

Human resource management in Japanese multinational enterprises

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A. Globalization of Japanese enterprises

i. The background of the increase of overseas investments in Japanese enterprises

The overseas investment of Japanese enterprises restarted in 1952. Japanese enterprises have rapidly increased the amount of overseas investment by the sharp appreciation of the yen in the 1980's. (Izawa & Yasugi, 2003)

ii. The path leading to globalization of Japanese enterprises

1. Fully in progress of investment for developed country

The trade friction between America and European countries, and Japan intensified in the 1980's.

In addition, the foreign direct investment of Japanese enterprises have increased rapidly by the influence of the progress of the sharp appreciation of the yen.

2. Overseas presence by the acquisition

3. Local production of raw material and parts

4. Overseas presence by high technology

5. Merger with business giant in Europe and America

6. Overseas presence of research and development

iii. Human resource management corresponding to four stages of globalization

Stage 1: Export-oriented, Improvement of special ability

Stage 2: Offshore production, Value language ability

Stage 3: Transnationalization, International management ability training of expatriate labor

Stage 4: Globalization, Cultivation as a global manager (Yamazaki & Takeda, 1997, pp. 112 – 130, cited in Izawa & Yasugi, 2003, p. 84)

B. Advantages of Japanese human resource managements

There are various human resources management systems in Japan that cannot be seen in many foreign countries.

i. The features of management methods of Japanese enterprises

Lifelong employment system, seniority system, and group decision making

Consideration of interpersonal relationship in workplace, management plan by long term perspective, and rationalization of manufacturing process

ii. The features of cultures that generates Japanese style managements

It was difficult to secure talent in Japan immediately after World War II.

Therefore, Japanese enterprises came up with the retain plan of their employees that treats importantly and do not dismiss them and the salary is increased with the age.

C. An outline of the Japanese management system

i. Cooperated labor-management relations in enterprises

The features of the seniority system and lifelong employment systems

A system based on the length of service at the place of employment that entitles the employees to compete for promotion and wage payments

A system that guarantees employment in the long term from the time that the employee's joins a company till they retire

Though these systems require conditions of maintaining an increasing growth of the economy, and the increase of the labor force.

ii. Research and development investment that stands in the long term perspective under the formation of Keiretsu and corporate groups

A Japanese culture that generates long-term continuous dealings

About half of GDP, SMEs of Japan that bears 80% of employment have supported the development of Japanese economy as a subcontract of the large enterprises. (Izawa & Yaugi, 2003, p. 233)

Many enterprises cooperate mutually and have developed in resourceless Japan.

D. Various problems of the Japanese human resource management

i. The Japanese human resource management that does not operate in various foreign countries

The rate of profit of overseas subsidiary companies of Japanese enterprises are considerably lower compared with their parent companies.

The reason for this is that a personnel system that gives preferential treatment to the employees are high at cost.

ii. The current state of Japanese human resource management in various foreign countries

1. Japanese style management systems that are recognized by local employees

Bonus, athletic festival and cultural activities, sharing of intelligence, 5S, and education in enterprises

JIT, multi-skilled workers, egalitarianism, subcontract systems

2. A home country type management system that is recognized by local employees

A Japanese style management system that is accepted by local employees

Sharing of intelligence, bonus, and education in enterprises

3. A Japanese style management system that is not accepted by local employees

Egalitarianism, multi-skilled worker, seniority wage, seniority-based promotions, and conversion of work-positions

E. Perlmutter, Hofstede, research of House, and analysis of Japanese style managements

i. Four types of multinational enterprises explained by Perlmutter (1979) and on Japanese enterprises

Outline and problem of Ethnocentrism

The coinage of ethnocentrism made by Sumner indicates the attitude and thought of one culture that negatively judges and evaluates other cultures in a low manner based on the ethnical group, race, and its culture. (Barger, 2004)

If the influence of ethnocentrism is too strong, the interaction of the different cultures will be badly influenced.

Because the standard of behavior for one's own country is applied to foreign countries, overseas related companies have little discretionary power when they proceed with the decision making process.

Outline and problem of Polycentrism

The method of valuing difference of each country's market, and giving the authority of decision-making to the locales.

Important decision makings are made at the headquarters.

Outline and problem of Regiocentrism

The method of conducting business development in foreign countries and not in each country but within each market.

Regional headquarters that can generalize the businesses of each region is necessary.

Outline and problem of Geocentrism

The method of aiming for profit through using management resources at a global level.

Operations that satisfies both local and global needs are necessary.

1. Influence that Ethnocentrism gives to the Japanese enterprises

ii. Hofstede 's model (Hofstede, 1991 cited in Mead & Andrews, 2009) and Japanese enterprises

Outline of Power distance

An issue of the degree to which the employees allow the expansion of their superior's power.

Outline of Uncertainty avoidance

How much threat does the employee feel in a vague situation?

When the uncertainty avoidance is low, the turnover rate and the leaving rates become high.

Outline of Individualism versus collectivism

Individualism is a society that is interested in its own interest as well as their family.

Collectivism clearly distinguishes the groups that are intimately connected to other groups.

Outline of Masculinity versus femininity

Masculinity values arbitrary decisions and materialism.

Femininity values the consideration of others and the quality of life.

1. A Japanese style management under aspects of Hofstede 's model

Japan is a collectivism society, and the decision making is done by the council system.

The council system is used for uncertainly avoidance.

Japan is a male-dominated society, and the idea that a strong person (man) supports a weak person (woman) is established.

iii. Globe project

iii. Globe project (House, 1999, Thunderbird school, 2010)

What Globe project suggests

Globe project is Hofstede 's model that was expanded into the following nine areas; performance orientation, future orientation, assertiveness, power distance, humane orientation, institutional collectivism, in-group collectivism, uncertainty avoidance and gender egalitarianism

It is a project that aims to classify 61 countries into ten cultural clusters and to research those characteristics.

F. Problems which Japanese enterprises are confronted with

i. Problem of localization

1. The reasons as to why Japan's localization is developing behind compared to that of Europe and America's.

Because Japanese enterprises consider that locale is the transfer of the management system of Japan to foreign countries, and a synergy effect that is demonstrated by making with a local culture, Japanese enterprises to the locale is late more than Europe and America .

Levick (2002, cited in Izawa & Yasugi, 2003, p. 14) stated that

The profit distribution of Japanese enterprises is far more equal compared with the United States and Britain.

Worker's position is esteemed at the factory, and the relationship between enterprise and worker is far better than that of the United States.

The Japanese is a race who seriously thinks about the locale.

2. The problems when not localizing

Generation of conflict through the differences among cultures, language, and manners

High labor cost

The decrease of motivation and royalty of the employees

It is not possible to handle specific local problems efficiently.

3 .The problems when conducting localization

The generation of the technical differences between the parent company and the overseas subsidiary companies.

The gap in both culture and language between a parent company and the overseas subsidiary companies will expand, and the communication power will decrease. (Mead & Andrews, 2009, p. 311)

The language, culture, manners, motivation, decision making, job boost, and personnel system

ii. Problems of overseas dispatched people

1. The role of overseas dispatched people and development of personnel resources

Three roles

Technology transfers

Management of overseas subsidiary companies

Bridge-building of headquarters and overseas branches

It is necessary that the HR department improves the nature of overseas dispatched people, support the adjustment and the ability demonstrating to the dispatch grounds.

2. Problems after returning home

Overseas dispatched people acquire various skills that cannot be acquired domestically on business while working overseas.

If the treatment after s/he returns home is not acceptable for them, their possibility of resigning may become higher.

I consider that it is necessary for the HR department to straighten the environment where their career paths can be drawn after they return home.

iii. Problems of intercultural managements

1. Advantages of intercultural organizations

Employees can have specific perspectives.

Employees come to accept new ideas.

The creativity of the employees rises.

The flexibility of the employees rises.

The problem-solving abilities of the employee rises.

2. Disadvantages of intercultural organizations

Consensus building is difficult.

Diversity generates complexity and vagueness and as a result it is confused.

Increase of organization management cost

G. Example from real world

G. Example from real world

i. Multinational company strategy learnt from the company's basic principles of Samsung

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An analysis and evaluation of the type of management conducted by Samsung that monopolizes developing markets

Although Japanese enterprises tried to sell the automatic washing machine of high priced to the emerging markets, the high priced products were not accepted to the market.

The Samsung company monopolized the market by knowing the market requested that cheap washing machines with two tanks type, and manufacturing the product.

Due to Japanese engineers are interested in developing their technology, they are unwilling to manufacture the old model product.

On the other hand, the Samsung company was able to respond to the market trend flexibly because engineer's marketing clout was excellent.

ii. An analysis and evaluation of Toyota that continues Keiretsu strengthening (Izawa & Yasuji, 2003, HBS, 2005)

The purpose of Toyota's Keiretsu strategy is to become the strongest car manufacturing group in the world.

This purpose presents to the employee the reduction of the cost of manufacturing by 30% by the name of aim CCC21.

This company thinks that thorough rationalization it is necessary to win the competition on a global scale.

Toyota believes that the parts supply becomes inefficient if a useless competition is made between the parts suppliers.

There is a plan of executing the cost reduction in union with Toyota and the parts supplier, Toyota and the part company cooperate mutually and construct the supply chain.

This strategy may not be understood easily to the parts supplier in foreign countries.

This company should note that the achievements of Toyota are controlling the achievement of the subcontracts.

Toyota should procure parts from the companies incorporated abroad for the better quality and price more than the equal to the parts supplier in Japan.

In order to achieve this purpose, I consider that Toyota should understand the cross-cultural situation and promote companies incorporated abroad.

H. What the Japanese enterprises need to consider

i. The understanding of the development of unique cultures and original behavior patterns under information stickiness

Hippel (1994) advocated that the nature of information is cohesive, and not easily transferred.

Information stickiness is a concept with an important meaning for enterprises that should move knowledge and information exceeding the country and the culture.

The reason for this is that because information is generated at specific locations, this is what makes each culture and their behavior patterns unique.

Information and knowledge evolve through the communications process among the persons and are accumulated.

Therefore, the improvement of communications skills is a pressing need in Japanese enterprises.

In my opinion, Japanese enterprises should support communication skills that can correspond to a low context culture.

ii. The understanding of the concept of acculturation

Acculturation is a process that solves conflicts and problems caused between two cultural groups with immediate contact.

Acculturation can be classified into the following four. Assimilation, integration, separation, and deculturation. (Ohta, 2008, p. 178)

Assimilation is where one group adjusts to the other group.

Integration is where an assimilation occurs structurally without losing both cultural identities.

Separation is where a minority group tries to defend its own culture by separating itself from a majority group.

Deculturation is to not to come in contact with both groups and to become a type of person who can adjust and belong to their surroundings.

The role of the intercultural management is to manage conflict that originates through all the transformations appropriately, and to make them act on the plus.

It is difficult for Japan that is an ethnically homogeneous nation to understand this concept.

I consider that it is necessary to teach the importance of having a respectful attitude towards the differences in corporate education.

iii. Getting rid of Ethnocentrism

Ethnocentrism exists in all countries and cultures, and it may be innate.

The Japanese people's consideration of ethnocentrism is strong.

I especially consider that this tendency is strong because manufacturing uses a peculiar management technology that can only be conducted in Japan and can be made proud to the world.

The counter measure to the problems of making to the lection of MNCs is to overcome ethnocentrism.

This is because ethnocentrism influences various sides like the human resource administration, the product development, marketing, and so on.

Japanese enterprises should recognize the following points.

An alternative problem solving method may have many advantages.

There must be a possibility that better method can be constructed by restructuring its own problem solving method using an alternative problem solving method.

iv. The review of technology and quality supremacy principle

1. The understanding of the needs of the local markets

Strengthening of marketing clouts

The engineer who overseas works fears the decrease of their technology more than the engineer in the headquarters.

2. The construction of a system to produce products that the local market requests

Localization or non-localization?

As the entire enterprise, in my opinion, if a certain firm corresponding to a local market trend more than the necessity will lead to decrease their technology, and lose domination in a global market.

3. Cultivation and arrangement of the talents who support the two above-mentioned

I consider that HR should make the mechanism that resolves the disadvantage of engineer who works overseas.

However, I consider the personnel training system is continuously required in order to maintain the advantage of the sense of values, method of managing organization, business model, and so on as the enterprise that leads the world.

Global adoption

The advantage of the multinational company is to be able to secure top-class personnel all over the world.

HR is requested to construct a personnel system that meet their ideal working conditions.

I. Conclusion

When the localization advances at an extreme speed, it becomes difficult to conduct management that can make the best use of the domination of multinational companies.

The advantage of managing the multinational companies are able to acquire necessary management resources on a global scale.

i. The system of the human resource management varies depending on the strategies used by the multinational enterprises.

1. The importance of the planning of business strategies that considers human resource strategies

Up to now, the main business maneuver of a Japanese enterprise was a manufacturing strategy.

Hereafter, I consider that Japanese firm should plan the business maneuver by equally thinking about three (the manufacturing strategy, the marketing strategy, and the human resources strategy).

2. The cultivation of talent who can manage multinational enterprises

The personnel training strategy that does not think separately of domestic operations and foreign operations, but can run a company as a global business is necessary.

ii. After the overseas advancement policy is decided, it is necessary to manage multinationally.

The enterprise might survive by moving the production foothold and the business base to foreign countries, however, a negative influence will extend to Japan. As Santos & Williamson (2001) pointed out that "But a global projection strategy also creates a number of severe handicaps".

For the Japanese who values land where they were born, time will come for in the near future when the decline of the home country.

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