

## Japanese Management in Thailand

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### I Introduction

The basic purpose of this paper is to examine to what extent Japanese management is adopted in Japanese companies in Thailand. One might argue that the best thing for the managers of such companies to do is forget the style of management used in Japan and adopt that used by Thai companies, since it best fits Thai culture and economic conditions. But the experience of a Japanese manager is limited to his company in Japan, and the management style he is familiar with is the one used there. Therefore, when he goes abroad, he usually adopts Japanese management as a basic framework.

Of course, Japanese management cannot be adopted in toto in Thailand, since culture and the level of development are different. For example, the Thais are considered to be more individualistic than the Japanese. This will make it difficult to transfer the management practices based on the groupish attitude of the Japanese. Also, Thai workers are not as well educated as their Japanese counterparts, and this will constrain Japanese companies from adopting

QC circle activities and bottom-up management. On the other hand, the Thais and Japanese share similar personality traits. Both tend to be submissive to authority, and also emphasize affective inter-personal relations. These traits will make it easier to reproduce in Thailand the cooperative management and labor relations which characterize Japanese management. In this paper, we want to explore, given these differences and similarities, to what extent Japanese management is possible in Thailand.

In designing our research, we were not completely free, for we undertook this study as part of a team project on Japanese management in Southeast Asia. We followed the team format for data collection and then supplemented it with information from previous studies and reports.

The basic method of data collection was a questionnaire survey. In the early phase of the project, two sets of questions were prepared; one in Japanese and the other in English. These are presented at the end of this volume. The questionnaire in Japanese was to be used for Japanese managers and that in English for local managers. The questionnaire in Japanese was used as intended, but that in English had to be translated into Thai.

The sample consisted of members of the Japanese Chamber of Commerce in Bang-

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kok. Since the team's other studies focussed on manufacturing companies, we also chose our sample primarily from manufacturing companies, but included some others as well. As of March 1, 1982, 124 manufacturing subsidiaries and joint ventures were members of the Japanese Chamber of Commerce. We included all these. We then added seven companies involved in construction, 19 in trading, two in banking, two in insurance, one in finance, one in retailing, one in transportation, and one in advertising. Altogether, our list contained 158 companies.

To each company, we sent one questionnaire in Japanese and two in Thai, with a letter of recommendation from the president of the Japanese Chamber of Commerce. They were addressed to the company's Japanese representative, and we asked him to distribute the questionnaire in Thai to two of his Thai subordinates. The questionnaires were sent out in the middle of January 1983, with the end of the month as the deadline. In early February, however, since the returns were not satisfactory, we followed up by telephone, and waited until the end of the month. In the end, 76 companies, 48 percent of the sample, returned the questionnaires. Not every company, however, returned the three questionnaires. Fifty-eight companies (46 in manufacturing, two in construction, one in transportation, one in retailing, and eight in trading) returned the questionnaire in Japanese, and 52 companies (43 in manufacturing, one in construction, one in banking, one in finance, and seven in trading) returned the questionnaire in

Thai. Since most of these 52 companies returned two Thai questionnaires, we have 90 returns in Thai.

At the end of this volume, the results of compilation for Thailand are shown, along with the other seven countries. For Thailand, ideally there should be 58 answers for each question in Japanese and 90 for that in Thai. But for most questions, some answers are missing. In some cases, the question was not applicable (for example, Question 15 in the Japanese questionnaire, which asks about the local procurement of parts and components, is not applicable to non-manufacturing companies), and in others it was probably too troublesome, or too demanding, to answer.

We felt that some answers conflicted and for others we wanted to pursue the matter further. These problems were solved to some extent using interviews, but these were restricted to about a dozen companies, and we based our analysis primarily on the results of the questionnaire survey.

## II The Time Pattern of Japanese Investment

Before approaching the question of Japanese management, we want to point out that Japanese investment in Thailand started relatively early and that since then, there has been no discernible upward or downward trend. This can be seen from Table 1, which is derived from the 58 Japanese returns (two returns did not give the year of establishment). The mean year of establishment for the sample is 1969, which is the earliest mean date among the

**Table 1** Year of Establishment

| Year  |    |
|-------|----|
| 1950s | 2  |
| 61    | 1  |
| 62    | 2  |
| 63    | 4  |
| 64    | 3  |
| 65    | 2  |
| 66    | 2  |
| 67    | 2  |
| 68    | 3  |
| 69    | 5  |
| 70    | 5  |
| 71    | 2  |
| 72    | 1  |
| 73    | 3  |
| 74    | 8  |
| 75    | 2  |
| 76    | 3  |
| 77    | 2  |
| 78    | 2  |
| 79    | 1  |
| 80    | 1  |
| Total | 56 |

ASEAN samples (see the Appendix at the end of this volume).

There are two major reasons for the early start of Japanese investment in Thailand. The first is that, since Thailand was Japan's ally during the Pacific War, there were no major problems to settle in re-establishing diplomatic and economic ties in the postwar period. Soon after April 1952, when the San Francisco Peace Treaty, which ended the occupation of Japan by the Allied Powers, went into effect, Japan re-establish-

lished diplomatic ties with Thailand. In contrast, in order to restore diplomatic ties with the Philippines and Indonesia, Japan had to settle the question of reparations. This was not done until the late 1950s.

The restoration of diplomatic ties was no guarantee of the resumption of Japanese investment. In the Philippines, even after diplomatic relations were restored, the anti-Japanese feelings generated during the War lingered on, and it took another decade for Japanese companies to gain permission to invest there. In the Philippines, Japan was thought to have disrupted the transition to independence and Filipinos caught in the severe fighting between the Japanese and

American forces, had suffered heavy casualties. In Thailand, however, probably because the Japanese presence during the War was not very disruptive, there was no strong anti-Japanese feeling in the postwar period, and Japanese companies were allowed to enter the country relatively early.

The climate for foreign investment in Thailand was not, however, favorable in the early 1950s. The pace of economic growth was slow; the government was investing in the industrial sector and competing with private investors in a number of fields; the procedure for foreign investment was cumbersome; and there was little protection (tariff or non-tariff) for investment in manufacturing. What brought about an increase in foreign (Japanese in particular) investment was General Sarit Thanarat's rise to power.

In Indonesia, there was no strong anti-Japanese feeling either, but probably because of a negative reaction to the tight Dutch colonial policy, Sukarno moved more and more in the direction of socialism and barred foreign direct investment. Japanese investment in Indonesia had to wait until Sukarno was overthrown. In Thailand, however, Sarit initiated a growth-oriented economic policy and to facilitate it, offered various incentives to foreign investors. It was around this time that Japanese investment in Thailand started in earnest.

In late 1963, Sarit passed away, but Japanese investment was not affected. He was succeeded by his subordinates, General Thanom Kittikachorn and General Praphat Charusathien. They basically continued Sarit's economic policy, and as a result,

Thailand in the 1960s became one of the few countries which were easily accessible to Japanese investors. But the investment climate began to deteriorate in the early 1970s, because some Thais began to feel that there was too much Japanese investment in the country. In 1972, this sentiment culminated in the Anti-Japanese Product Week and the passage of the Alien Business Law and the Alien Occupation Law. These measures did not, however, seriously affect Japanese investment.<sup>1)</sup>

In late 1973, the investment climate began deteriorating again. The Thanom-Prapchat regime fell, and was replaced by democratic governments which were not so pro-business as the earlier ones. It was during this period that industrial disputes mushroomed. Then, the oil crisis affected both Japan and Thailand negatively; in particular, it lessened the enthusiasm of Japanese companies for investing abroad. The fall of Saigon in 1975 was a further blow which threatened Thailand's security and caused its border trade to decline. As a consequence, in 1975 and 1976, Japanese investment dropped sharply.

The military coup in October 1976 restored political stability to Thailand, and the country's relatively high growth rate, despite rising oil prices, became an additional attraction. In this post-1976 period, Japanese investment was partly an extension of what had been going on in the 1960s (that is, investment in assembly and

simple technology industries), but some investment went into more basic and technology-intensive industries (dice, metal molds, etc.).

### III Barriers to the Transfer of Japanese Management

Management is a system of organizing, motivating, and rewarding the people in an organization. How this is done varies from culture to culture and from one level of development to another. So one might argue that, since there is regional variation in culture and income even within Japan, when a Tokyo company invests in a rural area, the management style used in Tokyo cannot be transferred without change. This problem becomes much more acute when a Japanese company goes abroad, since the difference in culture or income (or both) becomes bigger. In this section we examine major barriers to the transfer of Japanese management to Thailand.

#### *Joint Ventures*

As seen from Table 2, which gives the distribution of Japanese equity in our sample, most companies are joint ventures. There are only three 100 percent Japanese-owned companies and the median is 49 percent, which means that, for more than half the sample, Japanese equity holding is a minority.

Like other developing countries, Thailand restricts foreign equity. In a small number of industries (for example, banking) 100 percent foreign equity or branch operations are allowed, but in all others Thai equity

1) For a more detailed discussion on Japanese investment in manufacturing up to early 1974, see Kunio Yoshihara, *Japanese Investment in Southeast Asia* (Honolulu: University Press of Hawaii, 1978), Chapter 3.

**Table 2** Japanese Equity Share

|           |    |
|-----------|----|
| Below 30% | 3  |
| 30-39     | 4  |
| 40-48     | 13 |
| 49        | 22 |
| 50-59     | 2  |
| 60-69     | 3  |
| 70-79     | 2  |
| 80-99     | 2  |
| 100       | 3  |
| Total     | 54 |

owned company. Since the bulk of our sample consists of manufacturing companies, most of the sample are joint ventures.

Not all joint ventures, however, have Thai partners. Thai ownership may be fragmented, and so, even if Thai ownership exceeds 50 percent, the Japanese investor may have complete control. An example of this would be a company in which a majority of its shares was originally owned by Japanese but later transferred to Thais because of the change in government policy. In such a case, the transferred shares were usually spread over a number of people or groups (employees, customers, etc.). In some other cases there are Thai partners, but they leave management to the Japanese partners as long as they get satisfactory dividends.

We should not, however, exaggerate the passivity of Thai partners. Some participate directly in management and others may delegate routine matters to their Japanese partners, but require that they be consulted on strategic matters. Although the number of such active partners is smaller than Table 2 suggests, the fact

participation is required. Some industries were originally open to 100 percent foreign equity, but now foreign companies cannot operate in these industries without Thai participation. In manufacturing it is now rare to find a 100 percent Japanese-

remains that Japanese investors in a number of companies in the sample have to take into account the intention of their Thai partners in management.

Table 3 shows the response of Japanese managers to a question on whether they had any trouble with their Thai partners (Question 17 in the Japanese questionnaire). A few managers report serious trouble over directors' remuneration, dividends, investment plans, sales policy, pricing policy, and purchasing policy. Many report slight trouble over most of the items we asked about. The largest number, however, report no trouble at all. This seems to suggest that the problem of partners is not very important, but we have to allow for the possibility that Japanese partners avoided undertakings which would be objectionable to their partners, thus avoiding trouble with them.

The fact that Japanese managers have to

**Table 3** Have You Had Any Trouble with Your Thai Partner?

|                         | Serious Trouble | A Little Trouble | No Trouble |
|-------------------------|-----------------|------------------|------------|
| Personnel               |                 | 12               | 36         |
| Promotion               |                 | 9                | 39         |
| Salaries                |                 | 10               | 38         |
| Bonus: Welfare          | 1               | 5                | 42         |
| Directors' Remuneration | 2               | 2                | 42         |
| Dividends               | 2               | 13               | 31         |
| Investment Plans        | 2               | 10               | 34         |
| Technology Transfer     | 1               | 10               | 35         |
| Sales Policy            | 3               | 9                | 35         |
| Price Policy            | 2               | 10               | 34         |
| Purchasing Policy       | 3               | 8                | 36         |
| Others                  |                 | 4                | 28         |

consult their Thai partners on some matters means that they do not have complete freedom in choosing management method. Problems with Thai partners arise because they have their own ideas about management, which differ from those of the Japanese. This is not, however, what we are going to discuss below, for there we are discussing the problems with Thai employees Japanese investors will face when they attempt to use Japanese management.

When Japanese investors have to have Thai partners, even if they want to use certain Japanese management practices which improve workers' morale and eventually increase productivity, they may not be able to because of the objection of their Thai partners. It may turn out that the Japanese investors are wrong and that such practices are not viable in Thailand, but some management techniques, which work well in some Japanese companies, are not adopted because of Thai partners' objection. For example, active Thai partners seriously object to the promotion of Thai employees to top posts if they are not family members [Nihon Rodo Kyokai 1982: 38; Nihon Zaigai Kigyo Kyokai 1981: 12]. Thus, when partners are active, they can be a barrier to the transfer of Japanese management.

#### *Income Level*

There is a big difference in income between Japan and Thailand. In 1980, Thailand's per capita GNP was 670 US dollars, whereas Japan's was about 10,000 US dollars, that is, about 15 times larger than Thailand's [The World Bank 1982:

100-101]. This difference affects nutritional intake, housing, public health, etc., which in turn affect labor productivity.

The difference in income would not be an important consideration if Japanese management had not changed in the course of economic development, but the fact is that it has. For example, QC circles, suggestion and zero defect schemes, and bottom-up management are relatively recent innovations in Japanese management. These assume that people are motivated to study, understand, and try to improve the present production process and way of doing business.

Japanese managers often complain of the Thai attitude towards work. One study reports that about 60 percent of its Japanese respondents said that Thai workers were not sufficiently motivated [Nihon Rodo Kyokai 1982: 4]. An information manual for Japanese investors in Thailand lists the problems which they will encounter with Thai workers. Here are some examples: a) "They do only what they are told to do. When that is done, they stop working." b) "They are not much interested in study, self-improvement, and working out problems." c) "They cannot concentrate on work for long." d) "If a machine breaks down, or something goes wrong with it, they devise only a stopgap measure and do not work out a basic solution" [Nihon Zaigai Kigyo Kyokai 1981: 6].

To some extent, these problems may be attributed to Thai culture (for example, emphasis on *sanuk*), and it may be argued that the Thais do not have a strong work ethic (at least, not as strong as that of the

Japanese), but they are also the result of lower nutritional intake, poor housing and public hygiene, the symptoms of underdevelopment. The latter may be more important in explaining the Thai attitude towards work.

This will become clearer if we consider the lower educational level resulting from underdevelopment. Table 4 gives the educational level of Thais who work for Japanese companies. The bulk of ordinary workers have not gone beyond elementary school. For all categories, 74 percent received only an elementary education, 15 percent graduated from junior high school, eight percent from high school, and only three percent from college or university. In Japan in 1977, 58 percent of craftsmen and production process workers (which we may consider the equivalent of ordinary workers in Thailand) had not gone beyond junior high school, but 37 percent graduated from high school and five percent from college or university [Office of the Prime Minister 1978: 54].<sup>2)</sup> We should also consider the qualitative side of education. It is more likely that, on average, Japanese are better educated than their Thai counterparts when they leave school. And the Japanese can better keep up their knowledge, and often improve on it after finishing school, because of the development of mass media.

2) In Japan, elementary education is for six years and junior high school for three years. In the postwar period, nine years of education has been compulsory. In Thailand, only elementary education has been compulsory. It lasted four years from 1921 to 1960, seven years from 1960 to 1978, and has been for six years since then.

**Table 4** Thai Workers in Japanese Companies by Education Level and Job Category

|             | Middle<br>Managers | Supervisors | Ordinary<br>Workers | Total |
|-------------|--------------------|-------------|---------------------|-------|
| University  | 55%                | 15%         | 0.3%                | 3%    |
| High School | 36                 | 38          | 4                   | 8     |
| Junior High | 9                  | 39          | 14                  | 15    |
| Elementary  |                    | 8           | 81                  | 74    |

Source: Nihon Rodo Kyokai, *Tai Nikkei Kigyo no Kyoiku Kunren to Roshi Kankei*, March 1982, p. 10.

One textile company reports that they experimented with a suggestion scheme for about three years but gave it up because it was not useful in improving productivity [Sato 1983: 59]. In Japan, where suggestion schemes are adopted, usually many suggestions are submitted by workers, and the percentage of those adopted is fairly high because those who submit suggestions study what they plan to say and there are many things management can learn from them. This is more difficult to expect from Thai workers because they do not have enough education to think out useful suggestions. Some companies, however, keep suggestion schemes, though they do not find them useful in increasing productivity directly, because they make workers interested in what they are doing and may improve their morale. In our sample of 58 companies, 24 said that they were using suggestion schemes.

Criticism of Thai workers maintaining that they do only what they are told to do and cannot handle new problems or are poor at applying what they learn to new problems is also related to education. To repeat what they have been taught to do does not require a basic understanding of

what they are doing, whether it be a production process or office work, but to apply it to new situations and problems does. In particular, for engineers to be able to handle a variety of problems, it is essential that they have a good command of fundamental principles, but many Thai engineers do not seem to have this. Thus, their contribution to the improvement of work process and increase in productivity cannot be very extensive. In such circumstances, it may be simpler and more productive not to involve them in management decision-making and therefore to adopt authoritarian management. In our sample, 19 percent of the Thai respondents said that authoritarian management prevailed in their companies (Question 18 in the Thai questionnaire). This figure is much lower than expected, but those who said that participatory management prevailed (74 percent) were probably quite liberal in their judgment. It is most likely that the degree of participation in companies where participatory management is said to prevail is much less than in Japan. That is, either the number of people involved in management decision-making is smaller, or the matters in which lower ranks participate are more restricted.

### *Language*

One basic feature of Japanese management is developing a feeling of intimacy and a sense of trust among workers. They are encouraged to get to know each other well, and to develop affective relations (in contrast to the neutral relations in Western companies), because this builds a

sense of community and develops a stronger corporate identity. In this process, a sense of trust tends to emerge, and it becomes easier to delegate more authority to lower ranks. Those to whom authority is delegated, in turn try to meet the expectations of management and become more motivated to work. This might also make better use of their talent. In a way, intimacy and trust are the key to productivity under Japanese management.

Among the workers in the Japanese organization, intimacy and trust are built up largely through communicating in Japanese. When a Japanese company goes abroad, however, communication in Japanese becomes very difficult because it is hardly spoken outside Japan. On the other hand, it is not easy for the Japanese to communicate in a foreign language, for the number of those who can do so effectively is limited. This is especially true of the engineers and technicians who are in large demand abroad. But this language gap has to be overcome if a Japanese company wants to do business in foreign countries.

How is this done in Thailand? According to one survey, in answer to a question on which language was used for communication between Japanese and Thais, 56 percent of the Japanese respondents said English; 27 percent Thai; and 17 percent Japanese [Nihon Rodo Kyokai 1982: 18]. None of these solutions are, however, satisfactory from the viewpoint of building intimacy and trust. To use English means that both Japanese and Thais express their ideas and feelings in a foreign language.

To use Thai means that the number of Japanese managers who communicate well is very small, and requires that those who go to Thailand become specialists on that country, which is contrary to the job rotation system of Japanese management. To use Japanese means that the number of Thais who can communicate well is very small, and communication between Japanese and Thais becomes restricted to a small group.

This unsatisfactory state of communication between Japanese and Thais is also reflected in our survey. We asked Thai managers if there are any communication barriers (Question 19 in the Thai questionnaire). Sixty-one percent said yes, and gave language as the most important barrier (Question 20 in the Thai questionnaire). This figure seems to suggest that the situation is not as bad as we expected, but the 39 percent who said no are probably not saying that Japanese managers can communicate freely with Thai employees. What they are saying probably is that a chain of communication is established so that even if a certain Japanese manager and a certain Thai worker cannot communicate directly, there is an intermediary, either a Thai who understands English or Japanese or a Japanese who understands Thai. Even where there is a great deal of interaction between Japanese and Thais, the level of communication may not be very high, and the 39 percent who said there were no barriers may have said that because they did not have high expectations of communication between the two groups. Of course, we do not want to exaggerate

the language problem, but it is a serious barrier to the development of a feeling of intimacy and a sense of trust between Japanese and Thai employees.

### *Emphasis on Merit*

In the Japanese system, age is an important determinant of salary and position. When a Japanese leaves school and joins a company, he starts from the bottom grade and moves up step by step. If he does well, he moves up faster, but he has to stay in each grade for a minimum number of years and cannot jump grades. Even if he does not do very well, he gets promoted one grade after a certain number of years, and so gradually moves up to higher grades. So, in the higher grades, there are people of different ages, but since there is a minimum age limit for each grade, the variation in age is limited.<sup>3)</sup>

In other words, in the Japanese system of salary increases and promotion, merit is taken into account (since a worker is evaluated at each grade and gets promoted faster if he does well), but age is the other important determinant. How this came about is not entirely clear, but it seems related to the Confucian ethic which emphasizes age in social stratification. In Thailand, older people are respected, but this is usually so in non-professional, social aspects of life. At work, merit is far more important.

This situation is reflected in the responses

3) For the grading system at Hitachi in the early 1960s, see Ronald Dore, *British Factory-Japanese Factory* (Berkeley: University of California, 1973), Chapter 3.

of Thai and Japanese managers in our sample. We asked Japanese managers what aspects of Japanese management they are consciously promoting (Question 18). Only 29 percent gave seniority-based promotion and 48 percent seniority-based salary increase. When we asked Thai managers whether pay increase and promotion should be based on job evaluation rather than on seniority, 85 out of 89 said yes.

Some of the companies which have emphasized seniority in promotion are facing problems. They have promoted some workers to higher posts because they have been industrious and worked for the company for a number of years, but most of them do not have enough formal education to handle more sophisticated work. This has become important recently because the levels of skill required have increased with the progress of industrialization and some higher level jobs are being transferred from Japanese to Thais under pressure from the Thai government. This requires competent people, especially those with a university degree, but such people demand higher pay and posts than the people who have been promoted largely due to diligence and long service [Imano 1982(a): 34–35].

### *Individualistic Orientation*

The American anthropologist John Embree, in contrasting the Thais with the Japanese, found that the former are more individualistic, and based on this, characterized Thai society as loosely structured [Embree 1950]. This individualistic orientation is reflected in the following remarks on Thai workers by Japanese managers.

a) "We train them at our expense, but soon after their training is finished, they demand salary increase and promotion. Even if we send them to Japan, they will quit if their demands are not met." b) "Their time horizon is short, so if another job offers better pay today, they will move." c) "They think that they can gain in prestige by moving from one company to another." d) "They do not teach others what they have learnt. This is true even if they have learnt at our expense." e) "If a colleague cannot come to work, they do not wish to cover for him" [Bangkok Nihonjin Shoko Kaigisho 1983: 181–193; Nihon Zaigai Kigyo Kyokai 1981: 8, 20–26].

The individualistic orientation of Thai workers is reflected in some other areas also. In our questionnaire, to a question on job rotation, about 32 percent of the Thai respondents said that they were not very interested (Question 50). They seem to be more interested in building up their professional competence. They also want clear-cut instructions on what they are supposed to do. To a question on whether they think that there should be a job manual, 87 percent of the respondents said yes (Question 46). And to a question on the weaknesses of Japanese management, "not clear responsibility" was the most numerous reply (Question 48).

One study reports that the Thais are not very good at working together [Nihon Zaigai Kigyo Kyokai 1981: 7]. It is said that "Even if Thais are promoted to section chief, they cannot manage their subordinates well" [Imano 1982(b): 28]. In general, it seems that the Thais want to be evaluated

in terms of individualistic performance and prefer a professional career and clear individual responsibility. Thus, it is difficult for Japanese managers to assign responsibility to a group or make it a decision-making unit. In our sample, only nine percent of the Japanese respondents said that they were promoting group responsibility and 27 percent group decision-making (Question 18).

We also asked Thai managers what they think of job-hopping (Question 23). Sixty-seven percent said simply that it was not good. The remainder felt that it could be justified if it did not occur too often, or thought it undesirable. When we asked whether they observed job-hopping among their acquaintances, 41 percent said that they did occasionally, and seven percent very often. The phenomenon of job-hopping in Thailand is apparently not as serious as in Singapore, but it does take place and there is no stigma attached to it as in Japan. The problem becomes serious if those on whom money is spent for training quit. Another study reports that the average duration of employment is shortest for engineers and technicians [Bangkok Nihonjin Shoko Kaigisho 1983: 7]. This seems to indicate that there are some problems in keeping workers after training.

For Japanese companies in Thailand, job-hopping does not seem to be serious among ordinary workers. In Singapore, however, a separation rate of over 100 percent per year is reported for industries which use many unskilled workers (such as electronics) and 50 to 60 percent per

year is not unusual [Imano and Yahata 1981: 64]. In our survey, the average monthly separation rate for Singapore was 4.9 percent (about 59 percent per year), whereas that for Thailand was 0.8 percent (9.6 percent per year). This difference seems largely due to different unemployment rates. In Thailand, since the rate of unemployment is high, it seems easier for Japanese companies to keep their workers.

The low separation rate seems to contradict one of the findings of another report, that the average duration of employment in Japanese companies is rather short, despite their long history of involvement in Thailand [Bangkok Nihonjin Shoko Kaigisho 1983: 7]. It is possible that the separation rate was higher in the past, or that the core work force which remains with the company for a long time is non-existent or small, but that many Japanese companies expanded production and hired new workers recently is another factor to consider when we try to resolve the seeming inconsistency of the two findings.

When we asked Thai managers whether they were committed to their company, 68 percent said "Yes, definitely," and 32 percent said "Yes, somewhat" (Question 16). We wonder in what way the former are committed. The Japanese give a great deal of time and energy to the company they work for, and sacrifice family life and friendship outside the workplace to a great extent. It seems unrealistic to expect this from Thai workers, since they seem to place greater importance on "self" and value friendship and family relations more highly than Japanese

workers. One study reports that when Thais were asked what they would do with their remaining paid holidays if their company was very busy, the bulk of them replied that they would take some days off but report to work on the rest. The same study reports that when Thais were asked what they would do if some work had to be done by a certain date and time was running short, about 80 percent of them said that they would work at the usual pace [Takane *et al.* 1979]. In Thailand, among ordinary workers at least, commitment to the company seems to be weak.

#### *Status Orientation*

In a Japanese company, there is a hierarchy, and the higher up one goes, the more one's pay, fringe benefits, respect, and authority. The hierarchy in a Japanese company is, however, different from that in a Western company in several ways. For example, between executives and ordinary workers, the difference in fringe benefits and salary is smaller. Also, the outward symbols of status differentiation are much less conspicuous, as seen from the fact that both white-collar and blue-collar workers share common facilities and few executives have private offices. Furthermore, factory work is given sufficient emphasis and is not considered necessarily inferior to office work, so that from working in a factory, one can rise quite high in the corporate hierarchy. Finally, university degrees are less important in determining salary and position.<sup>4)</sup>

4) For a comparison of the hierarchical structure of a Japanese and a British factory, see Dore.

In Thailand, however, people more readily accept greater inequality in an organization, based on wealth, family ties and university degrees. The Thais often say that "people cannot be the same because even our fingers are different in lengths." Therefore, for Japanese management to minimize the difference between managers and workers is not very appealing to them. When we asked Japanese managers what aspects of Japanese management they were promoting, only 11 percent listed the minimization of status differentiation (Question 18). And when we asked Thai managers whether managers should be given private offices, about 52 percent said yes (Question 41).

In a Japanese company, many university graduates begin working in a factory, but in Thailand, this is apparently not the case. It is said that "Thai university graduates like neither to work with machines, nor to master handling them.... They want private offices and do not want to go down to the factory" [Nihon Zaigai Kigyo Kyokai 1981: 7]. An earlier study reports that a new university graduate began crying when he was ordered to start with factory work [Ito 1983: 74]. Apparently, Thai university graduates like to have private offices and if possible, avoid working in a factory. If the latter is not possible, they wish to minimize the time spent there.

Another problem Japanese managers face is that university graduates want high pay and position from the start. In Japanese companies it is not unusual for non-university graduates to earn more than university graduates. This is particularly

so because in the Japanese system, salary increases with seniority. In Thailand, it is difficult to devise a grading system which allows the ceiling for non-university graduates to exceed the starting point for university graduates. In a Japanese steel company in Thailand, no matter how many years they work for, elementary and junior high school graduates cannot rise higher than the starting grade for university graduates, though for high school graduates it is theoretically possible (but not until they have 35 years of service) [Imano 1982 (b): 27].

If education becomes so important a factor in determining position, management becomes monopolized by university graduates; supervisory positions by high school graduates; and elementary and junior high school graduates remain always in the bottom strata. In such a clearly stratified structure, it does not make much sense to talk about bottom-up management, participatory management, or even corporate identity, for ordinary workers tend to feel that management should be for managers and is none of their business. In such a set-up, it is difficult, for example, to have a meaningful suggestions scheme. One study reports that in an electric machinery company, the Thai workers felt that they should do what they are told and that it is discourteous to offer suggestions to their superiors [Sato 1983: 59].

#### IV Japanese Management at Work

There is a proverb which says "When in Rome do as the Romans do," but this does

not necessarily apply to business, for what "the Romans" are doing is not always best from the viewpoint of economic rationality. So, when Japanese companies go abroad, they want to take their management style with them because it worked well in Japan but, as we pointed out in the previous section, there are some difficulties in doing so. Nonetheless, some features can be easily transferred, while others, though they face barriers, can be adopted since such problems can be overcome. In this section, we want to discuss the features of Japanese management which are adopted in Thailand.

The extent to which Japanese management can prevail in a Japanese company in Thailand is primarily determined by three factors. One is whether there is a Thai partner, and if so, how active he is in management. Why this enters into the picture was discussed in the previous section. Another factor is how long the Japanese company has been operating in Thailand. Companies may be over-pessimistic at first about the applicability of Japanese management, later become over-optimistic, and take some time to settle down to an appropriate management system. An adjustment period may be required because of the idiosyncrasy of earlier Japanese managers.

The third factor is how monopolistic the parent company is. In Japan, so called Japanese management is more firmly established in large companies, and they are thus more committed to using it abroad. Large companies can also afford to plan with a longer time horizon and thus ex-

periment with management techniques in new locations even if they are not successful right away. Companies which enjoy monopolistic advantages due to financial power, technological superiority and brand names are usually in such a position.

In this section, instead of the overall results of our questionnaire survey, we want to focus on the management of large Japanese companies which have been in Thailand for over 15 years and do not have to worry much about their partners. We chose six companies which meet these conditions. They are also among those whose managers we interviewed. The six companies are: a manufacturer of motorcycles, an auto component maker, an electric machinery (consumer products) maker, a department store, and two textile manufactures. They began operating between 1961 and 1965, and employ from a little over 300 to about 1,800 workers.

Even among these six companies, management varies considerably. Some incorporate Japanese management more than others, so that we cannot talk about the management of the six companies. There are, however, some features of Japanese management which are common to all. These are internal promotion, training, bonuses, welfare programs, and small group activities. We want to discuss each of these briefly below.

#### *Internal Promotion*

All six companies use internal promotion as a basic policy. Four companies have never recruited people from outside for higher posts. Two (the motorcycle maker

and a textile manufacturer) have filled posts with outside people, but this is restricted to those times when production expansion outpaced training.

It is, however, more difficult for them to emphasize age as a criterion for promotion. Two base promotion on both age and merit, as in Japan, but the remaining four gave merit as the sole criterion.

All six have grading systems in which arbitrariness in promotion is minimized and workers go up one step at a time. They also separate post from grade, so that those who occupy the same post may belong to different grades and thus get different pay. This is because they use job evaluation and promote workers to a higher grade if they do well, though they may stay in the same position.

As we pointed out in the previous section, education is a very important differentiating criterion in the Thai hierarchy system. Japanese companies cannot ignore this, but they can at least minimize its importance. In all of our six companies, non-university graduates can rise higher than in Thai companies if they have been with the company long enough and can increase their skill. This is especially true for competent high school and polytechnic graduates.

#### *Training*

All six companies say that they give training on a continuous basis, the most important type being on-the-job training. They have also sent trainees to Japan. Training in Japan was especially important at the beginning, when a number of workers

had to be trained in a short time. As operations stabilized, training in Japan became less necessary, but when production expanded or new production started, it became important again.

Though the degree may vary from one company to another, many other Japanese companies also seem to put emphasis on training. Our overall results show that about 88 percent give on-the-job training and 72 percent have sent trainees to Japan (Question 32 in the Japanese questionnaire). Training is given despite the possibility that some workers may leave the company thereafter. In one study, when Japanese managers were asked whether they would continue training their workers despite this possibility, 85 percent said yes [Nihon Rodo Kyokai 1982: 30].

#### *Bonuses*

All six companies pay bonuses to their workers worth, on average, 2.0 to 2.5 months salary per year. In contrast to the situation in Japan, in four companies the percentage of annual salary received was different for ordinary workers and managers. In one case, managers got twice as much as ordinary workers (in terms of the number of months pay they received). The average difference is, however, not very large. The average for managers is 2.5 months salary per annum and for ordinary workers 2.0. These are higher than the figures reported for the early 1970s in another study [Yoshihara 1975: 31]. But compared with Japan, they are low. It is not unusual for Japanese workers to receive bonuses amounting to

half a year's salary. Bonuses worth two months salary are, however, definitely better than those in Thai companies, which average roughly one month's salary.

#### *Welfare Programs*

All six companies give about one week's paid-holiday (the length varies somewhat by seniority). They also give maternity as well as sick leave of about one month (in one case, two months). Furthermore, they provide canteens, medical clinics, sports facilities, and work clothes. And they pay overtime allowances, often in excess of the legal minimum.

Regarding other welfare programs often observed in Japan, there is no consensus among the six companies. Three companies give holidays for marriage (from three to six days) and for funerals (from four to six days); one company gives family allowances; three give transportation allowances; four give inflation allowances; and two have a dormitory. Five companies have retirement schemes. Pension programs are, however, rare. One company started one, to which both workers and the company contributed, but since the workers later wanted to stop it, it was not continued.

Some provide opportunities to get together outside the workplace. Three give an annual dinner, and four have athletic meetings. This aspect of Japanese management turned out to be not as popular as we expected.

#### *Small Group Activities*

Four of the six companies are promoting either suggestion schemes or QC circles,

and two have both. As we pointed out in the previous section, there are various problems in adopting either of these in Thailand, but they are promoted from a long-run viewpoint. In one company, the QC circle is restricted to those who are supervisors or above, and in this case, it is functioning fairly effectively. When ordinary workers are involved, the QC circle tends to become a program to raise work consciousness (since it makes workers think about work on their own), but in one company, when large rewards were offered (for example, sending the best group to Japan), participation increased, and the level of activity rose. In the Japanese system, however, the QC circle is not directly related to rewards, or if it is, they are more long-term and less visible. Also, it is usually undertaken outside normal working hours, which is atypical in Thailand. Suggestion schemes and the QC circle may take root in Thailand, but since they were introduced relatively recently (especially the latter), it is not entirely clear whether they will contribute to productivity increase and become firmly established as in the case of the other features of Japanese management we discussed above.

Besides internal promotion, training, bonuses, welfare programs, and small group activities, there are no other features of Japanese management common to all six companies. When we asked their Japanese managers what features they were consciously promoting, four gave employment stability, two seniority-based salary and promotion, four job rotation, three emphasis

on management philosophy and objectives, three flexible management (which does not rely on job manuals), three group decision-making, one group responsibility, five smooth human relations, one *ringi*, and one the minimization of status differentiation (Question 18). When they were asked what measures they were taking in order to promote employment stability, two managers gave seniority-graded wage increase and promotion, three commendations for long-term service, three job rotation, and four smooth human relations between managers and workers (Question 19).

Why a particular measure is possible in one company and not in another is not very clear. As explained earlier, all six companies have been operating in Thailand for a long time, so that it is unlikely that some are over-enthusiastic while the others are under-enthusiastic about the applicability of Japanese management. If there is a pattern, although our results are somewhat conflicting, the motorcycle maker and the electric machinery maker, which have famous brand names and enjoy technological superiority, seem to be more committed to Japanese management than the others which face more competitive pressure. A large part of the difference, however, seems to be due to idiosyncrasies in management experience.

## V Concluding Remarks

If one is interested in management of Japanese companies in developing countries, Thailand is an ideal country to look at because many of them have been operating

there for a long time and are relatively free from the interference of partners in management. In this study, we first argued that cultural and economic differences between the two countries make it difficult to use Japanese management in Thailand. But at the same time, there are some features (such as internal promotion, training, bonuses, welfare programs and small group activities) which are used in Thailand, so that the difficulties should not be overstressed. At the same time, however, the management of the average Japanese company in Thailand is very different from what we know as Japanese management. It is not typical Thai management either. It would be best to call it Japanese management *a la* Thailand.

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