

HOW CAN JAPANESE COMPANIES BE INTERNATIONALIZED IN THE FIELD OF PERSONNEL MANAGEMENT ? : WITH SPECIAL REFERENCE TO THOSE OPERATING IN ASEAN COUNTRIES

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1 INTRODUCTION

Japanese foreign direct investment has a strong trend to grow soon after the liberalization of private foreign investment in October 1969, except during the several years' period of just after the first oil crisis. The amount of it in 1970 (fiscal year) was 0.9 billion US \$, that in 1973 3.5 billion US \$, that in 1975 3.3 billion US \$, that in 1980 4.7 billion US \$, that in 1984 10.2 billion US \$. The rapid yen appreciation after 1985 accelerated this trend, that is the amount of it grew from 12.2 billion US \$ in 1985 to most probably more than 20 billion US \$ in 1986. (See Appendix-1)

As foreign direct investment grows, the ratio of overseas production (the sales amount of overseas Japanese manufacturing companies/the sales amount of domestic manufacturing companies) 4.3%, and it is estimated to become from 7 to 10% in 2000. But it is undeniable that the level of the ratio of overseas production in Japan is still not so high when we compare it with 17.3% in USA (1983) and 19.3% in west Germany (1984) respectively⁽¹⁾.

As of March 1985, according to MITI survey⁽²⁾ there are 4,962 overseas Japanese companies in the world (manufacturing sector 2,105 companies : 42.4 %), 1,052 overseas Japanese companies in ASEAN area (manufacturing sector 632 companies; 60.1 %). 24,390 Japanese

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employees are sent to these overseas Japanese companies in the world. So 4.9 employees are sent per company on the average. At the same time overseas Japanese companies in the world employ 926 thousand people (manufacturing sector 715 thousand people ; 77.2%), in ASEAN area 268 thousand people (manufacturing sector 202 thousand people ; 75.2%).

Therefore the ratio of the number of Japanese divided by that of total employees (Japanese ratio) is on the average 2.6%. On the other hand, the same ratio in ASEAN area is 1.5%. The reason is like this. In ASEAN area the weight of manufacturing sector is heavier, and that of commerce sector is lighter. The Japanese ratio in the manufacturing sector is much smaller and that in the commerce sector is much larger.

The field of Japanese foreign direct investment was formerly centered on the commerce sector to promote the export of Japanese products, then the weight of the field was gradually shifted toward the manufacturing sector especially in the Asian countries for the sake of getting natural resources, securing markets, enjoying cheap labour. On top of these tendencies, recently because of the trade friction issue, the technology transfer request, and the yen appreciation, foreign direct investment of Japanese companies especially in the manufacturing sector is accelerating in its scale. The characteristics of Japanese investment in the manufacturing sector now are that the weight of the field is changing toward North America as well as Asian countries, mainly because the big investment in the automobile industries has been done in North America.

By the increase of Japanese foreign investment, we are facing these two kinds of problems. First, what will happen to domestic employ-

ment in the near future ? Or how can Japanese workers can survive in this trend ? Second, what kind of strategies should Japanese companies take in this internationalization or globalization of Japanese companies' activities especially in the field of personnel management ? Usually Japanese companies do not have enough experiences so far in this field.

In this paper I want to inquire into the possible ways of international personnel management of Japanese manufacturing companies, especially which are doing management activities in ASEAN area, under the restrictions of maintaining certain level of efficiency.

In the next section I will discuss about the needs for the internationalization of personnel management. Then in the third section the realities and problems of overseas Japanese companies will be discussed. And finally I will discuss about, rather in a concrete way, what should be done for the internationalization of personnel management in Japanese head offices and overseas Japanese companies.

Data sources of this paper mainly come from the hitherto research results of ASEAN Kenkyukai (Group for Asian Industry & Labour Studies—GAILS)⁽³⁾.

2 NEEDS OF THE INTERNATIONALIZATION

OF PERSONNEL MANAGEMENT

The important decision making for the management strategy of overseas Japanese companies, such as large scale investment and important technology introduction, should be principally within Japanese head offices' discretion. We must wait for some time to arrive at the next stage where overseas Japanese companies can decide to a great extent by themselves, for example, how much they can invest

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or what kind of technologies they can introduce into their own operation system, etc.. At the moment, however, it is ideal to leave the daily operation to local management's discretion. Generally speaking, it is because (1) it costs a lot to pay careful attention to overseas Japanese companies which are geographically and industrially diversified and expanded, and (2) it is at the same time risky in a sense that it sometimes lose management flexibility to control overseas companies directly from the head offices.

It is actually inefficient and costly to keep for example a number of Japanese managers who are resident in host countries and to send short-stay Japanese technical staffs after the first stage of operation everlastingly. It is natural that overseas companies stand on a better position to accumulate efficiently and correctly the information and know-how in the field of the movement of local market, the policy of local government and the know-how to negotiate with it, the niceties of personnel and labour management.

On top of that, the localization request from the host government is quite strong and in some cases too urgent. It is usual that through operation it become more difficult to get visa for foreign resident managers. This dimension also supports that it is reasonable to leave the daily operation to local management's discretion.

Those do not consist our total story. In many Japanese parent companies it is becoming quite apparent that it will become more and more difficult to send their employees abroad by the needed number. This problem originates basically from both the size and the quality of human resources in Japanese companies. Let us look at this new phenomenon more precisely.

According to some survey⁽⁴⁾, Japanese large companies send their

employees abroad 44% more when we compare with the number of 5 years ago. And in 5 years time this number will increase by 66% more when we compare with the number of the present. At the moment, when we include short staying, Japanese large companies send 123 employees abroad on the average.

In fact, the yen appreciation after 1985 should strengthen above mentioned drive. At the same time, we must keep in mind that the size of human resources which is needed in accordance with the internationalization is more than the number of employees abroad. In other words, the companies must keep not only the stock of employees who will be sent abroad but also the stock of employees who will be in charge of some kinds of the internationalization-concerned business, for example the staff for the division of overseas business.

Above mentioned survey makes it clear that even within the big companies, 78% of them think that their present systems, to raise those who are deadly needed through their internationalization, cannot follow this movement even in the 5 years time.

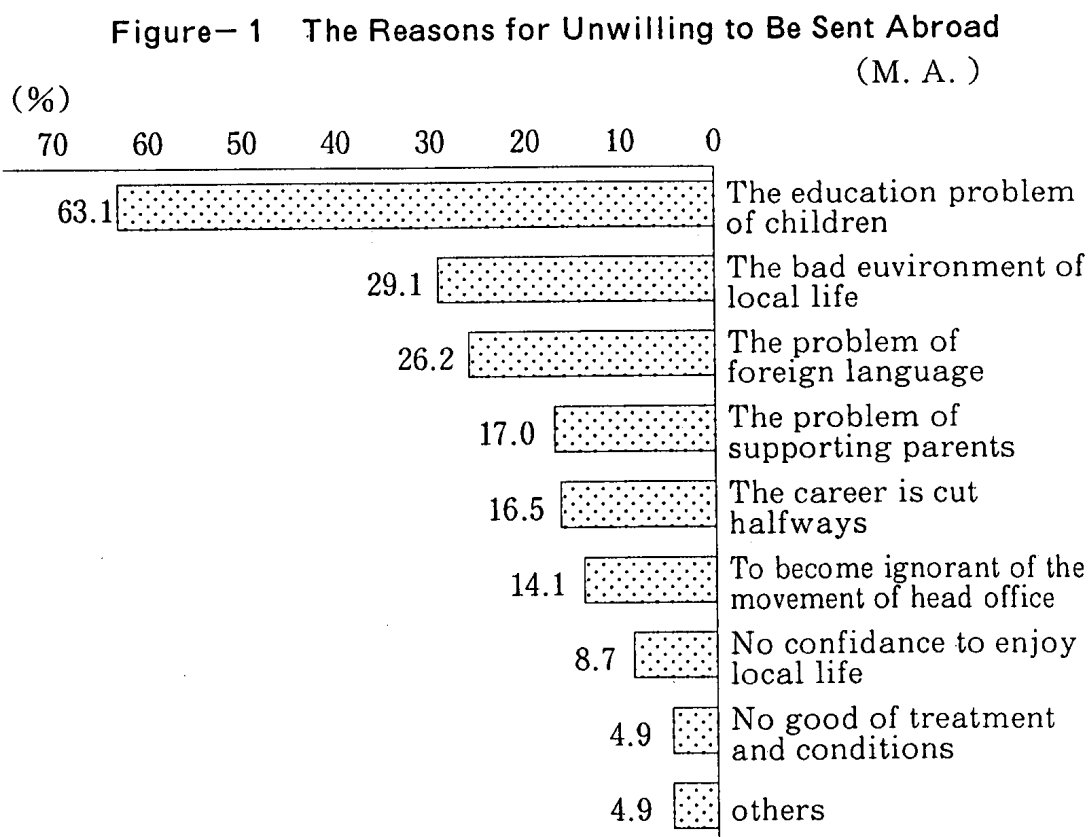
But the problem is concerned not only with this quantitative phenomenon but also with the qualitative one. After a certain period of experience of overseas operation, the position and level of staff to be sent abroad are raised. The reasons are like these; (1) After a certain period of overseas operation, the resident staff needed are not foremen or middle management but upper management or directors. So we can say following the baseball terms that for Japanese companies from now on "proficient managers and coaches are deadly needed but players are not". (2) If the localization request of host countries is strong, and so if the number of staff sent is limited, the position and level of staff should be raised. Otherwise Japanese head offices cannot control

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the overseas Japanese companies through the staff sent.

In this sense, their present systems, to raise the staff who are needed through internationalization, are not enough. Besides it is undeniable that the number of employees who do not want to be sent to abroad is growing. At least Japanese big companies think so. The survey shows that more than 76% companies think so.

What are the reasons for this phenomenon ? From Figure-1, we understand that main reasons are like these ; (1) the education problem of children, (2) the bad environment of local life, (3) the problem of foreign language, (4) the problem of supporting parents. These four reasons are strongly connected with the above mentioned inevitable trend. In other words, the staff to be sent abroad nowadays are mainly those who have higher positions and are already middle aged.



In the same graph, we should not overlook the fact that some of staff do not want to be sent abroad because if they are away from Japan, there are possibilities that their career is cut halfway or they will become ignorant of the movement of head offices. To settle this problem, the reform of personnel management and treatment system within head office is needed. For example, to make it a practice that the staff who has no experience of working abroad cannot promote to a manager in certain divisions. And especially for engineers, some measures to free their anxiety whether their technology becomes out-of-date should be introduced. For example, measures to expand their period and times of coming home temporarily, and at the same time to make them attend some technology-concerned seminars are needed.

Anyway it is excessively needed to manage all employees' careers in the long run. Those staff who are expected to be sent abroad should have experienced widely the operations which is similar to those of operations abroad, through for example job-rotation in the much earlier stage. To meet these requirements, it is needed to construct the precise personnel information system which includes individual aspiration, aptitude, etc. concerning with working overseas.

3 NEEDS AND REALITIES OF THE LOCALIZATION

(1) Present Situation of the Promotion of local Staff

If it is difficult to find Japanese staff who are qualified and are willing to work abroad, including in ASEAN countries, it must be one way to promote local staff as quick as possible. So here we examine this dimension, using our research results⁽⁶⁾.

Table-1 shows the ratio of the number of Japanese and the locali-

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zation ratio divided by rank and division through operation. Here the localization ratio means the ratio of the number of the posts which local employees occupy divided by the number of posts available.

Table— 1 Japanese Ratio and Localization Ratio
(By the Length of Operation, by Position) (% , persens)

The beginning of operation	The number of employees	Japanese Ratio	Localization Ratio					
			Division Manager			Section Manager		
			Total	Admini & Sales	Production & Engineering	Total	Admini & Sales	Production & Engineering
Before 1970	553.9	0.84	56.9	58.9	54.9	96.3	96.9	96.1
1971~1975	524.6	1.00	49.5	56.5	42.6	91.6	98.0	89.0
After 1976	500.1	1.19	50.8	52.0	49.6	83.7	89.8	79.8
Average	520.8	1.01	51.7	—	—	90.7	—	—

By this table we know that at present the localization ratios of BUCHO (division manager) and KACHO (section manager) are 52% and 91% respectively. Therefore we can say that the localization of section manager has been almost finished when we see the posts only. The problem from now is the localization of division manager.

Interesting enough we can observe here the advancement of localization of both division manager level and section manager level along with the length of operation. This trend is more clearly observed in the clerical/sales division than the manufacturing/technology division.

On the other hand, actually the Japanese ratio (the ratio of the number of Japanese divided by that of local employees) is gradually decreasing along with the length of operation.

At the same time we should not overlook that the absolute number of Japanese per company is about 5, and it is nearly steady through operation. Besides it is usual that when new products and new techno-

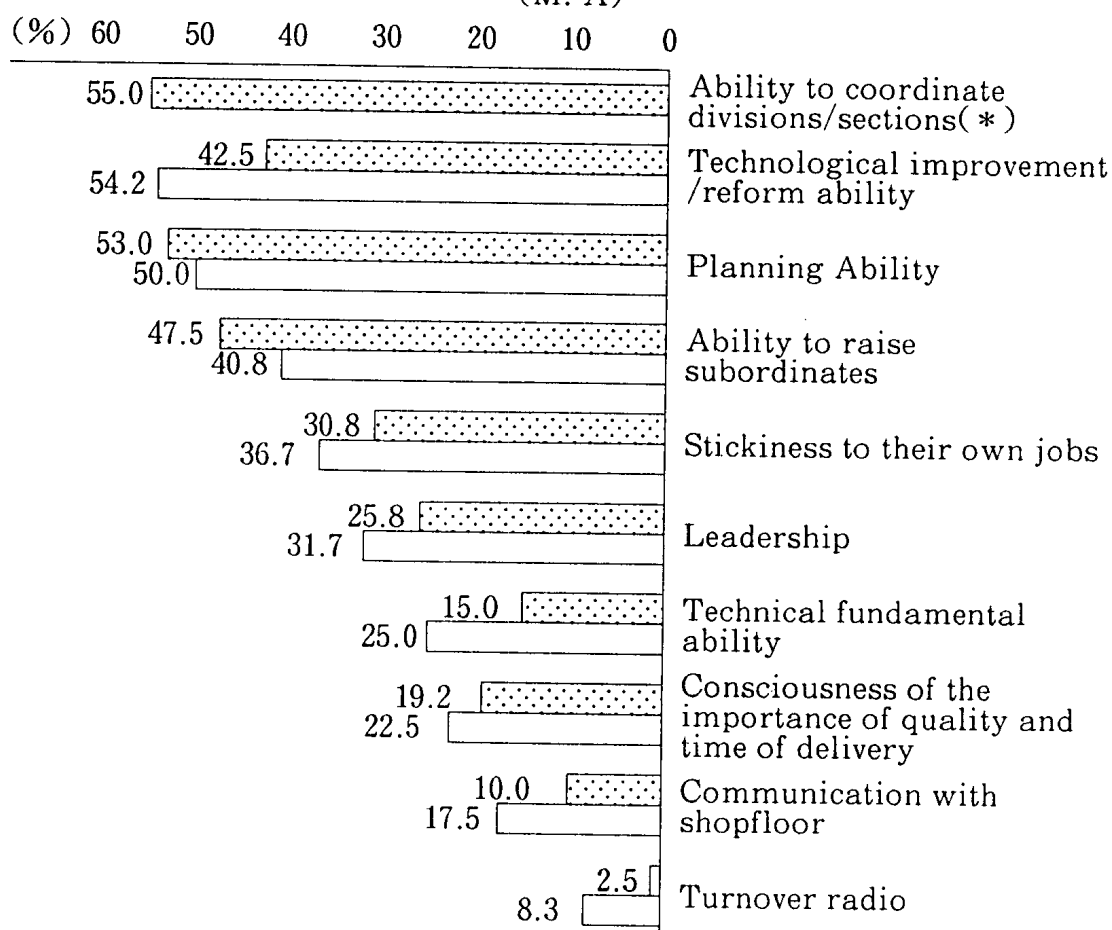
logy are introduced, many Japanese engineers are sent as technical advisors for a short period.

Why does this happen ? Why do Japanese staff stay so many and such a long period ? Then let's inquire into, so to speak, the qualitative aspect of the localization.

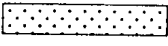
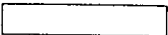
(2) Appraisal by Japanese Managers

Figure-2 shows the results to our question : "what are the main dissatisfaction of Japanese top managers concerning with the abilities

Figure- 2 Weak Points or Problems of Local Engineers and Managers
(M. A)



note:(*) There is no question of this for engineers.

(**)  :Managers in charge of production
 :Engineers

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and aptitudes of local engineers and managers in charge of production." From this figure we can understand these several points.

Firstly, local engineers are generally appraised that they are weak in technological improvement/modification ability (technological application ability), planning ability, and ability to raise subordinates.

Secondly, local managers in charge of production are generally appraised that in addition to those points they are also weak in ability to coordinate divisions.

Thirdly, however, Japanese top managers' appraisal in these fields, such as basic technological ability, communication ability with shop-floor, and immobility aptitudes is not bad.

Generally speaking, if those above mentioned ability & aptitudes are met, then the localization ratio will be raised, and the number of Japanese sent will be quickly decreased.

In reality, as stated before, this movement is not so much remarkable. Then what shall we do ? In the next and last section, we want to discuss about this point.

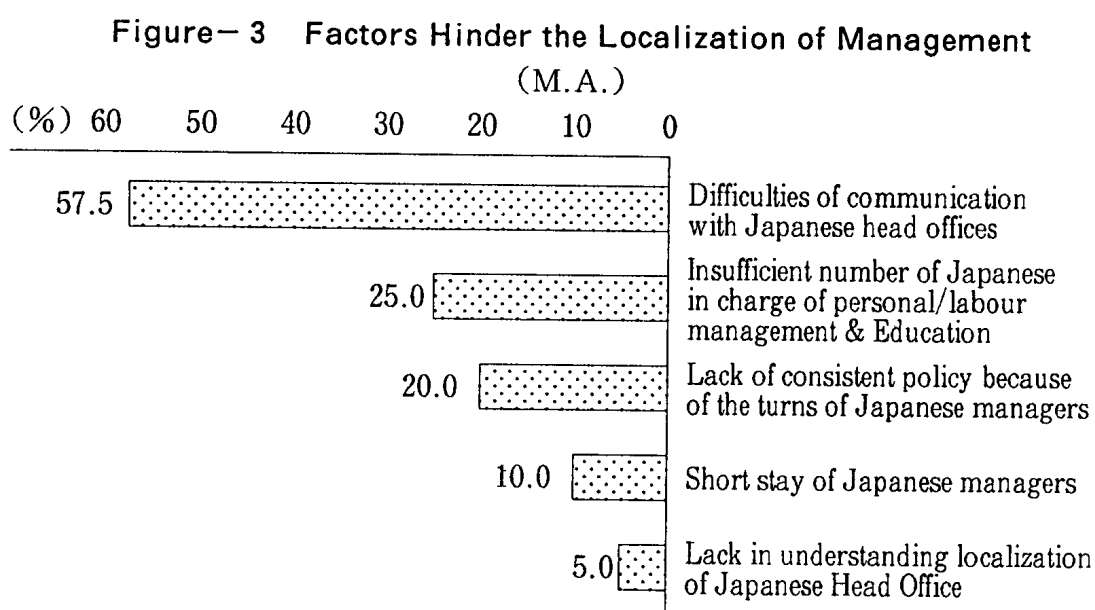
4 CONCLUDING REMARKS

From several reasons, such as globalization of management strategies of Japanese companies, localization request from local governments, increasing cost (in a broad sense) of sending Japanese staff, it is ideal to leave the daily operation to local management's discretion.

The biggest neck for constructing this system is at present the level of local engineers and managers in charge of production. To solve this problem, their level should be raised by Japanese companies through teaching their companies' tradition (Many companies send them to Japanese head offices for a while.), training planning abilities, appli-

cation abilities, coordination abilities between divisions, and aptitudes to raise subordinates. On the Japanese head offices' side, they must prepare and show their precise policy to local employees.

But in the mediam/long period, international personnel management strategies will be deadly needed. Here we want to show what factors hinder the localization of management (Figure-3).



The same figure shows that the biggest problem for the local employees is the difficulties of communication with the Japanese head offices. For this purpose, it is not enough to send them to the Japanese head offices for two or three months. More drastic measures should be employed.

They are ; (1) So far, this is not so popular in Japan. Japanese head office employ foreigners and bring them up to be a director in their own countries in the future. (2) Candidates for top management at overseas Japanese companies should be sent to Japanese head offices for at least two or three years. By this rather longer staying and

working together with Japanese colleagues, it is expected to make information exchange smooth or to promote mutual understandings and reliance⁽⁶⁾.

These measures are preceding investment and they cost. But when Japanese head office continue the same method to manage overseas Japanese companies, it costs too. So it is interesting enough to ask, "when the former will cost less than the latter ?".

NOTES ;

- (1) MITI (ministry of International Trade and Industry), "DAI 15 KAI, WAGAKUNI-KIGYOU NO KAIGAI JIGYOU KATSUDOU" (No.15, OVERSEAS BUSINESS ACTIVITIES OF JAPANESE CORPORATIONS, 1987). In this research "overseas Japanese companies" are defined as those which fulfill at least one of these two requirements, that is (a) the ratio of Japanese capital is no less than 10%, (b) those which send at least one director, or supply materials or sell products in the long run, or offer important manufacturing technologies.
- (2) op. cit.. Questionnaires are sent to 3,301 Japanese head offices which have overseas Japanese companies, and 1,617 Questionnaires are collected. The ratio of collection is 49.1%.
- (3) Members of the group are Koichiro Imano (Tokyo Gakugei University), Narumi Yahata (National Institute of Employment and Vocational Research), Minoru Ito (ditto), Hiroki Sato (Hosei University), and I (Seisen Junior College).
- (4) ZENNIHON HOURITSU RENMEI (All Japan Federation of Management Organizations), "KIGYOUNAI KYOUIKU NI KANSURU CHOSA KENKYU HOUKOKUSHO" (SURVEY OF EDUCATION WITHIN ENTERPRISE, 1985). The number of questionnaires collected is 325 and the ratio of collection is 16.2%.
- (5) The Japan Institute of Labour, "DAI 2 JI, NIKKEIKIGYOU TO ROUDOU MONDAI" (Localization of Japanese Companies and Labour Problems in ASEAN, No.2), 1986. The data here were taken

from 120 overseas Japanese companies operating in Malaysia, Indonesia, and Thailand.

(6) Professor Hideo Ishida nominates this demention, "The Importance of sharing corporate culture". (See Hideo Ishida, "Overseas Direct Investment and Managerial Problems of Localization" in THINKING ABOUT NEW PRINCIPLES OF INTERNATIONAL ACTIVITIES, January 7 1987 (in Japanese).

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