

INTERNATIONALIZATION OF JAPANESE CORPORATIONS :

Personnel and Human Resource Management Practices of
Japanese Firms in Foreign Countries*

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1. Direct Investment Overseas by Japanese Corporations

There are many signs that the internationalization of Japanese corporation is now taking place at a very accelerated speed. A recent report by MITI (1986) indicated that the amount of direct foreign investment abroad by the Japanese corporations reached 10 billion dollars in 1984, followed by 12.2 billion dollars in 1985, a more than 12 percent increase relative to the preceding year. In terms of the number of foreign corporations that the Japanese companies own in 1985, the report said that approximately 4000 (3969 exactly) Japanese corporations are operating businesses all over the world. However, more than 60 percent are located either in Asian countries (38 percent) or in America (24 percent).

James Abegglen (1985) showed very clearly in his recent book titled *Kaisha* how significant was the Japanese economic development in the world economy after the World War II. For example, he pointed out, (1) in mid 1950's Japan occupied only 2 percent in the value of world production, while America did 35 percent. But in 1980's the Japanese share in the world production reached approximately 10 percent. This figure is equivalent to the production of the UK and West Germany put

together. On the other hand, America dropped to the about 20 percent level in the share of world production during the same time period. (2) In 1980's, out of Fortune 500 companies, one third of them were represented by the giant Japanese corporations. (3) By 1980's Japanese corporations almost dominated world market in VTR, CD (videodiscs), compact camera, quartz wrist watch, sewing machine to name just a few. In addition, Japan is considered as No. 1 in such high technology areas as semi-conductors, OA equipments, computer hardware, industrial robots, optical communication, and fine ceramics. space technology, data communication, and bio-technology (industrial genetics) are the areas in which Japan runs only following after the US. (4) According to the Business Week magazine, in 1983 top 20 Japanese corporations spent 5.1 percent of their sales value for R&D activities, while the American counterparts did 3.7 percent, indicating that the US-Japan gaps in technology and the value of production may become much more narrowed in the near future. Figure 1 illustrates that Japan has registered very high productivity increases since 1960 owing to this accelerated investment. (5) Lastly, in early 1980's the value of American trades involving Asian countries exceeded those involving European countries. This indicated that the current of international trade has shifted from the Atlantic to the Pacific region centered around Japan and Asian NICS. This symbolizes an opening of the Pacific Age.

Abegglen also pointed out that Japanese corpora-

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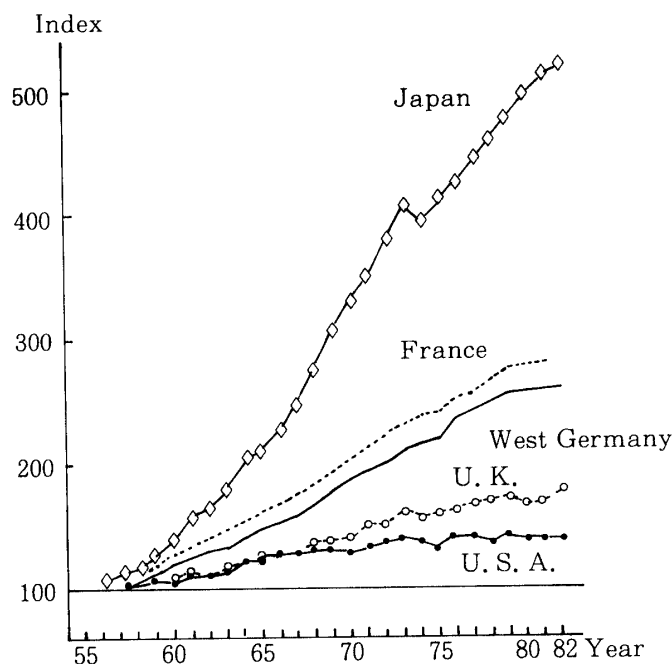


Fig. 1. Changes in the labour productivity of major industrial countries (1955=100)

Source: OECD, *National Accounts and Labour Force Statistics*. Paris: OECD, 1983.

tions are following a very specific set of strategies for globalization. These are (1) preference for increasing market share over a higher profit ratio, (2) rigorous investment in new technology and R&D by accepting a large amount of debt, (3) heavy investment in human resources, and (4) product diversification into high technology areas. He predicted that further internationalization of Japanese corporations will unfold toward the year 2000, as big Japanese companies accumulate knowhow of M&A, global logistics, and international accounting and financing.

Based on the present stage of internationalization of Japanese corporations, the Economic Planning Agency (EPA) of Japan predicted that the internationalization of Japanese corporations would further develop toward the year of 2000. According to the EPA, forces behind the move are (1) the increasing competitive advantages of Japanese corporations in capital supply, production technology and management resources, (2) increasing domestic labor cost which makes foreign production more attractive, (3) concerns for trade frictions due to

the souring trade imbalance (protective measures of the deficit countries), and (4) continuing high value of yen which discourages export and forces Japanese production out to the countries where the market is. Those are the "push" factors. It is expected that the process of internationalization would be further accelerated if factors that "pull" the Japanese corporations would be prepared by the host countries in terms of assistance for land acquisition, tax exemptions, infra structure, relaxation of legal controls and so forth; Most of all, needs for employment and management development in the host countries.

2. Studies on Overseas Japanese Corporations

Since the middle of 1960's, the number of studies on Japanese corporations operating in foreign countries has been increasing. Most of them, however, are case studies; especially successful and popular cases such as Sony America, San Diego; Honda Corporation of America, Ohio; Sanyo Manu-

facturing Corporation, Arkansas; Matsushita America; Kikkoman, Wisconsin; Nissan Mexico; ISHIBRAS (Ishikawajima do Brazil); Thai Daimaru, Bangkok; YKK Europe and so forth. These are descriptive studies focusing upon each company, regarding the process of internationalization, problems and unique episodes encountered, practices of Japanese management techniques, etc. However, it is very difficult to draw any general pictures based on these case studies about what is meant by internationalization of Japanese corporations.

In contrast to these case studies, several survey reports were published after the middle of 1970's. Authors of these reports usually went to subject countries or a region (USA, Thai, South East Asia, Brazil, etc.) to conduct a questionnaire survey based on the Japanese corporations operating in each area. These surveys are designed to explore what overseas Japanese corporations are doing regarding employment, personnel management practices, union-management relations, production oper-

ations, marketing and customer services, etc. It seems that these research interests were derived from the then Japan's concern with trade frictions and "culture conflict" in foreign countries (Thailand and USA, for example), triggered by the flood of merchandise from Japan that filled the foreign markets. Thus, researchers were motivated to identify critical boundary conditions and constraints under which the Japanese corporations could operate efficiently, or at least stay in business, without undue economic and cultural strains in foreign countries. Therefore, most surveys were designed to answer questions concerning which part of so-called Japanese management can be implemented, what modifications if necessary must be made, and which one must be abandoned altogether. Results of the surveys differed from one country to another, and also from the company to the company surveyed. Next, we will review briefly two such reports, one on Asia and the other on American.

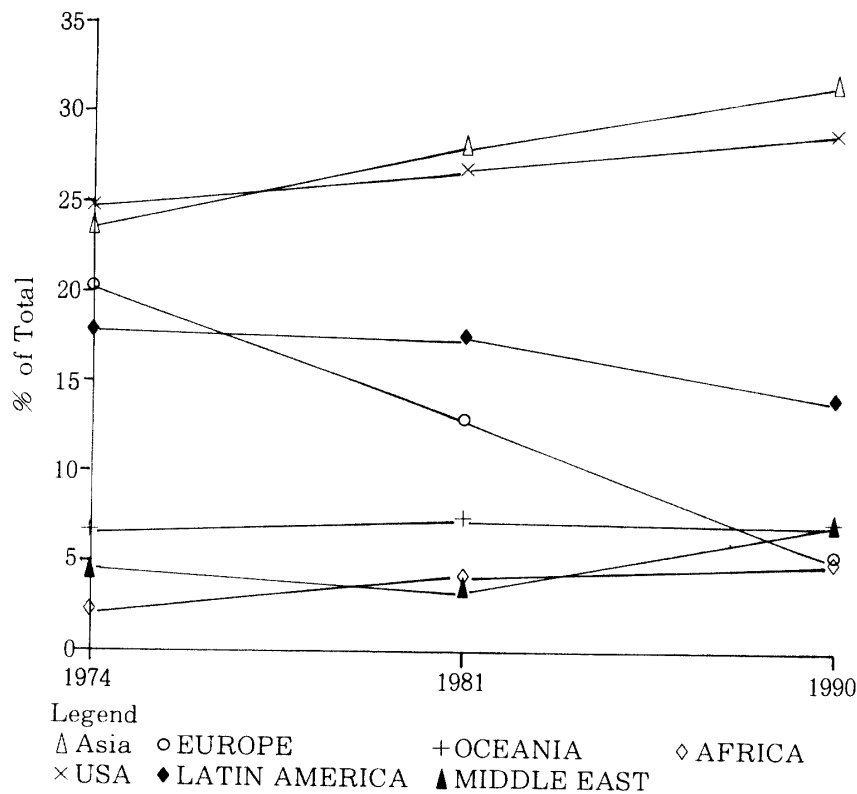


Figure 2. Total cumulative Japanese investment % by region 1974-1990.
Source: Ministry of Finance, Japan, 1974, 1981, JERC Projections for 1990.

1) Japanese Corporations in Asia

Japanese direct investment overseas is heavily oriented toward Asia and America. Out of the total cumulative Japanese investment overseas since 1974, Asia and America occupied one third respectively in 1980, but as Figure 2 illustrates Asian countries are expected to receive more than one third of Japanese investment by the year 1990. Asian countries have been, and will be, the most important target areas for foreign investment by the Japanese corporations.

In 1979, a group of Japanese scholars conducted a survey supported by the national project of Japan called "Culture Conflict in Asia" to explore how Japanese corporations in major Asian countries are doing (Ichimura, 1980). The survey asked the representatives from 276 Japanese corporations operating in Asian countries, regarding a variety of issues ranging from managerial practices to problems of personal and family lives : medical care problems, education of children, security issues, etc. According to the authors of the survey report, most of the Japanese corporations in Asia are the joint venture companies, operating with local partners under a shared ownership. Moreover, results of the survey indicated that about a half of the companies surveyed acquired less than 50 percent of the total stock, and only 10 percent of them were the 100 percent Japanese capital corporations. This situation is quite different from that of the US, where the 100 percent ownership by the Japanese corporations is common rather than an exception. The report discussed therefore rather extensively regarding who are the local partners (Chinese capitalists, government agencies, local manufacturers and dealers, and so forth), and how the relationships are maintained between Japanese managers and local partners in running the joint venture companies. The report indicated that even under the less than 50 percent ownership, Japanese corporations managed to hold the largest share, so that they can control critical management functions (production, technology, finance, and marketing) of the joint venture enterprises.

Since most of the Asian countries (especially the Philippines, Indonesia, and Malaysia) maintain a policy of indigenizing foreign capital, Japanese corporations in these countries must face the diminishing share of stock ownership, decreasing number of Japanese managers and staff members, and thus decreasing overall influence, in addition to the problems of managing good relationship with local partners.

Based on the survey report, what Japanese corporations in Asia are doing can be summarized as follows.

(1) **Lifetime Employment** : According to the report, 42 percent of respondents answered that the idea of lifetime employment must be totally abandoned when dealing with workers in Asian countries, while 30 percent reported the system does not work here. Only 28 percent of Japanese corporations answered that workers in their corporations show loyalty responding to the company's lifetime employment practices. Nonetheless, it was found to the researchers surprise that 41 percent of the companies surveyed reported that majority of their local employees are covered by the lifetime employment (no layoff) program. However, it is also found true that Japanese corporations in Asia keep losing their trained workers (including those who went through the extensive training program in the Japanese main plants), due to the worker's job hopping behavior. The authors of the report pointed out that workers' job hopping behavior can be attributable to the fact that Japanese corporations in Asian are relatively small in size, have only less than 10 years of business experience in host countries, and thus are not considered quite stable and not promising enough to induce lifetime commitment from local workers. The report indicated that many Japanese corporations in Asia are trying very hard to institutionalize a lifetime employment system against apparent short-run losses.

(2) **Administration of Wage and Promotion** : The 29.3 percent of Japanese corporations in Asia reported that they follow local customs and prac-

Table 1 Policies of Promotion Administration adopted by the Japanese Corporations in Asian Countries

Policy	All ASEAN	Indonesia	Malaysia	Singapore	Thailand	Philippines
Same as Japan	9.5	11.1	9.3	6.3	11.7	7.1
Minor change	35.5	47.6	34.9	22.9	45.0	10.7
Big change	16.5	11.1	16.3	25.0	16.7	14.3
Adopt local customs	29.3	17.5	32.6	37.5	20.0	57.1
Neither of them	5.0	9.5	2.3	6.3	1.7	3.6
Flexible	4.1	3.2	4.1	2.1	5.0	7.1

Source : *Japanese Corporations in Asia* (Ichimura, 1980)

tices (namely, the Western job-based wage systems) in determining the wage and promotion. According to Table 1, only 45 percent said the Japanese system (seniority, or years of service) is used as a basis with a slight modification to meet local conditions. But the percentage differed from country to country : in Thailand 57 percent were using Japanese seniority system, in Malaysia 44 percent, in Indonesia 59 percent, in Singapore 30 percent, and the Philippines 18 percent. In other words, commonly used seniority-based wage and promotion systems are not readily accepted among Japanese corporations in Asian countries.

(3) **Ringi System and Communication for Consensus** : The report indicated that the Japanese way of information exchanges for decision making, namely such methods as circulating *ringi* papers, engaging in prior consultation before a formal discussion, and informal communication etc., were widely accepted in Asian countries, although regional differences were found quite large. For example, Japanese managers in Thailand favored these practices the most (76 percent) while the Philippines managers the least (48 percent). It is clear that Japanese management in Asia tries to seek consensus in decision making, rather than to use a hierarchical decision making system and to encourage open discussions at the meeting.

(4) **Training and Development of Employees** : Practices of human resource development in

Japanese corporations primarily consist of hiring fresh graduates from the school, giving extensive training and education, and develop them throughout their organizational careers. According to the report, recruitment practices of Japanese corporations in Asian countries are far from enjoying what they used to do in Japan. For example, Table 2 indicates that hiring through public announcement (through newspapers, advertisement, etc.) and employees' relatives are the two major means of recruitment. But, only less than one third of Japanese corporations in Asia resort to schools for hiring fresh graduates. Naturally, it is expected that the applicants' background and qualifications would show great variations, and thus many potential job hoppers would be recruited as a result. According to the report, one of the common pattern of job hopping in Asia is the movement from the Japanese corporations to the local indigenous companies where the skilled labor force is in great need. That is, the unskilled worker first finds employment in one of the Japanese corporations, gets training for two or three years, and then hops to the local company for the slightly higher wage, where training efforts by the employer literally absent and thus a demand for the skilled workers are very high. However, it was found that Japanese managers do not see the job hopping to be quite detrimental to their human resource development practices. Table 3 indicates that approximately 80

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Table 2 Channels of Recruitment used by Japanese Corporations in Asian Countries

Recruitment channel	Indonesia	Malaysia	Singapore	Thailand	Philippines
Placement office	7 (10.4)	25 (58.1)	13 (24.5)	3 (4.7)	0
School	21 (31.3)	9 (20.9)	11 (20.8)	24 (37.5)	5 (18.5)
Newspaper ad	37 (55.2)	37 (86.0)	48 (90.6)	43 (67.2)	19 (70.4)
Relatives of employee	46 (68.7)	30 (69.8)	30 (56.6)	50 (78.1)	20 (74.1)
Others	12 (17.9)	3 (7.0)	3 (5.7)	6 (9.4)	5 (18.5)

Source : *Japanese Corporations in Asia* (Ichimura, 1980)**Table 3** Impact of Workers Job Hopping upon Japanese Corporations in ASEAN Countries

Impact	Indonesia	Malaysia	Singapore	Thailand	Philippines
1. Badly affected	5 (7.1)	3 (6.8)	7 (12.7)	4 (6.2)	5 (17.2)
2. Affected but not serious	10 (14.3)	11 (25.0)	11 (20.0)	10 (15.4)	10 (34.5)
3. Minor impact	44 (62.9)	25 (56.8)	30 (54.5)	48 (73.8)	12 (41.4)
4. No answer	11 (15.7)	5 (11.4)	7 (12.7)	3 (4.6)	2 (6.9)
計	70 (100)	44 (100)	55 (100)	65 (100)	29 (100)

Source : *Japanese Corporations in Asia* (Ichimura, 1980)**Table 4** Work Habit of Asian Workers Perceived by Japanese Managers in Japanese Corporations in Asian Countries

Work Habit		All ASEAN	Indonesia	Malaysia	Singapore	Thailand	Philippines
Punctuality	A	9.8	4.5	19.0	16.7	6.3	3.7
	B	51.2	49.3	59.5	50.0	50.0	48.1
	C	39.0	46.3	21.4	33.3	43.8	48.1
Concentration	A	2.8	1.5	4.8	5.6	1.6	0
	B	48.0	38.8	47.6	72.2	45.3	29.6
	C	49.2	59.7	47.6	22.2	53.1	70.4
Flexibility	A	0.8	0	0	1.9	1.6	3.7
	B	22.0	9.0	23.8	37.0	21.9	22.2
	C	76.8	91.0	76.2	61.1	76.6	74.1
Personal Sacrifice	A	0.4	0	0	0	1.6	0
	B	15.7	16.4	11.9	18.5	14.1	18.5
	C	83.9	83.6	88.1	81.5	84.4	81.5

Source : *Japanese Corporations in Asia* (Ichimura, 1980)

A : Above the average Japanese Workers

B : Slightly below the average Japanese workers

C : Considerably below the average Japanese workers

percent of Japanese corporations report either they are willing to maintain their present training practices despite frequent losses, or the problem itself is a minor issue.

(5) **Work Habit** : According to the report, Japanese managers in Asian countries tend to see that local employees are less serious, undisciplined, and unwilling to contribute extra efforts on the job. Table 4 summarizes Japanese managers responses to the questions regarding the local employees' behavior at work. It is clear from the results that Japanese managers see only a small portion of local employees deserve to be categorized under A (*above* the average Japanese workers) in punctuality, concentration in work, flexibility in responding to task demands, and personal sacrifice for the work. On the contrary, by far the majority of Japanese managers see local employees are categorized either under B (*slightly below* the average Japanese workers), or C (*considerably below* the average Japanese workers) in all four dimensions of work behavior.

(6) **Adapting to the Local Conditions** : In summary, results show in Table 3 and Table 4 indicate that Japanese corporations in Asian countries surveyed must solve the two problems associated with the human resource development practices : (1) how to stabilize the internal labor market, and (2) how to improve the quality of labor force so that a full operation of Japanese management practices would become possible in the near future. Results show in Table 5 illustrate to what extent Japanese

corporations in Asia must accommodate themselves to adapt to the local conditions. More than 50 percent of Japanese corporations in Asian countries reported that they either do not implement, or implement with a great deal of modification, those typical practices of the Japanese management systems : namely, lifetime employment, a seniority-based wage system, corporate unionism, and a *ringi* system.

The report concluded that the more the corporations are excellent, the more likely that they insist implementing Japanese management practices in Asian countries. On the other hand, small, less prosperous corporations tend to have various constraints and must adopt local methods. Moreover, it was found that most of the Japanese managers in Asian countries would like to practice Japanese management systems if adequate conditions could be available for them.

Finally, it was found in the report that 74 percent of Japanese corporations surveyed reported that the present state of management is in "good condition", and 14 percent reported it will "become in order in the near future", while only 5 percent reported either "no future prospect" or "withdrawing due to the failure." An anti-Japan riot was broke out in Thailand in 1974 in conjunction with then Prime Minister Kakuei Tanaka's visit to ASEAN countries. It was only after that incident when the migration of Japanese corporations to Asian countries took place in a full scale. Ten years have passed since then. It seems that

Table 5 The Degree of Japanese Management Practices being Modified by the Japanese Corporations in Asian Countries

Degree of Modification	Lifetime Employ	Tenure-based Wage	Corporate Unionism	Ringi System
1. Same as Japan	9.8	3.4	7.2	8.0
2. Minor change	28.0	36.7	9.8	23.1
3. Big change	12.5	42.4	14.0	12.1
4. Not applicable	45.1	12.1	62.1	50.0
5. No answer	4.5	5.3	6.8	6.8

Source : *Japanese Corporations in Asia* (Ichimura, 1980)

Japanese corporations in Asian countries still need a time for establishing a more solid and an identifiable management style for further internationalization in this area.

2) Japanese Corporations in USA

During the 1978—1979 period the Nikko Research Center in Tokyo conducted a survey on the status of Japanese management in the United States based on the 104 Japanese corporations operating in America (Shishido and NRC, 1980). Major findings of their survey can be summarized as follows.

(1) **Lifetime Employment** : The 28 percent of Japanese corporations surveyed reported that their employees would be laid off if necessary, just like those in ordinary American corporations. But, the majority of Japanese corporations (64 percent) reported that the company's policy was to stay away from the layoff practice as much as they can, although the no layoff policy was not promised. Only 5 percent of Japanese corporations in America were found promising no layoff policy to their employees. The report indicated that many Japanese corporations were appreciated by their employees and local community members due to the fact that layoff had been averted even under the very difficult economic circumstances by the companies' serious efforts for maintaining their employees.

(2) **Wage and Promotion Administration** : The report indicated that 72 percent Japanese corporations surveyed followed the conventional American methods in wage determination : the same work, the same wage. But the remaining 23 percent reported that the number of years of service of each employee was an important factor in actual practices of wage determination.

(3) **A Bonus System** : Most of the Japanese corporations in America reported that they provide bonus during the Christmas season. The size of bonus is usually larger than the one provided by the average American company, but considerably smaller than the one the average worker would re-

ceive in Japan, normally a one third of his annual income.

(4) **Communication Practices** : Japanese corporations in America were found conducting frequent meetings at various levels as a means of communication involving all across corporate members. These meetings include a morning meeting at the shop floor, meeting among foremen, supervisors and managers across functional lines, several meetings with the company president or executive members. The report concluded that meetings (interaction among people) were held more frequently in Japanese corporations in America relative to their American counterparts.

(5) **Team Work** : Based on interviews with Japanese managers in America, the report said Japanese corporations in America had difficulty in introducing into their American plants a group-based work system that they used to enjoy in Japanese plants. The report said that American workers tend to remain individualistic, lack disciplines, confine themselves into their fragmented jobs, do not help each other, lack interests in producing high quality products, little awareness of minimizing costs and defects, and unwilling to engaging in bottom-up communication. In other words, American workers are considered as following a very different work habit (individualistic one) compared to the Japanese workers (group-oriented one). The report indicated that the above differences are the main reasons of the imperfect, if not unsuccessful, implementation of QCC activities in the United States factories. However, when Japanese management can succeed in changing work habits of American employees to meet their managerial practices, like Matsushita America and Honda did in their American plants, the whole system seems to start working much better. Matsushita succeeded in reducing defect ratio down to the 2 percent level in their color TV production from the high 20 percent level that has prevailed throughout the plant when Matsushita purchased it from Motoroller. Yet, the reduced defect ratio was found still too high relative to the one at their

Japanese plant, the 0.1 percent level.

(6) **Flexible Job Assignment** : The report said contrary to the diffuse job assignment in the Japanese work system, America workers accept only specified and fragmented jobs. This difference, according to the report, makes it very difficult for the Japanese managers to rotate workers and to change their jobs along with the changes occurring as a result of an introduction of new products and technologies. This difference arises from the differential practices in human resource development. Namely, in Japan workers are trained in multiple skill areas for multiple job assignments, while in America workers are trained for a single skill and a single job assignment. The report added that the flexible organization of workers, or the dynamic socio-technical system, which accepts rather constant changes in production procedures and technology at the plant level to meet the changing demands in the product market, is one of the critical features of the Japanese corporations for remaining competitive in the world market. According to the report, it is this flexibility that is most difficult for the Japanese corporations in America to establish in their plants. However, the report added that the American labor union leaders are gradually changing their policies for establishing more flexible relationship with management to cope with changing industrial scenes.

In summary, according to the report 85 percent Japanese corporations in America think that the Japanese management practices work well in some areas, but it is difficult to give a generalized view at present. On the other hand, only 3 percent reported that Japanese management are very effective and works far better than the American system, while 10 percent answered quite the opposite. The above result suggests a conflict between that the management styles of two dominant industrial cultures. A management style of the Japanese corporation in America must be the product of two dynamic forces: first, the degree of Japanese company's determination in implementing their domestic managerial practices, and second an availability

of local conditions that match the Japanese management practices in the American community. The YKK America, Macon, Georgia and the Kikkoman Corporation, Walworth, Wisconsin are reported practicing Japanese management very extensively, even including a variety of welfare and social programs, thanks to the favorable conditions available there: medium sized plants in the rural community. Contrary, the Kyosera, San Diego with employees more than 1500, are struggling in implementing its unique style of Japanese management against various cultural, social and economic constraints existing in urban California.

3 . Practices and Functions Associated with Japanese Management

Management practices are not free from the cultural and social influences. They are the products of the mixed effects deriving from technology, rational thought and knowledge available, cultural values, the institutional arrangement of the society, and the economic conditions surrounding each corporation. This means that when Japanese corporations try to implement a certain managerial practice (lifetime employment, for example), it is quite likely that appropriate conditions for such practice may not be existing in the host country. Studies on Japanese corporations in Asia and America indicated that, faced with the lack of appropriate conditions, Japanese managers needed to modify the idea of lifetime employment to meet the existing local conditions, in stead of discarding the idea all together. This example implies that the important thing is not a particular practice itself, but functions, or roles, that the practice could play under certain circumstances (Marsh and Mannari, 1977). In other words, lifetime employment like we see in large corporations in Japan may not be required in foreign operations, as long as critical functions that the lifetime employment system plays in Japan can be realized through alternative local practices. Therefore, the real question is though what local practices can we establish the

following functions : long-term employment relations by which employee development, a relatively low turnover ratio, and stability in the work system could be maintained. Then, the next question is how long should be the employment relations. The longer, the better ? It all depends upon technology, quality of work force, labor market conditions, company policies and so forth.

We need functional analyses of Japanese management. Contrary to the abundance of arguments on Japanese management *practices*, there exist very few studies on *functions* of Japanese managerial practices (Rohlen, 1974). Functions and practices are not the same; The latter is a means for achieving the former. Different practices can produce a basically similar function. On the other hand, one well-programmed management practice (a promotion-from-within practice, for example) can contribute to several different functions.

Before discussing functional goals of Japanese management, a brief review on what constitutes Japanese management practices is necessary. These practices may be classified into the following seven categories.

- (1) **Training and Development Practices** commonly include : regular *kenshu* programs, OJT, job rotation, multiskill-multijob training, Off-JT for acquiring skills and certification, auditing college courses or attending the university, etc.
- (2) **Human Relations Practices** may include : group bus-tours, sports tournaments, athletic conventions, club activities in culture and sports areas, parties and ceremonies, sending a gift and so forth.
- (3) **Welfare Programs** usually consist of providing : housing (dormitory, company apartment, etc.), resort lodgings, medical-care services, allowances (for housing loans, commutation, lunch, etc.), employee cafeteria, company uniform, and so forth.
- (4) **Practices for Organizational Communication** include : singing a company song, reviewing company motto, distributing president messages and news letters, dialogue with top management members, morning meetings, various group meet-

ings, committees and conferences, etc.

(5) **Practices for Involvement and Participation** may consist of : suggestion systems, QCC activities, problem solving groups and committees, report making, presentations at meetings and conventions, and so forth.

(6) **Organizational Commitment Practices** may include : a lifetime employment program, seniority-based wage and promotion systems, a bonus system, stock option, occasional awards, etc.

(7) **Practices for Union-management Cooperation** may include : a regular union-management joint conference, committee activities for particular issues, joint QWL and safety programs, union support for productivity programs and "revitalization" campaigns and so forth.

4 . Internationalization of Functions of Japanese Management

It is expected that increasing internationalization of Japanese corporations would promote indigenization of some core functions of the so-called Japanese management into host countries. This must be the direction that the internationalization of Japanese corporations must follow. The core functions that the ideal type of Japanese management would create may mean critical organizational states that are developed through a day-to-day management practices involving people. These core functions consist of : (1) *Integration* of interests among constituents of the system (the individual, a group, union, and management), (2) *Consensus and Cooperation*, (3) *Involvement in Organizational Goals*, and (4) *Human Resource Development*. These four functions must be maintained through a variety of managerial practices described earlier to make the human organization effective.

(1) **Integration among Constituents** : Abegglen and Stalk (1985) pointed out that one of the reasons for the rapid Japanese economic growth is in the successful integration of interests prevailing among the constituent members in the corporation system. Under the integrated situation, a sense of

interdependence of interests is generated among people concerned. Thus, management and the union may be able to cooperate rather easily by thinking what is good for the management is also good for employees and vice versa. This is particularly true when the size of a pie to be shared keep increasing. But even under the shrinking-pie circumstances all parties would be ready to suffer equally when integration prevails. Namely, it happens quite often in Japan that under such circumstances employees and the union would accept a minimal wage increase (or no increase at all), while the top management people give up their year's bonus altogether. This sense of interdependence of interests is further reinforced by such practices as employee stock ownership, an annual across-the-board wage increase (what we call a "base-up" in Japan), the bonus system that incorporates a profit sharing function, no layoff principle, a promotion-from-within policy, seniority-based wage and promotion decisions, and so forth. Moreover, union-management practices to facilitate integrative bargaining seem to have a profound influence upon creating a sense of unity. Therefore, there is no wonder that when these practices are effectively implemented, the employee may perceive that working hard for the company is the best way to benefit him and his colleagues.

In addition to the above, integration will be enhanced if all constituent members of the organization can share the feeling of membership at the place of work. This sense of the "work place as a community" would be reinforced by the egalitarian treatment by the company covering all constituent members of the organization. This treatment is usually symbolized by such practices as using a company cafeteria and wearing company uniforms by all members (including management people), an open office design that would eliminate status barriers, frequent trips by management people to the shop floor for communication with employees, etc. These public relations activities would symbolize the idea of egalitarianism and thus the sense of community membership.

Integration of goals and values may be the most important area for establishing close relationships among employees, the union and management. Integration at this stage requires that a set of well-written and well-articulated company values and philosophy need to be established regarding: goals of business, production activities, customers and customer services, employees and employee-company relations, social responsibility, and so forth. These values and goals need to be supported by all constituent members of the corporation. To achieve this, a variety of communication channels will be activated to reach all corporate members so that important information that will serve the value integration could be distributed smoothly.

(2) Consensus and Cooperation

Decision making by consensus is regarded as one of the basic features of the Japanese management style. Under a certain problem solving situation, it is common that Japanese managers try to seek consensus in defining the problem and in working to find a means to solve it. Once a consensus is established within all constituent groups concerned, more than half of the problems are said to be solved at this stage of decision making. Because cooperation among people concerned for implementing the solution would follow almost automatically from the consensus established. To start the consensus making process, it is important to delegate a part of authorities for defining the problem and stating means for solving the problem down to the spot where the problem is most active. Moreover, people who hold the final say at the top must be ready to accept what was agreed upon by consensus once it was reached, and be willing to facilitate cooperation among people concerned for the problem solving tasks. This process of consensus making will be best illustrated by the *ringi* system, and a series of prior consultation procedures commonly practiced in the Japanese organization. In summary, problem solving by consensus denotes a willingness of management to give up a part of their decision making authorities and to follow the way that the consensus directs.

Otherwise, consensus means nothing but a ceremony and a waste of time.

Problem solving through cooperation among members of a group is another form of management by consensus. Under a group work situation, once all members reach an unanimous decision after a series of studies and talks, the group become quite ready to take a necessary steps to solve the problem through collaboration among group members. By this time everybody in the group understands what is going to happen, and what role he or she is expected to take for the problem solving work.

To practice management by consensus, it is essential that people concerned can get together and discuss the problem rather frequently. Thus, people are asked to participate in meetings and committees at various hierarchical levels of the organization. An emphasis on a group approach in performing tasks and problem solving is another way of facilitating consensus and cooperation in the Japanese organization. Therefore, it is very important for the Japanese organization to develop an organizational climate (or a culture) to favor consensus and cooperation, instead of seeking authority and competition. To serve this purpose, opportunities for facilitating interaction among people are sought systematically through both formal and informal channels in the Japanese organization. A wide range of practices categorized as human relations programs would serve effectively for developing a corporate culture for consensus and cooperation.

(3) Involvement in Organizational Goals

Going further beyond participation in decision making, employees at all levels of the Japanese organization often involve in activities that are required to achieve particular goals of the organization, in addition to performing their daily routine tasks. This is the situation in which the successful TQC (Total Quality Circle) movement would evolve in the Japanese corporation. The Japanese TQC program that asks every employee of the organization for a rather constant involvement in achieving

particular goals of the organization, looks very different from QCC activities in American plants where participation is asked on a voluntary basis for a limited issues. When TQC programs work in the Japanese organization, a very powerful, company-wide structure is established with a leadership of executives and managers to promote involvement of rank and file members toward goals set by top management of the company.

Moreover, it is common that in TQC activities employees are asked to understand not only goals of his own group, but also those of the division and the company. And they are constantly asked to involve in achieving these goals through activities at the shop floor level. Very often, a concrete set of goals regarding safety issues, productivity and quality problems, cost issues and so forth are proposed as a target of involvement for the group. In addition, annual presentations at the TQC conventions, and working for the suggestion system tend to reinforce workers' involvement. The bonus system and a employee stock ownership practice will also facilitate an involvement in achieving corporate goals. However, the most important practice to induce workers' involvement is in the company's effort to socialize and educate employees so that they would be able to consider more seriously critical issues and problems of the company beyond their very immediate needs and duties. It is quite true that for the employees to be able to show concerns about greater goals of the company, they must be trained so that they can handle efficiently more immediate problems surrounding them: namely, maintaining clean and orderly shops, abiding rules of the work, and saving time, tools and materials, etc. These are considered to be the bases for the worker to be able to involve in more comprehensive goals for the work group (Cole, 1979).

(4) Human Resource Development

Many discussions are made that one of the most important functions of the Japanese management lies in its effort to develop employees through their corporate lives. It is said that "Theory Z"

companies or some excellent companies in America also emphasize human resource development as one of the critical functions of management (Ouchi, 1981). Large well-established Japanese corporations commonly have an elaborated education and training system which is called a *kenshu* system. The *kenshu* system represents a set of educational program arranged for various groups of employees from newcomers to the top management people. Most large Japanese corporations have a *kenshu house* or a training center in which training courses are taught according to the curriculum all through the year. Courses provided can be classified into the following two categories. One is courses designed for each of the hierarchical groups: namely newcomers, lower level managers, middle managers, and so on, The other is those for the specific skill groups. Training can be done through OJT programs, Off-JT within the company or outside by the training agencies, but the *kenshu center* provides the final polishing. The *kenshu* system has a very strong influence upon employees, since training opportunities are usually set being closely linked with a scheduled course of promotions or grade progressions.

The well-programmed *kenshu* training courses could be available only at large prosperous corporations. On the other hand, what is generally called the On-the-Job Training constitutes a most popular training practice in almost all Japanese corporations. The term OJT in Japanese corporations carries a very broad meaning. It may include everything that the employee experiences in performing his job on the shop floor level. This Shop Level Education and Training (SLET) consists of a variety of development opportunities available within the shop through day-to-day work activities. For example, experiences of being coached by senior workers, working as an assistant for seniors, job rotations, new assignments given by superiors and the like are the most common experiences categorized under OJT. In addition to the above, there are variety of occasions in which employees may experience training and educational

functions through participating and involving in tasks associated with management of the shop floor (Drucker, 1971)

For example as mentioned already shop management in Japanese corporations requires the worker involving in QCC activities, working for suggestions, participating in safety activities, coaching junior workers, and responding to the various non-routine task demands (for example, maintenance of machines and tools, keeping the shop floor clean and in order, shooting minor troubles, helping co-workers, giving a speech in the morning meeting, and so forth). Moreover, individual's contribution for maintaining an effective work group usually constitutes an important dimension for performance appraisal of the employee.

It must be emphasized that the *kenshu* and SLET activities are practiced under the framework of lifetime employment and seniority-based wage and promotion systems in the Japanese corporations. Since the idea of human resource development involves continuous learning on the job in depth and breadth, opportunities for education and training must be arranged in a broad context of work and over an extended period of time. Along with education and training, all members of the organization are subject to the frequent performance appraisals (at least twice a year) for the purpose of determining the wage and bonus levels, and for the promotion decision. Due to this parallelism between education and training, and performance appraisal, the career development in the Japanese organization involves a very keen competition at all levels. This competition among people regarding development of one's potential, revolving over the course of lifetime employment, may be the secret of the Japanese management success (Wakabayashi, 1980).

5 . Transfer of Japanese Management Functions: based on the Method of Back Translation

Like the method of back translation which is commonly used for developing functionally equiva-

lent questionnaire items for the cross-cultural research, it seems that Japanese managers in foreign countries are engaging in the task of translation and back-translation of Japanese management. In other words, they are struggling in developing functionally equivalent management systems like those they used to have in Japan by coopting, and partly modifying, local values and customs, and economic and social constraints. The idea of back translation is useful to explain the process of internationalization of Japanese management practices into foreign terms by capitalizing upon similar local customs and practices. Back translation will provide feedback on what is right or wrong with the practice, and then if necessary, the practice will be modified to meet local conditions. Next, this will be translated back into the Japanese management system to see if these practices in the foreign corporation are functionally equivalent with those working in Japan. Then based on this examination, further planning will be made for the more systematic transfer of Japanese management. According to this model, the key is in how clearly should the functions of Japanese management be identified as objects of transfer. In other words, the question is how clearly and systematically (1) Japanese managers can conceptualize the functional features of their management system, and (2) can relate them with a set of most appropriate practices that they are going to take in foreign countries. This process will require a lot of communication and also conflicts involving local managers and workers. But, it seems that there is no way other than the above interactive approach for the successful transfer of core functions of the Japanese management system.

It is clear that for promoting further internationalization of Japanese management functions, Japanese corporations need to have a team of International Organization Development (IOD) staff who will engage in the transfer of critical functions of Japanese management by using some appropriate IOD strategies and a back translation method. Many reports indicate that the overseas Japanese

corporations tend to let the function of personnel management to go into the hands of local management. On the other hand, Japanese staff members occupy some other critical functions: usually finance, production, technology and marketing. But, they tend to remain either staff specialists or just liaison personnel who are not familiar with the idea of organization development. Thus, it is very important for the further internationalization of Japanese corporations that a team of IOD specialists is created, by inviting local managers as members of the team, to work for the more systematic transfer of Japanese management functions.

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要 約

日本企業の国際化

——海外日系企業における人材育成の諸問題——

若 林 満

わが国企業の国際化は、1980年代にはいって急速な進展をみせており、最近の円高傾向はこの動向にはくしゃをかけている。日系企業が海外において受け入れられ、定着し、着実に発展するためには、現地従業員との融合が不可欠である。なぜなら、日本的経営の最大の特色の一つは、各企業が独自の方法で人材を育成し、人的資源の充実と呼応する形で業務の展開を行なうことにあるからである。それ故、現地従業員をどれだけ教育訓練し、事業拡大の人的資源として活用できるかが、今後の海外日系企業の発展の鍵をにぎる重要なファクターの一つとなろう。このような観点から、本稿では既存の調査データをもとに、アメリカとASEAN調査において日系企業がどのような人材育成の試みを行ない、どのような問題に直面しているかがまず検討された。これらの地域に

おいて日系企業は、各種の日本的経営の試み（終身雇用、年功序列賃金など）を行なっていたが、大部分は大きな修正を迫られていた。このことから、海外日系企業は日本の制度や慣行をそのまま現地に移植するのではなく、これらが発揮していた“経営機能”（雇用安定、キャリア形成、仕事への動機づけなど）を現地において獲得すべく、新しい制度や慣行の確立（すなわち新しい人的組織のあり方）が必要であることが主張された。このような新しい人的組織は、現地の制度や慣行、日本固有のシステム、それに新たな革新的なアイデアを基礎とした、混合（hybrid）モデルの性質をもつであろうことが示唆された。加えて新しいシステム構築のための方法について、若干の提案がなされた。