have cautioned that new initiatives brought by strategic flexibility encounter various types of resistance and challenges in their implementation. Yet, we suspect that employees in Japanese domestic firms tend to accept organizational changes more easily than those who work for foreign firms partially because of the Japanese homogeneity and employer-employee relationship. Strebel (1996), citing Japanese case of structural organizational change, has suggested that employees and organizations are linked by reciprocal obligations and mutual commitments, and this link becomes strong under homogeneous culture. We also add that employment in Japanese domestic firms is generally based on long term contract whereas foreign subsidiaries use short term contract (Ono, 2007). Therefore, in more heterogeneous culture or under the short term contact between employer and employees, employees' perception that his/her organization is flexibly changing does not necessarily result in employees' proactive engagement in innovative behavior but resistance to or fear of change. The degree to which firms' strategic flexibility directly impact on employees' innovative behavior may, thus vary dependent on the culture of the firms.

We found positive relationships between strategic flexibility and organizational commitment, as has been shown in the existing researches of other change-oriented behaviors (Rank, Carsten, Unger, & Spector, 2007; personal initiative; Den Hartog and Belschak, 2007; Takaishi & Furukawa, 1986). This relationship was consistent across all of four types of the firms. Then, our study showed the important role of affective organizational commitment on innovative behavior as a universal mechanism. We also found that, especially in Asian and domestic firms in Japan, affective organizational commitment explained relatively large portion of variance on innovative behavior although there was no significant difference on the means of affective organizational commitment per se among four types of firms.

One of our major interests was the mediating effect of organizational commitment on strategic flexibility and the innovative behavior of employees. Results indicated that the mediating effects were evident in all cases, except for American firms. Thus, we first examine the characteristics of American firms and attempt to explain the abovementioned results. To this end, we compare American and European firms in Japan.

In the current study, American firms displayed a distinctive pattern. No other effect was detected as being significant except the direct effect of organizational commitment on innovative behavior. We may be able to attribute this distinction to differences in organizational structures, more specifically, centralized structures in American firms and decentralized structures in European firms. We also see the differences in human resources management styles between American and European global firms.

According to Bartlett & Ghoshal (1989), the structure of European firms is more decentralized than American firms. Headquarters tend to delegate authority to make higher-level decisions to

subsidiaries, and make overseas subsidiaries responsible for business in their local markets. European subsidiaries are known to be autonomous. Thus, especially when the domestic market is small, overseas assignment is both demanding and important for career development. In turn, this leads to the situation where expatriates of European firms remain overseas subsidiaries for a longer period of time of American firms.

Presumably, an employee working for the Japanese subsidiary of an European firm realizes that the strategic flexibility demonstrated by this firm is based on the delegation of power to the Japanese subsidiary, and is not merely being pushed by headquarters. Thus, an employee would feel sympathy towards expatriates and trust their decisions, resulting in a higher probability of organizational commitment and initiating innovative behavior. Moreover, result indicated that organizational commitment facilitates the innovative behavior.

In contrast, Bartlett & Ghoshal (1989) note that the structure of American firms is usually more centralized than European firms. Overseas subsidiaries are established as miniature replicas of the headquarters, indicating that the overseas operations are managed in as similar way as possible to those in the home country (Jarillo & Martinez, 1990). By this expatriates assigned to, for instance, a Japanese subsidiary, can quickly adapt to routines, since these are similar to those in other subsidiaries or headquarters. Expatriates tend to stay in Japan for three to five years, a considerably shorter period of time than European expatriates. They are evaluated on the basis of short-term performance. Regardless of the strategies set forth by management, Japanese employees feel that their foreign bosses are only interested in short-term performance and will be transferring to other locations in a few years, they may stay somewhat aloof and neither feel commitment toward their employers nor initiate any type of innovative behavior immediately.

However, as mentioned earlier, the level of organizational commitment is the highest in American firms. Consequently, this high level of organizational commitment induces innovative behavior. According to the HRM practiced in American firms, employees are evaluated on the basis of performance. It is likely that those with low evaluation scores leave the current employer. Consequently, the employee who continues to work for the same employer is most likely one who has achieved satisfactory evaluations. We assume that this is the reason employees of American subsidiaries obtain the highest score with regard to the level of organizational commitment. We also assume that employees who feel strong organizational commitment are those whose performance has been highly evaluated by the highly by the employer. This evaluation may have included previous innovative behaviors, thus the employee may aggressively initiate these innovative behaviors again.

Implications for Practices

Our results have important managerial implications. First, management should recognize the importance of employees' affective organizational commitment to enhance their proactive innovative

behavior. We have shown that affective organizational commitment universally contributes to explaining innovative behavior among all foreign subsidiaries and domestic firms in Japan. Certainly, management should encourage employees' identification with their organizations. Next, management should also acknowledge that all employees, including frontline employees should share firms' strategic flexibility. As we have seen, strategic flexibility enhances employees' proactive innovative behavior indirectly through organizational commitment among European and Asian subsidiaries. In the case of Japanese domestic firms, strategic flexibility also directly enhances innovative behavior.

Finally, to activate firms' innovation, management should implement an innovation policy that recommends, evaluates, and rewards employees' innovative behaviors. This will create, more strategic and specific approaches to promote innovation in firms.

Limitations and Directions for Future Research

We recognize three limitations of our study. First, as noted before, data were single-source and self-reported, which may cause common method bias. Separate assessment of independent and dependent variables is needed clearly. Second, because cause and effect relationships are not technically justified in this study, it may be necessary to examine alternative explanations. There is also a need for longitudinal or experimental research. Third, we collected the data through a web survey. Although we carefully prepared for data collection and rigorously analyzed it, and every measure indicated satisfactory reliability, re-examination in a real organizational setting with deliberate sampling is desirable.

Despite these limitations, our study is the first to examine the process of the effects of strategic flexibility on innovative behavior among foreign subsidiaries in Japan. We suggest that, other possible organizational and personal characteristics be explored to enhance innovative behaviors.

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