

Japanese Companies' HRM Strategies in China

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As China transforms itself into a giant market, human resource management (HRM) strategies to secure excellent personnel with high-level capabilities and motivation and achieve significant results are growing more important for Japanese companies aspiring to develop deep-rooted business operations in China.

Chinese workers prefer to be evaluated in accordance with their performance. They complain that Japanese companies fail to sufficiently and promptly reflect employees' efforts and achievements in their wage hikes and promotions. HRM must be designed and implemented to boost the motivation and morale of Chinese employees.

In order to localize management in China, Japanese companies should systematically develop Chinese candidates for managers from an early stage. They should make plans to develop and appoint Chinese employees to specific managerial posts and should require incumbent Japanese managers to train their Chinese successors. For Japanese companies to build mutual confidence with Chinese employees and gain maximum benefit from their capabilities and motivation, the firms must appoint excellent people who can actually lead Chinese operations.

I Japanese Companies' HRM Problems in China

1 From Labor Control to HRM Strategies

It is often said that “companies depend on people,” and many Japanese companies may keenly feel that this proverb is more significant in China than in any other country. If the personal capabilities and motivation of Chinese employees are maximized, the companies may achieve better results than expected. In fact, Japanese companies have made great efforts and conducted trial-and-error methods in order to maximize the personal capabilities and motivation of Chinese workers.

It is not too much to say that the use of human resource management (HRM) to maximize the motivation, capabilities and energy of Chinese workers is the key to successful business operations in China. HRM is a long-pending issue that Japanese companies first tackled upon their advancement into China and are still agonizing over today.

Various arguments have been made on the issue of HRM in China. Over the past few years, the issue itself has been changing. In the past, Japanese companies had positioned China as a production base with abundant cheap labor. Therefore, the issue of HRM had focused on “labor control.” Priority had been given to leading Chinese workers to acquire skills and knowledge and work accurately according to manuals, to improving work efficiency and to avoiding workplace troubles and labor-management disputes.

As China has emerged as a giant market in recent years, Japanese companies are urgently required to establish deep-rooted management in China to survive intensifying competition. To this end, Japanese companies must have Chinese workers participate actively not only in production and sales, but also in development, marketing, business strategy planning, finance, HRM and other management and control areas where excellent knowledge and skills are required.

In addition to traditional labor control, Japanese companies must now tackle the new challenge of working out and implementing “HRM strategies” that can secure competent personnel, as noted above, and boost their morale in order to achieve significant results. This has become an important issue for Japanese firms to maintain and enhance their competitiveness.

2 Japanese Companies Faced with Numerous Problems

Unfortunately, Japanese companies have been faced with numerous problems regarding HRM in China.

For example, they have difficulties in recruiting competent employees. The popularity of Japanese companies among job-seeking students in China is low and falling.

This indicates that Chinese students see Japanese companies as unattractive workplaces. One reason for the low popularity of Japanese companies is that since most Japanese companies use Japanese as their official in-house language, students who consider working at Japanese companies are limited to those who have mastered the Japanese language. In addition, some negative images of Japanese companies still remain in China, as indicated by complaints that “wage hikes and promotions are too slow,” that “there is too much overtime work” and that “hierarchical workplace relations are too rigid.”

Japanese companies also have difficulties in retaining excellent personnel. The competent employees Japanese firms want to keep often study English and go to Western companies in pursuit of higher wages and growth opportunities.

Japanese companies are failing to “lead Chinese employees to responsibly play roles as expected by employers,” “boost their motivation to work proactively” and “encourage them to exercise originality and ingenuity and achieve more results than expected by employers.” Japanese firms are thus faced with the difficulty of boosting the vitality of Chinese employees to improve business performance.

This report looks into these problems facing Japanese companies from three viewpoints: (1) HRM strategies to maximize the vitality of Chinese employees, (2) securing and developing core personnel to undertake the management of Chinese operations and (3) the way of thinking and behavior required for Japanese employees. Finally, this report discusses strategic HRM problems that Japanese companies' head offices must tackle.

II Strategies to Maximize the Vitality of Chinese Employees

Anyone who has experienced management in China emphasizes that it is significant to thoroughly spread the principle of “work, and you will be rewarded.” The principle means that those who have done their best and achieved results are rewarded more than others, while those who have failed to do so are rewarded less than others. This is basically the same as the so-called performance-based wage and promotion system.

In fact, the performance-based wage and promotion system well suits Chinese people's work philosophy or disposition. Chinese workers tend to compare themselves with others in terms of personal evaluation. More capable and motivated Chinese are willing to be differentiated distinctly from others according to their performance. Those who are given lower ratings than others make no complaint as long as they understand that their lower ratings are reasonable.

In Japan in recent years, companies have increasingly introduced performance-based personnel evaluation systems. At the same time, problems with some excessive

performance-based evaluation systems have been pointed out. These problems may be mostly attributable to inappropriate design or implementation of the system. By nature, however, Japanese people may still be incompatible with personal evaluation and differences in treatment.

As indicated by Figure 1, Japanese and Chinese people differ sharply over work philosophies, personal evaluation and treatment. Unless Japanese companies boldly implement performance-based HRM to meet the characteristics of Chinese employees, they may lose excellent personnel and retain only lukewarm employees. They

then may fail to have competent personnel. The following section considers desirable HRM strategies for Chinese operations of Japanese companies from the five viewpoints given in Figure 2.

1 Wage System Should Favor Achievement-Making Employees

The biggest reason Chinese see Japanese companies as less attractive than Western firms is that the working treatment fails to play a role in boosting the morale and motivation of employees.

Figure 1. Japan-China Work Philosophy Difference Stemming from Social Characteristics

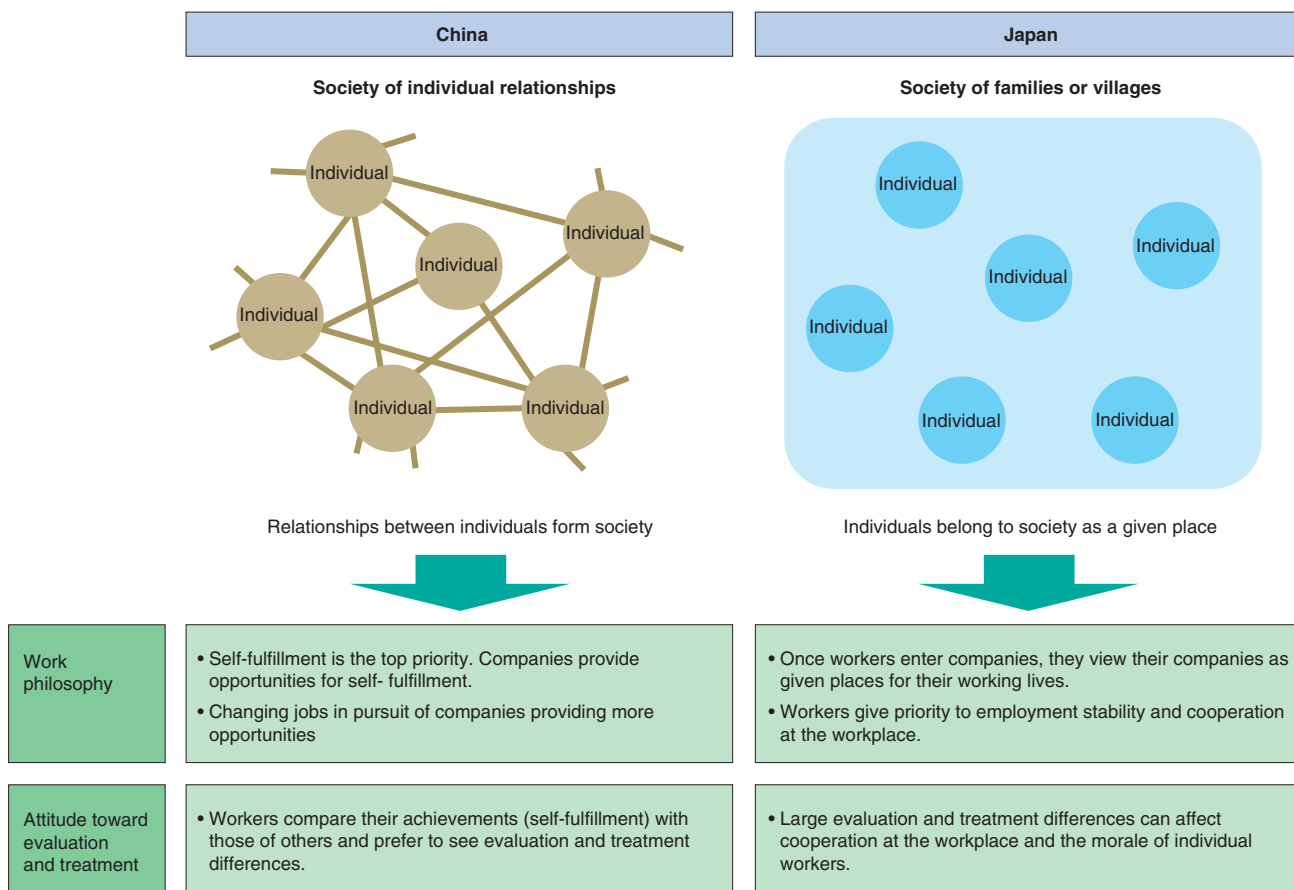
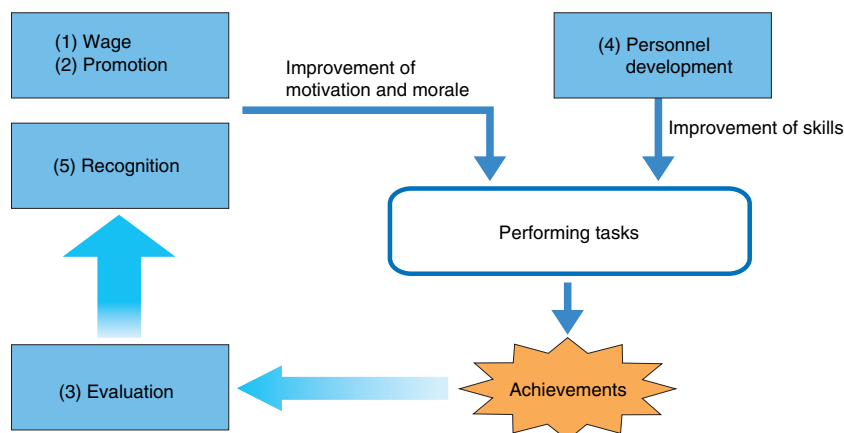


Figure 2. Ideal Scheme of HRM to Maximize the Vitality of Chinese Employees



Chinese workers are sensitive to financial conditions. They do not hesitate to shift to higher-wage jobs. If companies wish to retain Chinese employees, they must have wage systems that lead employees to feel that “they will be rewarded according to their efforts and achievements.”

However, Japanese companies feature lower wages and slower wage increases than do Western firms. They fail to reflect achievements by differentiating some employees from others. Although performance-based wage systems have recently gained momentum among Japanese companies, their basic wage systems have allowed wages to rise slowly in accordance with age or seniority over a long time. Japanese companies operating in China have transplanted and continued to operate such traditional wage systems.

Therefore, Japanese companies must design an adjusted wage table with a steeper wage curve allowing employees to benefit from wage hikes commensurate with their achievements. While avoiding seniority-based wages, they must strictly evaluate employees, provide faster wage hikes to better-performing employees and deny others easy wage hikes. It may be difficult for Japanese companies generally to boost their personnel costs to offer wages as high as those of Western firms. Nevertheless, wage tables and their operation can be adjusted to raise wages for better-performing employees.

Japanese companies advanced into China in pursuit of cheap labor and, as a matter of course, still have a deep-rooted belief that personnel costs should be limited. However, if they wish to use Chinese employees as their core workforce in the competitive environment described above, they should not hesitate to give higher rewards to competent employees who achieve excellent results. The time has come for Japanese companies to depart from the belief of giving top priority to limiting personnel costs.

Chinese workers tend to expect to see their achievements reflected promptly in their treatment. Therefore, Japanese companies should incorporate a performance-based portion into a basic wage and increase financial resources for bonuses. It is important for them to increase the variable performance-based portion of the wage.

2 Promotion System Should Encourage Career Development

In addition to low wages, the slow promotion system is a factor leading Chinese workers to be dissatisfied with Japanese companies.

It is sometimes said that Chinese workers’ morale originates from wages. Wages are important as a matter of course. In fact, however, better-educated white-collar Chinese reportedly give the same or even higher priority to growth, self-realization and the sense of fulfillment or

accomplishment through working. Therefore, Japanese companies should emphasize that Chinese employees can take advantage of better achievements to be promoted to posts with greater discretion and power. Companies should be thought of as an attractive workplace where employees could develop their careers in pursuit of self-fulfillment.

In this respect, promotional standards must first be established and publicized to employees. Such standards allow employees to understand how to develop their careers and have targets. As a matter of course, performance evaluation must be done strictly for promotion. Employees with higher ratings should be promoted to higher posts, while those with lower ratings should be denied promotion. Seniority-based promotion can adversely affect the morale of willing-to-work employees and should be avoided.

The number of executive posts is limited as a matter of course. Even an excellent employee cannot be promoted unless an executive post is vacant. However, to replace people in executive posts deliberately, some companies have created a competitive environment and opportunities for promotion by introducing terms of office for executive posts and rules for removing the worst 5 percent from such posts.

Another method for promotion is to appoint excellent employees as “special project leaders,” allowing them to experience managerial jobs. This method can be used to provide project leader achievements as a standard for elevating them to executive posts.

3 Evaluation System Should Satisfy Employees and Provide Growth Targets

If promotion gaps are to emerge according to employee performance, companies should ensure that such gaps are based on proper ratings in order to satisfy their employees.

In particular, Chinese workers (1) are very sensitive to their ratings, (2) tend to strictly evaluate others (colleagues) and interpret their ratings in comparison with others’ ratings, (3) do not hesitate to disclose wage amounts to each other, (4) request explanations about their wage gaps with colleagues and (5) resist unfair treatment.

Chinese employees strictly require that companies make ratings fair and reasonable. It is thus very important for companies to disclose evaluation items and standards to employees, enhance managers’ evaluation skills, invest large amounts of time and energy in giving feedback to employees and provide explanations until employees are satisfied.

Japanese managers who have been accustomed to equal ratings and treatments may have difficulty in strictly evaluating their local employees, separating some from others and frankly explaining ratings to them. In China, however, halfway or vague explanations are

unacceptable. Japanese managers are required to treat Chinese employees seriously.

In particular, the specification of evaluation items not only enhances the fairness and reasonableness of evaluation but also allows employees to know how to gain higher ratings and better treatment. This may boost the morale of career-crazed Chinese employees. Some people say that many Chinese workers who have lost specific targets at their workplace begin to consider switching companies. Therefore, the specification of evaluation items may be indispensable.

Possible evaluation items include capabilities, skills, achievements and actions. Among these, actions that companies hope to see from their employees should be one of the evaluation items. For example, employees' teamwork with their colleagues in daily business should be evaluated as a competency that companies expect employees to have. For managers and workplace leaders, training of deputies and juniors should be an evaluation item.

Sun Wen described Chinese people as dry sand, meaning that China's society features strong individualism. Many individuals have a strong willingness to take challenging jobs, grow better and demonstrate excellent capabilities. Reportedly, however, Chinese are not good at cooperating in accomplishing targets or making achievements as a group. We hear that many Chinese employees are reluctant to develop their deputies or juniors, being afraid of losing their strength and position to them. This weakness could be overcome by designating teamwork and personnel development as evaluation items.

4 Emphasize Abundance of Growth Opportunities

An abundance of education and training programs, as well as higher wages and faster promotion, is a key point for job-seeking Chinese in selecting employers. In this respect, however, Japanese companies are viewed as less attractive than are Western firms.

Many Japanese companies may disagree with such a view and emphasize that they have made great efforts to develop their personnel. It is a fact that Japanese companies have so far made great efforts to educate their Chinese employees about manufacturing, sales and other workplace capabilities or skills. In order to solidify their business infrastructure for future expansion, however, they will increasingly be required to have Chinese employees who have sophisticated knowledge and skills for management, planning and development. Many Japanese companies have yet to implement category- and rank-based education of Chinese employees for managerial posts. In this sense, Japanese companies have lagged behind their Western rivals.

First, Japanese companies should design a personnel development system to demonstrate attractive educa-

tional opportunities for employees to develop their careers for each job category or rank. Growth-oriented Chinese employees reportedly prefer to study systematically and see specific learning processes. Japanese companies have been good at on-the-job training for personnel development. In addition, it is desirable for them to develop off-the-job-training programs.

However, no company can make an unlimited investment in education. Instead of implementing new across-the-board education programs to raise the level of all employees, companies should provide employees with education and training opportunities that meet their respective conditions. Positioning education and training opportunities as a part of employee benefits, employers should intensify such opportunities for employees who are making achievements and willing to grow further. Under one possible system, a company may compute and provide fees or points for available training programs in accordance with employees' respective achievements.

Some Japanese companies say that money and energy for greater personnel development efforts could be nullified, as the labor turnover in China is high. If companies refrain from personnel development investment due to a fear that trained employees could leave them, however, they may fail to develop personnel and may even lose excellent personnel. In addition to Western companies, Chinese firms have also made large investments in personnel development. The Haier Group, known for its strict implementation of the "work, and you will be rewarded" principle, has seriously tackled personnel development. This has reportedly looked attractive to job seekers.

What Japanese companies should do is to establish personnel development systems and training programs and effectively demonstrate their comprehensiveness and serious personnel development efforts while increasing the attractiveness of benefits to help retain personnel.

5 Recognition System That Faithfully Praises Employees

In China, a recognition system to praise employees publicly for making excellent achievements or acting as expected by employers can contribute to boosting employee morale. In fact, many companies, irrespective of whether they are Chinese or foreign, have implemented various recognition systems including research and development prizes, improvement proposal prizes, publication of names of employees gaining high scores in in-house or public exams and parties for recognizing employees for their excellent handling of customers.

The recognition system has three advantages. First, the system can demonstrate an employer's strict surveillance and evaluation of its employees' efforts. Second, the system can specifically indicate employees who

should be targets. Third, a system that meets the characteristics of face-conscious Chinese people can boost employee morale.

The last advantage is particularly important in China. Public recognition of employees' achievements allows them to compare themselves with their colleagues and satisfy that they are excellent or that they can make good achievements by working hard. In the case of better-educated white-collar workers in China, such satisfaction that they have obtained the confidence of their employers or seniors can boost their morale more easily than financial benefits.

Japanese companies have recognition systems, but they are implemented in a less spectacular manner. Japanese may shy away from being praised before a large audience or be ashamed to be praised for an achievement that they have accomplished in cooperation with others. Rather, they may prefer to be secretly and greatly satisfied with their seniors praising them in a casual manner, apart from the workplace. Furthermore, some Japanese may view public recognition as being too artificial.

Occasionally, Chinese workers say that public recognition at Japanese companies is more formal and less cordial. Instead of nominal recognition, Japanese companies should implement those which cordially praise employees for their efforts or achievements and thank them for their contributions. This is important for boosting employees' morale.

6 Various Measures to Retain Excellent Personnel

The measures discussed above to increase the attractiveness of companies as workplaces can help companies keep excellent employees. Other possible measures for companies to retain employees are as follows.

First, companies should implement more transparent management to employees through disclosure of business conditions and various in-house systems. If transparent management allows employees to feel united with management, it may pave the way for companies to develop employees' voluntary willingness to contribute. If companies make business conditions transparent without taking the above-described measures to boost employees' morale and motivation, however, employees may leave the companies when business conditions worsen.

Companies' daily efforts to demonstrate their business strengths and the uniqueness of their products to employees will also help employees become proud of and attached to their companies.

Regarding excellent employees that companies want to retain, firms should always grasp what they want for their employers as well as sources of their dissatisfaction. Such knowledge should be reflected in the improvement of HRM as needed. In order to get such

knowledge, companies should not only develop official honor systems but also issue routine communications to draw out employees' real intentions. In this respect, those who are well versed in both Japanese and Chinese societies and cultures, including Chinese who have grown up in Japan and Japanese who have lived for a long time in China, are frequently seen as playing an important role as communicators.

Even if excellent employees leave companies for other firms, the companies should listen to their reasons for leaving and tell them that they are welcome to return. This is one means for companies to retain excellent employees.

Among Japanese companies, there is a complaint that it is heartless for Chinese workers to leave a company that has trained them. Given that more competent workers are more eager to grow and understand themselves, however, such a complaint is unreasonable. If excellent workers return to companies that they have left, they may be very valuable personnel for these firms. The goal of companies should be to become attractive firms that lure back employees who had left these firms for others. If companies race to obtain better workers in the highly liquid Chinese labor market, they should have such a deep insight.

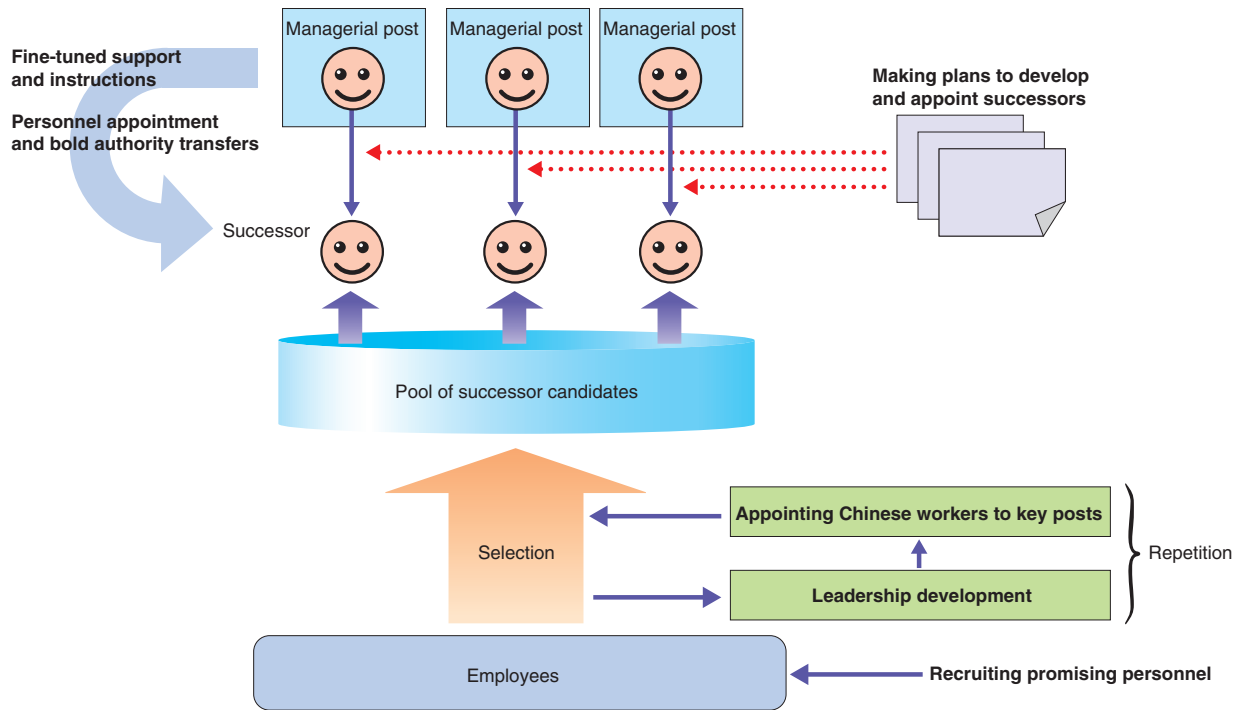
III Develop Core Personnel to Manage Chinese Operations

In order to survive intensifying competition in China, Japanese companies must attract excellent workers and draw out individual employees' motivation and energy by implementing HRM that leads employees to feel that these firms provide abundant opportunities for them to grow and understand themselves, as discussed above.

In particular, Japanese companies should employ Chinese workers for key management posts and shift from Japanese-led management to Chinese-led management. This has been frequently suggested as "localization." There are some factors behind the need for localization. First, costs for Japanese representatives that have helped Japanese companies with their Chinese operations become costly. Second, foreigners have difficulties in leading operations while making prompt, accurate business decisions in China. Third, Japanese representatives' domination of key management posts leads even competent Chinese workers to feel that they live under a glass ceiling (a limit on their career development).

The need for localization of management has been suggested for a long time. Unfortunately, Japanese companies have remained unwilling to change in this respect. This section considers measures to develop Chinese employees for key management posts in accordance with the points indicated in Figure 3.

Figure 3. Mechanism to Secure and Develop Core Personnel



1 Make Plans to Develop Successors for Localization

In order to secure smooth business operations, Japanese may have to occupy some posts, including those that must have close communications with head offices in Japan. Therefore, Japanese companies should first divide posts into two groups: a group for localization and another for Japanese representatives. If the reasons for maintaining Japanese representatives at certain posts are fully explained to satisfy Chinese employees, they may not perceive any glass ceiling on their opportunities for promotion.

As for posts that Japanese representatives should shift to Chinese, companies should specify conditions for Chinese employees' assumption of such posts, list Chinese candidates for these posts and create successor training and appointment programs. In particular, the development of successors should be specifically positioned as the duty of Japanese representatives in posts to be transferred to Chinese. In order to facilitate the transfers, the fulfillment of such duty should be adopted as a personnel evaluation item. Western companies and some Japanese firms have rules to retain their representatives in China until their Chinese successors are developed and to demote Japanese representatives who have failed to do so within certain periods.

2 Fine-Tuned Support for Successors

After posts are transferred to Chinese managers, Japanese representatives may support them as advisers for a while. According to a Japanese company, however,

Chinese managers have seen reporting to and consulting with their Japanese advisers as cumbersome and have failed to give reports and information to these advisers. In some cases, Japanese advisers have interfered in the duties of Chinese managers too greatly and have acted in place of these managers. The adviser system has thus failed to work.

In setting up Japanese advisers to Chinese managers, therefore, Japanese companies should (1) limit the terms of office for advisers to make the advisory posts transitional, (2) persuade Chinese managers through comprehensive communications to fully understand that the companies are willing to localize management and (3) lead Japanese representatives to serve only as trainers or supporters.

As for the last point, many Japanese are not good at serving only as trainers or supporters. When seeing their Chinese successors doing business, Japanese advisers may be frustrated and believe that they can do the same business faster. They might then interfere in the Chinese managers' duties. Japanese advisers should try to patiently lead and support Chinese managers in a bid to develop them as successors.

3 Appoint Reliable Chinese Employees and Confidently Transfer Authority

Even if Japanese companies are to appoint Chinese staff to managerial posts under a successor development and appointment plan, they may fail to implement localization successfully unless they transfer authority to them. As long as Japanese companies are reluctant to transfer authority to Chinese managers, they might

fail to develop localization or boost the morale of Chinese employees.

A Chinese proverb says, “Better be a dog’s head than a lion’s tail.” This means that it is better to lead a small organization than be a minor member of a large organization. As indicated by this proverb, Chinese people value their strong individual independence. Many Chinese people grow more willing to do business when they believe that others rely on them. Expanding the discretion and authority of Chinese managers is important for drawing out their independence and boosting their morale.

However, Japanese companies may hesitate to assertively transfer authority to a Chinese staff. This is one of the problems that is most frequently cited by Chinese workers regarding their dissatisfaction with Japanese companies.

Japanese people who have experienced business management in China sometimes complain that the transfer of authority to Chinese has frequently led to disastrous results. These “disastrous results” may be grouped into the following two types.

First, authority might be abused, leading to irregularities. In this respect, there is no choice but to set up punitive provisions in advance against possible irregularities.

Second, the results may deviate far from or slip far below expectations. In order to prevent such results, Japanese companies should specify how to work to produce the expected results and should check the transfer process carefully. They should lead Chinese managers patiently in a bid to develop these managers. Japanese who can make heart-to-heart communications without words might tend to believe that there is no need to give excessive instructions. Such a belief should be reversed, however, if the companies are to work with Chinese irrespective of cultural differences. Japanese companies must check whether they should leave everything to the Chinese managers, and they might have to review how to give instructions.

As for the responsibilities that should be taken in exchange for the authority to be given, Japanese frequently complain that “Chinese focus only on excuses while refraining from taking responsibilities.” Instead of attributing such results to moral problems, Japanese companies should try to encourage Chinese to remedy such practices. They should patiently persuade Chinese employees to understand that the fulfillment of their duties means not only to implement what they have been instructed to do but also to take responsibilities for the results. They should reform perceptions by subjecting the fulfillment of duties to evaluation.

A Chinese proverb says, “Do not use people whose capabilities are doubted. If you use persons for certain purposes, however, you should not doubt their capabilities.” Japanese companies should strictly evaluate capabilities and characteristics of promising Chinese. Once

they decide to appoint these persons to responsible posts, they should trust them and confidently transfer authority to them.

4 Recruit People Well Expected to Become Core Personnel

Japanese companies can recruit suitable workers for managerial posts through recruiting. With a view to solidifying the personnel foundation in the long run, however, it is desirable to systematically develop employees and select the most excellent ones for key posts.

Two ways are possible for appointing employees to key posts. One way is to select next-generation leaders from employees recruited in China and systematically develop them for their appointment to managerial posts, as discussed in the next section.

Another way is to appoint Chinese employees recruited in Japan to managerial posts for operations in China. Chinese managers appointed in this way have some advantages. They understand the corporate culture and business of head offices in Japan and have personal connections with Japanese. In not a small number of cases, however, such Chinese have failed to take leadership roles as managers because employees recruited in China have been discontent with wage gaps with those recruited in Japan. To prevent such results, Japanese companies should appoint them to posts that feature major roles justifying higher wages and select persons with excellent capabilities and exceptional personalities whose higher wages can be accepted by other employees.

5 Develop Personnel with Leadership

In Japan, a growing number of companies have adopted selective personnel development systems to bring up next-generation leaders. In China as well, Japanese companies should introduce such systems for Chinese employees, based on the long-term perspective. In this respect, they should first specify the personal conditions they require for managers. Based on such conditions, they can repeat the selection and development of core personnel to reduce the number of candidates for managerial posts.

Personal conditions for managers may include strategy-planning and problem-solving capabilities as well as agreement with corporate philosophies and values. The most important, however, is the leadership required to motivate colleagues and deputies and lead an organization.

In the individualism-oriented Chinese society, existing groups may have difficulties in attracting individuals. Individuals may have difficulties in having a sense of belonging to groups. However, individuals may voluntarily unite themselves under a person who has strong leadership skills and is respected by others. In China, therefore, the leadership of managers and directors may

be the key for any company to unite employees to produce organizational strength.

Companies may be able to enhance the leadership of employees by defining it specifically as the competency required for management personnel and by considering it in their appointments. They may publish the competency as a target for employees pursuing promotion.

IV Thinking and Actions Required for Japanese Representatives

As Japanese companies' operations in China are gradually localized in the future, the number of Japanese representatives in China may decrease. For the immediate future, however, some Japanese representatives may continue their operations in China. Japanese representatives sent to China as executive officers or administrators must play a key role in shaping the work environment and confidential relationships between their companies and Chinese employees. Here, we would like to consider how Japanese representatives are required to think and act.

1 Heads of Chinese Operations Demonstrating Leadership as Executive Officers

Not a small number of Japanese companies' representatives sent to China as presidents or heads of Chinese operations have failed to be qualified as executive officers. They are short of demonstrating leadership to direct entire organizations through (1) presentation of corporate philosophies or visions, (2) preparation of business strategies or (3) bold management decisions.

One reason for such results is that Japanese representative posts in China are regularly rotated among Japanese employees. This system allows Japanese representatives to have passive attitudes and believe that they are only required to avoid serious problems within their terms of office. When sending Japanese employees to China as heads of local operations, Japanese companies must persuade them to fully understand the importance of their Chinese operations and their missions based on business strategies for China.

Upon their arrivals in China, Japanese heads of Chinese operations may develop policies and plans in line with these missions and spread them among all members of their organizations. If they only prod Chinese employees to implement these policies and plans, they may end up achieving only minimum goals and fail to sustain growth. Heads of Chinese operations must actively communicate with all employees including deputy managers to make their dreams and visions known to employees and unite their respective organizations toward achieving goals.

2 Developing Confidential Relationships with Chinese Employees

Japanese companies have accumulated overseas business experience. Even at present, however, they may not be good at fitting into foreign societies. Some representatives of Japanese companies in China make business decisions through discussions only among themselves and have lunch or dinner meetings only among themselves to create exclusive Japanese communities in China. They should make intentional efforts to fit into Chinese groups and develop human relationships with Chinese employees.

We must note anew that Japanese representatives may fail to have smooth communications with Chinese employees unless they are continually conscious of the differences between Japanese and Chinese cultures and careful about their statements and actions. For example, Japanese should understand that Chinese are face-conscious. Many Japanese may be aware of such cultural differences, but they tend to forget such differences in daily communications.

Regrettably, we hear that Chinese employees of Japanese companies occasionally feel some Japanese are ridiculing Chinese employees, although the Japanese have no intention to do so. Given such conditions, Japanese companies cannot build confidential relationships with Chinese employees. In any foreign country, Japanese must refrain from denying local practices or making statements or actions that are taken as lacking respect for local people.

In particular, Japanese companies must fully realize that they cannot be free from the lingering influence of historical and political relations between Japan and China. Some people say that anti-Japanese education in China has added fuel to the anti-Japanese sentiment of some Chinese, but this is not an intrinsic problem. Irrespective of how Chinese are educated, the history of Japan-China relations will remain without being rewritten.

Given such a situation, representatives of Japanese companies in China should be more sensitive to the possibility that their imprudent statements or actions in daily communications could be combined with Chinese people's historical memories to lead Chinese to feel that the Japanese are ridiculing the Chinese.

V Strategic HRM Issues for Japanese Companies

Finally, we take up two challenges that Japanese companies should tackle strategically concerning HRM in China.

First, Japanese companies should appoint persons qualified as executive officers to top posts in China. As noted above, heads of Chinese operations must demonstrate leadership as executives. Unless they are qualified,

their efforts after assuming top posts in China may be wasteful. Recently, it has been reported that Japanese companies have at last begun to put excellent people into their Chinese operations. If Japanese companies are to establish themselves to expand their Chinese operations, they must appoint such excellent people as heads of their Chinese operations.

Even if top posts for Chinese operations are to be rotated among Japanese representatives, these posts should be positioned as career development steps to give growth opportunities to excellent persons reputed as candidates for next-generation executive officers at head offices in Japan. The Chief Executive Officer of Nissan Motor Co., Carlos Ghosn, and many other famed European managers have experienced to heading Brazilian operations. Difficult business management in Brazil that is full of uncertainties might have been useful for their training as executive officers. Their employers might have intended to give these promising people a trial run.

Japanese companies should position the attractive but challenging Chinese market in the same way European and American companies look at Brazil and send excellent people to lead Chinese operations. This may benefit Japanese companies, their Chinese operations and their Chinese employees.

The second challenge is for Japanese companies' head offices to check the effectiveness of HRM in Chinese operations and provide support as needed. If HRM is not working well, existing employees may fail to perform well. Furthermore, companies cannot attract or recruit excellent workers without HRM to maximize the capa-

bilities and motivation of employees, since Chinese people strictly select companies as their workplace. Without such HRM, Japanese companies may permanently remain unable to establish personnel foundations for growth in China.

Japanese executive officers and representatives in charge of personnel in Chinese operations may fail to find the true problems while they are struggling with daily affairs. In fact, they usually ask their head office personnel divisions in Japan to provide support only after problems grow serious.

Japanese companies' head offices are required to look into the realities of their Chinese operations from various viewpoints including their attractiveness in China's job market, capability levels and growth potential of their Chinese employees, employees' satisfaction with the workplace, managers' leadership and vitalization of organizations. They must take advantage of such surveys for designing various systems and improving their implementation. Head offices in Japan do not have to interfere excessively with the management of Chinese operations. If Chinese operations are very important for Japanese companies, however, their head offices should grasp the problems with Chinese operations and regularly support the efforts to solve these problems.

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