

Problems of Japanese Companies in East and Southeast Asia

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NRI provides a corporate vitality diagnosis service for Japanese companies operating in East and Southeast Asia. Our findings show that many Japanese companies manage their subsidiaries in a top-down, bureaucratic way and that, while these subsidiaries tend to foster a spirit of achievement whereby the organization responds faithfully to orders from above, they do not breed initiative.

If the Japanese managers of these subsidiaries want their decisions to mean something, the first thing they need to do is to understand the corporate culture better and find out exactly what their local staff members think. Our findings indicate that the subsidiaries of Japanese companies in East and Southeast Asia would increase their organizational vitality substantially if they addressed the following four issues: (1) the need to choose heads of departments or sections carefully; (2) the need to ensure that the wealth of information that circulates at the shop floor level reaches senior management; (3) the need to select and train potential senior managers carefully; and (4) the need to increase the vitality of veteran middle managers. Unless companies can improve the vitality of their subsidiaries in this way, any competition strategies they have will prove ineffective.

I “Corporate Vitality Diagnosis Program”

1 Strategic Vitality, Organizational Vitality and Leadership

The term corporate culture denotes the attitudes and behavior patterns among a company’s employees that have developed over the years as well as the general atmosphere in the company. Since 1997, NRI has provided a service to its customers whereby it carries out a quantitative analysis of their corporate vitality using a specially developed approach (the “Corporate Vitality Diagnosis Program”). NRI has carried out such an analysis for some 130 companies in Japan as well as at the East and South-east Asian subsidiaries of some 40 Japanese companies (as of the end of July 2000).

In order to quantify corporate culture, we use two indicators: strategic vitality and organizational vitality.

Strategic vitality bears directly on corporate earnings and indicates whether a company is functioning properly in accordance with its management’s objectives and its chain of command. Strategic vitality comprises 10 subindicators. (See Table 1.) If a company has a high degree of strategic vitality, it means that the company will respond proactively to changing conditions and that

its employees take pride in their work and do their best to perform the tasks assigned to them.

Organizational vitality, on the other hand, indicates whether employees display initiative and whether communication functions effectively. It comprises five subindicators. (See Table 1.) If a company has a high degree of organizational vitality, it means that its employees are showing initiative and that decentralized decision-making is creating a culture that enables the company to respond flexibly to changing conditions.

Finally, we also use a leadership indicator—closely related to the two types of vitality and comprising the five subindicators in Table 1—to measure the qualities of department or section heads.

2 Quantifying Corporate Culture

In order to quantify leadership and the two types of vitality, we ask the employees of the companies we are investigating to fill in a questionnaire. The questionnaire forms are available not only in Japanese but also in English, Chinese, Thai, Malay, Indonesian and Tagalog so that an investigation can be carried out in any East or Southeast Asian country at short notice.

The questionnaire consists of 60 questions about “work” and 19 questions about “the boss.” The answers to the 60 questions about work are used to calculate the

Table 1. Subindicators of Strategic Vitality, Organizational Vitality and Leadership

Subindicators of strategic vitality
(1) Strategic thinking: depth of strategic thought centered around management on the job
(2) Influence of management concepts: degree of actualization of management ideology
(3) Active reform: stance for positive action in responding to changes in the external environment
(4) Discharge of responsibility: degree of effective execution of assigned duties and roles
(5) Merit orientation: emphasis on actual competence instead of seniority, academic achievement, or other such attributes
(6) Improvement campaigns: degree of implementation of business process improvement, quality control and other improvement activities
(7) Aspirations: level of aspirations for the future of the company and the business
(8) Definition: clarity of the definition of authority and responsibility, and of the related system of assessment
(9) Long-term outlook: degree of emphasis on the long term as opposed to the short term
(10) Education: extent of human resources development, on-the-job training, etc.
Subindicators of organizational vitality
(1) Delegation of authority: extent of delegation of authority to subordinates
(2) Respect for dialogue: degree of respect for dialogue with subordinates on the shop floor; ease of constructive opposition
(3) Appropriate regulations: appropriateness of rules for the execution of the business process; fairness of control and system operation by superiors
(4) Respect for the individual: degree of respect for individual autonomy
(5) Tolerance of failure: degree of tolerance of failure and linkage of failure to improvement; extent of comeback by those committing failure
Subindicators of leadership
(1) Consideration: ability to understand the feelings and problems of subordinates
(2) Presentation of goals: ability to set clear goals for subordinates
(3) Power of influence: ability to negotiate with superiors and other departments/sections as well as to induce staff to work as a team
(4) Grooming: ability to set subordinates an example as well as willingness and ability to train them
(5) Pressure to achieve: ability to push subordinates towards achieving goals

points for the 15 subindicators that constitute strategic vitality and organizational vitality, while the answers to the 19 questions about the boss are used to calculate the points for leadership.

Each respondent's points for each subindicator are then compared with the average for the 50,000 or so employees of Japanese companies stored in our database. These points are then converted to a deviation showing the extent to which each subindicator diverges from the average. The deviations are then plotted on a graph with the average (deviation = 50) plotted as 0, a deviation of 100 plotted as 1.0, and a deviation of 0 plotted as -1.0. Leadership is quantified using the same method. We call these deviations scores.

We then calculate a weighted average by multiplying the score for each subindicator by a weighting (a predetermined variable for each subindicator), and this gives a total score for strategic vitality and a total score for organizational vitality.

Figure 1 shows corporate culture in graph form with the total score for strategic vitality plotted on the vertical axis, and the total score for organizational vitality plotted on the horizontal axis.

The top right quadrant, where both types of vitality have a positive score, represents the optimum corporate culture. Companies (departments/sections) located in this quadrant respond quickly to changes in their environment, and individual employees can use their initiative to the full. Companies (departments/sections) located in the top left quadrant also have a positive score for strategic vitality (although they do restrict the freedom of departments/sections) and are therefore optimally placed to improve their performance.

Companies in the bottom right quadrant, however, have a low score for strategic vitality as a result of the fact that their employees work in an uncoordinated fashion, but a high score for organizational vitality due to the fact that their employees enjoy considerable freedom. This means that the organization as a whole lacks a degree of urgency in pursuing its business goals. Meanwhile, companies in the bottom left quadrant have a rigid atmosphere, and their employees lack motivation. Their culture suffers from corporate gigantism.

II Characteristics of Japanese Subsidiaries in East and Southeast Asia

1 Top-Down, Bureaucratic Style of Management

Figure 2 shows the results NRI has obtained from the surveys it has carried out of 34 Japanese companies (with a total of 7,000 employees) operating in East and Southeast Asia. As the data from 50,000 Japanese employees

Figure 1. Four Types of Corporate Culture

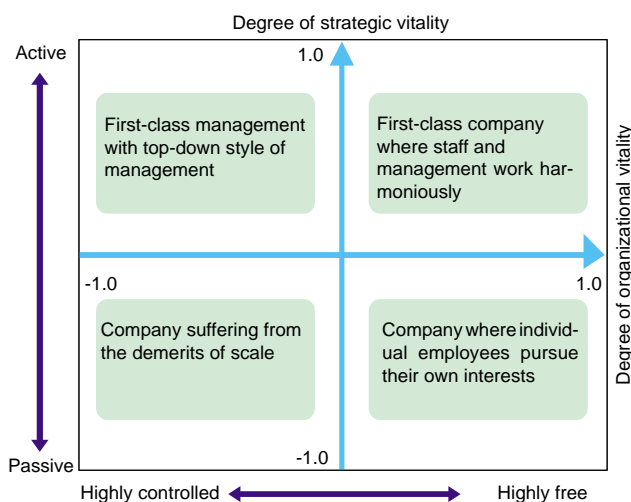
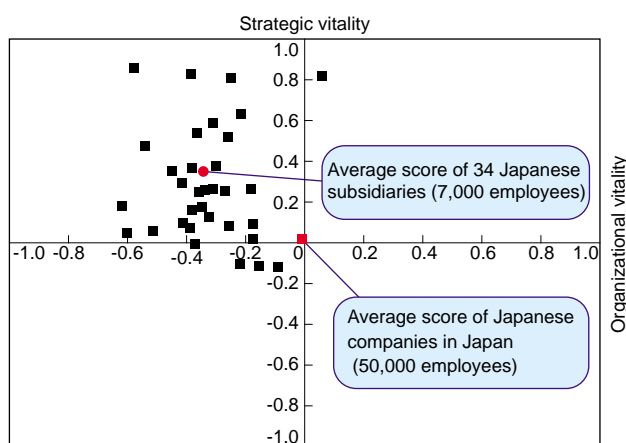


Figure 2. Distribution of Corporate Vitality Scores of 34 Japanese Subsidiaries in East and Southeast Asia



Note: Scores are approximate. Where they overlap, only one has been plotted.

is represented as the average (i.e., the origin of the axes), the figure is actually comparing the culture of Japanese subsidiaries in East and Southeast Asia with that of the head offices of Japanese companies.

This comparison shows that most Japanese subsidiaries in East and Southeast Asia are plotted in the top left quadrant in terms of vitality (i.e., they score better on strategic vitality, but worse on organizational vitality).

In other words, while Japanese subsidiaries in East and Southeast Asia are rigidly controlled and management has a tight grip on employees, the latter know exactly what is expected of them and do their jobs conscientiously. The organization is bureaucratic. At the same time, the negative score for organizational vitality reflects the fact that the decision-making process is one-way and that the style of management is top-down rather than bottom-up (i.e., that employee initiative is not encouraged).

The reason Japanese subsidiaries in East and Southeast Asia score better than head offices in Japan on strategic vitality is connected with the fact that most of the former produce a narrower range of goods (or offer a

narrower range of services) than the latter and that management has a narrower focus (namely, on production and sales). This narrower focus means that these subsidiaries are (in a good sense) relatively easy to manage. It is therefore easier for management to convey its wishes to the shop floor, and this, in turn, encourages a culture where those on the shop floor can be relied upon to perform what is expected of them.

A breakdown of the high score for strategic vitality (see Figure 3) shows that all the subindicators have a positive score except for merit orientation and that Japanese subsidiaries in East and Southeast Asia have an even better corporate culture than that of head offices in Japan.

The only cause for concern is the negative score for merit orientation and the relatively low score for long-term outlook (i.e., the importance management attaches to long-term planning). The fact that the score for merit orientation is negative indicates that something is wrong with the way the companies concerned assess performance. However, the fact that the scores for merit orientation and long-term outlook are both close to the center of the axes (i.e., the average for Japanese head offices) would suggest that, in terms of staff appraisal and long-term management planning, there is hardly any difference between the corporate culture of Japanese subsidiaries in East and Southeast Asia and that of Japanese head offices.

On the other hand, however, Japanese subsidiaries in East and Southeast Asia score less well than Japanese head offices on organizational vitality. (See Figure 2.) In other words, Japanese companies in East and Southeast Asia control their employees carefully and monitor everything they do. As a result, the atmosphere is rigid.

In such an atmosphere, employees cannot be expected to engage in active discussion or volunteer their opinions. While this may be the result of various factors, in-

cluding a lack of experience on the part of local employees, a lack of initiative will inevitably have negative consequences, as indicated by comments such as: "The company would fall to pieces without the expatriate Japanese staff" or "The company hasn't made any progress in involving local staff in management."

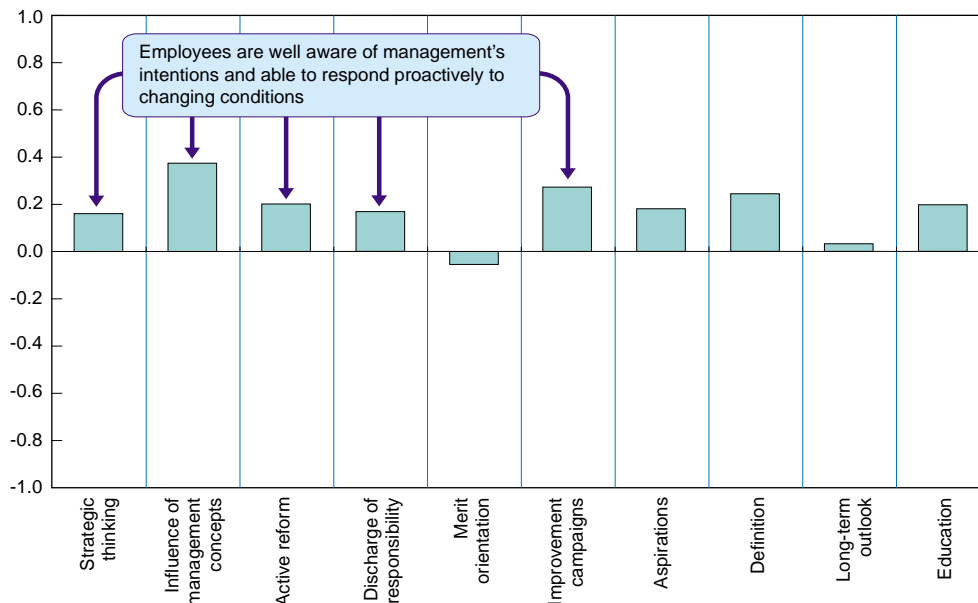
Figure 4 shows the average score for the 34 Japanese subsidiaries on each of the subindicators of organizational vitality. All the scores except that for delegation of authority are negative. Individual discretion is quite limited. Given the fact, however, that the Japanese see people from the rest of Asia as tending to be individualists, comments such as "Management has no choice but to restrict individual egos to a certain extent" or "If employees are to make good team players, this must inevitably be at the cost of respect for dialogue and respect for the individual" are perhaps not surprising.

The score for appropriate regulations is particularly low. This shows that, as far as local personnel are concerned, the company has too many complicated rules and regulations that only make it more difficult for them to do their jobs. Rules and regulations that are taken for granted in Japan may seem a bother to employees from other countries in Asia, who rely more on the rule of personal authority than the rule of law.

2 Hard Taskmaster Managers

Figure 5 shows the scores for each of the subindicators of leadership. Japanese managers at subsidiaries in East and Southeast Asia have a reputation for being hard taskmasters more interested in achieving results than listening to their subordinates. Moreover, the fact that the score for power of influence (i.e., the ability to lead negotiations with other departments/sections and to induce employees to work as teams) is also low means that such

Figure 3. Strategic Vitality of 34 Japanese Subsidiaries in East and Southeast Asia



managers are not magnanimous, either—hence the image of a manager interested only in achieving goals and incapable of being well liked by his subordinates.

Recently, however, Japanese managers have tended to be more the considerate type—better at listening to their subordinates than at achieving results. The hard taskmaster image of Japanese managers may therefore be outdated.

III The Corporate Culture of Japanese Subsidiaries in China

The previous section dealt with some of the distinctive features of Japanese corporate culture in East and Southeast Asia in general. Such features are particularly no-

ticeable in China, which has more Japanese subsidiaries than any other country in the region. However, Japanese subsidiaries in China also have some characteristics not found elsewhere in East and Southeast Asia.

1 Local Staff in Search of a Quick Return

Figure 6 shows the scores on each subindicator of strategic vitality for a large Japanese manufacturing company’s Chinese subsidiary (Company A). The scores are highly typical of those among subsidiaries of Japanese companies in China.

The first point is that positive scores are recorded for three subindicators: influence of management concepts, discharge of responsibility and definition. Employees are fully aware of management’s goals, and rigorous management controls ensure that employees

Figure 4. Organizational Vitality of 34 Japanese Subsidiaries in East and Southeast Asia

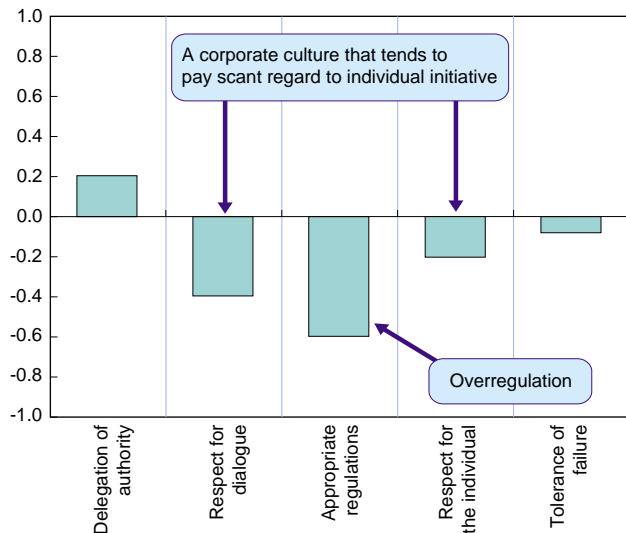


Figure 5. Leadership Scores of 34 Japanese Subsidiaries in East and Southeast Asia

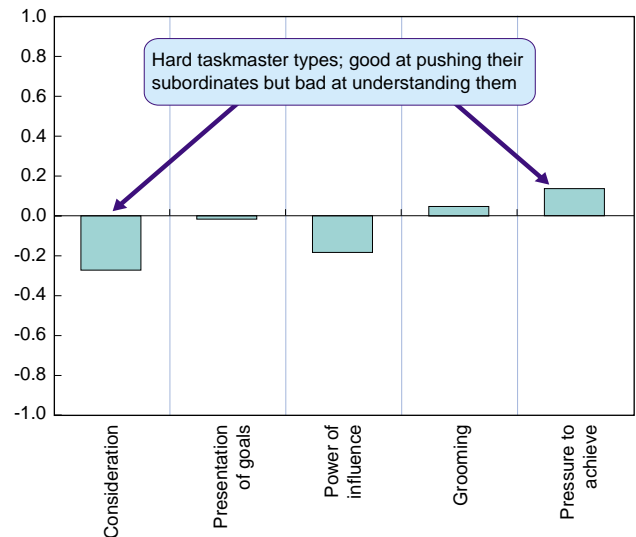
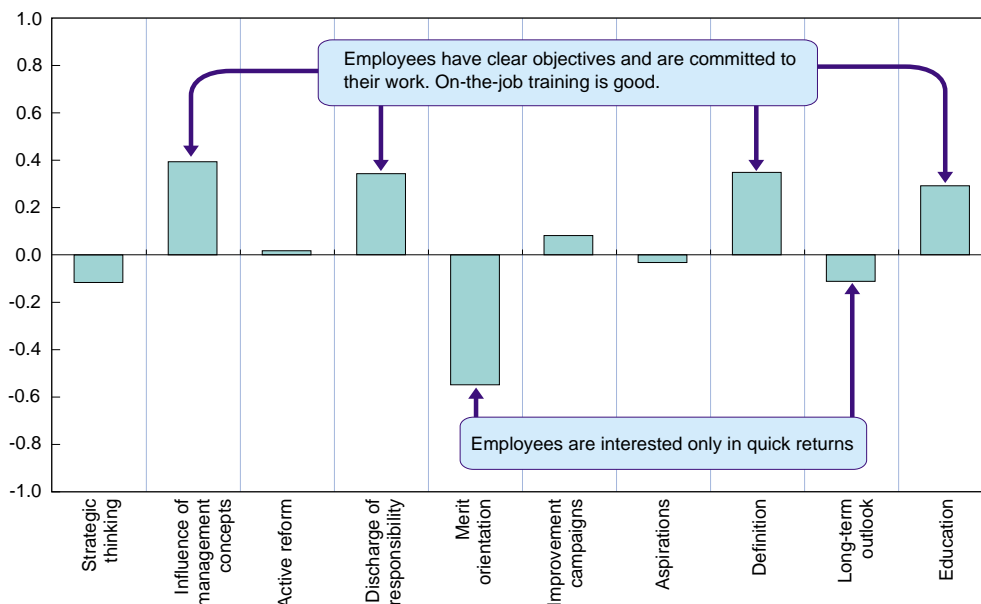


Figure 6. Company A (a Japanese Subsidiary in China): Strategic Vitality



are committed to achieving them. Individual employees also know exactly what is expected of them, and responsibilities are clearly defined. Employees are also satisfied that they have received sufficient in-house training to do their job.

In contrast, the score on merit orientation is very low, while that on long-term outlook is also negative. There is a discrepancy between the short-term outlook of the employees, who want to see an immediate return, and the personnel system. It is common to hear criticisms such as the following of Japanese companies operating in China: (1) "Employees don't know what they have to do in order to receive a positive appraisal," (2) "The company evaluates employees without having a clear picture of what is actually going on," and (3) "No one explains to employees the results of an appraisal."

Such criticisms have a number of side effects. For example, although employees in general tend to be more loyal to their company and vitality tends to be greater the longer they have worked for a company, the opposite is sometimes true of Japanese companies operating in China. (See Figure 7.) In the case of Company B in Figure 7, strategic and corporate vitality both decline the longer the employees have worked there.

Figure 8 shows Company B's score for each subindicator of strategic vitality. Virtually every parameter falls sharply after employees have been with the company for four years. Instead of becoming more loyal, veteran employees arrange with each other to do the minimum amount of work necessary and wait for instructions rather than volunteer suggestions.

Similarly, the higher an employee's educational qualifications, the more such a staffer is likely to be interested in quick returns. Figure 9 shows the scores on each subindicator of strategic vitality for employees of Company B grouped according to their education. The greater

the educational qualifications of employees (e.g., a degree from a polytechnic or university), the more they tended to be dissatisfied with the company's merit orientation. Indeed, university graduates, who would be expected to provide most of the company's future managers, gave the company a negative rating on all subindicators.

2 Negative Correlation Between Vitality and Command of Japanese

One of the characteristics of Japanese subsidiaries in China is the negative correlation between the vitality of local employees and their command of Japanese. The situation shown in Figure 10 is typical: the better an employee's command of Japanese (in ascending order: no knowledge, basic command, and good command), the lower the individual's score for strategic and organizational vitality tended to be.

Figure 7. Company B (a Japanese Subsidiary in China): Vitality Vis-à-Vis Years of Service by Employees

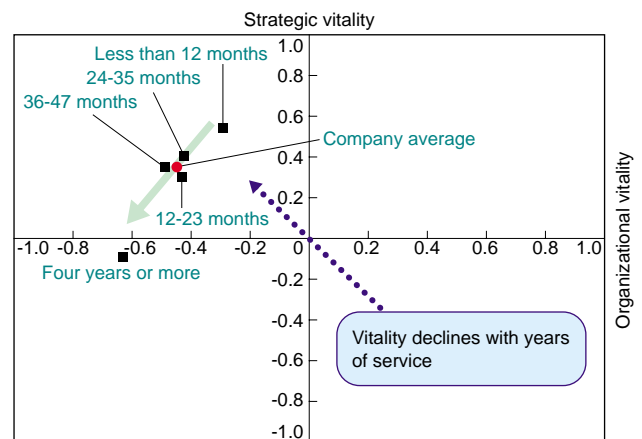


Figure 8. Company B (a Japanese Subsidiary in China): Strategic Vitality Vis-à-Vis Years of Service by Employees

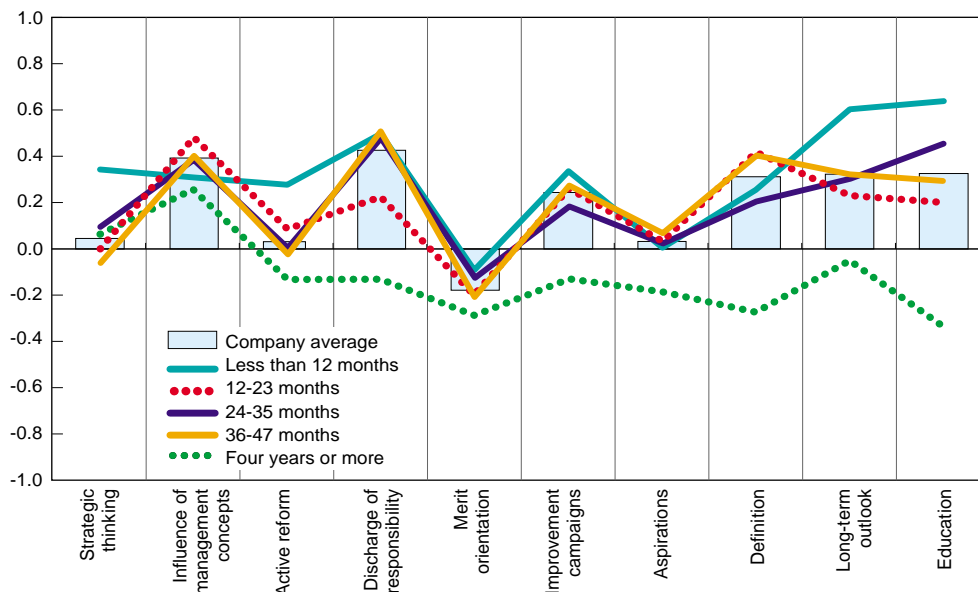


Figure 9. Company B (a Japanese Subsidiary in China): Strategic Vitality Vis-à-Vis Educational Qualifications of Employees

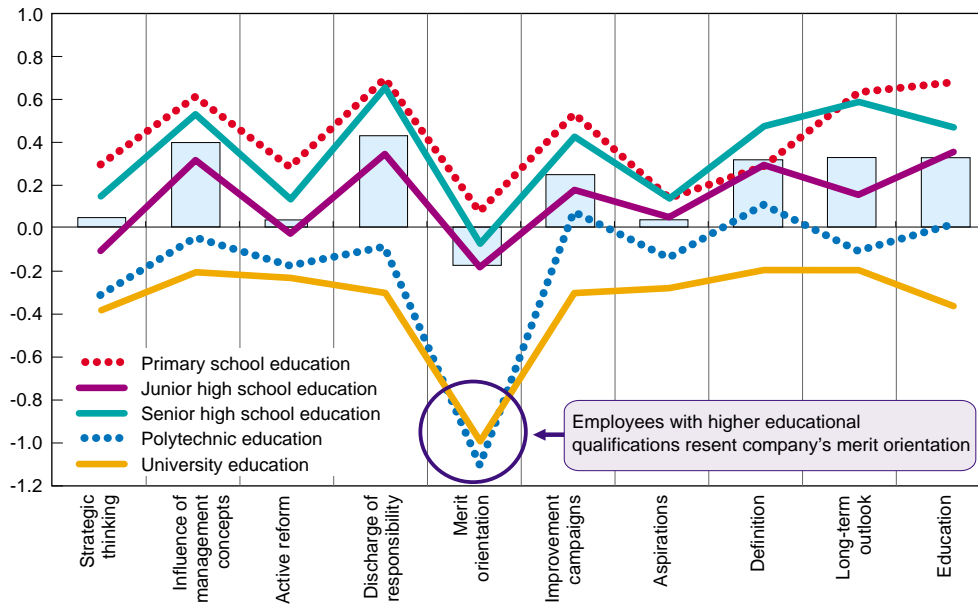


Figure 10. Company B (a Japanese Subsidiary in China): Vitality Vis-à-Vis Command of Japanese by Employees

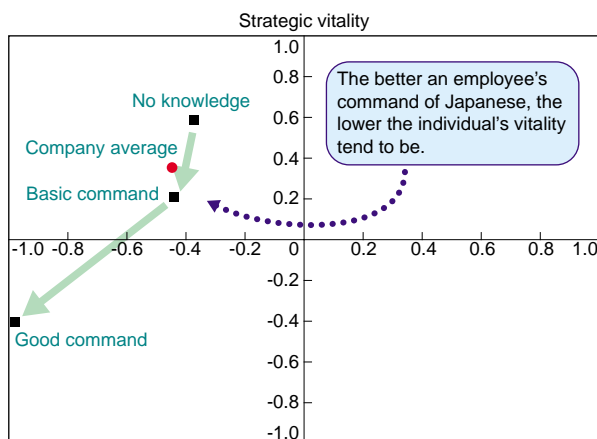
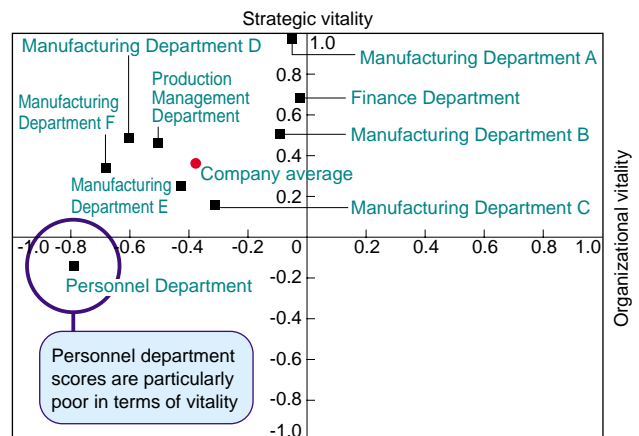


Figure 11. Company C (a Japanese Subsidiary in China): Vitality of Different Departments/Sections



This contrasts with the findings of the program in most Japanese subsidiaries in East and Southeast Asia, where there is a positive correlation between employee vitality and their command of Japanese. This reflects the fact that employees with a good command of Japanese tend to have more opportunities to communicate with senior Japanese management and to exert some influence on its decisions. This, naturally, tends to increase their motivation. There have even been cases where employees whose performance has otherwise not been particularly good have done well in appraisals simply as a result of the fact that they could speak Japanese.

However, the opposite tends to be the case in Japanese subsidiaries in China. If any problems arise, it tends to be local Japanese-speaking employees who are called upon to help out. They become “odd-jobbers” and sometimes even objects of jealousy. Nor were most of them originally employed as troubleshooters. Nevertheless,

they tend to find that they cannot concentrate on improving their specialist skills. Stress tends to build up as a result of the daily pressure, and their vitality declines the better their command of Japanese.

3 Leadership Clearly Reflected in Performance

Figure 11 shows the vitality of the different departments/sections of a Japanese manufacturing subsidiary in northern China. The personnel department scored much worse than other departments/sections. If a department/section scores badly on vitality, it tends to be (1) because the staff are under constant pressure as a result of fierce market competition or (2) because much of the work of the department/section concerned is routine and uninteresting (i.e., the result of the environment in which the company operates or the nature of the work).

However, the reason for the low vitality rating of the personnel department in Company C was the result neither of the environment in which the company operates nor the nature of the department's work, but of the quality of the department's leadership. (See Figure 12.) In fact, it is quite common in China for the quality of the leadership of a department or section to be reflected in the performance of that department or section.

As a rule, the performance of a department or section will not be affected too seriously, even if the head of that department or section leaves something to be desired, provided the other staff members do their work properly. In China, however, the head of a department or section is much more powerful than senior Japanese management generally realizes. This is because the head of a department or section in China exercises authority in ways that go beyond the officially defined role. This is why it is particularly important that the process by which heads of departments or sections are chosen should be transparent and objective.

4 Middle Management Tends to Be Passive

Figure 13 shows how employees scored on vitality according to their position in the company. In the case of this particular company, strategic vitality and organizational vitality both declined the more senior an employee's position (e.g., group leaders scored worse than team leaders; deputy section heads scored lower than group leaders; and section heads scored worse than deputy section heads). In the case of senior management (i.e., department heads and above), organizational vitality began to improve while strategic vitality became even worse.

This tendency is particularly marked in the case of Japanese subsidiaries in China. The less senior an employee's position in the company (i.e., the closer the

individual is to the shop floor), the more enthusiastic the approach to one's assigned work. In contrast, the more senior an employee's position in the company, the more likely such persons will find themselves being called upon to help out with bothersome problems and the less motivated they will become. This tendency is particularly marked with middle managers, who find themselves caught between shop floor workers and senior (Japanese) management.

Middle managers are supposed to be the driving force for reform in a company. If their vitality sinks to such low levels, employees will not respond to any strategy that senior management tries to adopt—no matter how brilliant it may be. Instead, a vicious cycle will develop where the subsidiary becomes unmanageable.

5 Value of Employees with Experience in Working for a Foreign Company

Figure 14 shows how employee vitality correlates with previous employment. Unfortunately, it appears that employees who previously worked for a state-owned enterprise tend to achieve a low score for strategic vitality and to lack the motivation needed to adopt a proac-

Figure 12: Company C (a Japanese Subsidiary in China): Leadership Scores of Employees in Different Departments/Sections

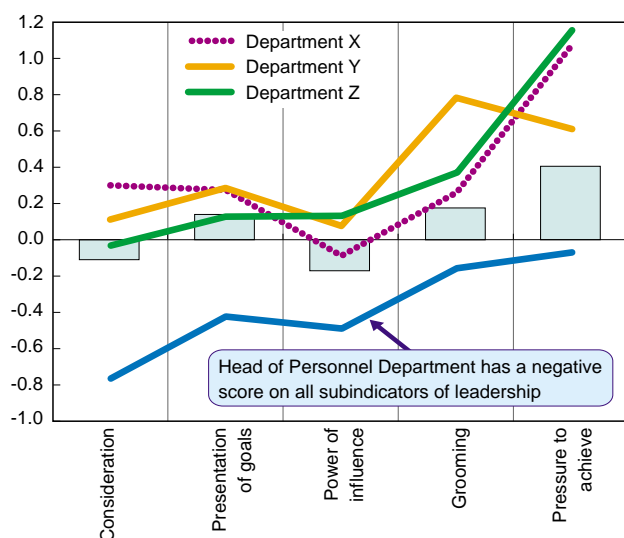


Figure 13. Company B (a Japanese Subsidiary in China): Vitality and Position in Company

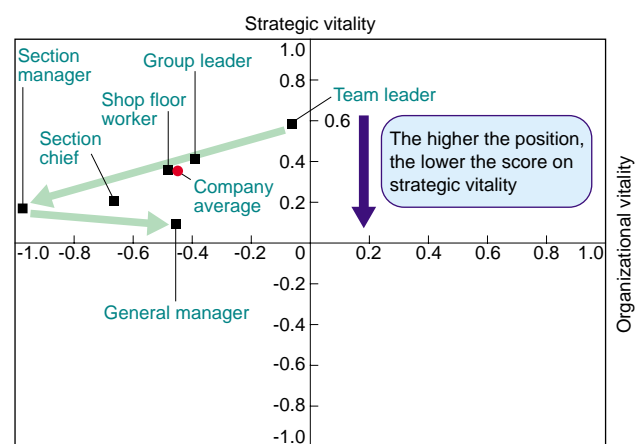
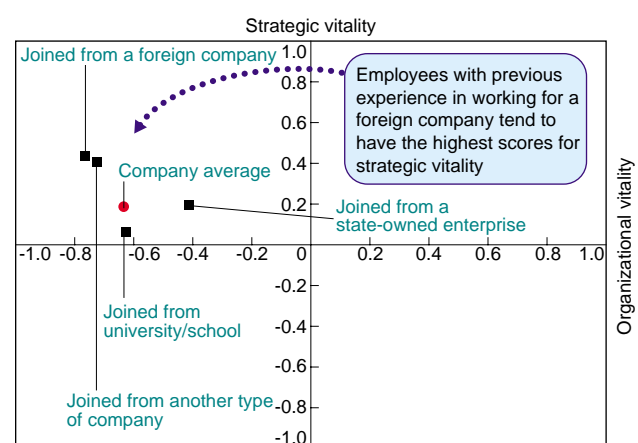


Figure 14: Company C (a Japanese Subsidiary in China): Vitality Vis-à-Vis Previous Employment



tive attitude to their work. This finding emerged wherever we carried out our diagnostic program in China. In contrast, employees who had worked for a foreign company tended to be used to strict management controls and to achieve a high score for strategic vitality.

IV Issues Facing Japanese Subsidiaries in East and Southeast Asia

Earlier findings led us to make the following five proposals to deal with the issues facing Japanese subsidiaries in East and Southeast Asia. First, local staff should be involved in the decision-making process. Second, evaluations of local staff should be carried out according to a clear and open procedure. Third, there should be a system of career progression for local employees that would enable them to become managers. Fourth, more should be done to increase the vitality of middle managers. And, fifth, greater efforts need to be made to prevent the deterioration that we observed in the vitality of Japanese expatriates.

Here we shall take a fresh look at the issues facing Japanese subsidiaries in East and Southeast Asia (especially as they relate to improving corporate vitality) and draw on the findings of our most recent survey, which produced data covering a total of 7,000 employees.

1 Selecting Leaders (Including Senior Managers)

Japanese subsidiaries in East and Southeast Asia tend to adopt an extremely top-down style of management, and the performance of a department or section tends to reflect clearly the abilities (or lack of them) of its head. It is particularly important that the right people are appointed as senior managers. Indeed, such is the power of senior expatriate Japanese staff that this decision can virtually determine how well a subsidiary will perform. Therefore although the situation at the head office may require that expatriate staff be rotated at regular intervals, this should not result in the decision about who should be the president of a subsidiary being taken too hastily.

The same applies to the appointment of local staff as senior managers. Such decisions should be made carefully, and information about each candidate's suitability should be obtained from a variety of sources.

Japanese companies that have operated subsidiaries in East and Southeast Asia for many years are well aware how important such decisions are. For example, decisions about the appointment of an expatriate Japanese president for a subsidiary should involve not only the head office division responsible for that subsidiary, but also the staff responsible for related personnel matters as well as for managing affiliated companies. Any decisions should only be made after an open discussion has been held. Nor should

it be a unilateral decision by the head office; the views of local staff should also be taken fully into account.

Similarly, personnel decisions about senior management that are taken locally should be based on a proposal from the personnel department and discussed thoroughly by senior management on an individual basis. It is particularly important that a character assessment by management should be supplemented by information from subordinates.

2 Need for Bottom-Up Flow of Information

Local staff members tend to have a passive attitude to work. Unless management does something about this, information will not flow from the bottom up. Senior management needs to constantly repeat to employees that any suggestions they make, any challenges they accept, and any positive action they take—regardless of the outcome—will be taken into account in their personnel appraisals. Those Japanese subsidiaries in East and Southeast Asia that have achieved this are in a particularly strong position. By encouraging their employees to adopt a proactive attitude to work (in addition to the loyalty they showed already), these companies have put themselves in a doubly strong position—namely the top right quadrant in Figure 1.

In addition to constantly repeating the need to adopt a proactive attitude to work, management needs to emphasize to employees that this will explicitly be taken into account in their personnel evaluations. As a rule, the appraisal forms used by Japanese subsidiaries in East and Southeast Asia are based on those used at the head office; but if they are to be adapted to take local criteria into account, they should pay particular attention to proactive attitudes to work as reflected in employee suggestions and the willingness to accept new challenges.

3 A System for Training Future Senior Managers

If Japanese companies are to delegate authority to local personnel, management needs to base its decisions on accurate local information. Because they tend to decide most things strictly among themselves, Japanese managers often find themselves making decisions based on hearsay (e.g., about what strategies rivals may have adopted) and guesses (e.g., about what customers may be thinking).

Once Japanese managers become used to discussing matters simply among themselves, they cease to realize the risks they are taking by basing their decisions on information that is not as up-to-date as they have come to believe. No matter how minor a decision, it is important to take account of the views of senior local managers in order to reduce the risks.

This means that companies should have a system for training future local senior managers. In these countries,

the more educated the employees are, the shorter their horizons tend to be. In other words, they want a rewarding job in both senses of the word. They are not receptive to the idea that they should spend a few years on the shop floor learning the ropes before working their way up the ladder to what could eventually be a senior management position.

Japanese subsidiaries in East and Southeast Asia need to create the kind of elite route adopted by their US and European counterparts. In addition to waiting for a few years to see who has the potential to become a senior manager and creating a route for such employees, Japanese subsidiaries in East and Southeast Asia also need to ensure that such employees receive special treatment commensurate with their responsibilities. It was pointed out above (with reference to Japanese subsidiaries in China) that the local employees of Japanese subsidiaries in East and Southeast Asia tend to be more dissatisfied with their companies' merit orientation the higher their educational qualifications and therefore tended not to stay there long. Unless Japanese companies create a system of career progression for elite local staff, they are unlikely to solve this problem.

4 Increasing the Vitality of Veteran Middle Managers

Japanese subsidiaries in East and Southeast Asia suffer from the problem that the vitality of their local employees tends to decline the further removed they become from the shop floor. The normal role of a middle manager is to channel the latest information from the shop floor to senior management and to ensure that management's instructions are implemented on the shop floor. In many Japanese subsidiaries in East and Southeast Asia, however, middle managers do not perform such a role.

Instead, they tend to find themselves confronted with a variety of problems—whether it is being squeezed between senior Japanese management and the shop floor or being unable to properly understand unclear instructions from the former, whose lips they are apparently expected to be able to read.

However, the main reason this group of employees scores so low on vitality is that they are local staff and have limited prospects of promotion. They therefore lack goals. Even if they make it to section head or department head, they will have no incentive to continue to work hard and will feel that their promotion prospects are limited if more senior positions (such as that of vice

president and above) are reserved for Japanese expatriates. In other words, the best way for Japanese subsidiaries in East and Southeast Asia to increase the vitality of their middle managers would be to have a system of career progression to senior management.

There are, for example, some major Japanese companies that have taken a leaf out of the book of their US and European counterparts and select their best local middle managers to become global staff who can be transferred from one Asian (or global) subsidiary to another and who will be trained as members of a global management team. Some Japanese companies have addressed this issue by creating new senior advisor positions for local employees (above those of middle management).

V Understanding Corporate Culture and the Feelings of Local Staff

This paper has discussed some of the problems Japanese subsidiaries in East and Southeast Asia face in trying to increase their vitality. It goes without saying that the most important thing for a company is to have superior products and services as well as a strategy for competing with its rivals. It also needs a structure and a system to ensure that this strategy is implemented.

However, no matter how good such a strategy and structure may be, they will prove ineffective if the people who are responsible for them lack vitality. If management feels that its employees are not acting in accordance with its goals and corporate vision, it is very often because it itself has failed to understand the feelings of its employees. As a result, the policies that it thought would be so effective have, in fact, proved ineffective.

This is a problem that occurs frequently at Japanese subsidiaries in East and Southeast Asia because the cultural and linguistic gap between expatriate Japanese managers and local employees has obscured the latter's true feelings from the former. More than anything else, Japanese expatriate managers need to fully understand the culture and feelings of the people they manage.

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