

Strategic Flexibility, Organizational Commitment, and Innovative Behavior among Foreign Subsidiaries and Domestic Japanese Firms

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Abstract: This study clarifies how firms' strategic flexibilities affect employees' innovative behaviors. An employee's innovative behavior is hypothesized to be directly influenced by a perceived strategic flexibility and through the mediating effects of organizational commitment in foreign subsidiaries and domestic Japanese firms. This study sampled Japanese employees working for the subsidiaries of European, US, and Asian subsidiaries and domestic Japanese firms. Data were collected via a web survey from the monitor members of a marketing firm. The results show that strategic flexibility directly affects the innovative behavior only among employees of domestic Japanese firms. Perceived strategic flexibility affects the innovative behavior via organizational commitment among employees of European and Asian subsidiaries and domestic Japanese firms. No relationship between the strategic flexibility and the employees' innovative behaviors is evident at US subsidiaries. This study highlights how strategic flexibility and organizational commitment enhance an employee's innovative behavior. The findings suggest that companies should encourage employees to identify with their organizations and implement policies that recommends, evaluates, and rewards employees' innovative behaviors. This study advances the theoretical development of strategic flexibility, thereby clarifying how it affects innovative behavior through organizational commitment at the diverse types of firms in Japan.

Key words: strategic flexibility; innovative behavior; organizational commitment; Japan; foreign subsidiaries; mediation analysis

JEL codes: M12, M16

1. Introduction

Strategic flexibility — a firm's ability to reallocate resources quickly and smoothly in response to change (Buckley & Casson, 1998) — has attracted scholarly attention as a factor affecting a firm's innovation (Bock, Opsahl, George, & Gann, 2012; Hitt, Keats & DeMarie, 1998; Johnson, Lee, Saini, & Grohmann, 2003). However, empirical evidence demonstrating how it affects a firm's performance is sparse and inconsistent (Herhausen, Morgan & Volverda, 2014), and the process of how strategic flexibility generates employee innovation has been

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incompletely researched.

This study investigates how Japanese employees' awareness of their firms' strategic flexibility affects their innovative behavior. In this study, the effects of organizational commitment as a mediator between strategic flexibility and innovative behavior are theorized about and tested. In addition, the attitudes and behaviors of Japanese employees working for domestic Japanese firms and European, US, and Asian subsidiaries in Japan are surveyed. The result is that strategic flexibility and organizational commitment exert differing effects on innovative behavior at domestic firms and among European, US, and Asian subsidiaries.

1.1 Theory and Hypotheses

1.1.1 Employees' Innovative Behaviors and Strategic Flexibilities

Firms' Innovation often stems from innovative behaviors by individual employees (George & Zhou, 2001) and arises from interaction between the employees' personal and contextual factors (Amabile, 1996; Madjar, Oldham, & Pratt, 2002; Oldham & Cummings, 1996; Zhou & George, 2001). Yuan & Woodman (2010) define innovative behavior as employees' intentional introduction or application of new ideas, products, processes, and procedures to their work role, work unit, or organization. Scott and Bruce (1994) view innovative behavior as a sequence of individual behaviors to recognize problems, generate ideas, seek sponsorship for them, and produce a prototype of the innovative behavior influence (Janssen & Van Yperen, 2004), leadership (Pieterse, van Knippenberg, Schippers, & Stam, 2010), job characteristics (Oldham & Cummings, 1996), coworker cooperation (Zhou & George, 2001), and expected positive Performance Outcomes and expected image risks (Yuan & Woodman, 2010).

Strategic flexibility is the firm's ability to develop and/or maintain a competitive advantage by protecting against or responding to competitive conditions (Evans, 1991; Hitt et al., 1998; Hitt, Hoskisson, & Harrison, 1991). Hitt et al. (1998) argues that strategic flexibility is significant for firms seeking operational effectiveness in a landscape driven by technological revolution and globalization. Employees' perceptions of their firms' strategic flexibility boosts firm performance by enhancing creativity, innovation, and competitive capability (Hitt et al., 1998; Johnson et al., 2003; Nadkarni & Herrmann, 2010). However, Herhausen et al. (2014) suggests that strategic flexibility exerts inconsistent effects on firm performance. Furthermore, a theoretical elaboration is needed.

This study proposes that the employees' perception of their firm's strategic flexibility encourages innovative behavior and thereby firm performance. Perceived strategic flexibility, not strategic flexibility per se, redirects employees toward change. Indeed, employees would not adopt innovative behaviors unless they were convinced of their firm's strategic flexibility. Thus, the degree to which employees perceive their firm's strategic flexibility directly affects their innovative behavior is predictable.

1.2 Organizational Commitment as a Mediator

This study also contends that employees' perception of their firm's strategic flexibility affects innovative behavior indirectly through the mediating variable of organizational commitment. Organizational commitment is a psychological state that binds employees to an organization (Allen & Meyer, 1990) and promotes discretionary and change-oriented extra-role behaviors (Dalal, 2005; Den, Hartog, & Belschak, 2007; LePine, Erez, Amir, & Johnson, 2002; Organ & Ryan, 1995; Rank, Carsten, Unger, & Spector, 2007; Takaishi & Furukawa, 2011). That is, strategic flexibility enhances employees' commitment to their firms because they believe that their firms can advance by responding to change.

Extensive meta-analyses (Dalal, 2005; LePine et al., 2002; Organ & Ryan, 1995) identify organizational commitment as an antecedent of behavior that promotes effective organizational functioning (Organ, 1997). Employees' commitment to their organizations is a predictor of proactive customer service (Rank et al., 2007), prosocial behavior (O'Reilly & Chatman, 1986), personal initiative (Den et al., 2007), and innovation-promotive Behavior (Takaishi & Furukawa, 2011), voice (Farndale, Van Ruiten, Kelliher, & Hope Hailey, 2011). However, Iverson (1996) and Yousef (2000) indicate that organizational commitment mediates organizational change. The literature suggests that employees' organizational commitment can precede, mediate, and determine innovative behavior.

1.3 Foreign Subsidiaries and Domestic Japanese Firms

This study explores how Japanese employees' perceptions of their firm's strategic flexibility affect organizational commitment and innovative behavior. Foreign subsidiaries and domestic Japanese firms are examined because they have different practices, operations, and issues.

Japanese and Western human resource management (HRM) practices coexist in Japan (Hasegawa, Takaishi, & Hasegawa, 2013; Ono, 2007; Pudelko & Harzing, 2008), and corporate cultures differ considerably between Japanese and Western firms (Abegglen, 1958; Ouchi, 1981; Pudelko & Harzing, 2007). Foreign subsidiaries in Japan hire employees with different characteristics than those hired by the Japanese domestic firms in terms of job experiences, skills, and attitudes of the employed individual (Aoki, 1988; Koike, 1999; Ono, 1989). Japanese corporate culture emphasizes lifetime employment, seniority, and homogeneity in a group-oriented and effort-driven environment (Ono, 2007), whereas foreign subsidiaries in Japan are characterized as individualistic, performance-driven, and uncommitted to employment security.

Thus, this study posits that strategic flexibility affects innovative behavior more strongly at domestic Japanese firms than at foreign subsidiaries. As Strebel (1996) notes, employees and organizations are linked by reciprocal obligations and mutual commitments that are stronger under homogeneous than those in heterogeneous cultures. Also, domestic Japanese firms generally prefer long-term contracts between the employer and the employees, whereas foreign subsidiaries use short-term contracts (Ono, 2007; Kato, 2001). Then, we argue that employees' perceptions that their organization is flexibly changing does not necessarily engender innovative behavior under short-term contacts favored by foreign subsidiaries since short-term contracts may not encourage a sense of obligation and mutual commitment. Moreover, foreign subsidiaries face agency problems (Eisenhardt, 1989; Nilakant & Rao, 1994; Ross, 1973; Roth & O'Donnell, 1996). The divergent objectives between a foreign subsidiary and its headquarters lead to an inefficient strategy (Cuervo-Cazurra & Dau, 2009). It is considered that a firm's strategic flexibility may not enhance employees' organizational commitment and innovative behavior in foreign subsidiaries with agency problems than in domestic Japanese firms.

Findings from these literatures lead us to speculate that cultural heterogeneity, short-term contracts and agency problems hinder organizational commitment and innovative behavior among the employees of foreign subsidiaries. We posit that although employees' organizational commitment affects innovative behavior irrespective of whether they are Japanese or foreign subsidiaries, we argue that the degree of perceived strategic flexibility affects innovative behavior is stronger in domestic firms than in foreign firms because strategic flexibility directly as well as indirectly through organizational commitment affects innovative behavior while such effect is smaller in foreign subsidiaries.

Of the 2014 (48th) Outline of Survey of Trends in Business Activities of Foreign Affiliates of Ministry of Economy, Trade, and Industry (METI), 3,151 foreign subsidiaries in Japan, 44.4% are European, 26.8% US, 22.2%

Asian, and 6.6% other nationalities (METI, 2015). Based on the data collected from Japanese employees working for US, European, and Asian subsidiaries and for domestic Japanese firms, the following was hypothesized:

Hypothesis 1: Organizational commitment affects innovative behaviors at foreign subsidiaries of European, US, and Asian firms and at domestic Japanese firms.

Hypothesis 2: Organizational commitment mediates strategic flexibility and innovative behaviors at foreign subsidiaries of foreign subsidiaries and domestic Japanese firms.

Hypothesis 3: Perceptions of strategic flexibility generate more innovative behavior among the employees of domestic Japanese firms than those of foreign subsidiaries.

Although we do not set particular hypothesis regarding the similarities and differences of employees working for European, US and Asian subsidiaries, we will explore the varying size and processes of mediating effects of organization commitment between strategic flexibility and innovative behavior among these regions.

Based on the model in Figure 1, this research clarifies the mechanisms of how employees' innovative behaviors are influenced by firms' strategic flexibility and employees' organizational commitment in foreign subsidiaries and domestic Japanese firms.



Figure 1 Study Model

2. Methods

2.1 Sample

This study sent a web questionnaire randomly to 3,273 Japanese employees at subsidiaries of European, US, and Asian companies, and 4,288 Japanese employees at Japanese firms. Data are registered in the database of a marketing firm with 10,000 monitored members.

193 usable responses from employees of Japanese firms and 341 from employees of foreign subsidiaries were received (i.e., 4.5% and 10.4% response rates, respectively). Among foreign subsidiaries' employees, 115 worked for European firms (33.1%), 116 for US firms (34.0%), and 83 for Asian firms (24.3%). European firms were primarily German, French, British, and Swiss. Asian firms were mainly from China, Korea, Taiwan, and Singapore. Average age was 44.0 years for the employees of European firms, 44.6 for US firms, 44.7 for Asian firms, and 40.4 for Japanese firms. Respondents were paid in Internet service points. Male-female ratios by firm category appear in Table 1.

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	Table 1 Ratio of Gender on Sample											
	European		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 1	Ratio	٥f	Gender	on	Sample
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Table 2 shows the ratio of tenure (number of years on the job) by the category of firm.

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	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%	118	34.1%
5 to 9 years	48	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%
20to 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	115%	116	100.0%	83	100.0%	193	100.0%	534	100.0%

Table 2 Ratio of Tenure on Sample

2.2 Measures

This study uses a multi-item scale as shown in the Appendix. Ratings were made on five-point Likert-type scales. Items relevant to each construct were averaged to create measures for variables. All instructions and items were in Japanese, which were translated and back-translated by bilingual professionals.

Innovative behavior. This variable was measured on Scott and Bruce's (1994) six-item innovative behavior scale. One item ("investigate and secures funds needed to implement new ideas") was dropped from the list and combined the remaining five to create an overall scale of innovative behavior. Examples of items are "I search out new technologies, processes, services and/or product ideas", and "I generate creative ideas". Internal consistency (Cronbach α) ranged from 0.91 to 0.98.

Strategic flexibility. Grewal and Tansuhaj's (2001) five-item scale was adapted as confirmed by Nadkarni and Herrmann (2010). Examples include "This firm frequently changes the strategies and structures to derive benefits from environmental changes" and "The strategy of this firm reflects a high level of flexibility in managing political, economic, and financial risks." Internal consistency ranged from 0.89 to 0.93.

Organizational commitment. This variable was measured with three items. We adapted one item from Allen and Meyer's (1990) affective commitment scale: i.e., "I feel what is happening in this company as if it was my own problem." Moreover, we developed two items modifying the negative wording of the original affective commitment scale to something more positive, including "I feel emotionally attached to this company", for which Allen and Meyer's (1990) original item was "I do not feel emotionally attached to this company". The internal consistency ranged from 0.79 to 0.86.

3. Results

Means, standard deviations, reliabilities, and correlations among variables appear in Tables 3(a) and (b). Relationships between innovative behavior and affective organizational commitment are consistently positive and significant for all foreign subsidiaries and domestic Japanese firms. Innovative behavior correlates positively and

significantly with strategic flexibility for European, Asian, and domestic Japanese firms. The relationships between the two variables were positive but non-significant for US firms.

The arithmetic means of affective organizational commitment reveal no significant differences among the four types of firms (F = 2.17, df = 3, 503; ns). However, significant differences exist for strategic flexibility (F = 13.30, df = 3, 503, p < 0.01) and innovative behavior (F = 8.10, df = 3, 503, p < 0.01).

The arithmetic means of strategic flexibility for US subsidiaries (M = 2.88, SD = 1.01) and European subsidiaries (M = 2.61, SD = 0.91) were significantly higher than those for Asian subsidiaries (M = 2.24, SD = 0.93) and domestic Japanese firms (M = 2.22, SD = 1.01). Innovative behavior was higher for US firms (M = 3.33, SD = 0.91) and European firms (M = 3.32, SD = 0.93) than for domestic Japanese firms (M = 2.87, SD = 0.98).

Table 3(a) Descriptive Statistics, Alpha Coefficients, and Correlations in Us and European Subsidiaries in Japan

	European firms			US firms							
	М	SD	α	M	SD	α	1	2	3	4	5
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 organization 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**	-

Note: 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 Subsidiaries
	and Domestic Japanese Firms Domestic

	Asian firms			Japanese domestic firms			5				
	М	SD	α	M	SD	α	1	2	3	4	5
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 organization 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

Hypothesis 2 predicted that organizational commitment mediated between strategic flexibility and innovative behavior. Baron and Kenny's (1986) mediated regression approach was adapted to perform mediation analyses. The mediator was regressed on the independent variable (strategic flexibility); and the dependent variable (innovative behavior) on the independent variable (strategic flexibility). Then, the dependent variable was simultaneously regressed (innovative behavior) on the independent and mediating variables (organizational commitment and strategic flexibility).

As per Baron and Kenny, mediation is present if four criteria are met. First, the independent variable must affect the mediator in the first equation. Second, the independent variable must affect the dependent variable in the second equation. Third, the mediator must affect the dependent variable in the third equation. Fourth, 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 effect of independent variables is smaller but still significant when the mediator is controlled.

			European su	bsidiary		US subsidiary				
		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 F	5.32**	19.01**	5.10**	4.10**	1.74	27.03**	9.50**	2.45*	
			Asian subs	sidiary			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 F	3.92*	25.14**	4.23**	4.70**	13.50**	64.25**	12.73**	11.42**	

Table 4 Summary of Regression Analysis Results

Note: * *p* < 0.05, ** *p* < 0.01.

Table 3 summarizes the results of hierarchical regression. First, for European subsidiaries in Japan, the independent (strategic flexibility) and mediating variables (affective organizational commitment) were introduced after controlling for gender and tenure. Column 1 indicates that strategic flexibility contributed significantly 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 criterion.

Next, strategic flexibility were entered on affective organizational commitment. Column 2 shows that strategic flexibility contributes significantly to affective organizational commitment ($\Delta R^2 = 0.31, p < .01$). Thus, the first criterion is met.

Then, the control and affective organizational commitment variables were entered into the equation (column 3). Affective organizational commitment significantly affected innovative behavior ($\Delta R^2 = 0.06$, p < 0.01), thereby meeting the third criterion.

To examine the fourth criterion, the control, affective organizational commitment, and strategic flexibility variables were entered into the equation to predict innovative behavior (column 4). The regression coefficient for strategic flexibility on innovative behavior was significant, but it decreases from the condition where affective organizational commitment is excluded in column 1 ($\beta = 0.26$, P < 0.01 became 0.21, *ns.*), Full mediation is indicated. The Sobel test for the significance of these indirect paths was then conducted to determine the mediating effects of organizational commitment. A *z* score of 2.55, *p* < 0.05 was obtained for innovative behavior. Together, these results support Hypothesis 2 for European subsidiaries in Japan.

The same procedures were applied to the samples from US and Asian subsidiaries and domestic Japanese firms. Among US subsidiaries, strategic flexibility did not contribute to innovative behavior ($\Delta R^2 = 0.03$, *ns.*), indicating Baron and Kenny's (1986) second criterion is not met. Hypothesis 2 is not supported for US firms in Japan.

Strategic flexibility contributes significantly to innovative behavior ($\Delta R^2 = 0.11$, p < 0.01) and affective organizational commitment ($\Delta R^2 = 0.48$, p < 0.01) at Asian subsidiaries in Japan. Affective organizational commitment also significantly affects innovative behavior ($\Delta R^2 = 0.12$, P < 0.01). The regression coefficient for strategic flexibility for innovative behavior becomes non-significant when affective organizational commitment is entered in column 4 ($\beta = 0.34 P < 0.01$ became 0.13, *ns.*). Full mediation is indicated. Partial mediation was indicated for domestic Japanese firms. The regression coefficient for strategic flexibility for innovative behavior strategic organizational commitment is 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 subsidiaries and domestic Japanese firms show z = 3.08, p < 0.01 and z = 4.76, p < 0.01, respectively. Hypothesis 2 is supported for Asian subsidiaries in Japan and domestic Japanese firms.

Hypothesis 1 predicted that organizational commitment affects innovative behaviors at foreign subsidiaries of European, US, Asian, and domestic Japanese firms. Column 3 of Table 4 shows all positive and significant relationships between affective organizational commitment and innovative behavior after controlling sex and tenure in columns for each region (European subsidiaries: $\beta = 0.25$, P < 0.05; US subsidiaries: $\beta = 0.44$, P < 0.05; Asian subsidiaries: $\beta = 0.35$, P < 0.05; domestic Japanese firms: $\beta = 0.34$, P < 0.05). Hence, Hypothesis 1 is fully supported. The effect of organizational commitment on innovative behavior is universal, irrespective of the firm's nationality.

Hypothesis 3 speculated that strategic flexibility exerts a greater direct effect on innovative behavior at domestic Japanese firms than at foreign subsidiaries. Column 4 of Table 4 confirms the hypothesis. After controlling for the effects of demographic and organizational commitments at domestic Japanese firms, $\Delta R^2 = 0.02$, P < 0.05. No such relationship appears among European ($\Delta R^2 = 0.03$, *ns*), US ($\Delta R^2 = 0.00$, *ns*.), and Asian subsidiaries ($\Delta R^2 = 0.00$, *ns*.). In sum, strategic flexibility directly explains innovative behavior at domestic Japanese firms and does not contribute among foreign subsidiaries.

Organizational commitment contributes to more innovative behavior at non-Japanese Asian subsidiaries and

domestic firms than at European and US firms. In column 4 of Table 4, organizational commitment accounts for 15% of the variance in innovative behavior at Asian subsidiaries and 12% at domestic firms versus 4% at European and 6% at US subsidiaries.

4. Discussion

In this paper, we analyzed the relationships among perceived strategic flexibility, employees' organizational commitment, and innovative behavior. We covered and compared the attitudes and behavior of employees working for four types of firms operating in Japan; European, US and Asian subsidiaries in addition to domestic firms. In this section, we discuss direct influence of strategic flexibility and importance role of organizational commitment on innovative behavior on these four types of firms.

The findings amplify the literature in several ways. First, they clarify how strategic flexibility affects innovative behavior as an important contributor to firms' growth. Second, this research considers Japanese employees at domestic firms and foreign subsidiaries, painting a more complete picture of Japanese employees' innovative behavior. Third, the theoretical and practical implications of attitudinal and behavioral differences and similarities among US, European, and Asian subsidiaries and domestic Japanese firms were discussed.

First, strategic flexibility were hypothesized and confirmed to exert greater effects on innovative behavior at domestic Japanese firms than at foreign subsidiaries. However, it was unexpected that it would exert no effect at all among foreign subsidiaries. Like earlier studies, this is attributed to finding divergences in culture, contract relationships, and agency problems at Japanese versus foreign subsidiaries. Differences in employees' psychological resistance to change might also explain this finding (King & Anderson, 1995; Kotter, 1995; Shimizu & Hitt, 2004). King and Anderson (1995) and Kotter (1995) suggested that strategic flexibility per se might bring changes that induce an employee resistance to change. 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.

However, the variance in innovative behavior explained by strategic flexibility at domestic Japanese firms, though statistically significant, was small ($\Delta R^2 = 0.02$, P < 0.05). Therefore, caution should be observed about — but not dismiss — the direct effects of strategic flexibility.

Second, strategic flexibility apparently influences innovative behavior through the mediator of organizational commitment in all cases except US subsidiaries. We also found positive relationships between organizational commitment and innovative behavior, as has been shown in the existing researches of other change-oriented behaviors (Rank et al., 2007; Den Hartog & Belschak, 2007; Takaishi & Furukawa, 2011). This relationship was consistent across all of four types of the firms. Then, our study showed the important role of organizational commitment on innovative behavior as a universal mechanism. At Asian subsidiaries and domestic Japanese firms, organizational commitment explains much of the variance in innovative behavior, although the arithmetic means of organizational commitment per se show no significant difference among firm types.

Third, US subsidiaries were the exceptions to findings that proved nearly universal: the only significant effect detected was that of organizational commitment on innovative behavior. Although the US and Europe are Western cultures, the effects of other variables pertained only for European subsidiaries. This distinction is

attributed to centralized managerial structures at US firms versus decentralized structures at European firms, as indicated in the agency theory of Bartlett and Ghoshal (1989). European firms tend to delegate authority for higher-level decisions to subsidiaries and make overseas subsidiaries responsible for their local markets. Presumably, European employees assigned to Japanese subsidiaries realize that strategic flexibility does not depend on decisions by a distant headquarters. That realization strengthens their tie between firms' strategic flexibility and employees' innovative behavior. In contrast, American firms are usually more centralized (Bartlett & Ghoshal, 1989), and overseas subsidiaries operate miniature replicas of headquarters (Jarillo & Martinez, 1990). Expatriates assigned to a Japanese subsidiary adapt quickly to routines that are parallel to those at home. Thus, although employees working for US subsidiary perceive such headquarters' strategic flexibility strongly, such perception may not elicit their innovative behavior.

Differences in HRM between US and European firms also may be relevant. US expatriates generally remain in Japan for three to five years, a considerably shorter period than European expatriates (Hasegawa, 1997; Yosihara, 1994). Japanese employees, therefore, have longer amount of time to develop ties to European bosses, with resulting effects upon innovative behaviors. Also, US bosses are evaluated by their short-term performance. Japanese employees may feel that US bosses are interested only in short-term performance and soon will depart for other locations. The outcome may be a lessened tie between perceived strategic flexibility and innovative behavior by Japanese employees.

5. Implications for Practice

This study's results have several managerial implications. First, affective organizational commitment has exhibited to universally contribute to innovative behavior among all foreign subsidiaries and domestic Japanese firms. Accordingly, firms should recognize the innovative importance of committed employees and encourage them to identify with their companies.

In addition, this study shows that strategic flexibility elicits innovative behavior indirectly through organizational commitment at European and Asian subsidiaries and directly at domestic Japanese firms. Accordingly, firms should acknowledge that all employees, including frontline employees, contribute to firms' strategic flexibility.

Finally, companies should recommend, evaluate, and reward innovative behaviors. Doing so creates a more concerted promotion of innovation.

6. Limitations and Directions for Future Research

This study has three limitations. As noted, data are single source and self-reported. The data we used was based on the self-report from the same respondents. Subjects provided their own ratings of innovation behavior, perceived strategic flexibility, and affective organizational commitment. Thus, the relationships among the study variables may be inflated via common method variance (Podsakoff & Organ, 1986). Independent assessment of these variables is needed clearly.

Second, the findings do not technically justify declaring cause–effect relationships, and future studies should examine alternative explanations, particularly in longitudinal or experimental research. Third, data was collected through a web survey. Although every measure indicated satisfactory reliability, re-examination in a real

organizational setting with deliberate sampling is desirable.

Notwithstanding its limitations, this study is the first to examine the process of the effects of strategic flexibility on innovative behavior among foreign subsidiaries in Japan. Future research needs to explore other organizational and personal characteristics that might enhance innovative behaviors.

Acknowledgment

This work is a part of the outcome of research supported by Grants-in-Aid for Scientific Research (Project number 23330134 and 26380854).

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Appendix Measurement Scales

Innovative Behavior

(1) I search out new technologies, processes, services and/or product ideas.

(2) I develop adequate new ideas.

(3) I promote new ideas to others.

(4) I am creative

(5) Generates creative ideas.

Strategic Flexibility

(1) In this firm, we regularly share information and costs across business activities.

(2) This firm frequently changes the strategies and structures to derive benefits from environmental changes.

(3) This firm's strategy emphasizes exploiting new opportunities arising from environmental variability.

(4) The strategy of this firm reflects a high level of flexibility in managing political, economic, and financial risks.

(5) This firm's strategy emphasizes versatility and empowerment in allocating human resources.

Organizational Commitment

(1) I feel emotionally attached to this company.

(2) I am proud of being an employee of this company.

(3) I really feel as if this organization's problems are my own.