Human Resources' Localization of Japanese MNCs

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1. Orientation in Strategy and Level of Localization

Japan's overseas strategy has basically been "export oriented" for many years. Even in a more widely defined orientation, it has been rare to go beyond an international trade strategy. There is a strong policy under which the country imports natural resources and other materials, and processes and manufactures them into high value-added quality products that can survive in international competition. In other words, Japan has been simplemindedly pursuing comparative advantages as the factory of the world. Observing the present situation where Japan is located, however, its strategy should be developed into the "international business oriented" one. As a result of, on one hand, the rapid internationalization phenomenon of business activities themselves and, on the other hand, its chronic and huge trade deficits with most of trade partners, Japan has also reached the stage at which, as a part of the long run world strategy, it is challenged to perform drastic localization through foreign direct investment. The term "localization" used here means a step to internationalization in which multiple overseas markets are linked with headquarter and integrated into company's global rationalization policy. In sum, localization must be done so that it can form the basis of the management which has a global perspective and which is equipped with global logistics

Localization can happen in every aspect of corporate activities. As shown in Figure 1, today's business is fundamentally made up of seven factors; i.e. 1) capital, 2) land or space, 3) human resources (both staff and labor), 4) product, 5) service, 6) information, 7) technology, and two functions to integrate these factors; i.e. 1) marketing (primarily in terms of relations with consumers, both industrial and final), 2) management (mainly in terms of intra-organizational administration). And finally, on top of those, there is a policy (including corporate culture) which determines the general orientation and long term strategy of corporation.

While internationalization and localization can be triggered in any of these aspects, all of them are not necessarily performed with equivalent difficulties. The localization of land or space, say, the establishment of manufacturing base in a targeted local market, and that of capital as well can be relatively easily performed once decision is made, as long as no critical regulation exists in either home or host country. Although the localization of product may include a conflict with the inter-
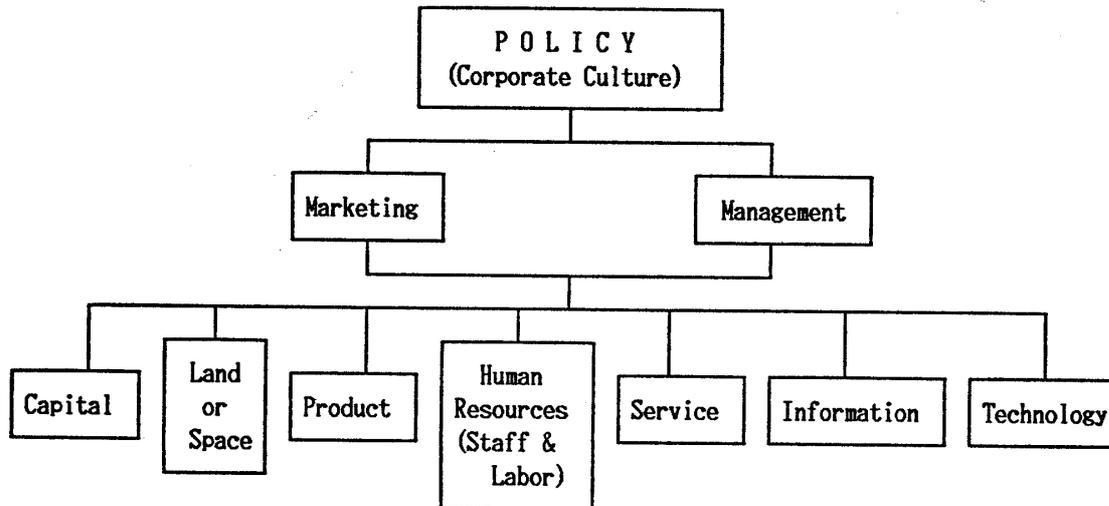
Figure 1   Produced by Ota

national standardization strategy of product, it is also highly possible that it will bring about some visible changes once decision is made. That is why these three aspects rather belong to the hardware of corporate activities. To the contrary, such aspects as human resources, service, marketing, management, and policy belong to its software. Since the software aspect includes much more human factors than the hardware does, the decision making of localization does not necessarily lead to visible and desirable results. Generally speaking, the hardware is more highly dependent on the problems before decision making, and on the other hand the software is more critically related to those after decision making. Information and technology, both of which are vital to the present global companies, have something soft and hard equally.

The priority of localization in the ten aspects is not inevitably determined, and rather depends on the orientation of individual corporation's internationalization strategy. The earliest localized aspect in the Japanese companies was product. This was the result of the fact that the Japanese overseas strategy had much emphasis on exporting. In order to increase its exports to a targeted market, quality products satisfying local consumers' needs are the most effective way to receive immediate returns. The increase in exports also required Japan to make enough effort in export marketing. In this respect, it might be argued that Japan was performing localization at soft level, too, from the earlier stage. This kind of localization, however, was what was necessarily brought about by the export oriented strategy. That was not deeply involved in local market and public to the extent that the Japanese corporations utilized local human resources effectively.

In the meantime, the U.S. MNCs advanced the localization of land, capital, and human resources rather than that of product. It is more appropriate to argue that, in product aspect, they have been aiming at international standardization, not localization. Exactly speaking, the localization of land, capital, and human resources

was also a part of internationalization process built in the U.S. MNC's rationalization strategy. Since the Americans, unlike the Japanese, took the international strategy aiming at the standardization or rationalization of corporate activities through oligopolistic dominancy, the product aspect was less likely to be localized to each overseas market.(1) To the contrary, the Japan's strategy aimed at exportation of manufactured goods, so the localization of such factors as capital, land, human resources was far behind that of product.

Irrespective of the orientation in international strategy, promoting internationalization of human resources, especially at staff level and realizing that of management organization and corporate culture is becoming more inevitable for survival and growth of international corporations. In sum, internationalization at both hard and soft levels is required. Among others, localization of staff is the most important issue for global companies wherever they are headquartered, because it has the greatest impact on the internationalization of management and corporate culture or policy. This is particularly the case for the Japanese firms, because they are behind the U.S. and European counterparts in terms of localization of staff as well as labor. That is also because successful administration of multinational human resources will have a critical impact on the internationalization of the Japanese management style.

2. A Model of Human Resources' Internationalization

There are various types of human resources' internationalization. First of all, in terms of the nationality of those who are employed by MNC, three kinds of sources of recruitment are available. That is, 1) the Home Country Nationals, 2) the Host Country Nationals, 3) the Third Country Nationals. The merits and demerits of the three candidates are as follows:

1) The Home Country Nationals

Advantages:

a] Familiarities with the headquarter's goals, objectives, policies, and practices.

b] Technical and managerial competence.

c] Effective liaison with the headquarter personnel.

d] Easier exercise of control over subsidiary operation.

Disadvantages:

a] Difficulties in adapting to the foreign language, and sociocultural, economic, political, and legal environment.

b] Excessive cost of selecting, training and maintaining expatriate managers and their families overseas.

c] Host countries' pressure for localizing operations and promoting local nationals in top positions in foreign subsidiaries.

d] Family adjustment problems, especially non-working wives of managers.

2) The Host Country Nationals

Advantages:

a] Familiarities with the socio-cultural, economic, political, and legal environment and business practices of the country.

b] Less costly to maintain than the home country counterparts.

c] Providing the possibilities of advancement and promotion to local nationals and consequently increasing their commitment and motivation.

d] Responding effectively to host country's demands for the localization of subsidiary's operation.

Disadvantages:

a] Difficulties in exercising effective control over the subsidiary's operation.

b] Communication difficulties in dealing with the headquarter personnel.

c] Lack of opportunities for home country nationals to gain cross-cultural and cross-national experience.

3) The Third Country Nationals

Advantages:

a] Since the third country nationals are generally career international business managers and are world citizens in their way of thinking, orientations and way of life, they can take a neutral position between home and host country nationals.

b] Relatively less costly to maintain than home country nationals.

Disadvantages:

a] Possibilities that host country nationals have some sensitivity against the particular third country.

b] Possibilities of hindrance for the local nationals to upgrade their own ranks and to assume responsible positions in the multinationals subsidiaries.

Because of these disadvantages, in general, the third country nationals may be less acceptable in many developing countries than home country nationals.[2]

Putting the three types of sources of recruitment in the relationship between headquarter and subsidiaries, the following matrix is available:

Table 1

Subsidiary's Staff in Charge

		Home Country Nationals	Host Country Nationals	Mix of Home & Host Country Nationals	Mix of Home, Host & Third Cntry Natnls
Headquarter's Staff in Charge	Home Country Nationals	Case 1	Case 2	Case 3	Case 4
	Mix of Home & Host Country Nationals	Case 5	Case 6	Case 7	Case 8

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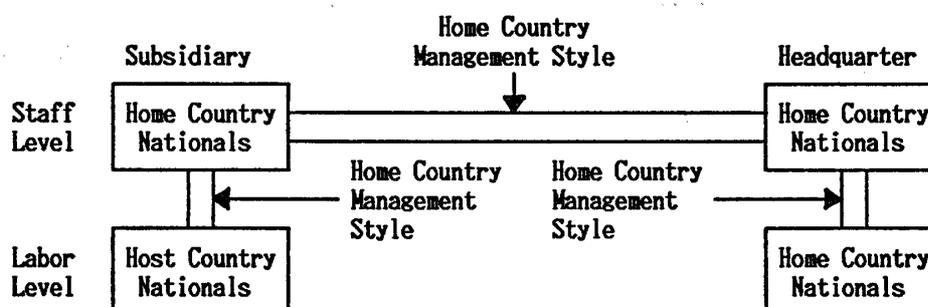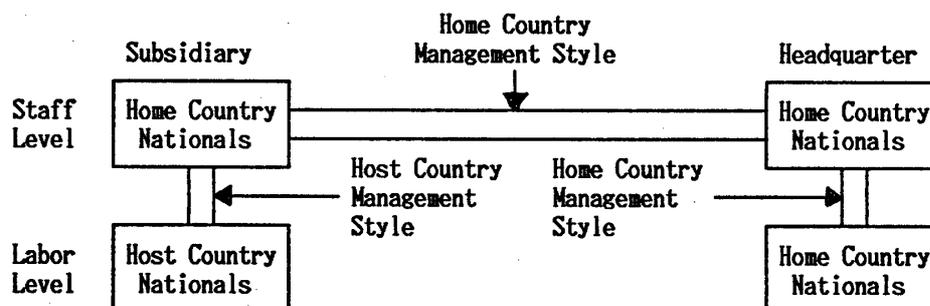
Case 1:

Case 1-1

Case 1-2

Figure 2   Produced by Ota

As staff of both headquarter and subsidiary is occupied by home country nationals, at least the headquarter-subsidiary management communication can be performed most smoothly and effectively. As shown in Case 1-1 and Case 1-2, however, this type of management relationship must face an alternative choice whether host country national labor should be managed by home country style or host country counterpart. In the former case home country national staff at subsidiary must let host country nationals adapt to home country management system. In the latter case, on the other hand, the staff itself must adapt to host country management style. In either case the subsidiary's home country national staff is located in the conflicting phase of home and host country's management climates existing in an MNC organization. The staff is required to function as an integrating agent of both sides.
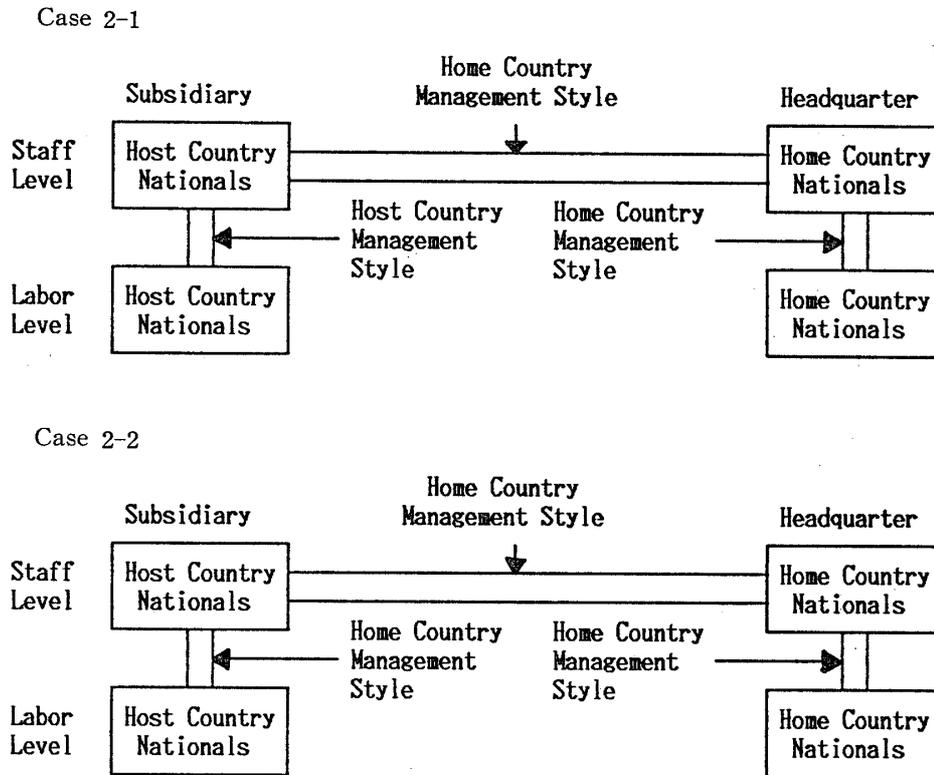
Case 2:

Case 2-1

| | Subsidiary | Home Country Management Style | Headquarter |

| Staff Level | Host Country Nationals | | Home Country Nationals |

Host Country Management Style — Home Country Management Style →

| Labor Level | Host Country Nationals | | Home Country Nationals |

Case 2-2

| | Subsidiary | Home Country Management Style | Headquarter |

| Staff Level | Host Country Nationals | | Home Country Nationals |

Home Country Management Style — Home Country Management Style →

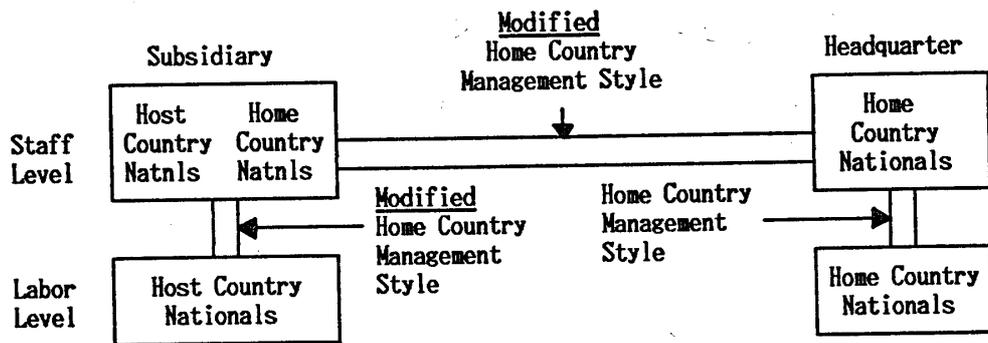| Labor Level | Host Country Nationals | | Home Country Nationals |

Figure 3   Produced by Ota

While headquarter's staff is occupied by home country nationals, subsidiary's counterpart is replaced by host country nationals. In this case, the headquarter-subsidiary management is performed less smoothly than in Case 1 because of the high possibility that the headquarter-subsidiary relation is still managed by home country style. As shown in Case 2-1, however, if the subsidiary's intra-organizational management is operated by host country style, the chances are that local operation is run more effectively than in Case 2-2. In the former case, to be sure, the host country national staff must be fully adapted to home country management practices. That is why smooth management communication between headquarter and subsidiary critically depends on the extent of its adaptation. Unlike Case 1, it is host country national staff who is expected to play a role of integrating agent. When host country nationals eligible for such a task are insufficient, headquarter can not exercise an effective control over subsidiary.

When host country national staff, like Case 2-2, is required to manage local labor by home country management style, the staff is forced to feel a greater pressure occurring in the conflicting phase. For the staff must not only adapt itself to home country management style in terms of headquarter-subsidiary relationships but also help local labor to adapt to the management. Headquarter, on the other hand, is

required to recruit or train much more excellent host country nationals as integrating agent.

Case 3:

Case 3-1
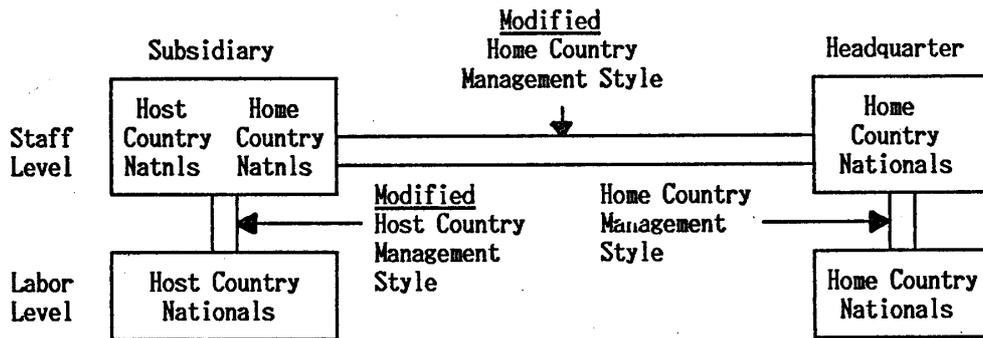

Case 3-2

Figure 4   Produced by Ota

While headquarter's staff is still charged by home country nationals, a considerable percentage of home and host country nationals are participating in subsidiary's staff. In this case, the chances are that the subsidiary's intra-organizational management is operated by the modified style of either home or host country management style. As a result of it, the headquarter-subsidiary management is also likely to be run by the modified home country style, not the genuine one. Whether it is a modified home country style or modified host country style, the modification is oriented toward the standardization of international management operation. In sum, both modified styles are converging at a point, that is the more rationalized management practices. The convergence point should be regarded as some new management style rather than one of the pure existing styles, say, the American management practices.[3] Wherever a management style is originated, as the company which has the same origin becomes more internationalized, it will finally converge to the rationalized management style.
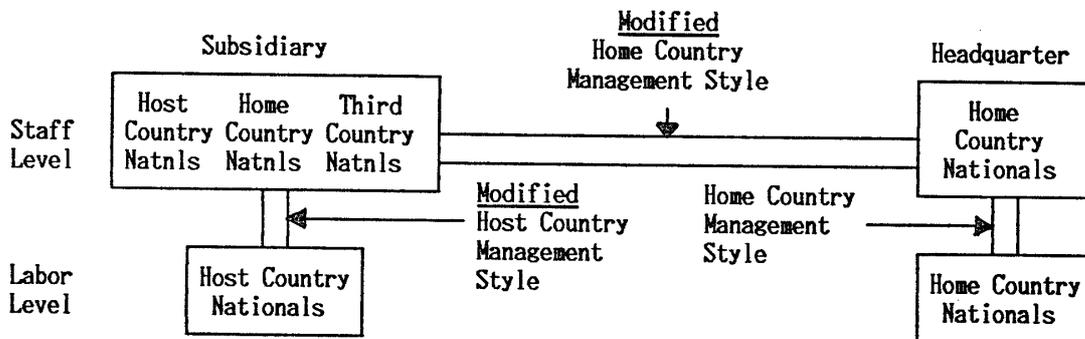
Case 4:

Case 4-1
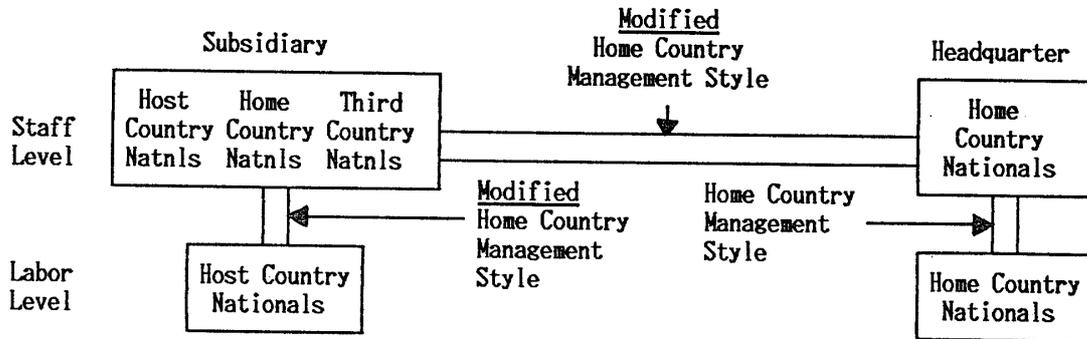

Case 4-2

Figure 5   Produced by Ota

The participation of the third country nationals in subsidiary's staff occurs in this case, but it has little influence on either headquarter-subsidiary relationships or subsidiary's intra-organizational management. Because this is basically the same as the models in Case 3. However, since the communication pattern observed in the subsidiary's staff changes from bilaterally-cross-cultural to multilaterally-cross-cultural, the possibility of friction among the three parties involved will be greater. If the friction is critically large, the third country nationals do not necessarily have to be recruited. The friction can be resolved simply by going back to the situation of Case 3 or decreasing the percentage of the third country national staff. Its occupying majority in the subsidiary's staff has no positive motive.

Case 5:

While headquarter has a mixed staff from home and host country nationals, subsidiary is charged only by home country nationals. In a global company organization whose headquarter is already internationalized to the extent that it has the so-called hetero-staff, however, this pattern is the least likely to occur.

Case 6:

Case 6-1
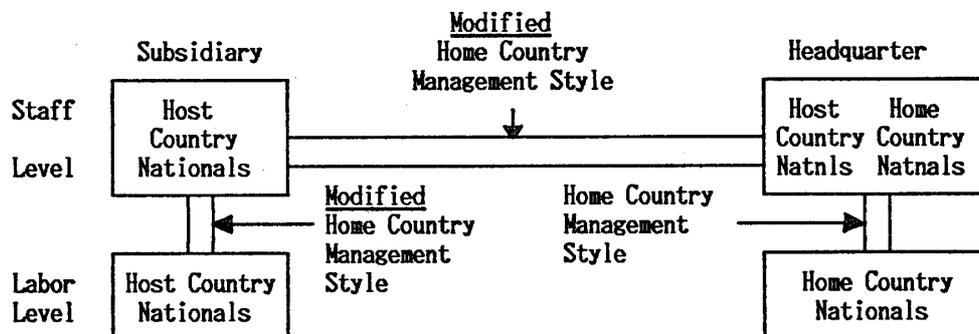
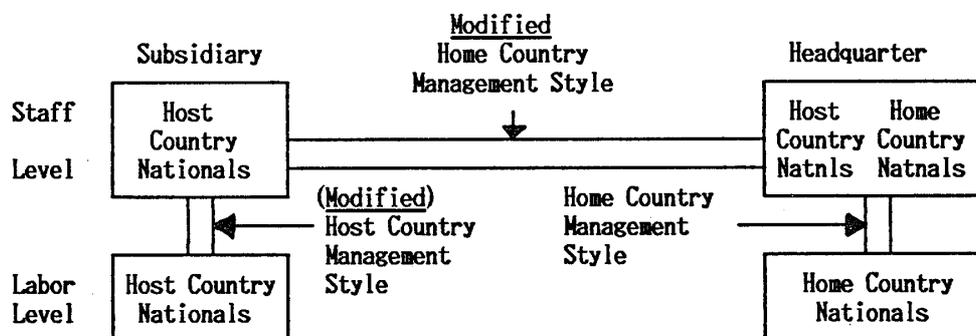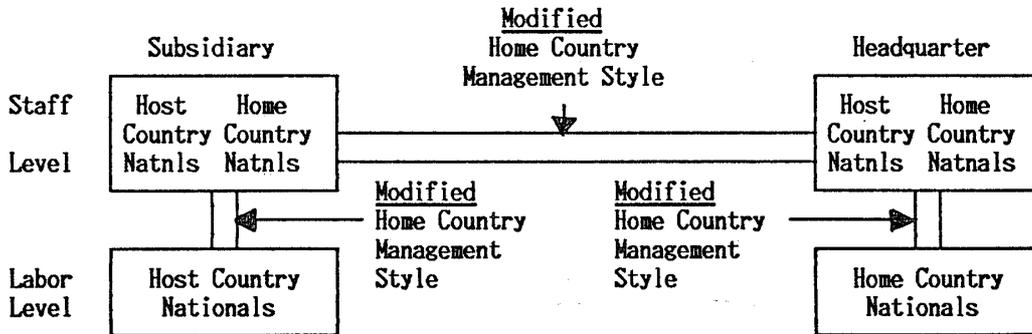Case 6-2

Figure 6   Produced by Ota

While headquarter, like Case 5, has a mixed staff, subsidiary is managed by host country nationals. This pattern can occur. That is why, even if headquarter is developed into the hetero-staff structure, the argument that it is more effective to let host country nationals manage local operation can hold true for this case.

The problem here is that subsidiary's host country national staff must be able to carry an integrating agent function. Unlike Case 2, however, host country national staff to satisfy the requirement from subsidiary is readily available in such an internationalized headquarter. It is also believed to be already equipped with the know-how to recruit and train the eligible human resources. This case is most likely to be performed especially when judging from the host country's conditions, say, nationalism it seems to be more convenient and profitable to let host country nationals be in charge of subsidiary. The case also includes the alternative choice between modified home country management style and modified or genuine host country one in terms of subsidiary's intra-organizational administration, but all depends on the international management strategy of headquarter.

Case 7:

Case 7-1

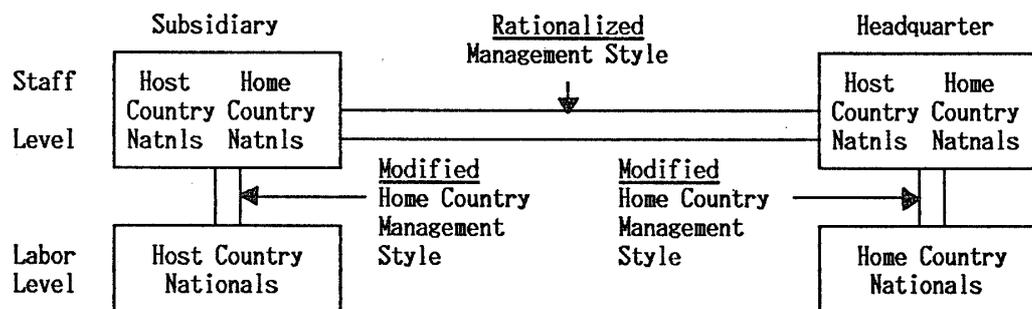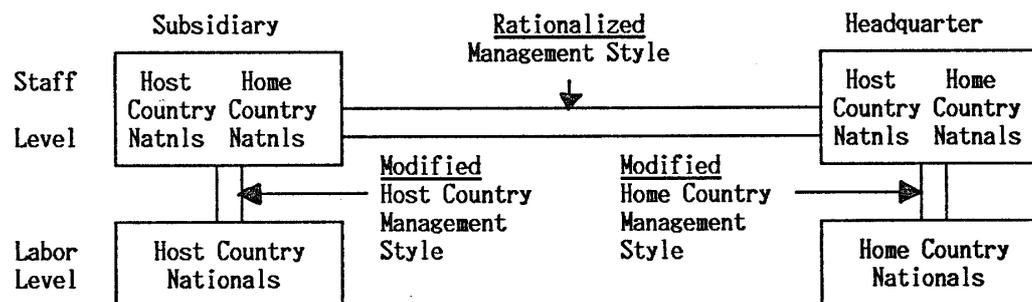|	Subsidiary	Modified Home Country Management Style	Headquarter
Staff Level	Host Country Natnls Home Country Natnls	↓	Host Country Natnls Home Country Natnals

Modified Home Country Management Style

Modified Home Country Management Style

Labor Level	Host Country Nationals	Home Country Nationals

Case 7-2

	Subsidiary	Modified Home Country Management Style	Headquarter
Staff Level	Host Country Natnls Home Country Natnls	↓	Host Country Natnls Home Country Natnals

Modified Host Country Management Style

Modified Home Country Management Style

Labor Level	Host Country Nationals	Home Country Nationals

Case 7a-1

	Subsidiary	Rationalized Management Style	Headquarter
Staff Level	Host Country Natnls Home Country Natnls	↓	Host Country Natnls Home Country Natnals

Modified Home Country Management Style

Modified Home Country Management Style

Labor Level	Host Country Nationals	Home Country Nationals

Case 7a-2

	Subsidiary	Rationalized Management Style	Headquarter
Staff Level	Host Country Natnls Home Country Natnls	↓	Host Country Natnls Home Country Natnals

Modified Host Country Management Style

Modified Home Country Management Style

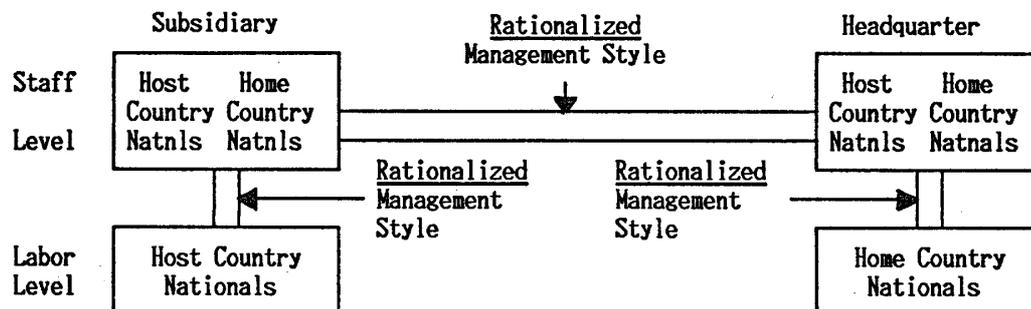|		
Labor Level	Host Country Nationals	Home Country Nationals

Case 7-3

Figure 7   Produced by Ota

Both headquarter and subsidiary have a mixed staff that consists of home and host country nationals. This includes two kinds of patterns. The headquarter-subsidiary management relationships can be operated by the modified home country style and the rationalized style respectively. Each of them is further categorized into two kinds of variation. The first is that the subsidiary's intra-organizational management is run by the modified home country style (Case 7-1 & Case 7a-1). The second is operated by the modified host country management style (Case 7-2 & Case 7a-2). And in Case 7-3, the more advanced pattern of these four, the subsidiary is run by the rationalized management style like the headquarter-subsidiary relationships.

Case 8:

As Case 4 is a variation of Case 3, Case 8 can also be described as the more internationalized pattern of Case 7. It differs from Case 4 in that since headquarter's staff is multinationalized the headquarter-subsidiary relations become rationalized. Besides, the participation of the third country nationals in subsidiary's management is less likely to cause a friction among culturally-heterogeneous staff than in Case 4. That is why, since every subsidiary is equally linked with headquarter by the rationalized management style in Case 8, the difference in management relation with headquarter will be smaller among individual subsidiaries. In some cases, to be sure, the friction resulting from the difference in personality and cultural background of these three types of sources of recruitment can occur in both subsidiary and headquarter organizations. At least, however, the friction resulting from management communication is much less likely to appear than in the case in which each organization unit of global company (headquarter and all the subsidiaries involved) is integrated with the non-rationalized management style.

Even if the company is managed by the rationalized style, the friction among multinational staff can become more complex and intricated than that resulting from the difference in personality or sub-culture in the homogeneous management organiza-

tion consisting of, for example, only the Japanese people. Everybody is strongly influenced by the culture to which he or she primarily belongs. No one can escape from the influence perfectly.(4) Such an influence, however, could be weaken substantially in the rationalized management style. Besides, the future global company must have the organization which, as a result of its deeper committment into international management operation, can utilize the heterogeneous human resources in terms of not only ability but also cultural background.(5) In Case 8, therefore, five types of variation of Case 7 are logically available by adding the third country nationals to the mixed staff of home and host country nationals. As the actual matter, however, only the more advanced pattern of Case 7–3 is significant. The internationalization of human resources gives considerable impacts on MNC's organizational management relations at the following four levels: 1) Headquarter-subsidiary management communication, 2) Intra-headquarter management communication, 3) Intra-subsidiary management communication, and 4) Inter-subsidiary management communication. Given that, the structure of the most internationalized MNC can be schematized in Figure 8.
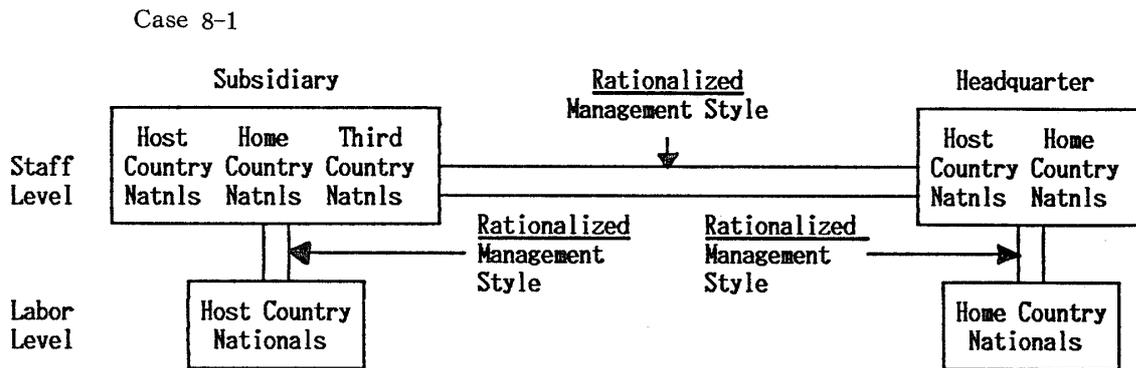
Case 8–1

Figure 8   Produced by Ota

The internationalization of human resources can happen at not only staff level but also labor one. Taking into consideration the internationalization of labor, the above-mentioned eight cases have to include much more patterns. Since the purpose of this paper is to focus on the staff level human resources which give the greatest impact on MNC's global management strategy, the argument was being proceeded on the assumption that in any case labor was occupied by only host country nationals at subsidiary and home country nationals at headquarter respectively. But the organizational model of the most globalized firm in terms of human resources including labor will be schematized as Figure 9 shows.
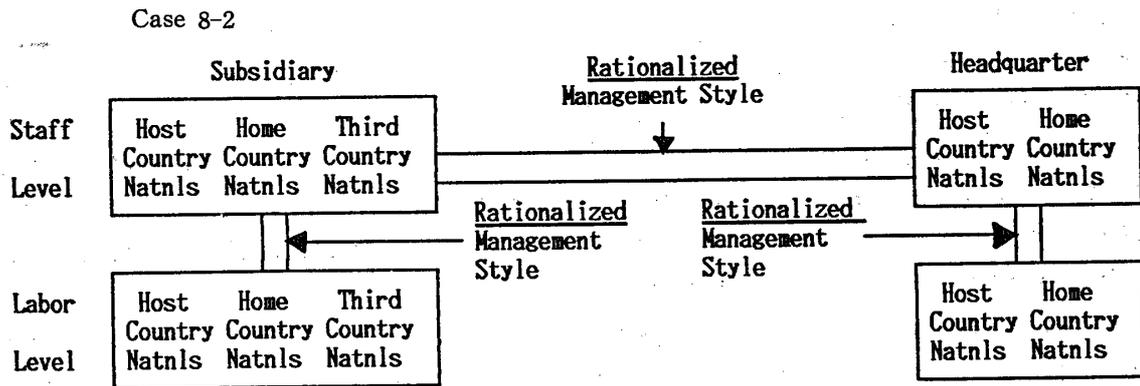
Case 8-2

Figure 9   Produced by Ota

At this stage, MNC needs the framework in which the optimal human resources, whether staff or labor, and whatever nationality he or she has, can be assigned freely and resourcefully across the country, culture and management climate within its whole structure.

Note: In all of the above models, the denomination like the home country nationals, the host country nationals, and the third country nationals is used from the point of view of the country where MNC is headquartered. Unlike human resources at subsidiary, therefore, those at headquarter include only home and host country nationals as the source of recruitment.

3. Localization of Human Resources and Japanese Management Communication

Like or curse it, the argument on internationalization of the Japanese management practices includes the problem of culture. The first argument is concerning in what manner and to what degree the Japanese culture influences managerial behaviors of the Japanese companies. The second is how the influences can interact with the management practices and culture of host country. When the Japanese corporations are internationalized, and also begin to get out of the existing "export oriented strategy" and to positively develop its world strategy aiming at "multinational investment and manufacture," how effectively the Japanese management practices can be operated in host country is vital to Japan as well as host country.

The Japanese management is much influenced by the Japanese culture including a lot of differences from that of western countries, especially the U.S., which were leading the world economy in the past. A host of differences between Japan and western countries in terms of management climate or culture do not necessarily lead to a negative situation immediately. The existence of difference is one thing and

the argument as to which system is superior is the other. It is very possible for the differences to become stimuli to each other and to contribute to maintaining a profitable relationship. As the actual matter, however, there is no denying the fact that, when the Japanese carry business activities in the other culture block, the culture the Japanese management practices contains, more or less, can have some friction with the culture the host country counterparts include. To be sure, some frictions are critical and some are negligible. Besides, some can give positive innovative effect to cultural dynamism of host country and on the other hand some can give negative innovative effect to the dynamism by destroying the cultural system's balance that is absolutely necessary for the stable interaction within the host country and, as the case maybe, by triggering rebellion against the Japanese MNC's operations. In either case, the Japanese management style obviously has a remarkable impact on the western business scene.

No matter how unique cultural background its management practices have, if the impact Japan gives on world economy is much smaller, the argument on the Japanese management can hardly occur. In this respect, the argument is not initiated by the problem of whether the Japanese management practices are fundamentally excellent or rational, but largely influenced by the ex post facto that Japan, a country with a unique cultural background, realized a very strong economic power surpassing even western nations and achieved more efficient manufacturing performance than the western counterparts did. Since Japan made such a miraculous success, its management practices and philosophy began to invite much attention and at the next stage the discussion about whether they can be transplanted in the overseas operations of the Japanese firms and the firms of foreign countries as well.

This sort of argument usually includes two different ideas, i.e., cultural determinism and cultural compatibility.[6] The former idea views that when the Japanese management practices are operated overseas they are so strongly determined by its own cultural norm that the operations can not escape from being subject to the control of culture. The latter is viewing that the cultural norm included in the Japanese management is compatible with that of host country's counterpart. The Japanese MNCs, however, have not so far had a deep commitment to local markets to the extent that the possibility of the Japanese management system's transplantation can be explained by cultural determinism or cultural compatibility. That is why most of the Japanese firms are less likely to recruit the host country nationals or the third country nationals for top-level managers in their subsidiaries than the U.S. and European counterparts.

Table 2 Extent of Localization of Top-Level Management
by the MNCs

Percentage Localization of Top-Level Management	MNC-Ownership		
	U. S.	European	Japanese
	(N=44)	(N=33)	(N=19)
	n /%	n /%	n /%
100	12/27. 3	3/9. 1	0/0
75–99	14/31. 8	13/39. 4	0/0
51–74	7/15. 9	4/12. 1	2/10. 5
1–50	10/22. 7	8/24. 2	2/10. 5
0	1/2. 3	5/15. 2	15/78. 9

Source : A. R. Negandhi and B. R. Baliga, Quest for Survival and Growth : A Comparative Study of American, European, and Japanese Multinationals (New York : Praeger Puiblishers, 1979) and (Koenigsten, West Germany : Athenaeum, 1979), p. 54 . Permission of the author (Dr. Negandhi) is gratefully acknowledged.

Table 2 shows the localization percentage of top-level management according to the ownership of MNC. While 12 US MNCs have achieved 100% localization, at least as of late 1970's, no Japanese MNCs have reached the stage. Besides, while 33 US firms, accounting for 75% out of the whole sample numbers researched, 44, have accomplished more than 50% localization, only two Japanese firms have achieved 51–74%. What is still more significant is that 15 out of the total sample number, 19, do not localize their top-level management at all. European MNCs, though less aggressive than US counterparts, have already achieved 100% localization at 3 firms, and 20 out of the whole samples, 33, have reached the more than 50% localization stage. In sum, in terms of headquarter-subsidiary relations, the Japanese MNCs can be said to perform the most important part of decision making fundamentally through, as it were, the Japanese style management communications involving only the Japanese people.

The Japanese management is characterized by; 1) the totalitarian decision making and responsibility system (embodied in the so-called "Ringi system"), 2) slower personnel evaluation and promotion (embodied in the rule of seniority), 3) preference for generalist, 4) lifetime employment, 5) implicit management communi-cation.(7) These characteristics are most strongly related to the personnel problem. In this respect, whether the Japanese management can be transplanted or at least is compatible with host country's environment highly depends on the achievement of localization of higher ranked human resources.

When the system formed by interaction among homogeneous people like the Japanese is directly adapted to other cultural climates, much difficulties are un-avoidable. To be sure, some Japanese firms are with success adapting to some host countries by making the most of the Japanese management's merits. From another

point of view, however, those firms might have been successful, only because that sort of management style still remains minority in host country's business scene. At the same time, it can not be denied that its scarcity value might have been amplified by being linked with the miraculous success of the Japanese economy. Any system has both merits and demerits. No perfect management system is available so far. The advantages of the Japanese management might by chance have satisfied the particular host country's needs. No matter how successful the Japanese management has been, if it only contributes to improvement in host country's unemployment at labor level, any company with a strong international competitive power can bring into the local public almost the same contribution wherever the company is headquartered. The successful operations of the Japanese management should no longer be evaluated only by the fact that the Japanese firms just saved local unemployment or that they helped host country to manufacture high quality products as the result of TQC (Total Quality Control). It should also be assessed by the fact that the corporations are localized in human resources including staff level. At the same time, they must be able to maintain their unique corporate culture which have so far led them to the present success. As the case may be, they are required to modify or even establish new corporate culture effective to the internationalization age. In either case, the Japanese corporations are challenged to perform these apparently contradicting issues, i.e., internationalization of human resources vs. stable maintenance of corporate culture. Given that, the Japanese MNCs have the following dual structure:

1) They are making much effort to adapt to host country's business climate.
        but
2) They are far behind of the US and European counterparts in terms of recruitment of host country nationals for top-management and the internationalization of staff as a whole MNC organization.

This disagreement may reflect the critical shortcoming the Japanese management system endogenously contains when adaptating to host country.

As shown in Table 3, in comparison to the US and European MNCs, the percentage of involvement of Japanese subsidiaries' managers in their headquarters' decision making process is very high. It is almost four times as that of Americans and double of Europeans. Especially as to the degree of involvement in board of directors, while Americans and Germans show remarkably low percentages, 0% and 2.3% respectively, Japanese has an exceptionally high percentage, 31.7%. Where these figures are concerned, the Japanese MNCs seem to be more decentralized[8] and have smoother headquarter-subsidiary management communications. This argument might hold true as far as Table 3 is concerned. The superimposition of Table 3 on Table 2, however, will raise a certain challenging problem.

Table 3 Involvement of the Subsidiaries' Managers in the
Headquarters' Committees
MNC's Nationality (subsidiaries)

Corporate Committee	American (N=32) %	German (N=44) %	Japanese (N=41) %	Total (N=117) %
Board of Directors		2.3	31.7	11.9
Production Planning	9.4	13.6	2.4	8.5
Long-Range Planning	6.2	9.1	7.4	7.7
Overseas Investment		2.3		0.9
Personnel		4.5	2.4	2.6
Budget & Resource Allocation			17.1	6.0
Research & Development		2.3		0.9
Total included in Corporate Committees	15.6	34.1	61.0	38.5
Not included in any Committees	84.4	65.9	39.0	61.5
Total	100.0	100.0	100.0	100.0

Source : Richard N. Farmer, Advances in International Comparative Management : Anant R. Negandhi
and Martin Welge, Supplement 1 - Beyond Theory Z : Global Rationalization Strategies of
American, German, and Japanese Multinational Companies (Connecticut : JAI Press, 1984),
p. 39. Permission of the author (Dr. Negandhi) is gratefully acknowledged.

From the point of view of organization chart, the Japanese MNCs certainly take the decision making process in which headquarter consults with subsidiaries through letting their opinions reflect in corporate strategies. As the actual matter, however, almost all of those involved in the process are occupied by the Japanese. In terms of human resources localization in host country, this may mean that the Japanese management climate itself does or can not adapt to that of host country. Given the real adaptation, more host country nationals must be recruited in subsidiaries' staff. Since the Japanese management highly relies on communication performance among the Japanese personnel, its decision making process consequently must involve a lot of the Japanese people. Otherwise, smooth maintenance of the Japanese corporate culture becomes more difficult. A very strong organizational cohesion and international competitive power of the Japanese MNCs can also be aggravated. Since these two advantages are critically supported by such a Japanese style management communication performance, it is unavoidable that top-level management of the Japanese firms, whether at headquarter or subsidiaries, is occupied by the Japanese staff. This is one of the biggest reasons that the Japanese subsidiaries are the least likely to employ the host country nationals or the third country nationals for their top-level management.

With regard to the extent of decentralization, the Japanese MNCs have lower level of formalization and look more decentralized than the US and European counterparts. As shown in Figure 10, the extent to which subsidiaries are dependent on the written policies of their headquarters is the strongest in the US MNCs. 88% of the American MNCs studied relies a great deal on the policies. On the other hand, 66% of the Japanese MNCs are dependent on them very little to not at all.

Western MNCs, especially Americans, are more strongly dependent on the written policies provided by headquarters. Western society, which is not homogeneous like Japan, is the so-called contract society which has a general socio-cultural characteristic to place much more emphasis on documentation. It might be said, to be sure, that this characteristic has a considerable impact on the corporate culture of western MNCs concerning intra-organizational communication activities. The prime reason of such a big difference in dependency on the written policies between the Japanese MNCs and the US and European counterparts, however, is also ascribed to the fact that most of important positions of the Japanese subsidiaries are occupied by the Japanese personnel. In the Japanese management communication performance, written communication is less valued than in the western one. The Ringi system, one of the prime characteristics of the Japanese management, is certainly based on a kind of written policy distributed among all the ranks of people involved in decision making of a particular matter. This help the Japanese management seem to place emphasis on the formality of written communication. Ringi-sho (the written policy used in the Ringi system) is nothing but a ceremony as a result of coordination process leading to decision making. What is important in the system is not the Ringi-sho itself, but the process in which the harmony of management was formed.

Given that, the Japanese style implicit management communication network is perfectly spread in the headquarter-subsidiary relationships. Generally speaking, the transfer of authority is believed to be smaller in the Japanese firms than in western counterparts. It is told that a Japanese businessman who made a business trip abroad can hardly make a decision about anything without consulting with headquarter, even if he is entitled as a negotiator of the matter in question. This sort of behavior has long embarrassed western businessmen and has been often quoted as an evidence to represent a characteristic of the Japanese corporate activities. While they have such a centralized characteristic, the Japanese firms seem to be more decentralized from the level of formalization's view point. Behind this contradiction, there exists an invisible communication networks among the Japanese staff which place smaller emphasis on the written communication.

The practices and philosophy of the Japanese management are more implicit than those of western management. What can hardly be indicated by data, in other words, something unmeasurable is often forming the fundamental of the Japanese management climate. In the headquarter-subsidiary communication of MNCs also, it
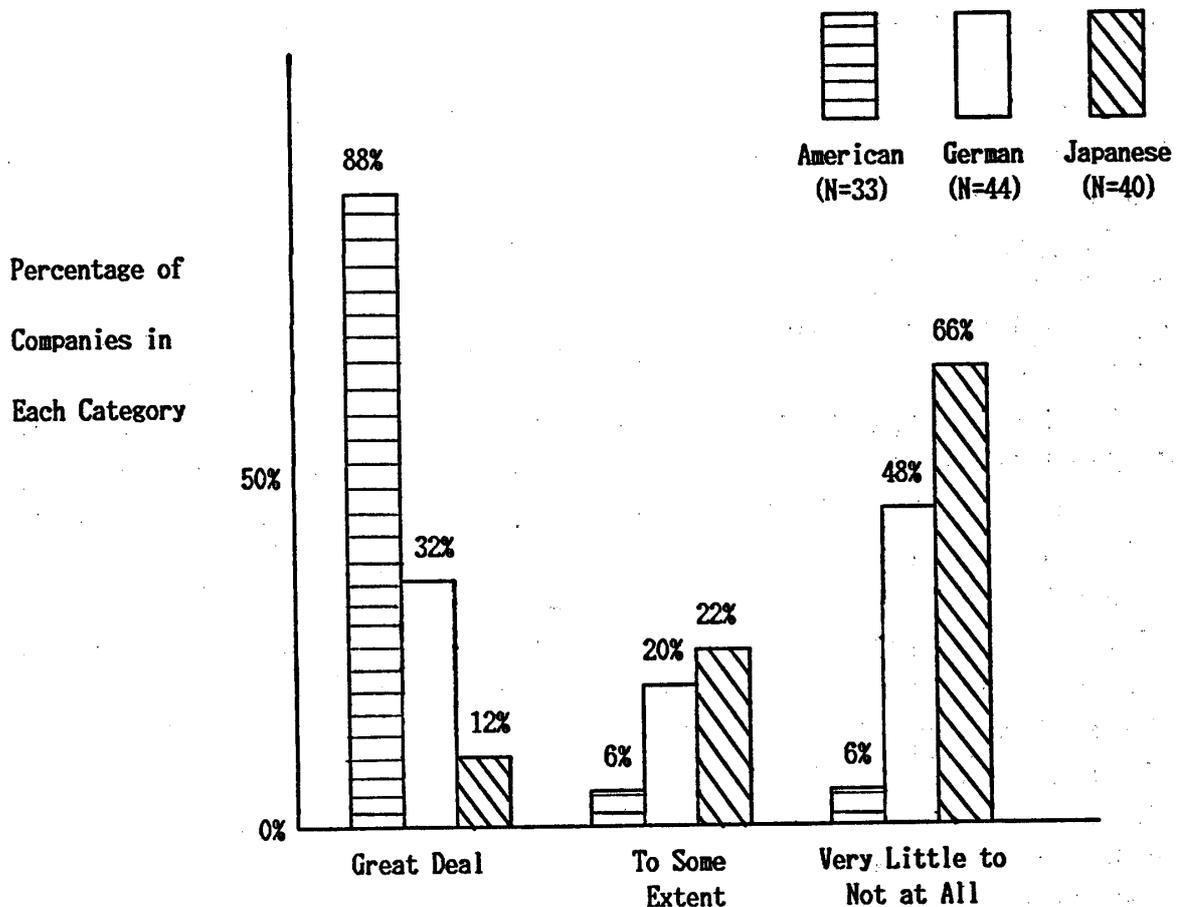
Figure 10 Extent to Which Subsidiaries Dependent on
Written Policies from Headquarters

is hard to see the real figure of the Japanese management communication performance just by using the effective guideline for western management. No matter how much physical distance there lies between headquarter and subsidiaries of the Japanese MNCs, and no matter how different culture there exists between the areas where the headquarter and the subsidiaries are located, as long as overwhelming majority in the communication process is occupied by the Japanese, it basically does not differ from the management communication performance observed within the corporate organization in Japan. That may be described as a form of international or cross-national communication. But it is never a cross-cultural communication.

To some extent, the difference in recognition and opinion as to local operations can occur even between the Japanese managers of headquarter and those of subsidiaries. No matter how different opinions they have each other, and irrespective

of the value judgement as to which party has a right or at least more appropriate view, it is absolutely the culturally homogeneous communication among the Japanese in terms of communication form. When some explicit benefits of the Japanese management practices (e.g., efficiency of high quality control, secured job brought about by life-time employment system, and so forth) are demonstrated to host country nationals, the chances are that they accept them as a part of Japanese management system.(9) Unless host country nationals are involved in up to the level where they can make a critical decision for their corporate organization, however, it is very hard to judge whether the Japanese management system has a cultural compatibility or not.

American MNCs, which have won success in the Japanese market, have been also adapting their operations to the Japanese management climate by appointing a lot of the Japanese to top-level managers including president. To be sure, the Japanese firms are also making much effort to adapt to local climate or culture. A remarkable difference is, however, that while the Japanese MNCs are appointing mainly the home country nationals to local staff, American counterparts are utilizing host country's human resources by putting them on top-level management. It is worthy of note that the latter is integrating host country nationals into its international management rationalization strategy very effectively by linking headquarter and subsidiaries with cross-cultural communication networks among the heterogeneous or multinational staff. Arguing by using the models shown in the previous section, the Japanese MNCs can be said to remain still in either Case 1-1 or Case 1-2, or the middle of them. On the other hand, the US MNCs are already located in either Case 2 or Case 3.

4. Internationalization of Japanese Management

By covering human resources problems with the Japanese style management communication networks, 1) demerits and something implicit of the Japanese management can be dealt with only by the Japanese, and as the result of it, 2) merits and something explicit can be provided to host country's labor and local public. Since the most authentic part of the Japanese management, that is the Japanese communication pattern, is the least likely to be transplanted overseas, the Japanese staff has been dealing with the part. At least so far, there has been no alternative but to do so. This method has surely been more convenient and profitable for development of the Japanese firms. There has also been an environment where they could take such a strategy. That is why the internationalization of business activities at human resources level has not generally been in so critical situation. The Japanese firms themselves have not also been a big existence to the extent that they are critically dependent on the issue of this sort. They have consequently been allowed to concentrate on the "export oriented strategy."

As Japan's economy becomes powerful like now, however, the deeper involvement into host countries such as local manufacturing is much more likely to increase. Business activities of the Japanese firms are challenged to change its nature accordingly. Namely, they are required to become an organization which can deal with the following two subjects:

1) Accomplishment of human resources' internationalization primarily by promoting aggressive appointment of host country nationals to even top-level management.

<div align="center">simultaneously</div>

2) Efficient integration of such heterogeneous human resources into the corporate culture which has been so far supported by the Japanese-club-wise headquarter-subsidiary management communication networks and, furthermore, into the establishment of the effective global management strategy.

As long as the Japanese MNCs hereafter continue to be operated mainly by the Japanese, it is unavoidable for them to rely on the Japanese management communication. That is why almost all the Japanese companies have been winning the present success under the corporate culture based on the communication performance. On one hand, wherever it is headquartered every MNC has a dire need to be internationalized or rationalized so as to maintain its international competitive power and increase economic efficiency. On the other hand, it is challenged to maintain its corporate culture and reinforce integrating power to coordinate its hetero human resources.[10] Where that is the case, the Japanese MNCs will find much more difficulties than the US and European counterparts, for their corporate culture often includes what is more implicit and what can not be easily understood by people with other cultural backgrounds.

The corporate culture of the US MNCs are surely based on the American culture. The most significant difference, however, between Japanese and American is that although the latter is also a form of culture it is much more oriented toward rationality. To some extent, the core of American culture is based on the so-called Anglo-Saxon culture. But, when such a large number of races and cultures live together and socially interact in the same territory, the culture of America itself must be more strongly oriented toward rationality in order to coordinate people with various racial and cultural backgrounds. From the point of view of cultural anthropology, in general, when many different cultures get together, it is believed that interaction at more rational level is the most effective way for letting such a heterogeneous people function smoothly.

The American management practices are basically influenced by the American

culture like this, and have a tendency to pursue what is more rational. Something more rational is supported by what is more objective, and in turn something more objective is made up by what is more quantitative or explicit.[11] The American management including this prime characteristic is precisely a system which can comprehensively manage human resources with heterogeneous backgrounds in terms of culture and ability while reinforcing its competitive power simultaneously. In this respect, the US MNCs are basically equipped with the capacity which enable them to cope with international business operations, especially at the level of human resources management, by simply enlarging its fundamental personnel strategy into the global scene. The simple enlargement is certainly insufficient. It is required to make various modification necessary for global operations. Among the management systems available now, however, the American one is located in the nearest stage of Case 8-2 in the previously illustrated co-relation models between human resources and international business management of MNC. Because it has always been equipped with the basis of hetero human resources' management absolutely necessary for internationalization of corporate organization.

To the contrary, the Japanese management system has a characteristic to prefer something subjective or anti-quantitative, which in turn forms an implicit management climate. Such a climate as to seem implicit to other peoples does not look so to the Japanese. It is likely to be believed that the climate helps establish a comfortable human relationships rather than making it explicit deliberately. They can with ease recognize and understand what is behind something implicit with the aid of the Japanese communication performance. The performance can be done by the culturally homogeneous people like the Japanese. The Japanese style communication pattern can be said to have a lower level of articulation than the western counterparts. It is very difficult to let non-Japanese people understand and perform the Japanese management's software as the Japanese do. However, the internationalization of human resources is inevitable for that of the Japanese corporations. That is why, though local manufacturing through direct investment might be to some extent helpful to the solution of trade imbalance, local operation not including higher ranked local human resources can look like the Japanese MNCs' aggressive control over host economy and trigger a new friction. The forerunner of that sort of friction is already observed in some local markets. In most of them, the decision making of local operation was simply made by the fact that there is a favorable demand for the Japanese direct investment. As long as the Japanese MNCs decide overseas operations through direct investment this way, and have an idea to cope with the human resources problem of local operation only by providing jobs to host country nationals at labor level or providing know-how to manufacture high quality products, no ideal internationalization of corporate activities are within their perspective.

As a company becomes multinationalized toward the realization of global rationalization strategy, not only hardware but also software of the company must be inter-

nationalized. Further promoting localization of human resources at both staff and labor levels without aggravating their competitive power is the greatest hurdle for the future internationalization of the Japanese MNCs.

Footnotes

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