Human Resource Management
in Foreign Companies in Japan

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Introduction

The Growing Foreign Presence

While attention is focussed on the expanding presence of Japanese companies abroad, US and European firms are steadily increasing their direct investments in Japan.

The last 10 years, the place of Japan in the strategy of Western multinationals has changed dramatically. It is not only an important market in many industries but it is also a country where a resource-based strategy can be implemented. Many new technologies are now originating from Japan, making necessary to have access to them rapidly. In some industries, it is also a country were product development process is very advanced. Therefore, a number of foreign companies believe that an access to technology, to potential partners and to the market require a permanent and active presence to develop R&D activities, take advantage of Japan's capabilities in engineering and high-technology development and to establish and control the distribution channels. Moreover, the complexity of the market access process and the Japanese business world practices render necessary the continuous nurturing of contacts with the
public local authorities and with the informal world of trade and industry where information are exchanged, new projects are discussed and are devised the regulations of the future.

Following a trend becoming common among leading manufacturing foreign firms in Japan, there is now a large increase of investment in R&D. This is especially noticeable in the fields of electronics, pharmacy and chemistry where quite a number of facilities have been established the last 5 years.

By the end of 1993, Texas Instruments envisions to have 350 researchers at Tsukuba. In the same place, Nippon Glaxo began working on a new facilities last autumn with 100 people and envisions to have up to 250 people in the near future. Hoechst makes basic research for already 5 years in Japan. The company considers that there is now an equal partnership of the Japanese research facilities with the others in the world.

In the service industries, although some foreign banks have recently closed their offices in Tokyo due to high rents and the end of the bubble economy, a large number of financial institutions have invested with the liberalization process and intend to enlarge their activities. For instance, Salomon Brothers and Morgan Stanley can be considered now as playing in the same league of the large securities companies such as Nomura and Daiwa Securities. Taking advantage of the diversification of the demand and of the loosening of regulations, newcomers such as Virgin or Toy “R” Us are successfully developing new channels. They will probably be followed by other large retail chains.

At the same time, many companies recognizing the limits of agreements with local agents and importers are implementing a marketing
strategy on their own. In the automobile industry, European makers such as BMW, Volvo, Benz, Volkswagen and Peugeot established subsidiaries in Tokyo in the 1980's in order to sell their products by themselves.

At last, despite all the remaining difficulties in that respect, there is a growing number of foreign firms taking control of Japanese companies, notably in the chemical and pharmaceutical fields.

The Multinationalization Process in Japan

As Japan's position in the global strategy of the Western multinationals is growing and as they are beefing up their direct presence, they are seeking more local labor force. Becoming larger employers, they are confronted more directly with the all important issue of the human resource management of local employees and executives.

In some ways, problems are different but symetric to those the Japanese subsidiaries are facing now in Europe and the USA in the human resource management field: how to achieve a successful managerial mix of locals, third-country nationals and home-office employees to cope with issues such as the localization of management, the recruitment of valuable young and mid-career managers, the training, the career planning, the compensation, the motivation incentives to keep and, subsequently, integrate them in the global strategy of the firm.

Japanese companies in Europe and in the USA have to cope with a workforce used to work with well-defined patterns of management: a precise job description and a clear-cut responsibility of the person in charge; a concept of commitment vis-a-vis the company based on actual short term expectations and a reward system considered in almost purely
monetary terms.

Western multinationals, especially the US one, are used to operate under standardized mechanisms of management and control applicable in all business environments. Nevertheless, the characteristics of the Japanese labor force make often difficult for foreign companies to adopt the business practices used at the headquarters or in other foreign subsidiaries.

They have to manage people used to have a commitment based on stable long-term employment in the same company. This induces a predictable mix of seniority and merit were appraisal, promotion, titles and compensation are considered with a longer term perspective. In Japan, job description is unclear and thus the scope of responsibility is blurred; there is often an overlapping of the managerial functions and a loose concept of the “person in charge” specifically for a given job. Rewards are not considered in purely short term financial terms: titles and social status linked to a regular promotion are paramount in the level of long-term commitment vis-à-vis the firm. The role of the personnel department is crucial for recruitment, training and career planning. The pivotal position in term of decision-making, diffusion and screening of information, motivation and coordination is taken by the section chiefs (kacho), a lower level than the pivotal position in most foreign companies. Even if there is a growing emphasis on privacy, Japan remains a world were there is a close intertwining between the private and the company life.

Devising an adequate human resource policy is all the more difficult that foreign companies are enlarging and upgrading their activities in Japan at a time many things are changing in the Japanese management
system due to the trend of the labor market and the life style changes. There is more mobility of young workers and mid-career managers and more women appear on the managerial labor market. The attitude vis-a-vis money, social status and company itself is changing. This fluidity has an impact on Japanese and foreign companies alike and renders the situation quite complex and difficult in many ways. Foreign companies and managers have to develop conceptual tools in order to devise a management system congruent to the one used elsewhere but at the same time adapted to a workforce accustomed to another framework. As in Western subsidiaries of Japanese companies, it creates often a perception gap leading to misunderstanding and sometimes acrimony between local managers and expatriates. The actual situation is not always the reflect of what is perceived by the both parties and by the outside world in the Western world and in Japan.

I. Characteristics of the Japanese labor Market

Foreign companies are not yet an important factor on the Japanese labor market. There are approximately 3000 business enterprises in Japan in which foreign entities hold a 50% or more equity interest. About 300000 Japanese are working in those foreign companies. This amounts to less than 0.5% of a labor force of above 40 million.

About 85% of these firms are subsidiaries of US and European corporations with a long history of operating a multinational business. Nevertheless, in Japan, most of them are pretty small entities: 90% employ less than 300 workers and 80% have less than 100 persons. In 1988, expatriates numbered 19.8% of the executives and 2.2% of the
managers in those foreign companies.

The current and future characteristics of the Japanese labor market have a number of implications for foreign firms in Japan.

- Continuous labor shortage
- High human resource cost
- Change in students' preference
- Gradual increase of the pool of mid-career managers
- Gradual increase of the pool of career—women

Labor shortage

The labor shortage, especially of young graduates reflects demographic trends. Coupled with the great demand for science and engineering employees in the labor market at large, the difficulties the foreign companies face in meeting their recruiting objectives can only worsen as the number of students is bound to decrease in the near future. This leads inevitably to a change in the bargaining power balance and to higher recruiting costs. The system of long-term employment with a slow but predictable promotion and reward pattern was based on a low starting salary. However, salaries in Japan are now pretty high at all levels, including the starting salary. Recruiting activities are part of the marketing policy. It must be multi-pronged with the use of advertisement and promotional devices, extensive contacts with universities and the development of a vast network of contacts. This is thus expensive and requires a full-fledged organization with people working full-time all year long.
Mid-career and career women markets

The pool of mid-career managers coming directly from Japanese companies or from another foreign concern and available on the labor market is increasing but remains far smaller than that of the new graduates and smaller than that in other industrialized countries. It is difficult to figure out at this stage whether the mid-career recruiting pattern will largely extend or not. Currently, it can be safely said that the recruiting of those mid-career people, experienced but still young (35 to 45 years old) is likely to remain quite limited in the future. The same is true for the pool of career women. Life style patterns are changing but the trend is not yet clear. All together, very few women still enter in permanent managerial positions. More and more of them are eager to stay on the labor market but the DINKS (Double Income no kids) type of family which came out in the 1980s are replaced gradually by a more family-oriented type of young couples willing to have children while working; however, due to the dramatic shortage of facilities and social system congenial to the working women with children in Japan, it is still quite difficult on a practical point of view to reconcile the positions of housewife and career woman.

In such a context, a more effective use of women and older people are bound to remain marginal remedies for foreign firms. According to a survey of the Ministry of Labor (1989), women in foreign companies accounted for only 4.6% of the total of the executives above section chief level. Recent figures of recruitment in 1991 show that foreign companies have to offer to new entrant mid career executives a salary about 1 million (section chief) to 3 million (department chief) yens higher than that of the currently employed executives of similar level. This makes
clear the difficulties encountered in this respect. Moreover, a larger use of older people would go counter to the policy many foreign concerns try to develop in Japan. An integration of Japanese activities into the global strategy requires the development of a corporate culture which can be achieved the best through the recruitment of younger people. This trend is shown already for several years by companies such as IBM Japan, Nestle, Mobil, DEC, Philips and the large German and Swiss chemical and pharmaceutical companies. There is a clear emphasis towards newly graduates.

The durability of the system

However, not only for the mid-career managers but in general, the existing pattern of employment in Japan, based on long-term career commitment is of considerable durability, changing only at the margin. Younger people under 30 are indeed more mobile and do not hesitate now to leave the company after a few years at their first employer. Nevertheless, the general preference of young graduates of the best universities goes as usual to large, well-established Japanese firms. This is all the more true that, in the current state of chronic manpower shortage, Japanese companies are trying very hard to secure capable people by improving their welfare programmes and by offering more challenging works. The term, “Dai-ni Shinsotsu” (new graduates of a second type) has been coined for those leaving early their first employer. However, the very fact that they are still called “newly (shin) graduates” means that they are staying in the mainstream. After a few years and the acquisition of a marketeable capability in a foreign concern they generally come back to the traditional pattern and give the preference to
a well-established Japanese firm more than to a foreign one for their "real" start in professional life. They are all the more inclined to do so that they do not suffer any demerit in their career, quite the contrary, for a short adventure in a foreign firm.

True, Japanese people (not only the younger one) today tend to give first priority to the challenges they can expect in their work and in a working environment where they can develop their careers as the company grows. But very few of them are willing to jump at another job offer just because of slightly better terms and conditions than their present one offers. Only a very small number of Japanese thinks that by changing jobs they will enlarge their opportunities and enrich their career. Past 30 years old, there is still a demerit to change company and the situation regarding the mobility will not evolve fundamentally before that perception disappears.

II. Issues facing foreign companies as employers

1. Image-perception and Preference

The young graduates

Until very recently, for newly graduates, working for a foreign company was not considered as part of the picture. Only a handful of companies such as IBM, Nestle or Coca-Cola appeared on lists of most desirable places for university graduates to work. Over the last few years, this picture has gradually changed. Recruiting success on campus is increasingly a function of a firm's image, size, location and maturity in the domestic market, rather than ownership. However, recent surveys
show that there is still a substantial perception gap between the image of foreign concerns by prospective employees (especially young graduates) and the reality of human resources management in those firms. Students and companies seem often to be on parallel tracks: Newly graduates still shun the foreign firms for their perceived unstability and the “alien” characteristics of their management style: individual responsibility and evaluation, dryness of the human relations, lack of commitment vis-a-vis the development of the potential of the personnel. Among students having a good opinion of foreign concerns, the main reason why they eventually do not apply for a job to them is related to that aspect: the individual responsibility for work and evaluation system induces superficial and “dry” human relations and a lack of solidarity.

At the same time, foreign firms emphasize their long-term commitment in Japan and of the Japanese human resources management practices such as long-term employment, a mix of seniority and merit criteria for the evaluation and the promotion and comprehensive group activities. In other words, they tend to emphasize their “Japaneseness” more than their foreign identity.

According to a survey made in 1990 by professor Suwa from Hosei University, a majority of students consider the office climate of foreign firms as rather cool and many Japanese students are not confident in their capability to cope with such an environment. Psychological elements remain important: students have a reluctance vis-a-vis long stay abroad, an apprehension of being ill at ease with foreign employees and are afraid of having difficulties to cope with a foreign culture.

If the life-employment system is undergoing rapid changes in Japan, job security remains very important, especially among young males.
Despite their lack of global significance, staff rationalization in a few number of high profile foreign companies has reinforced the latent feeling of insecurity. The staff reduction in a number of foreign financial institutions (mostly US) at the beginning of the 1990s has caused a large damage to the image of foreign firms. All the more, that the financial institutions were considered as more secure, offering better financial and promotion opportunities and representing a high growth, high profile industry.

Confirming the durability of the importance of the job security factor, a survey made by professor Nemoto of Meiji University shows that about 1/3 of the students think that a foreign subsidiary can be closed at short notice through a decision of the headquarters. This is confirmed by the result of another survey, made by the German Chamber of Commerce in Japan in 1991: 60.5% of students consider that the job security in foreign firms is lower than at large Japanese corporations. In the 2 surveys, this factor was considered as a strong deterrent.

To offset the perceived relative reluctance of male students, foreign companies are said to be expecting much from female students. Indeed, the report of professor Suwa shows that the preference for foreign firms is higher in women than men. This is also related to the very factor of job security because male students are significantly more interested in lifelong employment (35.8% of men and 14.8% of women) and more sensitive to the company's future.

Students whose foreign language ability is generally regarded as high have an appreciable preference for foreign affiliated firms. As a matter of fact, this has an impact on the recruitment of 2 types of students:
natural science students are generally bad at foreign language and tend to shun the foreign companies. This is important at a time foreign companies are establishing R&D facilities, develop strategic alliances requiring high level technical negotiations and have a need of people with an engineering background. Female students tend to be more eager to study foreign languages than males and show a higher preference for foreign firms. Unfortunately, very few of them have a scientific background and they still have a far lower willingness than males to enter into a managerial career.

As regards the newly graduates, in spite of the qualifications mentioned hereabove, there is an observation valid for males and females: the size of the home office or the international standing does not compensate the handicap of size of the Japanese subsidiary. A small organization is associated to limited career opportunities. It reflects surely the fact that very few students already have an international view of what is an “excellent company” and that most of them have only a little knowledge of the activities of the Western multinationals outside Japan. This is an embarrassing situation for most foreign firms. If we consider their size in a narrow sense it is true that they are small entities. However, it is obvious that the high quality level of their activities and the fact that their competitors are large first class Japanese and foreign companies, put them in a different category with the Japanese small and medium sized firms. They are small but they absolutely need a labor force at par with the large Japanese firms.

The older Generation

The negative perception of foreign firms is not limited to the newly
graduates. On the mind of their employees, there is also a lingering uncertainty which as a matter of fact, is often more a problem of perception than a real one. This point of view is shared by many middle-aged Japanese who consider a change in their career but are reluctant to have a try in a foreign concern.

Frequent shifts of human resource management policy are associated with change of business directions and organizational change and fast rotation of top expatriates managers reinforces the image of short-term policy and commitment. There is a strong feeling that the snap changes in the organizational structure and in personnel policies are aimed solely at exploiting the immediate possibilities without considering the long-term effects on the company as a whole. It is true that very often newly arrived top expatriates tend to hire a consultant (generally a different one each time !) in order to have a better idea of what is going on in the subsidiary. It gives an impression of a lack of trust of local managers who consider themselves perfectly able to explain the situation and propose possible management changes without the help of an outsider.

There is also the feeling that top management, especially the position of company president, is a foreign preserve.

However, there are actually far more Japanese presidents of foreign companies in Japan than of local president in Japanese subsidiaries abroad. Concerning the rotation, it is impossible to generalize because the situation is very different from company to company.

In some, like Nestle, Hoechst, Ciba-Geigy, Siemens-Asahi and a pretty large number of other companies, mainly European one, top expatriates stay a long time in the country, learn the local business practices and the language. In others, indeed, the rotation rate is of 2—3 years and this
frequent turn can cause confusion and inconsistency in the company's business and personnel policies. On the whole, however, the practices are in line with the policy followed by multinationals, including the Japanese one, all over the world.

We will come back later on the important issue of internal promotion but there is also a perception gap between local employees and expatriates due to poor communication in this respect. For a number of reasons, notably related to compensation and nurturing of a corporate image, foreign companies are willing to localize as many functions as possible. The point is that it is often very difficult in the short term due to the rapid development of the activities and the need of short term managerial resources. In many cases, it is more a question of time than of a deliberate policy of shunning internal resources. This is not unlike the problem of Japanese companies abroad to which it is often reproached to do so, even in a business culture like in the USA where external sourcing is a normal way of management.

On the whole, reflecting or not the reality, such a perception gap is nevertheless dommageable because it creates a weak centripetal force, especially at the crucial level of middle management.

Foreign companies are also frequently perceived as having a high labor turnover relative to local firms. However, a survey made by the American Chamber of Commerce in Japan (ACCJ) on US companies emphasizes the point that with 59% of the firms reporting turnover as less than 10% and 84% less than 20%, this view is not supported by the results of the survey. Latest Ministry of Labor statistics show that the average turnover for all industries in Japan is 20.19% with manufacturing at 16.2% and finance at 23.3%. In the past 10 years, only 13% of the firms of the
sample reported lay-off (71% of these only once). 11% reported any labor disputes.

Even if the figures given by the ACCJ must be qualified (see later), it appears that many foreign companies are more or less in line with the Japanese companies of the same category on that very important point.

2. Management Practices

Adaptation to local conditions: From agent-change function to formal conformity to the prevalent norms

Subsidiaries of multinationals adapt their management according to the perception of the difference between the mother company culture and the subsidiary culture. It may happen that foreign concerns want to operate differently from the local practices, either to offset their "foreignness" handicap, or to secure a competitive advantage over the local firms. It is presumed that the local business society could accept more easily from them a non-conformist style of management, which in the end may be more efficient than that adopted by local companies. The evaluation of environmental differences between home and host countries by the multinationals also accounts therefore for the shifting of norms towards the home culture. Because of that, they are in a position to offer management solutions which, although not currently practiced by local firms, are compatible with the changing trends of the culture of the host country and even considered as forward looking. Sometimes, those local companies can even end up by adopting such "alien" practices. This agent of change function is observed also in the many "Japanese" management production and organizational practices adopted by US and
European companies in the 1980s which are in fact a mixture of Japanese and local management practices fitting harmoniously. This was pointed out for instance by Trevor and White and Takamiya and Thurley in the Japanese subsidiaries in the electronic industry in the United Kingdom and by Shimada in his survey at NUMMI (Toyota-GM joint-venture) in the USA.

Foreign subsidiaries of multinational companies, with their intercultural background are often more sensitive to social change in the host countries than are local firms. Toshiba, Hitachi, Sony and Toyota were able to perceive (and were also probably better positioned to take advantage of it because of their lack of involvement in the prevalent traditional practices) better than the local firms the need of social and human consideration of the European and American blue collars, the respect for the quality of their work they were longing for. If such conditions were fulfilled, they could accept readily a strict work discipline, decrease dramatically their absenteeism and improve greatly their productivity without particularly better compensation or fringe benefit.

In Japan too, foreign companies (mainly US one) have led their Japanese competitors in many areas of human resource management practices: shorter working hours, 5 days week, older retirement, merit-based pay, mid-career hiring, career opportunities to university graduated women, etc. To some extent, it is still true for a number of them.

NCR has employed female university graduates since the mid-1950s; nearly half the company's new graduate recruits in 1991 were women. IBM has constantly promoted female workers to technical and managerial
positions at a level far higher than that of Fujitsu, Hitachi or NEC. At Novo Nordisk, half of the researchers making basic research are women.

DEC and other high tech foreign companies such as Intel or Apple offer fast lanes to senior management position to young Japanese executives they could still not find in a Japanese environment.

Foreign firms are currently leading attempts to reduce the annual working hours of their staff and leaving Japanese companies in their wake, according to a survey conducted in 1990 by the Japan productivity Center. The poll revealed that around 33% of foreign companies provide an average of 120 days holidays per year while 85% employ the 5-day work system. The figures for Japanese firms were 6% and less than 50%, respectively. Nearly 70% of the foreign companies claimed that their employees worked an average of no more than 2,000 hours a year, while the 1989 figure for Japanese firms was 2,076 hours.

Average hours worked by employees of foreign firms in Japan

<table>
<thead>
<tr>
<th>Average annual work hours</th>
<th>No. of firms</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1800-&amp; less</td>
<td>105</td>
<td>20.9%</td>
</tr>
<tr>
<td>1801-1900</td>
<td>132</td>
<td>26.3%</td>
</tr>
<tr>
<td>1901-2100</td>
<td>113</td>
<td>22.5%</td>
</tr>
<tr>
<td>2101-2200</td>
<td>32</td>
<td>6.4%</td>
</tr>
<tr>
<td>2201-&amp; more</td>
<td>17</td>
<td>3.4%</td>
</tr>
<tr>
<td>No answer</td>
<td>30</td>
<td>6.0%</td>
</tr>
<tr>
<td>Total</td>
<td>502</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: Japan Productivity Center 1990
The foreign companies must now also stay innovative to adapt to the new trends imposed by their Japanese competitors in modernizing old local welfare customs reflecting changes in life-style.

Compared to Japanese companies, foreign firms were said to show little concern for the life of their employees outside the office; in view of the harsh competition confronting all companies, an increasing number of foreign firms offer their employees more fringe benefits.

In 1991, 33.6% of foreign companies had a system of housing financing and 25.2% had a system of company housing. This compares with IBM Japan, Ltd offers a programme known as Nice Life Plan, which is aimed at employees who have retired or are preparing to be pensioned off and is designed to enrich the "second life" of its employees by providing financial support to help them become interested in new hobbies and other interests. The company will pay an employee a maximum of yen 600,000.

Fuji-Xerox offers a "Family nursing holiday" of up to 12 months available to employees who need to nurse a family member. A similar programme is offered by Ciba-Geigy to female and male employees.

Intel offers scholarship abroad for the children of the employees without any obligation to join the company afterwards.

It is still not acceptable to offer individual incentives to salesmen but a number of companies integrate their Japanese salesmen in worldwide scale schemes to appreciate the achievement of individuals workers: For example, DEC has a "DECathlon" award which is open to sales staff who work at all of its subsidiaries. DEC Japan, which has some 500 sales staff members, produces 10 DECathlon winners every years. Olivetti offers a two-weeks incentive trip to Europe, including a visit to the Milan
headquarters to well performing people.

Texas Instruments offers each year the opportunity of buying shares of the headquarters in a programme called: Universal profit Sharing.

However, as it was actually observed by professor Kumar in the case of the German subsidiaries in Japan, it can be said globally that there is a high level of social acceptance of human resource management practices in subsidiaries in Japan. Their wage structure and personnel affairs are quite similar to those of general Japanese companies. Many foreign companies would like to introduce a management style where individual incentives and achievement determine the leadership style. But, for the time being, most of them would rather opt for prevailing local practices in order to minimize their foreign image, especially when the gain from taking a step ahead means making alterations before changing social norms are firmly a part of the cultural system. For instance, the failure of the attempt of NCR to introduce individual premium for its salesmen is well-known in Japan. Such attitude leads often to contradiction in their policy. Many specialized positions such as traders and analysts are occupied by women in the financial industry but there is still a reluctance from the older Japanese generation of managers in foreign companies to let them have positions implying contact with clients.

Foreign firms still stress groupism as the basis for leadership, even if, as a matter of fact, the percentage of foreign firms sponsoring workshop meetings and small groups activities is far less than that of their local competitors. Moreover, the very fact that they tend to emphasize a collective style of management, alienates them promising young managers expecting a more "Western Style" of management in a foreign company. (see later)
At the same time, as a result of vertically integrating the organization on a "profit center" basis, inflexibility is often imposed on personnel administration. Even among large scale foreign corporations, there are many where each of several divisions in the Japanese operation reports directly to the home office. In such a case, the president of a company's Japanese entity finds his role de facto very limited. Key personnel decisions are relegated to line managers. As a result, even if, formally, the structure and functions of the personnel department are similar to that of the Japanese companies, in fact the personnel administration from a total company point of view is severely restricted or ceases to exist; it often happens that one division is effecting a cut in personnel while another is running a recruitment ad. Japanese employees are puzzled by such an approach where investment and operations are controlled by a division rather than by the corporation itself. Moreover, such practices certainly do not help to capitalize on the many advantages of a large corporate structure.

**Recruitment Practices**

Generally speaking, many foreign companies have difficulties to keep their core employees; they leave often because they see only limited opportunities available for career advancement in the company. The small size of many operations places restrictions on the nature and scope of the activities in Japan; consequently, there are not many opportunities for capable people to aim for. Therefore, they turn to opportunities outside the company. This causes frequent personnel shortages, especially at the crucial middle management level, which in turn, forces the hiring of replacements on an ad hoc basis, creating a real vicious cycle.
Hiring ad hoc mid-career people and not young graduates is a policy used by all multinationals when they begin their operations abroad. Foreign concerns in Japan are not exceptions in this respect. Moreover, in some industries where foreign firms have made inroads, such as the financial services, there is a demand for skills that are largely independent from the prevailing style of employment and nature of corporate organization. This encourage mid-career recruitment.

Recently, more and more Japanese employees are actively employing this method to meet the volatile needs of their organizations. However, in most of the cases, it is restricted to specialists of a relatively young age.

In the case of foreign companies, this tactic has often been used as a normal way of doing at each level of the company for profit-protecting reasons. Even among firms well-established in Japan, many of them are not yet recruiting systematically new graduates on a regular basis.

After a presence of ten or more years, such cases are evident in less than 1 out of 2 firms. Of course, this is directly linked to the size of the company as recent figures show clearly: 91% of the companies with more than 200 employees, 48% of those with 50 to 200 employees but only 5% of those with less than 50 employees were recruiting on a regular basis in 1991.

Compensation-Performance appraisal

The large use of mid-career people from top managerial positions to the low grade administrative jobs results in considerable confusion within the organization each time it occurs.

There is a wide discrepancy in compensation policies among well established foreign firms and a lack of overall system: Employees hired
with work experience are often offered as incentive to come a salary decided outside the standard norm. Due to the difference in the urgency to fill up a position and the variation in individual negotiation skills, this can create large discrepancies exposing the management to misunderstandings and attack for favoritism.

As explained before, an important difference from the Japanese companies is that foreign firms tend to consider the department head position as the most important in operation management. So, there is a rather large gap between the pay of section chief and department heads. The pay for the section chief, who are the key pivotal middle managers in Japanese companies, is often lower than that of large Japanese companies. Moreover, foreign firms often point out that overtime work by the non-supervisory staff should be considered to be more of an exception. As a consequence, it reduces the take home of middle-aged male workers at a time in their life when they have the highest financial needs. This erodes the unity of the workforce and hinders the motivation.

As professor Pucik pointed out, Western companies appraisal is often unsystematic but explicit. In most cases, performance reviews are conducted annually, as opposed to the Japanese practice of having at least 2 or 3 reviews per year. In Japanese firms, the appraisal standards and process are enforced at all levels of the organization, while in foreign firms, individual managers retain considerable freedom of action.

**Training**

One important reason why foreign companies find themselves short in both number and quality of employees at all time, is found in their
neglect of long-term basis employees development programmes. As usual, there are outstanding exceptions and companies such as NCR, IBM Japan and Mobil Sekiyu have been pioneers in the field of training in Japan to the point that Mobil is now running a training center dispensing training not only for the employees of the company but for people coming from Japanese companies as well.

On the whole, however, a common complaint of local employees is that the learning environment is often neglected and stunts the growth of the individual. There are no clear career progression and training programmes for new graduates. Management awareness and capability in human resource aspects is poorly developed. Training and motivation activities are reduced to a minimum. It is reported by local managers that there is always a trade-off between budgets and work load. In times of budget cuts, the training expenses are not given priority.

This is all the more an important aspect that in a large number of surveys made among Japanese employees of foreign companies and students, continuous training is constantly considered as a key element by a very large majority of them and the lack (or perceived lack) of an adequate policy in that respect is considered as a strong deterrent to a career in a foreign firm.

3. Localization of management

If localization progresses, for the time being, the growing presence of foreign firms will move the expatriate population growth back to the longer-term trend line increase rate after a period in the 1980s where rapid and comprehensive localization of management seemed to be
considered as the panacea solving all the problems.

The nature of the Japanese job market, the position and history of foreign firms in Japan, and the demands of the top position in the Japanese subsidiary, all suggest that for many companies the time for promoting local nationals to the top spot is still some distance in the future. Clearly, an increasing number (but still small) of foreign firms can attract truly able Japanese newly graduated and up to the early 30s but the ability of the foreign companies to hire really able experienced managers with senior management potential is still very limited. As a matter of fact, not unlike many Japanese companies abroad, the foreign firms in Japan have often an inverted pyramid of local talents in their organization. When first entering the market they were not able to hire first class employees. Overtime, their capacity to do so has probably increased. However, the result is that the persons who are eligible for promotion in terms of age and experience are the least able to make it. This is unfortunately a problem impossible to solve in the short-term. It is possible to put on a faster track a small number of very bright individuals, but a general disregard for age and experience would put the all operation in jeopardy.

III. Strategy

The differentiation points

To stay competitive on the labor market, even for well-established foreign associates but all the more for the many companies with a very low awareness level, there is a necessity to look for an extra something: higher salaries, rapid promotion, assignment abroad, etc. as points of
differentiation.

In many industries, foreign companies can not argue anymore to have a technological edge and, therefore, to be in a position of offering a learning ground non available in local firms. As a number of surveys point out, a majority of young Japanese think that Japanese companies are at the top of the technology in most industries. Offering the opportunities of stay abroad is also a declining point of differentiation as many Japanese companies have subsidiaries abroad and offer also the same opportunity. If a number of Japanese companies are establishing regional headquarters in Europe and elsewhere, it is also partially to offer a learning ground to young executives. It has to be pointed out in this respect that, anyway, most young Japanese are not interested in an international career requiring long stay abroad in different surroundings.

The strong point of foreign companies remains probably the agent of change characteristics and, despite the results of the survey made by professor Nemoto, precisely the importance they give to a promotion and compensation based on meritocracy and individual performance evaluation and challenge. The danger facing many foreign companies currently is that they are too often perceived as followers. A large number of Japanese companies offer more challenging positions with attractive compensation packages. Several surveys have shown that large Japanese companies offer a higher global compensation package (this including the large number of miscellaneous allowances supplementing the salary in Japanese companies plus the opportunity to use company’s lodging or to get a soft loan from the company to purchase its own housing, etc) than most of the foreign companies.

In other words, in some cases, foreign affiliates should emphasize more
their unique characteristics and try to attract and keep people who are looking for such characteristics. To lose personnel on the way is unavoidable; the reverse side of the apparition of people looking for individual ways of expression is that they want to have the right to use their time freely and limit their commitment. Thus, the most should be done to keep core people and develop a centripetal force around a clear identity. As pointed out before, foreign companies are submitted to an isomorphic pressure when they enter in a different market like that of Japan. In some cases, it is not a reflect of a deliberate policy but of the daily contacts with Japanese companies.

Overadaptation is indeed possible in such context and the problem is bound to grow as the type of people requesting a different kind of management increase year by year.

As not only other foreign concerns but the Japanese companies are increasingly competing on the new graduates and mid-career market as well, this is an implicit threat to the employment stability of foreign companies. The small number of young graduates having a positive image of foreign firms and eager to choose them as employers is looking for something different from perceived Japanese companies in term of working environment. A diversification of the career orientation, a longing for an opportunity of a self-evaluation of motivation and capabilities, and for the expression of individual values are perceptible among the young people. A new generation of people having different types of career anchor is coming out. Among those people, some think that their career anchor does not match with what the Japanese companies offer and they may shift towards foreign firms.

As survey made by professor Sasakibara with a sample of young
Japanese who had actually decided to go either in Japanese companies or in foreign one is very revealing. It shows that young people choosing a foreign company as employer consider as important career anchors: the opportunity to develop a specialized capability, the freedom and independence of discussion and time, the pure challenge and the entrepreneurial spirit. Among those career anchors, there was a statistically significant difference for freedom and independence, and for entrepreneurship. The career anchors selected by the people choosing to work for a Japanese company were: the opportunity to develop a general managerial capability, the job stability, the spirit of service and sacrifice. A statistically significant difference for stability was observed.

In other words, those tending to select a foreign firm are the students considering relatively strongly a career allowing them to develop original thinking and specialized knowledge while giving the opportunity to control to some extent their time and work with autonomy.

In the same survey, professor Sasakibara calculated a gap indice between the career orientation that people entering respectively in foreign and Japanese firms want to get as career anchor compared with what they do get actually after.

It turns out that the young people who had decided to go in foreign concerns noticed that in their company there was very little job rotation in order of developing general managerial capabilities and a tendency to emphasize the upgrading of specialized capabilities. They were very satisfied with that aspect because it matched with their expectation from a foreign company. At the same time, like those working in a foreign firm, but for an opposite reason, the new employees having selected a Japanese company considered themselves satisfied with the system of
rotation in view of developing a general managerial capability they found in their Japanese environment.

Those in foreign companies also pointed out that the wages were decided on more meritocratic ways than in Japanese companies, another point responding to their expectations. They did not identify significant differences with Japanese companies in the organizational rules, the decision making process and the responsibility. This was not considered as a negative point. On the whole, people were satisfied with the way the company is managed. They accepted the isomorphism towards a more "Japanese" type of general management.

However, an important comment was that those people working in foreign companies wished to have a still more "foreign" system of wages and promotion. It was not yet considered as meritocratic enough. On that point, they were rejoined by the people working in Japanese companies: they also wished to have a "foreign" style of wages and promotion based more on merit.

In the same way, both groups were unsatisfied with the recruitment process. People working in foreign companies wished to have a more stable and fair system of recruitment. They have the feeling that on the spot mid-career recruitment leads to unfairness in promotion and rewards. On the other hand, people in Japanese companies wanted a fluider system. They are not against mid-career recruitment because they consider it will be difficult to develop innovation without external input.

The development of a strategy

To the light of those data, it seems that, if the global management approach is considered as acceptable, there is seemingly a large
understanding on the necessity of a change in the human resource management system. There is thus a place for a gradual approach leading to the development of an original hybrid system in foreign companies putting local personnel in a challenging position without rocking the boat.

In a way, managing Japanese personnel requires more systematisation and regulation than in the Western world. A major concern of Japanese would-be employees in a foreign firm is whether their performance will be appraised according to Japanese or foreign standards. The appraisal system must stay a mix of meritocracy, seniority and diligence; evaluation of managerial performance is to be based on long-term criteria; the collective criteria must be maintained to some extent to blend the individual capacities with the corporate culture. The orientation towards group activities is deeply rooted into the educational system and will not disappear overnight. At the same time, flexibility should be the rule for the job description and the responsibility range as the Japanese remain uncomfortable with management by manuals and procedures.

The internal corporate image is very important: a transparency of the global group objectives is crucial to secure good people. If it is true that the overall turn-over rate is in line with that of Japanese companies (see the ACCJ survey), the fact is that there is a far higher rate for managers and promising young executives. In such context, building a major programme of recruiting and training is a must.

The critics heard from local employees and managers in foreign firms are not unlike those made their counterparts in Japanese companies abroad: lack of meaningful involvement into the decision-making process, unsufficient access to information, large psychological distance between locals and expatriates. They complain that the expatriates lack of
knowledge of Japanese business practices and have little commitment vis-a-vis the subsidiary: they seem not to be interested in the personal development of local people and have a narrow and egoistic mentality.

Many critics are also made on the Japanese senior executives recruited outside from another company or taken out of retirement after a career in a large company or institution: they are often considered as not representative of the company outside. This is all the more disturbing that the very reason they were hired was precisely often because of their presumed representativeness in the business or political world. Once again, it shows the limit of a policy based on mid-career recruitment.

Effective recruitment campaigns require a full-time activity all year long and not only at the time students are looking for a job in order to develop a grass-roots network. Many offers are turned down after a promising first contact by lack of follow-up due to the small resources put into the recruiting sections.

Moreover, a critical assessment of the recruitment marketing and PR policies followed so far is necessary. It seems that many companies are missing their targets; they do not fulfill their quota and end up with people who are not the best available to them. Companies must try to develop new fields to attract the attention: they have to be present in the media, publish books, be interviewed in the press or introduce points of view reflecting new trends. This is the case for instance with Volvo and its “green” campaign emphasizing the necessity of rethinking our use (or abuse) of cars in a modern society. Andersen Consulting frequently exposes its name in the media and publish the Andersen Consulting Book every year. After having struggled for years to recruit adequate people, this latter company recognize however that the key of its success has
been the development of a personal connection network.

Several surveys show that students give far less importance to direct mailing than the foreign companies suppose. Therefore, the key point is the development of “old boys” and old girls” networks diffusing mouth to ear information. Japan is a society where emphasis is put on people to people contacts. If professor Nemoto pointed out that humanity students (bunkakei) give far less importance to the information coming from their professors than the foreign companies believe, it is certainly not true in the case of natural science students (rikakei) for which universities are crucial access points.

In conclusion, as Japan’s operations are not anymore small and marginal activities, for many foreign entities, the human resource management issues they have to deal with in this country have to be examined in a broader context requiring a balance of the global strategy with a successful adaptation to the local society.

Japanese companies abroad are often accused of “ethnocentricity” but there are very few foreign companies which can truly be considered as polycentric either. In many of them, there are probably also invisible screens impeding the access of locals to decision making, to top position and to information. The question is to know to what extent an integration of the local managers into the global structure is feasible, profitable and acceptable by the concerned parties. This is an elusive problem concerning all multinationals in the world and not only foreign concerns in Japan. Should they go towards the development of a large pool of international managers interchangeable and mobile all over the world with the risk of cultural conflicts threatening the company culture or towards a true localization optimalizing the local resources and the
development of some point of access to the global structure. It appears clearly in all multinationals all over the world that the localization of management is not a straightforward process where all the problems can be solved in giving the formal authority to locals; it is a process where many issues have to be considered: the requirement of the function, the relations between the headquarters and the subsidiaries, the need of a definition of the role of the locals in the global strategy but also of the expatriates as transferers of technology and management know-how. There is thus a mix of structural and cultural aspects which have to be taken into account.

Some foreign companies in Japan can still be considered as agent of change in the field of human resource management. However, most of them are currently inclined to follow the prevalent local practices. In the future, most of the students and other Japanese employees eager to give a change to their career will probably continue to shun the foreign companies for their perceived "alien" practices of management. For most Japanese people, the security of employment remains paramount. Moreover, they are not ready for daily contacts with people culturally different and supposedly willing to impose a management style based on individualism, individual evaluation and "dry", functional human relations. The question for most of the foreign companies will be to secure among the remaining minority of people, those liable in some conditions to consider an employment in a foreign concern and become core people in its development. The problem is that those people will expect different things from a foreign company than a mere conformity to Japanese practices, especially at a time Japanese companies are offering more and more challenging opportunities with a good compensation package. True,
few young Japanese are ready for a wild adventure but there is clearly in
the young generation a longing for opportunities of self-expression and
challenge in a different environment based more on individualism and
meritocracy. Therefore, foreign companies could find some merit in
emphasizing more their particularities. Little by little, the points of
differentiation among well-performing companies all over the world will
be less based on their nationality and their supposed conformity to such
and such local or foreign practices than the original characteristics of
their organization, the quality of their leadership, the motivation tools, all
the elements providing the glue necessary to become a good performer.
All this will require to go beyond the mere clivage between "Foreign"
and "Japanese" companies.

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