PART A  HUMAN RESOURCE MANAGEMENT IN JAPANESE MULTINATIONALS
CHAPTER I

INTRODUCTION

The industrial sector is continuously seeking methods to increase profits. One of the most important ways of doing that has been through improved employee productivity. Corporate management is therefore constantly evaluating various strategic options, and implementing those that seem the best suited to achieve a higher employee productivity. Since the choice of the production process itself is a key determinant of business success, there have been various production processes that have been introduced at different points of time. The selection of a particular production process has in turn had a large bearing on the way the employees of the organization are treated by the management. Thus when the mass production process through assembly line manufacturing established itself, efficiency in production was measured by cycle time reduction. This encouraged de-skilling of employees at the shop floor level and specialisation at the managerial level. With scientific research opening new horizons, technology made a quantum jump. As machines became more sophisticated, skill rather than muscle power became the main contribution of the human resource in the production process. Technology ensured that monotonous and dangerous work be left to automation and allowed employees to increase their productivity manifold. With the international economy propelling itself towards a global village and thus providing competing corporates with equal opportunity of accessing technology, machinery,
equipment finance and information, the key to corporate success rests now on knowledge. Knowledge allows for continuous innovation, originality and coping with change. Once knowledge is acknowledged as the core competence of an organisation, by extension, human resource becomes vital, as it is the exclusive source for generating knowledge, spreading of knowledge and converting of knowledge into efficient action. A well trained, motivated and empowered individual who increasingly works in teams and helps others to find fulfillment at the work place comes to play a momentous role in the organisation.

As human resource gained importance as the prime source of competitive edge for the company, the significance of effective management of this resource also gained value. The personnel department, which was once a support department, has moved to the forefront and now commands a strategic position. The origins of today's human resource manager lie in the welfare workers of yesteryears whose role was to dispense benefits to the deserving and unfortunate employees. The role of the welfare officer stemmed from the concept of Christian charity. As organisations increased in size, the personnel manager concerned himself with improvement of the physical environment and reduction of hardship. As specialisation became the buzzword both at shop floor and management levels, the personnel manager's role developed to include selection, training and placement. It is in this period that corporates borrowed social science ideas like Taylor's theory of scientific management and Fayol's work on administrative management. The personnel manager learnt to operate in a bureaucratic set up and increasingly became a bureaucrat. After the Second World War, because of
scarcity of labour in European countries and growth of trade unionism, the personnel manager acquired the expertise of bargaining and became a consensus negotiator. As the rate of technological change began to accelerate it became increasingly important to forecast future manpower needs. Manpower planning to ensure the closest possible fit between the number of employees, skills required and those available came under the domain of the personnel manager. This was further boosted by the advent of computers. The personnel manager thus acquired a status of a manpower analyst. The most significant change in recent times has been the emphasis and attitude towards employment of people. Organisations today lay great emphasis on strategy and therefore value knowledge as an edge in the competitive world. There has been a strong attempt to incorporate all the thoughts of employees right from the rank and file workers to the top managers, into the strategic planning process. As this was happening, the personnel manager was catapulted to the centre stage as a human resource manager. Human resource management (HRM) today is a multi-faceted discipline, whose practitioners derive their expertise from an understanding of the ways in which people individually or collectively operate for the benefit of the company. HRM encompasses three different components - philosophy, policies, and practices. Philosophy originates from beliefs and attitudes of the management concerning human beings and the nature of employer-employee relationship. HRM polices are a set of uniform procedures that all employees are expected to follow. Practices are procedures that are generally followed in a real work environment. While philosophy determines the general approach towards human resource management, policies involve specific rules regarding recruitment, selection, training, promotion,

1 Schon Beechler and Susan Taylor, 'The transfer of human resource management systems overseas', in Nigel Campbell and Fred Burton edited, 'Japanese Multinational Strategies and Management in Global Kaisha. p161
compensation and effective communication and practices are those that are established through implementation. These three components are constantly evolving because policies may prove difficult to practice and therefore can change and this in turn can shift the philosophy of the top management.

As knowledge and skills come to dominate the industrial sector, an increasing reference to the so called 'people's organisation' has come to be found in newspapers, business journals and books. Prescriptions for becoming an organisation that is able to gather knowledge and use the inherent capability of employees to gain competitive edge are now a part of media lexicon. Often these prescriptions talk about HRM policies followed by Japanese organisations in Japan and adopted elsewhere. The Japanese system gains credence because it has helped an impoverished nation producing inferior products to reach the economic pinnacle with products that enjoy a worldwide reputation for quality. What is even more interesting is that the operational management of Japanese industry has contributed to Japanese products edging out traditional forerunners in various sectors in highly competitive Western markets. Further, the management techniques applied are human resource centric and do not require large investments. These techniques improve corporate profitability by servicing consumer needs, improving product quality and therefore enhancing the flexibility of the production process. At the heart of this system is the empowerment of the employee down the line, an open communication channel between the lowest level worker and the top management and a harmonious work environment.
SCOPE OF THE STUDY

Japan's entry into the league of developed nations has been a subject of interest for a long time. Its post war recovery and growth have been described as a miracle. This study is not directly concerned with the Japanese economic miracle or the reasons behind it. Its focus is on the movement of Japanese corporations to foreign countries and the manner in which they have learnt to operate in a non-Japanese environment. More specifically, it seeks to investigate whether the Japanese HRM system, which is considered to be a driving force behind high employee productivity, is transferable to other countries through the operations of Japanese multinationals. The question of transferability of Japanese HRM practices is of special significance to India because the country has become an important destination for Japanese investment abroad.

It is quite well known that a production system originates through a process of contradictions and uncertainty and is conditioned by certain social and cultural peculiarities. The production system is driven not only by industrial principles but also by the prevailing educational system, industrial relations and macro economic policies. Accordingly a production system that is viable and coherent under one environment may encounter considerable difficulty in establishing itself in another environment. Its transfer to another socio-cultural environment creates friction between the transferring and receiving entities. The transferring entity having tested the prevailing system in its home country and finding it profitable has more faith and confidence on the system and thus has a desire to replicate the system
in the host country. But the host having already worked under a varying system finds it difficult to accept and adjust to a substantially different system. How the management goes about resolving this dilemma is one of the areas examined in the context of transferability of Japanese HRM practices into India.

**RESEARCH OBJECTIVES**

The starting point of this research dates to the time when India made a decision to liberalize and integrate itself with the world economy. A major plank of this resolution was attracting high levels of foreign direct investment². Transnational corporations were attracted to set up operations in developing economies like India because of lower cost of production and/or market accessibility to the host economy. Foreign direct investment also generates employment and income. A more notable aspect of foreign direct investment is that it can be used to establish a work culture that helps increase productivity, not only in the unit where it is initiated, but also in the economy as a whole through a diffusion process spread over a period of time. The British conservative government in the 1980s had consciously aided Japanese companies to start operations in Britain with the idea that they would transfer their management techniques and kick-start the economy. India, it was felt was in a similar situation. Therefore the country encouraged multinational corporations to establish or expand their operations in India. On their part, the multinational corporations were only too willing because of the sheer size of the Indian consumer market and cheap market for skilled labour. Japanese multinational corporations were among those

² See Appendix-I
which sought to benefit from India's liberalisation policy and expanded their operations in India. Their arrival coincided with a growing interest among Indian corporate managers and leaders in the Japanese production system, pattern of management and emphasis on quality and consumers' needs. In other words, the Indian corporate world wondered whether some of the human resource management practices would work in the Indian environment. It is in this context that the present research was initiated. It addresses itself first to a close examination of Japanese human resource management practices and then moves on to the more important question of whether it is possible to transfer these practices to other countries through joint ventures and subsidiaries.

The original goal of this study was to investigate the extent to which Japan had succeeded in transferring its HRM methods to India through joint ventures and subsidiaries. As this research advanced its scope was widened to include a comparison between India's experience with that of one of the East Asian economies which had long established linkages with Japanese multinationals. The focus of such comparison rests on the transferability, assimilation and localisation of Japanese HRM practices. Thailand, with its long history of hosting Japanese multinationals, is geographically close to India and shares a similar cultural background. Thus Thailand was chosen for comparison.

RESEARCH METHODOLOGY

Empirical work on cross-cultural study of Japanese management has been
carried out since the 1970s. Initially concentration was on the difference between
the Japanese system and the Western system. Extensive research was carried
out, mainly by American scholars and therefore the major literature available in
this field of study is largely American. Researches were carried out through surveys
and questionnaire methods concentrating on attitudes, values, perceptions,
personality and cultural considerations.\(^3\) Three distinct approaches for collection
of data are noticeable in cross-cultural studies of Japanese management practices.

(1) Anthropological Approach

Under such an approach, a researcher spends many days in the factory
working as an employee, often without the knowledge of the management. This
ensures a first hand experience of the factory under study and provides useful
insights into the operating system. Further, working in close proximity with other
employees establishes a cohort feeling. This enables the researcher to gather
information about employees' reactions to management policies. The data is
collected through extensive interviews of employees and also carries the
researcher's perception. The data so collected is then interpreted by the
researcher.\(^4\) The problem with anthropological research is that it is subjective and
limited in scope.

(2) The Questionnaire Method

A more popular form with the researchers is to visit the selected factories with

\(^3\) Work of K.H. Roberts and Haire Ghiselli

\(^4\) Kamata (1983) accounted his experience as seasonal worker in auto
assembly line. Laurie Graham (1994) studied a Japanese Transplant in USA
by working as a shopfloor worker.
a questionnaire and administer it to the management personnel and/or the employees. Many researchers conduct long term surveys through this approach by repeatedly visiting the same factories and drawing conclusions on the changes brought about over a period of time. In this kind of a research the researcher comes in contact with the individuals answering the questionnaire and has the opportunity to check if there is any contradiction in the answer to a question. The factory visit also ensures direct observation, which helps in understanding the operating system. Since this approach requires the researcher to visit factory sites, its use depends on availability of adequate monetary resources. Thus researchers using this approach concentrate on a few companies only.

(3) The Mailed Questionnaire

At the other extreme is the mailed questionnaire approach, in which the researcher mails the questionnaire to a large number of companies and is able to gather data on a huge sample. Since the sample size is large, this type of survey throws up conclusions that can be easily generalized. The problem faced in this approach is that the questionnaire is often not returned or returned without complete data. Further, there is no way of checking the validity of the answer.

The Current Study

This thesis is a modest attempt at cross-cultural study through the questionnaire and factory visit approach with respect to Thailand and India. The choice of companies was based on the findings of other researches. Most studies
have shown that application of Japanese management is strongest in the automobiles sector across nations. Thus it was decided to study one automobile company. Among more modern industries, electronics industry has a high labour intensity, which makes the task of transferring HRM practices from one country to another all the more challenging. Moreover, among Japanese multinationals operating in India and Thailand, the Japanese electronics companies are the most visible. So, it was felt that studying an electronic company would be appropriate as it would throw some light on the difficulty of transferring HRM practices. While selecting the multinational it was important to choose companies which have had at least five years of presence in the chosen markets (India and Thailand). Two multinationals Honda and Sanyo were selected. Honda is a multinational with core competence in automobiles (cars and motorcycles). The company operates in India and Thailand through joint ventures and has a sizeable market share. Sanyo is a multinational which, like Honda, was a pioneer in establishing operations outside Japan. It has concentrated mainly on East Asia. Sanyo’s core competence is white goods ranging from refrigerators and CTVs to VCRs. Sanyo too operates in Thailand and India through joint ventures and is a market leader in each of these countries. A questionnaire was formulated consisting of a mix of multiple choice and descriptive type questions. The questionnaire was addressed to a key member of the general affairs division / HRM department of the Honda and Sanyo factories in Japan, Thailand and India. Responses were received by mail. Trips to these factories were made in 1997-98 and based on the answers marked in the questionnaire discussions were carried out with employees in the human resource management division. Any kind of doubts and contradictions in the answers were

5 See Appendix II
thus cleared. During the factory visit, a trip around the shop floor, administrative building and the complex was undertaken. Thus while interpreting the data, observations made during the visit have also been incorporated.

REVIEW OF LITERATURE

Nature and functioning of Japanese industries and management has evoked considerable amount of research interest, both within Japan and outside. Based on these studies, different 'schools' of Japanese management thought had made their appearance by the 1950s. Among them was a school that focused on the peculiarities of labour relations in Japanese factories. Noteworthy is the work by Okouchi (1952) who identified the key features of Japanese industrial relations and attributed the labour struggle and the concomitant volatility in industrial relations to the backwardness of Japanese capitalism. The study noted that Japanese HRM practices such as lifetime employment, seniority wage system, and internal promotion were the result of this backwardness. This theory of Japanese management concluded that Japan was a late developer and as a system it lagged behind the West. In 1958 a young American with good knowledge of the Japanese language named James Abegglen studied 13 large factories and 34 small ones and identified features that were remarkably different from the Western system. These were the lifetime employment system, importance of new graduates, seniority wage system, group consensus and paternalistic management. He then noted, "In short it may be concluded from this study that, although the pre-industrial experience of the West may indeed have been the necessary cause
of the development of industrialisation, the introduction of the industry into a society like that of Japan, which had not shared these earlier experiences and has markedly different social system, makes necessary the fitting of the industrial mechanism to the earlier social system". Further, "...substantial industrial progress can be made within quite a different style of organisation... It would seem from the Japanese example that a considerable degree of tolerance— even at the cost of seeming waste— needs to be allowed. A lasting and effective transition to industrialisation may be accomplished only when the changes are continuous with the pre-industrial social system and are based on and grow out of the patterns of social interaction basic to society". He explained the Japanese management characteristics as unique to Japan and also claimed that socio-cultural orientation of the employees results in a different pattern of management. He thus evaluated the same factors that were earlier deemed to restrict economic development as positive prerequisites of growth and development of the Japanese economy. His revelation of the role of traditional labour practices in economic development had a great influence on subsequent research and its traces can be found in today's research too. Since then, many studies have been conducted on the Japanese management system from various view points such as industrial relations, employment systems, inter-organisational relations, interpersonal relations, culture and value system and international management. Japanese management studies has thus grown into a multi-faceted field of study.

Two issues that have been addressed by various researchers from the very beginning, and which remain live till date, relate to the basic principles of Japanese

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6 James C. Abegglen, 'The Japanese Factory,' 1958 p141
7 Ibid p142
management and Japanese management practices. Works of Hazama (1963) and Iwata (1977) identified human resource management as one of the important factors of Japanese organisation. While Hazama explained loyalty to the organisation as an outcome of the paternalistic behaviour of the management, Iwata stressed on groupism as the reason for commitment of Japanese employees to their workplace. Studies on Japanese management practices deal with unique features like lifetime employment system, seniority wage system, internal promotion, enterprise union and ringi system, explaining these in terms of historical development, socio-cultural factors and the value system. To this day, these features continue to fascinate a set of researchers. Whenever a setback occurs in the economy (or the corporate world), these features comes under scrutiny. Thus after the oil shocks of the 1970s, there was a feeling that the Japanese-style HRM practices would have to be dismantled. However, Japanese industry successfully averted the crisis without bringing about any change in its HRM practices. This necessitated scholars to take a closer look at the entire production system of the Japanese corporation. Researches then came up with varying reasons for sustenance of HRM practices and the basic line of argument was in favour of Japanese psychological traits and group behaviour patterns. Iwata (1977); Odaka (1984). Ishikawa(1981) went a step further and said that the success of the management techniques like JIT and QC was due to optimal harnessing of group behaviour. During the more recent recession (1996- to date), it is prophesied that lifetime employment and associated features would have to be curtailed on account of an excess of white-collar workers in the system. But studies conducted by scholars like Yoshio Higuchi (1996), Takashi Kawakita (1996),
Michio Nitta (1995) find that these systems not only continue to persist but have also been adapted to suit current circumstances. These studies argue that the Japanese industrial relations system, while being very different from its Western counterpart, has contributed to economic development and served to complement the market economy with functions such as more equitable distribution of income and rationalisation and systemisation of human resource management.

A third issue which has been studied at length during the late 1970s and the 1980s is the strategy, structure and performance of Japanese management. Naturally, comparisons were made with Western management. A study conducted by OECD (1972) on the Japanese system concluded, among other things, that lifetime employment, seniority system and enterprise unionism were the three pillars of the Japanese management system and that these were unique to Japan. Another notable work in this area is by Kagono et al. (1985) which compared Japan and US on strategy and organisation and concluded that evolutionary management is the essence of Japanese management. It was Koike (1981), who, through extensive data collected from US, Europe and Japan, exploded the existing thinking on uniqueness of Japanese employment and wage practices. Koike's work threw up mixed findings, including ones to the effect that the three treasures - lifetime employment system, seniority wage system and enterprise union - identified by OECD in their report on Japanese companies in 1972 - were not unique to Japan and proposed that similar practices existed in Europe and the US too. For example, lifetime employment which actually means long term employment⁸ exists in many European and American firms. Robert Boyer and Jean

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⁸ This is dealt in detail in Chapter III
Pierre Durand (1997) reinforced Koike's findings while discussing emerging production systems in Sweden and Germany. They found that there is a shift towards cooperative unionism from hostile unionism in these two countries and argued that it was quite similar to the concept of enterprise union prevalent in Japan.

As Japanese investment found its way to Western countries and Japanese manufacturing companies gained a prominent role through their quality products at competitive prices, yet another dimension was added to this field of study. The focal issues in this area were international management of Japanese companies and more importantly, the transferability of Japanese production system along with the management system to the country of migration. The debate on how far the features of the Japanese management system, which constitutes a package of organisational techniques, can be lifted from the place of origin and applied and adopted elsewhere continues till date. The origin of this quest can be traced to the work of William Ouchi (1981), who compared the US and Japanese systems. In his findings he stated that there were non-Japanese companies which have independently developed characteristics quite similar to those prevalent in the Japanese system, including long-term employment, internal promotion and long-term evaluation. He called these companies 'Type Z' organisations. Ouchi then proposed a new way of management called 'Theory Z management' by which US companies could integrate important features of Japanese experience. The question of transferability remained a moot issue and one still finds contrasting positions among scholars. A classification of various studies carried out in this
specific area into four approaches would help in understanding the research model presented in a later part of the chapter.

A. The Cultural Approach

This approach to the issue of transferability rests on the premise that learning between societies is not possible as each society is unique in its cultural and historical development and any practice or system originating from these conditions cannot be transferred. The focus of analysis of researchers who argue along this line is that psychological characteristics, interpersonal relations and cultural aspects determine the key features of an organisation's management system. Thus, Hazama (1971) described the Japanese company as an extension of the family wherein the top management behaved in a unique paternalistic manner with the employees. Iwata (1977) explained the Japanese management system on the basis of—once again—unique group behaviour of the Japanese people. Specific features like 'harmony at work place' and 'work ethics' have been explained by these researchers as cultural traits of the nation. Ackroyd et al (1988) highlighted and contrasted the economic and social structures of Britain and Japan in terms of employment systems, labour markets, organisation of finance and investment and concluded that major impediment in implementing the Japanese form of work organisation and employment relations elsewhere is an 'institutional constraint'. Dohse et al (1985) studied the Japanese production system and put forward an argument that a certain institutional framework of employment relations in Japan facilitated development of a production system by Toyota that demands
higher participation of employees and creates greater pressure on them. If transferred to Europe or America, the production system along with management practices would face resistance because of different workplace traditions in the host country. Oliver and Wilkinson⁹ (1988; 1992) argued that the new production methods put forward by Massachusetts Institute of Technology require specific social conditions which were provided by the Japanese social structure.

But all these studies which emphasise peculiarities of social structure, cultural context or psychological characteristics as the backbone of a unique, non-transferable Japanese management system lose their validity when confronted with empirical evidence. Looking at the successful transplant of Japanese management practices across various nations, it has been established that there have been many success stories. NUMMI (New United Motors Manufacturing Incorporated) in US, which was taken over by Toyota, is the most often quoted example because while retaining the existing employees, the new management was able to transplant a very different Japanese production and management system.

Historically, industrialisation has its origin in Britain. With craft form of production, it moved to America where it underwent changes and developed into a new system of production called the mass production system. As mass production travelled from country to country it adapted itself to varying socio-cultural environments albeit maintaining its distinctive features. When Japan set about to industrialise, it borrowed extensively from the West. Because of its

different economic and socio-cultural environment the industry in Japan was conditioned to finding solutions to problems through a new production and management system which emphasised human resources as the key factor of production. If mass production could travel then why should not the Japanese production system? Of course, transfer of the system is made more difficult by the fact that there already exists a production system in all nations with an industrial base. When borrowing from an alien society, it is not necessary to establish an organisation along the exact lines as the one supported by the society from which it is borrowed. But to deny the fact that efficient methods will not find place in another socio-cultural context is to stretch the argument a bit too far.

If socio-cultural aspects are the explanation for economic success of Japanese industry, then how does one explain why the success rate is better in some industries like automobiles and electronics, but is lacklustre in industries like petrochemicals and aeronautics, although both exist in a similar cultural context and utilise similar systems. Further, how does one explain the crisis faced by the Japanese ship building industry today? Ship building is a labour intensive sector and a is dominant industry in Japan but it still faces a crisis which remains unresolved despite the best of Japanese management techniques.

Another myth relates to features like harmony and work ethics among the Japanese. These remain the core fabric of the popular culturalist explanation of
the Japanese industrial system. Harmony in the Japanese work place is attributed to peaceful and cooperative nature of the workers’ unions. However, it should be realised that behind this peaceful environment lie bitter strikes and struggles in the post World War II period when Japan started its development process. The necessity to stabilise the work environment encouraged the management to open channels for dialogue and establish ways to harmonise relationship with the union. A diligent work force, high levels of motivation and strong work ethics are projected as the salient features of the Japanese management system and the culturalist approach asserts that this is rooted in the Japanese culture. But this raises the question as to why in a similar work environment the service sector of Japan has failed to deliver. The culturalists are forever attributing any features of Japanese management that are unique to Japan to its cultural background. The premium they put on uniqueness of practices like lifetime employment and seniority wage system does not fit into the explanation behind the economic miracle of Japan. Logically speaking, these practices should have resulted in misallocation of resources as companies give up the right of appointing younger people with same skills at lower wages. It is also believed that older employees are reticent towards change and newer developments. By encouraging lifetime employment the companies would have ended up with lower efficiency. All this would have retarded the process of industrialisation.

B. The Universal Approach

Researchers who believe in universal applicability of Japanese production and
management system argue that efficiency in any form whether through science, technology or management of resources, travels from society to society because these are a rational response to the prevailing economic needs. Advocates of this approach have based their study on empirical data and international comparison. When Japanese products gained their reputation for quality and durability in spite of lower prices, business community the world over was intrigued. Academics set about finding possible answers. While substantial work was done on the economic miracle and various aspects highlighted, many researchers concentrated on the Japanese production system. They concluded that the mass production system had served its purpose and had become outdated and a more progressive paradigm in line with current business environment had been made available by the Japanese system. They highlighted that Japanese system was transferable either as a whole or in parts. The most influential exposition of the universalistic approach was by Womack et al (1990) who under the aegis of Massachusetts Institute of Technology studied the production system prevalent in the automobile industry in Japan. They argued that Japanese car manufacturers had developed a unique form of production organisation that featured minimum stock with respect to raw material as well as work-in-progress and emphasised continuous improvement, which led to high productivity. This they called the lean production system, which was applicable across sectors and nations. The lean production system rested on skilled and committed workers who were attuned to problem solving under pressure. This system was based on convergence of interest of both management and employees. Thus the lean production system necessitated the formation of sound HRM policies.

FIGURE: 1.1 JAPANESE PRODUCTION SYSTEM AND HUMANWARE

LOW PRICE

LOW INVENTORY COST

LOW LABOUR COST

LOW QUALITY

GROWTH

HIGH QUALITY

JUST IN TIME PRODUCTION

HUMAN CONTROL

SELF-MANAGEMENT OF WORK PROCESS

GIVING WISDOM TO MACHINE

SELF-INSPECTION

ADAPTABILITY

SOURCE: Shimada and Macduffee
On a similar line Kenny and Florida\textsuperscript{11} (1993) identified a new method of production that had come in vogue in Japanese industry. This new method which they termed as innovation-mediated production emphasised the role played by R&D in continuously improving the production process. With respect to human resource, they premised active mobilisation of knowledge and intelligence of all employees and lay stress on social relations that condition teamwork, Just-in-Time and continuous improvement. The work of Shimada and Macduffie\textsuperscript{12} (1986) showed that the Japanese system took a holistic approach to production. They argued that in Japanese industry, human resource was completely integrated with the production system, and that this phenomenon was transferable across jurisdictions (see fig 1.1).

Among researchers who follow the universalist approach are some who have identified and advocated particular management techniques\textsuperscript{13}, with each researcher claiming the technique as the main reason behind Japan's industrial success. Thus one finds a lot of literature on Just-in-time, total quality control and kaizen. Though these are operational management techniques, each of these techniques necessitates a certain level of employee discipline and commitment. After the initial hype, these sets of writings lost credence as it was subsequently realised that a single technique could not alter productivity dramatically – especially in qualitative terms.

Commentators of the universalist approach argue that these researches have overstated the contrast between American/European and Japanese systems.

\textsuperscript{11} Martin Kenny and Richard Florida, "Beyond Mass Production : The Japanese System and Its Transfer to the U.S.
\textsuperscript{12} Shimada and Macduffie, " The Japanese Production System and Humanware
\textsuperscript{13} For example Masaaki Imai, " Kaizen" (1986), Alan Harrison, " Just-in-Time" (1992)
Moreover, too much stress on particular Japanese management techniques without considering the holistic view has been deemed as a naïve approach.

C. The Core Periphery Approach

In their study of eight Australian transplants of Japanese transnationals, over a period of five years, Dedoussis and Littler (1994) came out with a novel interpretation. According to them in Japan the much-talked about HRM practices prevail in large corporations (referred to as core) but are not so well defined in the medium and small companies (referred to as periphery). The large corporations use these periphery companies as their subcontractors. Moreover, citing literature on relations between large corporations and small companies, the researchers claimed that it is these ‘periphery’ companies which take the hardship of economic recession to sustain the large corporations ('the core'). Further, the researchers argued that when it came to setting up operations overseas, Japanese multinationals did not exhibit any long-term commitment to the host country (Australia). Japanese corporations took only those activities to the overseas transplant which were more favourable to the parent company, in the short to medium run. Moreover, Dedoussis and Littler established linkages between this lack of long term commitment and ‘decentralised’ HRM practices. The researchers divided the established HRM practices of the Japanese corporation into high cost and low cost and found that while low cost practices which increase productivity are readily implemented abroad, the high cost practices which directly or indirectly benefit the employees are kept at bay. They called this the “Core-periphery Model".
This approach looks at the transferability aspect in a new light. While most researchers have dwelt on the problem of transferability, Dedoussis and Little through their research have claimed that insufficient transfer of HRM practices is the corporate policy of Japanese corporations in their transplants. But since the data is country-specific with limited exposure, more empirical evidence from other regions will be required to make the finding more acceptable to the academic world.

D. The Balanced Approach

The flow of Japanese foreign direct investment into the US in the late 1970s and the 1980s led to many empirical studies on Japanese multinational corporations adapting themselves to a very different cultural milieu. Most of these researches were specific to America and Europe and some included the Pacific Rim. It is only in the 1990s that one finds emergence of literature on transferability of Japanese management system to the developing world.

Abo et al (1987)\textsuperscript{14}, Trevor (1983; 1987)\textsuperscript{15} Takamiya and Thurley\textsuperscript{16} (1983), to name a few, carried out empirical studies on the management system established by Japanese multinationals in America and Europe. Though they used different research methodologies, one can make some broad observations. First, Japanese companies operating in automobiles, machine building and engineering have been quite successful in implementing the Japanese style of production and the HRM practices that go with it. Second, European and American workers approve of the

\textsuperscript{14} Abo et al, "Hybrid Factory The Japanese Production System in the United States"
\textsuperscript{15} Trevor, M. and White, "Under Japanese Management: The Experience of British Workers.
\textsuperscript{16} Takamiya and Thurley eds. "Japan's Emerging Multinationals"
management's concern for restructuring jobs, careers and pay scale, job organisation and labour participation. (Abo et al 1987; 1990; 1994; White and Trevor 1983). The respect for Japanese managers was found to be higher than what it was for local managers. Employees considered Japanese managers to be more knowledgeable and more likely to apply themselves to shop floor operations. Abo et al, hypothesised that the competitive advantage of a Japanese multinational stems from the Japanese style of management and therefore there is an attempt to introduce superior elements of their management and production systems in ventures abroad. The study found that when Japanese multinationals established a transplant abroad, they faced a dilemma as to whether they should apply their own method or adapt their systems to local conditions. Abo et al termed this as the "Application-Adaptation Dilemma Model". According to them, "It is our hypothesis that when the Japanese firms 'apply' their sophisticated technological system to foreign countries, they will face the problems in adapting to the local environment. This poses a dilemma for the Japanese production model in the sense that it has to make a trade-off with the local customs and ways of doing things if it has to succeed. The result of the twin dynamics of application and adaptation at the local level, is of course, a 'hybrid' of the principal element of the Japanese production system".17 Among the various conclusions drawn from the application of this model, one is that ready-made transfer of Japanese machinery and parts provided by parent company does not mean that the transplant receives the core system. The human aspect of the transfer process is the most critical test in the final analysis. Europe and America are yet to achieve that.

Turning to an area that is more relevant for the present study, namely research on developing countries, two distinct groups exist in developing countries - the East Asian nations and the rest of the developing world spanning South East Asia, the Middle East, Africa, East Europe and the Latin American nations. A comparative analysis of the East Asian nations with the other groups shows that most of the transplants in East Asia are able to apply the Japanese method of production and the HRM policies more effectively. This is because of cultural affinity and the attitude of local managers. Thailand has been studied along with other ASEAN countries on issues such as technology transfer (and its effect on the production process), management transfer and skill formation of local population. Researches have shown that though skill transfer at the lower level is carried out judiciously, at the middle and top management level it is found wanting. Kaplinsky and Posthuma who studied Japanese management techniques and their transferability to India, Brazil, Dominican Republic, Mexico and Zimbabwe through case studies concluded that the relatively low rate of adoption in these developing nations is because they are late starters and have lived in isolation to new ways of thinking about production. According to them, 'transferability of organisational procedures to LDCs is unlikely to be free from difficulty. They (the management techniques) are thought to make intensive use of skilled human resources, to require effective economic infrastructure and telecommunications (info-structure) and to involve developed supplier capability. All these tend to be in short supply in developing economies'. Their study therefore encompassed a broader framework with human resource as a subset.

Their findings (through case studies) shows that first, educational qualification was

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18 Anupap Tiralap and Prayoon Showattana, 'Japanese Direct Investment: An Analysis of Firm behaviour on Technology, Management, Skill and Production Transfer'.
19 Raphael Kaplinsky with Anne Posthuma, 'Easternisation spread of Japanese Management Techniques To Developing Countries' 1994
20 Ibid, p6-7
not a barrier in adopting the Japanese system and training of employees is a vital organisational need of the company adopting the Japanese system and this leads to comprehensive modernisation. Second, flexibility of the production system requires development of multiple skills. Thus, if appropriate training after entry into the company can supercede formal education, as was shown from the case study of Zimbabwe, there will be few intrinsic reasons for non-adoption. Third, most management techniques require worker participation which, with greater knowledge of technology and management cooperation, can be slowly attained.

In India research on Japanese management has been rather sporadic. Way back in the 1970s A.V. Srinivasan had studied the Japanese management system, tracing it to its cultural roots. Srinivasan had drawn parallels with Indian philosophy and culture and concluded that there are many similarities between both the nations and therefore many of the practices can be applied in Indian context. The success of Mauriti Udyog Limited a joint venture between Suzuki of Japan and the Government of India led to a renewed interest in studying this venture to understand working of the Japanese management system in India. Bhasker Chaterjee (1990) studied Mauriti and Tripathi (1994) Mauriti and Hero Honda. Individually each of them came to a conclusion that the Indian patrimonial system with its roots in common heritage of oriental culture is nearer to the personalized, informal system of Japanese management. Thus their research pointed to significant possibilities for transferability of Japanese management practices to India.
The studies conducted by Indian scholars have so far only studied the Indian ventures of Japanese corporations and compared it with the accepted model of Japanese management system. Therefore, the present study decided to not only probe the human resource management practices prevalent in joint ventures of India and Thailand but also to study the parent company in Japan. With changing economic environment in Japan, parent companies themselves are adjusting their human resource management practices. Thus it was hoped that the case studies would throw up some departures from the commonly accepted Japanese model.

RESEARCH MODEL

Many advantages of adopting Japanese management system can be noted. First, Japanese management techniques along with the HRM practices are not capital intensive and therefore implementing them should not be difficult. Second, (though not conclusive because of lack of enough research), Japanese management techniques depend not on formal education but on training, which is fundamental to human resource management. Third, since even in developed nations transferability was not smooth, developing nations need not lose heart. Finally as the Japanese management system is being recommended for high quality and high productivity, the developing world can benefit by making its products competitive within the domestic economy as well as in the international market.

Before venturing into building a research model based on the survey of
literature it is important to understand the human resource composition of a Japanese multinational and comprehend the section of employees to whom the HRM practices apply. The employment framework of a Japanese multinational consists of four types of employees. The regular workers are those who are recruited right after graduation from either high school or university. Regular employees who do not join the workforce straight after graduation (like housewives) are the non-key regular employees. Limited term or part time employees, non-company workers transferred from elsewhere - and not directly employed by the company - fall in the category of temporary worker. Appendix (III) gives the break up of regular to non-regular staff and appendix IV of part time workers by size of firm, industry, and share in total numbers of employees. Fig (1.2) shows the composition of the work force in a typical Japanese multinational. Given these

FIGURE: 1.2 Employees Composition of Japanese Multinationals

![Diagram of employees composition]

- Key Regular employees
- Non-key Regular employees
- Non-regular employees
- Non-company workers
distinctive employment class structures, the HRM policies differ according to the employee type. Among the key regular workers, the university graduate regular employee who is recruited at the managerial level and termed as "sarari man" is subjected to a set of human resource policies which is known to general readers of Japanese management literature as Japanese human resource management practices. The key regular blue collared worker benefits from job security but does not enjoy all the other benefits that are available to the university graduate. Their status is significantly different from the university graduate group. The group 'non-key regular employees' usually consist of women who join the workforce around 35 years after having raised a family. Over time mid-career entrants have also been included in the group. The company does not give them the status of regular key employees and human resource management policies differentiate them in all aspects regarding compensation, promotion and job security. The temporary worker works under a contractual agreement and the company policies are not applicable to him.

This study will largely consider human resource management that pertains to the key regular employees. Though the non-key regular employees and the part-time workers play a major role in sustaining the system, company policy towards them are excluded from the purview of this study.

The research first identifies various HRM practices of Japanese multinationals pertaining to key regular employees. These are recruitment, training, the promotion system, compensation, communication and lifetime commitment. From the...
GROUP A
1. LIFE-TIME EMPLOYMENT
2. SENIORITY WAGE SYSTEM
3. ENTERPRISE UNION

GROUP B
1. RECRUITMENT PROCESS
2. RINGI
3. NEMAWASHI
4. INTERNAL PROMOTIONS
5. WELFARE BENEFITS

GROUP C
1. QC-CIRCLE
2. SMALLGROUP ACTIVITY
3. SUGGESTION SYSTEM
4. Egalitarian Environment
5. TRAINING
literature review it is evident that there are some practices that are easily implemented and those that are highly contingent on the local condition. Then, there are the three treasures—lifetime employment, seniority-based wage system and enterprise union—which some researchers claim to be unique to Japan while others claim that these exist in different forms in other countries too. This model considers these to be unique to Japan. Thus the practices have been divided into three groups—the culture-specific, the universal and the culture-affected. Fig (1.3) illustrates this. The culture-specific group (area A) consists of those features that develop because of specific socio-economic conditions and therefore faces pressures in a different environment. The universal group (area C) features are those that can be easily transferred and are often the first step of integrating local human resource to the Japanese system. The culture-affected group (area B) is the area that has to be dealt with caution. These practices necessitate a change in the mindset of both local managers and employees. Transferability of these practices is contingent on the trust that the management can gain from the employees. Successful transferability of these practices go a long way in rooting the Japanese production system in the new environment and leads to realisation of the full potential of the employees. Consequently, it contributes towards providing an environment conducive to growth and development of the company. Since area C is considered to be problematic (while transferring HRM practices), it is expected that a hybrid of local and Japanese practices will emerge in the companies where it is implemented.

Since mass production system has taken deep roots in India and Thailand
the thesis will first discuss the points of departure between the Japanese production system and the mass production system. This will also enable one to focus on the need for HRM practices that sustain the Japanese system.

LIMITATIONS

One of the limitations of this study is that it is based on the case method and therefore its findings cannot be generalised. The case study material was collected through factory visits and seldom was the obtained data strictly comparable. Further as a foreigner one faced communication problems in Thailand and in both the companies (Honda and Sanyo) did not meet the Thai personnel. Further, since these companies are in joint venture agreements in both these countries their control on the management is limited in nature. Moreover, the study focuses on HRM practices of large Japanese corporations. The small and medium scale industries of Japan which have significantly different HRM practices have not been brought under the purview. Since all HRM policies have social, environmental and institutional influences, a study excluding a discussion of these influences falls short of the ideal. Moreover, the HRM policies considered here are applicable to regular employees and not to the other types of employees who may and often do contribute significantly to profitability. Aspects such as the role of women, part-time workers and the nexus between government and business are not considered because these would have burdened the study with unmanageable complexities. Finally, the study has only probed the operations of Japanese multinationals and has excluded Indian or Thai companies which have on their own initiative adopted
the Japanese management system. A study of these companies would provide a broader perspective on the question of transferability.