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HUMAN RESOURCE MANAGEMENT AMONG JAPANESE MULTINATIONAL CORPORATIONS IN THAILAND*

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1. Introduction

Human resource management (HRM) has been considered by many people all over the world, both in academic circles and in business communities, to be a very important factor contributing to the rise and fall of any enterprise. We have been overwhelmed by management literature and reports on how various national corporations have applied such Japanese HRM approaches as life - time employment, holistic concern for employees, minimization of status differences between workers and managers and non - specialized career paths, etc. In their recent study, Keys and Miller (1984) reviewed Japanese management and coined the term "the Japanese management theory jungle" which suggests confusion over Japanese management practices. Following their line of argument, it is the proposition of this study that in more specific areas such as HRM, one cannot be sure whether or not the Japanese HRM theory is any less confused. For instance, Hodgetts and Luthans (1989) rejected the superiority of Japanese HRM over the modern American (U.S.) HRM. Some examples of their evidence are : Japanese workers who make mistakes are held up to criticism and sometimes fired; on the whole Japanese management tends to be less humanistic than modern U.S. management; U.S. researchers get more patents than all others in combination; and since World War II, 127 American scientists have won the Nobel Prize, compared with 98 Europeans and only 5 Japanese. Despite these arguments, that Japanese companies produce better - quality products than almost all other national companies is still debatable and must be subjected to further investigation, especially- for the use of Japanese HRM practices outside Japan.

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2. Statement of the Problem

This article is the result of a research survey that aimed at examining the unique characteristics of Japanese HRM and determining transferability of these practices, in verification of the finding by Kono (1982), for the case of *Japanese multinational corporations (JMNCs)* in Thailand. Thirty - four JMNCs were surveyed, some of which are 100% owned by Japanese and some of which are Thai - Japanese joint ventures. The study specifically attempted to answer the following research questions:

1. What are the unique characteristics of Japanese HRM as practiced in Japan ?
2. What are the HRM practices among Japanese MNCs in Thailand ?
3. Which JHRM characteristics have high or low transferability to Thailand, and why ?
4. To what extent should JMNCs in Thailand modify their managerial practices and why ?
5. What implications can be drawn from this study for further development of Japanese HRM practices abroad ?

From earlier research findings, e.g. Thianthai (1986) and Jain (1987), we have learned that not all JMNCs abroad, including in Thailand, practice Japanese HRM style to the same extent. In this research, following a literature review, a “working definition” of an ideal type of Japanese HRM in Japan, comprising 21 aspects, was constructed. The 21 characteristics of the “ideal Japanese HRM” were grouped into five components shown in *Table 1*. See, for example, “How Japanese Companies Work” (1984).

Generally, it can be safely stated that the acceptance of HRM practices in any company in Thailand is different from that in Japan to some extent. In particular, some Japanese HRM practices have been applied in the Thai context without much success. The goal of this research is to conduct an analytic study resulting in recommendations for further development of HRM under international perspectives and challenges.

3. Main Findings

The research team received 36 responses from Japanese managers and engineers working in Japanese manufacturing MNCs in central Thailand. The respondents were asked to state their observations concerning each characteristic of the five components of the “ideal” Japanese HRM system in Japan and Thailand. A five point scale for the various levels of practice, as shown in *Table 2*, was used.

The *Average Level of Practice (ALP)* of various JHRM characteristics in Japan and Thailand, with the differences, are shown in *Table 3*. The *Degree of Pervasiveness (DP)* of each of the “ideal” type characteristic is identified as high or low for an ALP, in Japan, of above and below 2.00 respectively. It can be readily seen that almost all of the ideal JHRM characteristics are high DP practices.

There are only two JHRM characteristics that are identified as “low” DP among companies in Japan. These two characteristics are “emphasis on off - the - job training” and “vertical advancement based on informal performance appraisal” (Advancement : IPA). It should be note at this point that one of the main findings of this research in that there are nineteen “high” DP characteristics of the “unique Japanese HRM”, which are extensively practiced in Japan (see *Table 3*).

Table 1 : Working Definition of the “Ideal” Type of Japanese HRM

Japanese HRM components	Ideal characteristics
1. HR Policies	1. Life - time employment 2. Holistic concern 3. Minimization of status differences between managers and workers 4. Employees are members of one big family 5. Avoid lay-off
2. HR Procurement	6. L - R manpower planning 7. Recruitment mainly from newly graduated students 8. Selection with emphasis on personality above ability
3. Training and Development	9. Emphasis on OJT 10. Emphasis on “off - the - job” training 11. Emphasis on job rotation 12. “Non - specialized career paths” 13. Promotion from within 14. Promotion based on seniority (years of service) 15. Informal performance appraisal
4. Compensation	16. Salary increase based on seniority 17. Retirement benefit system to promote life - time commitment 18. Large bonus
5. Integration	19. Welfare programs to create feelings of unity 20. Cooperative atmosphere between labor union and management 21. Concern for quality of working life (QWL)

Table 2 : Scaling System Used in this research

Scale % of the time practiced		Level of practice (LP)
0	0 – 20	Little or no practice
1	21 – 40	Some practice
2	41 – 60	Moderate practice
3	61 – 80	Often practiced
4	81 – 100	Practiced most or all of the time

The *Transferability to Thailand* (TT) of the unique Japanese HRM characteristics was analyzed using the criteria shown in *Table 4*. Nineteen unique Japanese HRM characteristics can be classified according to high, medium and low transferability.

It can be readily seen earlier, in *Table 3*, that there are five high and six medium transferability characteristics out of the nineteen unique JHRM practices. The remaining eight characteristics have low transferability to Thailand. It is interesting to learn how the Japanese managers and engineers in Thailand perceived the causes of the difference in HRM practices between the two countries. Some highlights of the reasons for low and medium transferability are given below.

3.1 HR Policies. There are two low and two medium transferability characteristics out of five for this component of the Japanese HRM system. These low TT characteristics are “life - time employment” and “minimization of differences between managers and workers” as shown in *Figure 1*. According to the Japanese respondents, the reasons for low TT of the two characteristics are as follows:

Table 3 : ALP, DP and transferability of Ideal JHRM Characteristics

Ideal JHRM characteristics	ALP			DP	TT		
	Japan	Thailand	Diff		High	Medium	Low
A. HR Policies							
1. Life - time employment	3.36	1.75	1.61	Hi	—	—	/
2. Holistic concern	2.90	2.14	0.76	Hi	—	/	—
3. Minimize differences	2.89	1.74	1.15	Hi	—	—	/
4. One big family	3.29	2.31	0.98	Hi	—	/	
5. Avoid lay - off	3.21	2.61	0.60	Hi	/	—	—

B. HR Procurement

6. L - R HR planning	3.09	2.06	1.03	Hi	-	/	-
7. Student recruitment	3.20	1.97	1.23	Hi	-	-	-
8. Selection on personality	2.94	2.03	0.91	Hi	-	/	-

C. Training & Development

9. Emphasis on OJT	3.26	2.71	0.55	Hi	/	-	-
10. Emphasis on off-the-job training	1.70	1.12	0.58	Lo	-	-	N/A
11. Job rotation	2.97	1.37	1.60	Hi	-	-	-
12. Non-specialized career path	2.62	1.12	1.41	Hi	-	-	-
13. Promotion from within	2.79	2.30	0.49	Hi	/	-	-
14. Promotion on seniority	2.44	2.06	0.38	Hi	/	-	-
15. Advancement : IPA	1.52	1.03	0.49	Lo	-	-	N/A

D. Compensation

16. Salary increase on seniority	2.43	2.03	0.40	Hi	/	-	-
17. Retirement benefit	3.24	1.88	1.36	Hi	-	-	/
18. Large bonus	2.91	1.82	1.09	Hi	-	-	/

E. Integration

19. Welfare for unity	2.97	2.06	0.91	Hi	-	/	-
20. Union-management cooperation	3.09	1.82	1.27	Hi	-	-	/
21. Concern for QWL	3.03	2.26	0.77	Hi	-	/	-

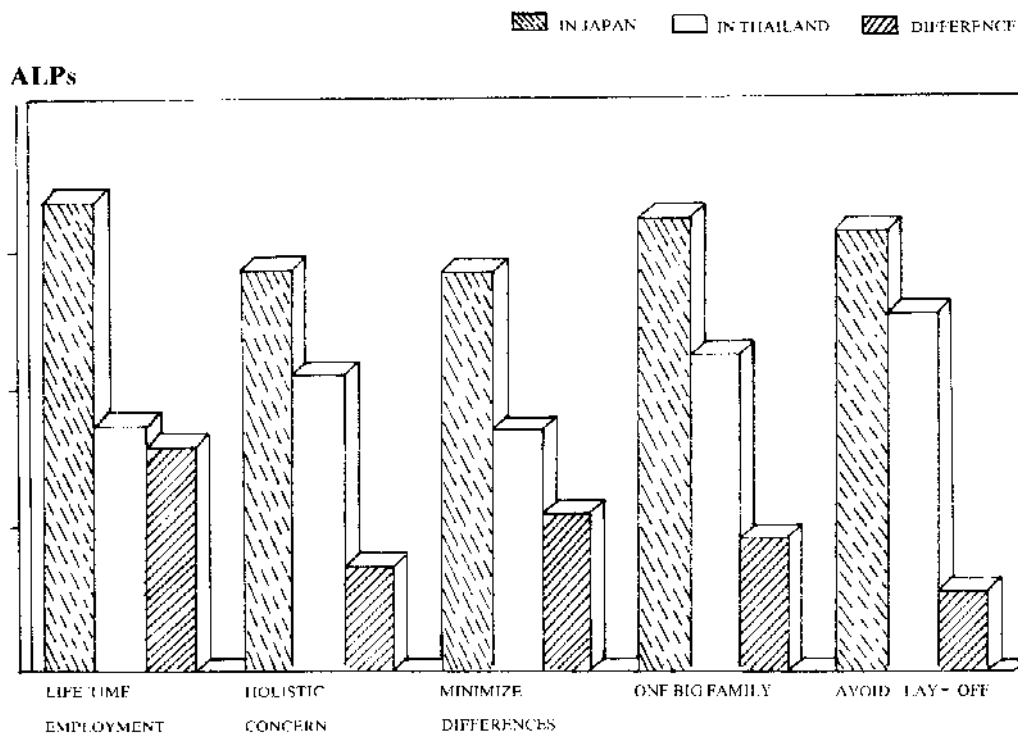
N/A = Not Applicable

Table 4 : The Criteria for Transferability Classification of the Nineteen Unique JHRM

Criteria	Transferability
1. ALP (Thailand) ≥ 2.00 and Differences (between ALP) ≤ 0.75	High
2. ALP (Thailand) ≥ 2.00 and Differences (between ALP) > 0.75	Medium
3. ALP (Thailand) < 2.00	Low

For "life - time employment", Japanese companies in Thailand have to adjust HR employment policy according to the Thai environment. For example, Thai employees tend to resign to assume other jobs (job - hopping), and many Thai female workers stop working after getting married. Also, as for "minimization of differences between managers and workers", it is not appropriate to apply such a policy in Thailand. This is due to the phenomenon that there are greater competency gaps between managers and operative employees in Thailand. Closing the gap will cause many people to resign.

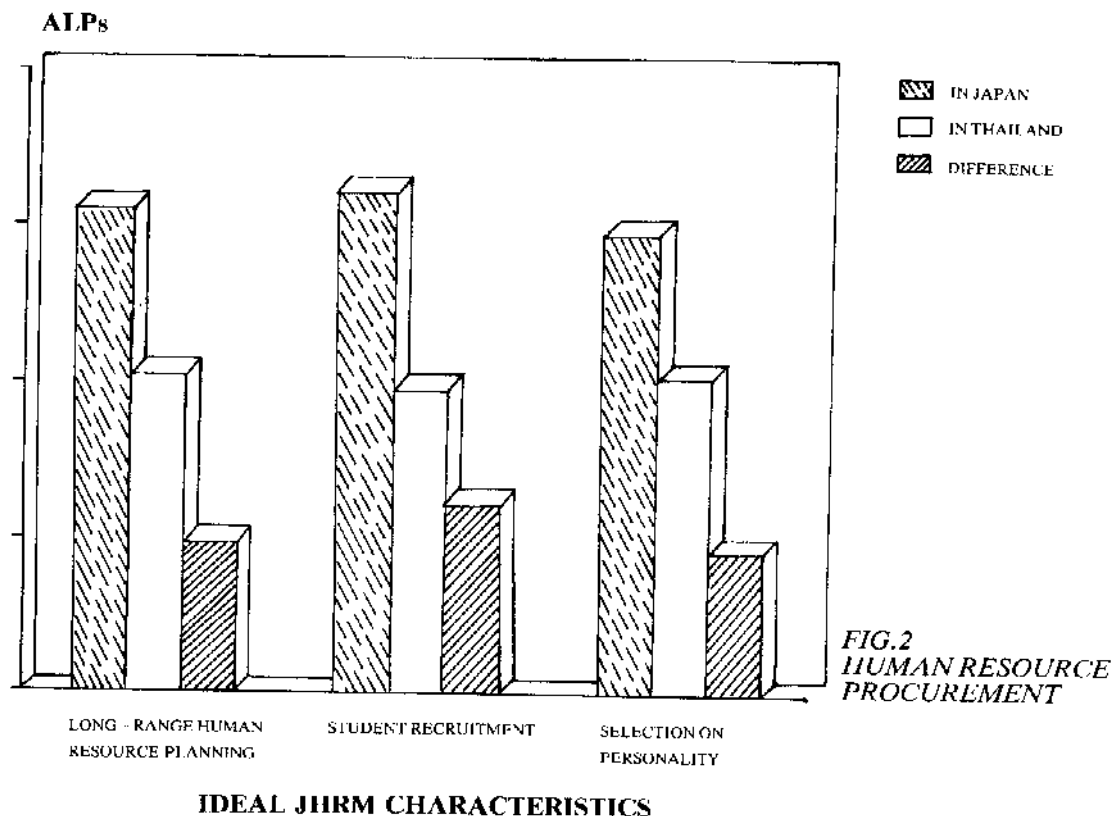
The first medium TT characteristic of the Japanese HR policies is "holistic concern". The reasons for moderate transferability to Thailand were stated by the Japanese to be due to the quality and capability of employees. Moreover, Thai employees have a higher tendency to resign for other jobs in a shorter time period, thus making it more difficult to formulate any Japanese HR policies. It is also difficult to implement the second medium TT characteristic. "employees are members of one big family", because Thai employees are not ready for it. Currently, Thai employees seem to have more independent needs and prefer the companies to be involved with their workplace life only.



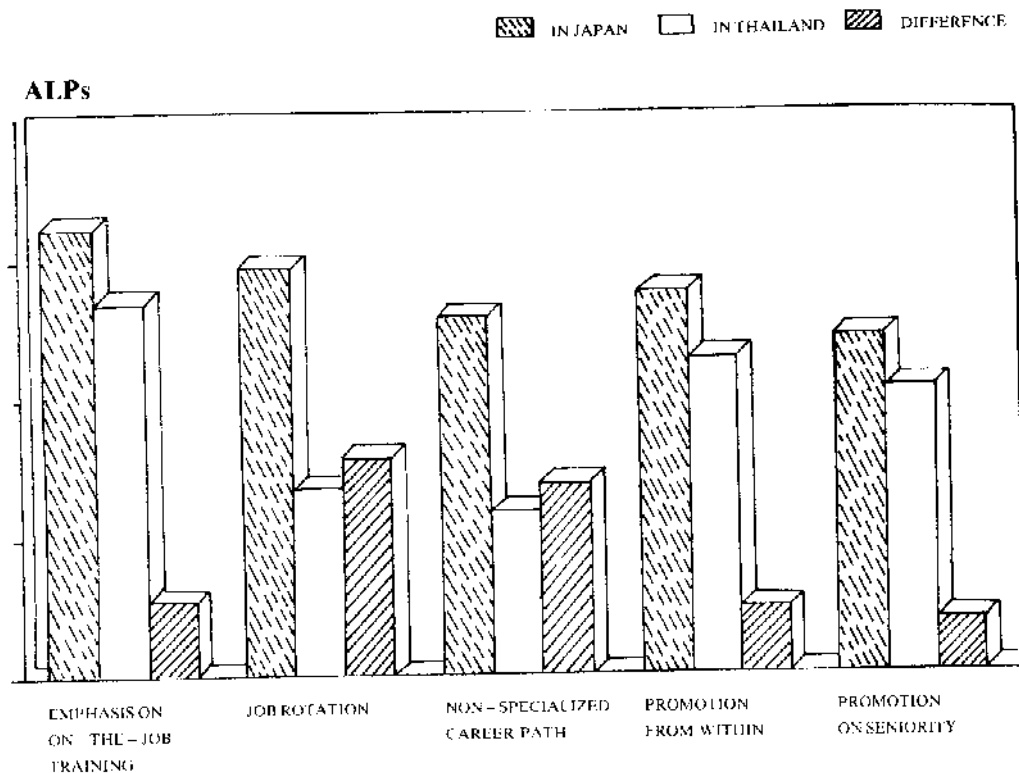
IDEAL JHRM CHARACTERISTICS
FIG.1 HUMAN RESOURCE POLICIES

3.2 HR Procurement. From *Figure 2*, it can be readily seen that there are only one low and two medium TT characteristics of HR procurement. Some of the Japanese MNCs in Thailand are trying to conduct HR planning for the longer run, but it is more difficult here than in Japan because there is less employment stability. Technical personnel especially, tend to resign before implementation of long range manpower planning. According to some Japanese respondents, there is a higher degree of certainty that companies in Japan will grow at a certain rapid rate, so there are needs for long range manpower planning; but in Thailand no one can be sure of what will happen in the future.

“Recruitment mainly from new graduates”, the second characteristics of HR procurement, has low TT because this creates much higher training costs due to the on-going “job-hopping”. This not only makes some Japanese MNCs in Thailand become reluctant to invest in training, but also forces them to “pirate” trained personnel from other firms. Moreover, the supplies of new graduates are not sufficient in many cases, so the Japanese firms have to depend on hiring people with experience. Another reason which was cited is that some Japanese MNCs in Thailand need to sharply increase their manpower and cannot wait for new graduates.



The third characteristic of HR procurement, Japanese style, is “selection of HR with emphasis on personality above ability”, which is also another medium TT characteristic. This is due to the fact that there are “Ability Certificates” given in Japan which are not available in Thailand. Also, selections in Thailand have to take experience and ability into consideration, because of urgent needs for technically qualified personnel and the reluctance to invest in training. In some cases, it has been reported that there are not many opportunities to select HR, since companies in Thailand are still very small.



IDEAL JHRM CHARACTERISTICS

FIG.2 TRAINING & DEVELOPMENT

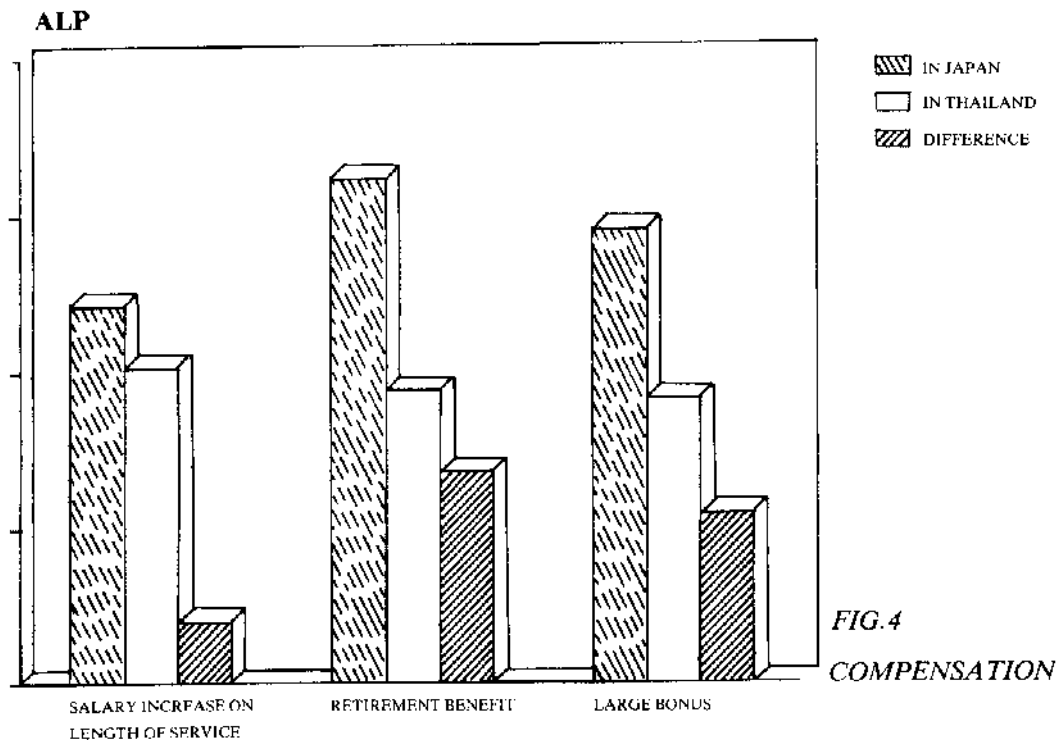
3.3 Training and Development. As shown in Figure 3, there are three high and two low TT characteristics among the Japanese HRM practices. The latter group consists of “emphasis on job rotation” and “non-specialized career paths”. Since the two items are highly related to each other, the explanations by Japanese managers for low transferability to Thailand of both characteristics are given together below :

- (1) Among companies in Japan, there is systematic planning for job rotation so that managers are rotated thoroughly. Generally, it will take about 20 years before one can become a general manager.
- (2) Many Japanese MNCs in Bangkok have just gotten started so it is too early to consider job rotation.
- (3) Job rotation is time consuming in terms of training for new incumbents. Besides, jobs in Thai JMNCs are less appropriate for rotation.
- (4) In Thailand, there is greater emphasis on job description and specialization.
- (5) The companies need experts.
- (6) Thai employees are much more reluctant to rotate their jobs due to the prevailing social values and their own personal characteristics.
- (7) Thai employees look at more specific and immediate perspectives. However, the Japanese managers are trying to do things the Japanese way for the future.
- (8) In Thailand, people do not appreciate job rotation or horizontal advancement. Instead they emphasize vertical advancement and try to be promoted through their own specialized career paths.

3.4 Compensation. Out of the three ideal JHRM characteristics of this component of the HRM system, there is only one high TT and the rest are low TT characteristics (see *Figure 4*). For the first low TT characteristic, i.e. “retirement benefit system to promote life-time employment,” the difference in ALP shows a distinctive style of JHRM in Japan that is quite different from JHRM in developing countries such as Thailand. The reasons provided by Japanese respondents are not consistent as to whether this is due to environmental constraints or individual determination.

The second and the last low TT characteristic, “large bonus”, shows significant differentiation between practices in the two countries. The explanations by Japanese respondents are :

- (1) The Japanese MNCs in Thailand are newly established and have relatively low profit margins.
- (2) The JMNCs apply the same concept in Thailand but the amount of bonus is not the same.



IDEAL JHRM CHARACTERISTICS

- (3) Most Thai employees put more emphasis on salary so that these companies have to adjust their compensation policy accordingly.

3.5 Integration. According to Flippo (1984) this component of IIRM is an operative function which can be defined as "the attempt to effect a reasonable reconciliation of individual, societal and organizational interests..... to deal with the feelings and attitudes of personnel in conjunction with the principles and policies of organizations as well as the narrower related problems, such as grievances, disciplinary action and labor unions." The first characteristic of the integration component of the "ideal" Japanese HRM system in this research study is "welfare programs to create feelings of unity." The reasons for being moderately transferable to Japanese MNCs in Thailand are given below:

- (1) The attempt is at a trial stage with lower effectiveness.
- (2) Most Thai employees put more emphasis on salary, so the corporate policies for HRM aspects have to be adjusted accordingly.
- (3) These welfare programs for integration are not sufficiently appreciated by Thai employees. It is necessary to conduct such programs repeatedly.
- (4) Many programs have been operated, but not so many as have been carried on in Japan.

The second characteristic of integration is “cooperative atmosphere between labor union and management.” The ALP in Japan and Thailand shows a great difference of 1.27, so this characteristic is identified as low TT with the following explanations :

- (1) Some companies in Thailand have no union.
- (2) Thai labor union leaders have more specific and immediate perspectives.
- (3) Some JMNCs in Thailand have no policy concerning this aspect of integration.
- (4) Some JMNCs have done some work in this area with less effectiveness.
- (5) The atmosphere of labor-management relations in Japan is better than in Thailand because there is stronger group cohesiveness due to a higher degree of homogeneity.

The third dimension of integration is “concern for quality of working life (QWL).” The ALP in the two countries is 3.03 and 2.26 respectively, with a difference of 0.77, which is classified as medium TT. The explanations for the gap are :

- (1) We are still at the early stage of development in this area in Thailand.
- (2) This has been tried to some extent, but the effectiveness is different from that as practiced in Japan.

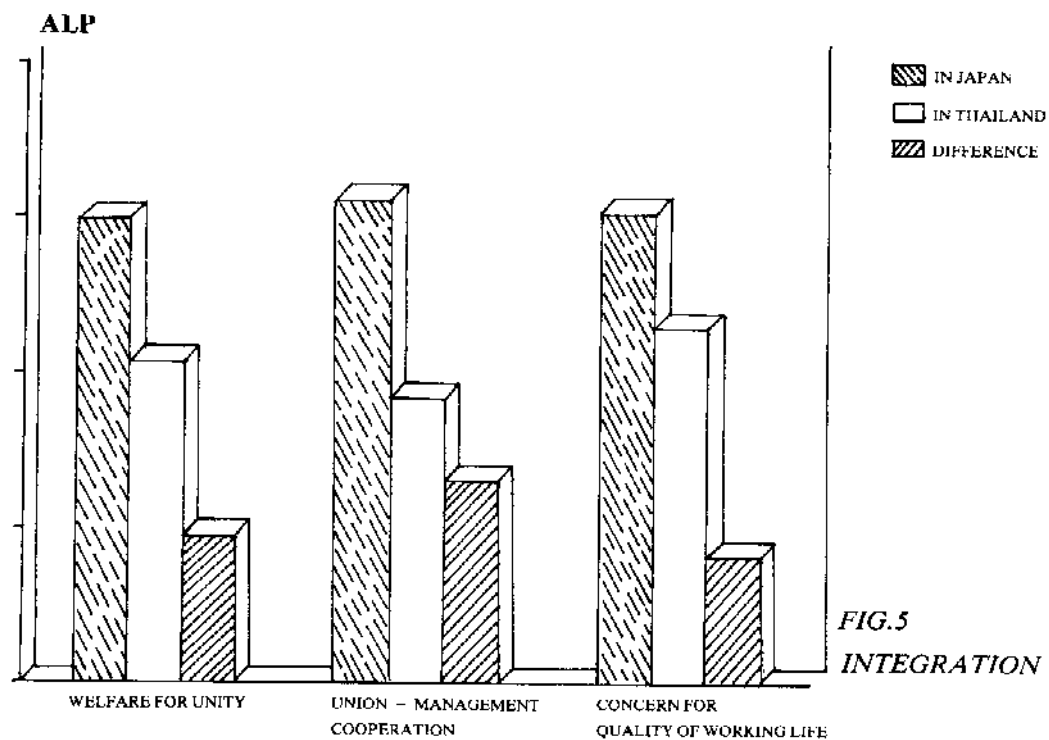


FIG.5
INTEGRATION

IDEAL. JHRM CHARACTERISTICS

- (3) In Japan, it is more difficult to recruit qualified employees, consequently managers must try to promote employees' satisfaction to retain them.

The illustration of ALP in Japan, Thailand and the differences for the three characteristics of integration can be found in *Figure 5*.

4. Discussion

After studying Japanese HRM practices in Japan and abroad, one begins to see that the key factor of success for Japanese business management, especially for manufacturing corporations, might not be HRM but other variables. Actually, in personal discussions it has been reported by many Thai managers and engineers, working in Japanese MNCs in Thailand and Japan, that many Japanese managers and engineers lack human skills in the international arena.

From *Table 3*, it should be noted here that two of the Japanese HRM characteristics, among the high DP group, have relatively low ALP in Japan. These are "promotion on seniority" and "salary increase on length of service" with ALP of 2.44 and 2.43, respectively. This finding might be interpreted that seniority systems based on length of service were applied among corporations in Japan to a limited extent originally or their use has been declining to some degree during recent years.

Considering transferability to Thailand, there are three characteristics of the five with high TT which require further discussion at this point. In the first place, "avoid lay-off" has quite high ALP in Thailand with the score of 2.61. Actually, this is very much in harmony with Thai culture which prefers not to lay-off personnel. However, there is a sizable difference of 0.60 between the ALP in Thailand and Japan which might be due to the fact that the Japanese management practices double standards towards Thai and Japanese employees.

Secondly, "emphasis on OJT" has even higher ALP in Thailand with the score of 2.71. This is also in congruence with the prevailing practices among companies in Thailand. Finally, "promotion from within" is identified here as high TT because of the small difference of 0.49 between ALP in Japan and Thailand. But this is due to the fact that the ALP in Japan is relatively low (2.79) for this JHRM characteristic, not because of high ALP in Thailand.

It has been found from interviewing some Japanese managers in Thailand that the causes of high ALP in Japan might come from some distinctive characteristic of Japanese employees such as : They are enthusiastic to work, patient, hard working and have strong company loyalty. They are highly responsible, can make decisions without waiting for directives from above and are capable of solving problems at hand among themselves as a team. The Japanese employees are not only cooperative in exchanging information and opinions, but also oriented towards setting longer term objectives and are committed to meeting the targets.

On the other hand, it should be noted at this point that reasons for the low and medium TT of many JHRM characteristics also lie on the Japanese side. Firstly, investments in Thailand

are still at their early stages for many JMNCs. Secondly, Japanese executives have not fully learned the aspects of Thai culture, which is quite different from Japanese culture in many aspects. Thirdly, Japanese managers overseas still operate more or less in a closed system, lacking communication and human relations with local people to some extent. Fourthly, it seems to many Thai and some Japanese managers that the Japanese top executives are not fully committed to technological and HRM development in Thailand as they are in Japan.

Finally, the success of Japanese manufacturing businesses is probably derived from the aggressive management strategy and advanced manufacturing system rather than from their HRM expertise. The Japanese are fortunate that the employees in Japan are outstanding in terms of task – orientation and company loyalty. But when they are undertaking operations abroad, as in this case in Thailand, it is not clear whether HRM skills are appropriate in other business environments and culture contexts. During the last one or two decades, a few Japanese firms in Thailand have been faced with HRM problems and many young Thai managers and engineers have resigned. Contemporary JMNCs solve these cultural and communication gaps through hiring Thai personnel managers, production managers and supervisors to replace the Japanese counterparts. It can be concluded, for the time being, that overall the Japanese are very successful in international business operations. However, it is dubious whether they have done well in the area of HRM in the business and cultural environment outside Japan.

5. Conclusion

As a result of this research survey, it can be concluded that the unique characteristics of Japanese practice in Japan are the nineteen of high DP out of the total of twenty – one documented as shown in *Table 3*. Secondly, the HRM practices among Japanese MNCs in Thailand comprise the five high and six medium transferability (TT) characteristics out of the nineteen unique Japanese HRM practices, as also shown in *Table 3*. Thirdly, the reasons for low and medium transferability to Thailand are mainly in the areas of difference among the two countries, in the size and complexity of manufacturing firms, in working behavior, cultural and communications gaps, and other features of the business environment. Fourthly, Japanese MNCs in Thailand, and probably in other countries as well, should try to learn more about the local language and culture. The Japanese managers overseas should operate more as an open system and become more fully committed to technological and HRM development abroad as they are in their own country. Finally, we are convinced from this study that implications can be drawn both for future research design and further development of HRM practices within international perspectives and challenges. For researchers, this methodology can be replicated in other countries to come up with better conclusions and recommendations. In the meantime, managers in the real world of practice can benefit from this study as an aid to “uncover some tracks in the Japanese HRM theory jungle”.

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