Japanese Management in Southeast Asia

Introduction

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I Sequential Relationship to Our Earlier Study of Japanese Firms in Asia

This research project was undertaken as a sequel to our earlier work on Japanese enterprises in Southeast Asia, which constituted part of a comprehensive project on Culture Conflicts.[1] The main objective of our project then was to arrange the observations of the managers of Japanese joint-ventures or subsidiaries in Southeast

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Asian countries which we had collected and analyze the issues raised by them. The methods used were mainly interviews in Japan and a questionnaire survey of managers with experience of management of joint-ventures in Asia who were then in Japan. The study was perhaps the first of its kind in the sense that the companies chosen were a systematic random sample representing the population, and the questions were carefully prepared to analyze the experiences and behavior of Japanese enterprises and their managers. The questions covered the managers' personal and family lives abroad in addition to business matters. The main findings were reported in *Nihon Kigyo in Ajia* (Japanese Firms in Asia), edited by Shinichi Ichimura, Toyokeizai Shimpo-sha, Tokyo, 1980 and Shinichi Ichimura, "Japanese Firms in Asia," *Japanese Economic Studies*, 1982.

One serious criticism of our previous research was that it did not include the responses of local staff to the Japanese style of management and Japanese managers or families. The local state of affairs was observed only from the Japanese side. The same situations might have looked quite differently from the view-point of native people. There is no doubt that, in order to analyze the relations or conflicts

between Japanese firms or people and local staff, the opinions of local staff or people must be taken into account. However, it is very difficult to obtain such observations with the approval of management and still minimize bias. The primary motivation of this research was to remedy this short-coming of our earlier study. For this purpose two questionnaires were prepared; one addressed to top managers, who are almost always Japanese, and another addressed to middle managers who are exclusively natives of the countries in which the plant is located.[2]

Another important comment was that the business environment and practices in the five ASEAN countries differ from those in the East Asian countries, so that the inclusion of East Asian countries in the study might point up new issues. Since Japanese direct investment in Korea, Taiwan and Hong Kong is no less important than that in ASEAN, we decided to include these three newly industrializing countries in the present study. Southeast Asia in this article must be interpreted in the broad sense to include the ASEAN countries and the three above-mentioned East Asian countries.

In Southeast Asia Japanese capital constitutes less than 50% of total capital in many joint-ventures so that their presidents are often non-Japanese. But actual management of these companies is often

entrusted to Japanese vice-presidents. Our questionnaire to top-managers was distributed, therefore, to Japanese vice-presidents as well as presidents except in South Korea, where Korean presidents actually manage the joint-ventures. Therefore, two kinds of questionnaire to top-managers were prepared; one in Korean, addressed to Korean presidents and another in Japanese addressed to Japanese top-managers which was the same as the one used in all the other countries.

The middle managers who received and filled out questionnaires were usually chosen by the companies but in most cases they mailed the questionnaires directly to the local offices which generously accepted our request for cooperation in sending out and receiving the questionnaires.[3] This approach certainly produced a certain bias toward the choice of pro-company employees but, after examining the processed results of their responses, we do not believe that this bias of distribution is strong enough to invalidate any fair interpretation of our findings. Our findings must, however, be

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2) In preparing the questionnaires, the greatest contribution was made by Kuniyoshi Urabe. His work is acknowledged with gratitude by all the members of the team. These two question-naires are appended at the end of this collection of articles. See pp. 109–126.

3) The offices that cooperated with us in distributing the questionnaires were: (Indonesia) Japanese Overseas Enterprises Ass., c/o JETRO, Jakarta; (Singapore) Japanese Overseas Enterprises Ass., c/o JETRO, Singapore; (Malaysia) JETRO, Kuala Lumpur; (Thailand) Japanese Overseas Enterprises Ass., c/o JETRO, Bangkok; (The Philippines) Japanese Chamber of Commerce, Manila; (Hong Kong) Japanese Chamber of Commerce, Hong Kong; (Taiwan) Japanese Chamber of Commerce, Taipei; (Korea) Japanese Chamber of Commerce, Korean Chamber of Commerce, Korean Institute of Economics and Technology, Seoul, and Japanese Chamber of Commerce, Pusan. To all of them we are sincerely grateful.

interpreted carefully, and our interpretations may be open to criticism. Needless to say, it would be impossible to conduct this kind of questionnaire survey without the cooperation of business enterprises and their top management. This was just about as far as we could go in this research.[4]

II The Japanese Style of Management and Labor Relations

In this research project we narrowed the coverage of the survey and interviews and focussed on the Japanese style of management and labor relations to enrich our analysis of Japanese businessmen's behavior. But the questionnaires were designed not only to obtain first hand knowledge of Japanese management but also to learn about the responses of local staff to Japanese management practices in Southeast Asia. The prevailing style of business management in ASEAN countries and Hong Kong has been English or American. The so-called Japanese style of management drew attention, first in the United States business community and then in Europe, in the early postwar years. But in Southeast Asia,

where Japanese companies began direct investment around 1960 which became significant in the 70s, their style of management has gradually permeated into the business community through the activities of Japanese joint-ventures only in very recent years. The findings of our studies, therefore, may be revealing the initial experiences of and responses to Japanese management in Southeast Asia. In Korea and Taiwan, however, the business environment is very different. The fact that some businessmen in Korea and Taiwan would consider the so-called Japanese style of management to be, rather, the Asian style of management, proves the general practice of similar management styles.

The definition of the Japanese style of management is, however, not common to all students of business management. For this study we simply adopted the following characteristics of Japanese enterprises as the definition and tried to investigate their adaptation to business conditions in Southeast Asian countries.[5]

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4) To reduce the degree of bias, we requested that the top manager of each company distributed two or three questionnaires to "average" middle managers and included some checks in the design of questions and answers. For example, instead of replying: "satisfied" or "dissatisfied," respondents were asked to reply: "very satisfied," "a little satisfied," or "dissatisfied." The intention is that those who chose a little satisfied be regarded as really dissatisfied but not daring to say so. When we reported our preliminary findings to top-managers in several countries, they were often surprised to find their subordinates' opinions frank, understanding and even critical. They were all very appreciative of this research.

5) There are many works on Japanese management. References may be found in:
  1. Urabe, Kuniyoshi: *Nihon Teki Keiei-o Kangaeru* (Consider Japanese Management), Chuokeizai-sha, 1981
  2. Ouchi, W. G.: *Theory Z*, Addison Wesley, 1981
  3. Urabe, Kuniyoshi and Omura, Kihei: *Nihon-teki Roshi Kankei-no Tankyu* (Inquiry into Japanese Labor Relations), Chuokeizai-sha, 1983.
  An international comparison of Japanese and American management systems was undertaken using a questionnaire survey similar to ours by four management scientists and published as:
  4. Kagono, T., Nonaka, I., Sakakibara, K. and Okumura, A.: *Nichi-bei Kigyo-no Keiei Hikaku* (Comparison of Management Systems in Japanese and American Enterprises), Nihonkeizai Shimbun-sha, 1983.

(1) Life-time commitment or employment: management is based on the assumption that once employees are properly employed, they commit themselves to their company for the rest of their working lives, so that stable employment is taken for granted and job rotation or on-the-job training becomes routine.

(2) Seniority system: seniority-based promotion and wages/salaries are widely adopted as essential parts of life-time employment. They combine not only seniority in terms of age but also graduation year and level of schooling. At the same time it should be remembered that evaluation of personal merit is strictly practiced in Japanese style management.

(3) Humanistic principles: human relations in the company are greatly stressed and regarded almost like those in the family or local clans in feudal times, with common objectives. Thus, the objectives of the company are often set by the founder and emphatically taught to employees. Mensualization——reducing the status difference between workers and managers ——is accepted as a matter of principle. It is quite common, therefore, for example for even section chiefs to work with their subordinates in one large room. Welfare benefits within the company are strongly emphasized.

(4) Groupism: group decision-making, group responsibility, the "ringi" system and flexible management are well-known now all over the world as characteristics of Japanese management. They constitute some aspects of groupism.

First, we studied the actual practice of Japanese management in Southeast Asia via top-managers' replies to our questionnaire. Then, we investigated the local middle managers' responses to Japanese management in the same way. The number of replies collected in each of the eight countries in our survey is as follows:

	Top-executives	Middle managers
Indonesia	67	129
Singapore	49	210
Malaysia	52	82
Thailand	58	90
Philippines	40	134
Hong Kong	44	36
Taiwan	58	90
Korea	59(40)*	83

*: Korean top executives

These answers were processed by a computer's program SPSS (Statistical Package for Social Sciences) to compute averages or totals depending on the questions. The processed results are interpreted together with the results of the interviews conducted by each author in the country for which he is responsible. The details of the findings may be left to the following country reports.[6] Emphasis here is placed on the interpretation of the

6) An interim report in Japanese has already been issued:
Nikkei Goben-Kigyo no Keiei to Roshi-Kankei (Management and labor relations in Japanese joint-ventures), Kansai Economic Research Center, Osaka, September, 1983.
Its contents are:
1. Tomita, Teruhiko. "Japanese management and labor relations in the Philippines"
2. Urabe, Kuniyoshi. "Japanese management and labor relations in Singapore"
3. Nakano, Hideichiro. "Japanese management in Malaysia"

survey findings in relation to institutional and cultural factors in the countries studied. More detailed statistical analyses of these findings will be undertaken as a separate research project in the future.

III Some Remarks on International Comparison

A general picture of the business conditions of Japanese joint-ventures or subsidiaries can be seen in the Appendix, which summarizes the findings in comparative tableaux. Some brief remarks are made here to facilitate a comparative understanding of our survey findings.

The founding year of a representative joint-venture is in the early 70s, so that most of them are only about 10 to 15 years old. The scale of the operation, in terms of the number of employees, is about 400, smaller in Hong Kong and bigger in Korea. Since enterprises with less than 300 employees are regarded as medium or small enterprises in Japan, these joint-ventures are not very big in scale. The Japanese share of paid-up capital is above 50% except in the Philippines, where regulations on foreign investment are more restrictive. Indonesia and Thailand also have rather restrictive regulations, and they have become more so in recent years. The leading role of Japanese managers, however, seems more important than capital share

4. Imaoka, Hideki. "Japanese management and labor relations in Malaysia"
5. Ichimura, Shinichi. "An international comparison"
6. Questions and Answers
Appendix: Questionnaire and Survey Findings

implies, partly because the financial assistance given to the companies is often arranged through the Japanese managers.

The percentage of parts procured locally reflects the degree of balanced industrial development in each country. It is particularly low in the Philippines and Indonesia, where manufacturing industries are not highly developed yet. The Japanese managers are dissatisfied in these countries and in Korea. Manufacturing industries in Korea seem rather highly dependent on imported intermediate products, in spite of the development of some highly technical industries.

As for basic management policy, "localization" has been adopted in all the countries, but more so in Thailand, Malaysia, Indonesia and Korea. The actual practice of Japanese management, as revealed in the answers to the question of promoting Japanese management (Question 18), was in general least emphasized in the Philippines and the most comprehensive in Korea. There are significant differences between the countries with respect to which aspects of Japanese management are emphasized. In every country employment stabilization and management philosophy and objectives are most promoted, but there are some differences with regard to the third most important aspects:

Philippines (human relations), Singapore (human relations), Malaysia (human relations), Thailand (seniority-based wages and human relations), Indonesia (seniority-based wages and human relations), Hong Kong (human relations), Taiwan (human relations) and Korea (human relations).

Emphasis on human relations can be clearly seen, and the percentage of companies which emphasized these seems to reflect, more or less, the extent to which human relations are seen to be problematical; thus, from highest to lowest: Singapore, Taiwan, Korea, Indonesia, Hong Kong, Malaysia, Thailand and the Philippines.

Problems with partners (Question 17) are most frequent in Korea, Taiwan, Indonesia and Thailand in that order. Similarly the problems with unions are most frequent in Thailand, Korea and Indonesia. Thus studies on partnerships and labor relations are particularly important for these four countries.

The responses of local middle managers to Japanese management also differ significantly from one country to another. Looking at the answers to the two questions on working relations with their company (Questions 15 and 16 in Questionnaire II) for example, negative answers are as follows.
1. The percentage of middle managers who were not very proud of working for their companies:

> Hong Kong 72%, Taiwan 69%, Korea 60%, Indonesia 39%, Singapore 32%, Malaysia 25%, Thailand 18%, Philippines 18%.

2. The percentage of middle managers who did not feel definitely committed to their companies:

> Indonesia 49%, Singapore 40%, Hong Kong 39%, Thailand 32%, Philippines 30%, Korea 28%, Taiwan 27%, Malaysia 25%.

It may be surprising to find that definitely

more than half the middle managers in Korea, Taiwan and Hong Kong are not very proud of working in Japanese joint-ventures, whereas the converse is true in the ASEAN countries. Nevertheless, there does not seem to be any significant gap in the commitment of middle managers between the ASEAN and East Asian countries.

As for barriers between Japanese managers and local staff (Question 20), the language barrier comes first in all countries except for Korea, where differences in customs, value differences and management geared to head offices in Japan are equally important. In other countries the order of importance is shown as follows:

		Philip.	Sing.	Malay.	Thail.	Indon.	H. Kong	Taiwan	Korea
1.	language	1	1	1	1	1	1	1	2
2.	value diff. (2, 3, 4)	2	4	4	2	4	3	2	1
3.	non-social (6, 7)	4	2	2	4	3	2	4	4
4.	business dec. (5, 8)	3	3	3	3	2	4	3	3

These differences may have to be explained not just by the differences in culture between Japan and other Asian countries but, more precisely, by the differences in cultural gaps between Japan and each of those countries, and the differences in modes of social interaction. For example, the cultural difference between Japan and Indonesia is not the same as that between Japan and Korea, and Japanese behave differently toward Indonesians than they do toward Koreans. This and other analyses remain for future research.

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