

**Japanese Corporate Culture and Globalization:
An Indonesian Case Study**

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ABSTRACT

This research investigates the employees of a multinational company's experience as they transferred from the head quarter to a local subsidiary; and the challenges they faced in conveying Japanese corporate culture to the locals. A qualitative study was conducted with Indonesian employees who work for a Japanese manufacturing company that operates globally. The result of my study indicates that the ambiguity of the interviewees' status in the local subsidiary have both positive and negative impacts. These impacts influenced their effectiveness in conveying the corporate culture to the local employees.

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INTRODUCTION

One of the challenges that firms face as they go global is to ensure that their employees, regardless of their geographical location, could understand the strategies and philosophies of their respective firm. In other words, it is crucial for companies to establish a strong corporate culture that has universal meaning so that it can easily be understood by their employees. The corporate culture would be influenced by the national culture of where the company originates (Hammerich & Lewis, 2013) and thus transferring the corporate culture to employees across the border might not be easy, as non parent country nationals (PCNs) might have different expectations and beliefs.

In the case of Japanese firms, the attitude they tend to adopt when expanding globally is ethnocentrism. Ethnocentric firms put a lot of trust in the PCN employees (Perlmutter, 1969) and Tung (1984) showed that Japanese firms are relying heavily in Japanese expatriates in managing their overseas subsidiaries. The high use of expatriates to fill in important posts might cause non PCNs to feel inferior (Perlmutter, 1969).

Although Beamish and Inkpen (1998) argued that Japanese firms began to use less expatriates in managing their overseas subsidiaries, other research (Black and Morisson, 2010; Wong, 2010; Wong, 1996; Kopp, 2000) pointed that the key posts are still held by the expatriates.

The dominance of Japanese expatriates in the upper level positions created a situation which the Host Country Nationals (HCNs) feel that they are faced with a dead-end in their career progression. Kopp (2000) and Black and Morrison (2010) named the phenomenon as “rice-paper ceiling” and “bamboo ceiling” respectively. The ceilings seem to prevent foreign employees from getting to the top positions because those posts are served for Japanese nationals only. Wong (1996), on the other hand, observed that the hierarchical divide along the ethnicity line created a dual employment structure in Japanese firms’ overseas subsidiaries. In her research, the primary sector or upper hierarchy is mainly formed by Japanese expatriates. In this sector there is high commitment to the company and deep understanding of corporate culture. The locals filled in the secondary structure and performed supporting roles. Unfortunately, the lower structure is also associated with a high turnover rate. The locals also tend to shared different values with the expatriates with respect to the organization (Wong, 1996). In order to bridge the divide, Tarique and Schuler (2008) argued that ethnocentric firms can expose HCNs to the corporate culture by bringing them to the head quarter, so that these HCNs could go through a socialization process which is similar to the PCNs. If Japanese multinationals adopt this practice, what kind of impacts would it bring to the dual structure of its overseas subsidiaries?

To answer the question, interviews were conducted with Indonesian nationals who work for Company X, a Japanese manufacturer that operates globally. The interviewees were Japanese university graduates who spent two years working in the Japanese head quarter before they joined the Indonesian subsidiary as permanent employees. The interviewees, who were recruited by the subsidiaries' senior executives (Japanese expatriates) believed that their special career path is designed so that they could bring back the corporate culture to the Indonesian subsidiary in order for it to perform more effectively.

The interview result shows that the dual structure seems to exist in the company X's Indonesian subsidiary as well, since the senior management posts are dominated by Japanese expatriates. The interviewees felt that in certain aspects, their roles overlapped with the expatriates. For instance, they were able to communicate with the Japanese head quarter. Their Japanese language ability also enabled them to gain trust from the Japanese expatriates. Furthermore, the interviewees' were unique because they underwent a fast career track. Their position in the subsidiary, 'senior specialist', was also a new addition in the subsidiary's organizational structure. Hence, although the interviewees entered the subsidiary as a part of the secondary structure, they could not really fit in. Their Japanese language ability, cross-cultural skills, and their networking

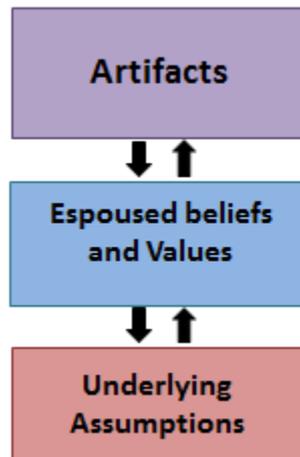
with the HQ set them apart from the local employees. They could not also fit in the primary structure which was dominated by the Japanese expatriates. The Japanese expatriates had longer tenure in the company and they are also managed directly by the HQ. The interviewees' existence in the subsidiary, therefore, cannot be explained in the existing dual management structure. They have formed a distinct group that stands out in the dual structure.

THEORETICAL FRAMEWORK

Organizational culture

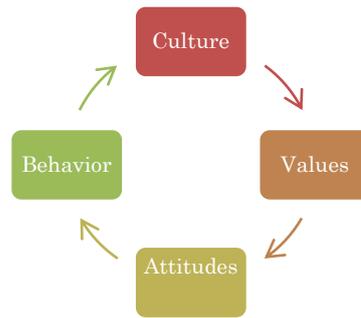
The study on organizational culture gained its prominence in the 1980s. Schein (2004) defines organizational culture as the rightful ways to solve problems of external adaptation and internal integration, which worthwhile to be passed on the new group members as their guide to approach similar problems. Hofstede (1997) on the other hand, sees culture as the constructed ideas that differentiate one community from another. Organizational culture has a strong influence in the employees' productivity and spirit (Harris and Moran, 1996).

Schein (2004) divided culture into three levels. The first level is comprised of artifacts: things which can be observed visually. Such examples are the office building, uniform, and people's behavior. In the second level is the espoused beliefs, and they are translated into the company's strategies, goals and philosophies. Below that are the underlying assumptions, or the taken-for-granted beliefs.



Levels of Culture (Schein, 2004)

Organizational culture is closely related to the study of leadership. Leaders can enforce a new set of culture in their workplace; while organizational culture can highly influence the making of leaders (Schein, 2004). As the number of multinationals blooms, many studies have been conducted in order to see how leadership could work effectively in different cultural settings (Hofstede, 1997; Lewis, 2010; Harris and Moran, 1996; Schneider and Barsoux, 1997). Hammerich and Lewis (2013) argue that despite claiming themselves as a global company, the majority of multinational corporations will still embed national values in their organizational culture. Adler (in Chen, 1995) also came up with the framework of how national culture will continuously create certain values. These values will affect people's attitude and eventually translated into behavior.



Adler's model on how culture affects behavior (Chen, 1995)

According to Kono and Clegg (1998), several cultures can exist within one company.

This could happen as companies expand its operation abroad. The foreign subsidiaries have different national background and so instilling the parent company's corporate culture can be a challenge.

Japanese corporate culture

The culture of corporations, especially Japanese corporations', is highly influenced by its national culture (Hammerich and Lewis, 2013). The Japanese society upholds the traditional values such as the importance of family and age-based seniority, collectivism, punctuality and modesty (Lewis, 2006). These values can be seen in the Japanese firm as well. The Japanese firm is often compared to family (Sano, 1995). Therefore, Japanese managers act like parents who take care of their subordinates (Abegglen and Stalk, 1985).

The Japanese sense of collectivism is translated into the two methods of

decision making in Japanese firms: *ringi seido* and *nemawashi* (Chen, 1995). In *ringi seido* a proposal will be passed to every level of the management before the ultimate decision is taken. The benefit of this tedious process is so that the final decision will not undergo unnecessary changes once it is implemented. Another merit of this system is that every employee would feel that their opinion matters in the decision making process in the firm. The final decision, thus, would be a result of consensus process instead of a decision made by the upper management. *Nemawashi*, on the other hand, refers to the process in the early stage of decision making where employees would speak up about their thoughts on a certain proposal.

According to Sano (1995), big companies tend to utilize “work-site focus” and “job rotation” in managing its human resources. Better known as “generalist/firm-specific training”, this method enables employees to have a lot of knowledge about various divisions in their own company. The new hires need to be familiar with the shop floor before they could take charge of the administrative tasks, because the company believes that great office workers are the ones who understand *genba* well. This practice makes the employees to have skills which only relevant within the company. Firm-specific training ultimately contributes to the loyalty of Japanese employees to their respective company.

Japanese multinationals and the roles of Japanese expatriates

Japanese corporations have been praised for their efficiency in manufacturing techniques. An example would be the Toyota Lean Manufacturing System that emphasizes in continuous improvements (*kaizen*) and eliminating waste (*muda*) (Witt, in Hasegawa and Noronha, 2009). The human resources practices of large Japanese corporations had also gained attention during the Japanese high economic growth. The practices are characterized by life-time employment, in-house labor union and seniority based pay and promotion (Chen, 1995).

Many Japanese companies are now operating globally. The management of the overseas subsidiaries of Japanese corporations is mainly conducted by the Japanese nationals dispatched from the head office (Peterson et al, 1996). Moreover, Delios and Bjorkman (2000) mentions that the Japanese expatriates have two main roles in the overseas subsidiary, which are (i) to supervise and regulate the operations of the subsidiary to be in line with the parent company and (ii) to pass on the knowledge from the head office to the subsidiary and vice versa. In the study conducted by Shiraki (2007), we became aware that the Japanese expatriates are sent because the companies feel the need to successfully spread the management ways from the HQ to the subsidiary.

The Japanese expatriates are said to be effective in performing their international assignments (Tung, 1984). However, they are not without limitations. Shiraki (2007) tells us that the Japanese expatriates often face difficulties in communicating with the local staffs. The same study also indicates that there is an insufficient understanding among the local employees about the management principles of the HQ (Shiraki, 2007).

Although Peterson et al (1996) argue that there is a tendency of Japanese multinationals to increase the number of expatriates, another study stated otherwise. Beamish and Inkpen (1998) observed that the Japanese multinationals are reducing the number of expatriates and it may be because they are starting to localize its overseas management. The Japanese multinationals, therefore, seek to employ local employees to fill the positions formerly dominated by the Japanese expatriates. The departure from the ethnocentric strategy could potentially become new competitive advantages for the Japanese multinationals (Beamish and Inkpen, 1998)

Dual employment Structure in the overseas subsidiaries of Japanese companies

On top of the high utilization of Japanese expatriates in managing overseas subsidiaries, previous works (Abegglen and Stalk Jr, 1985; Kopp, 2000; Black and Morrison, 2010) also stated that Japanese companies are unwilling to integrate the

locals into the senior management positions. This leads to a common phenomenon of a dual employment structure, where the Japanese expatriates occupy the top management position while the locals are left with the lower rank posts (Wong, 1996). Such phenomenon was observed in Thailand (Taira, 1980 in Wong, 1996), Hong Kong (Wong, 1996; Wong, 2010) and even the United Kingdom (Black and Morrison, 2010). The findings on Wong's (1996) study are summarized in the table below.

Dual Structure in Japanese multinationals in Hong Kong (Wong, 1996)

	Expatriates	Locals
Remuneration	Higher remuneration than the locals, also received extra benefits for expatriates	Lower remuneration than the expatriates
Top Executive Position	Dominated by the Japanese	Little opportunities to be top executives
Operating Decisions	Exclusively made by the top management	Little involvement and power in the decision making process
Linkages with the	Maintained close connection with the Japanese Head	NA

Headquarter	Quarter	
Recruitment Process	Recruited from the Japanese labor market and trained in the HQ. Prepared as long-term employees	Recruited from the HK labor market to fill up the empty positions immediately
Corporate culture	Japanese employees were raised to understand the corporate culture thoroughly	Few values were shared between the HK and Japanese employees. The employers did not expect them to internalize the corporate culture like the Japanese
Firm-Specific Training	Frequent job rotations, little specialization	Few job rotations, building specific expertise
Promotion criteria	Seniority-based promotion until they reached their 40s, followed by merit-based promotion	Merit-based promotion
Personnel	Managed by the HQ	Managed by the local subsidiary's HR department

Loyalty (Life-time employment)	Very cooperative, loyal to the company	High turnover rate, job hopping is common
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The domination of Japanese in the upper management level made some scholars to come up with the terms rice-paper ceiling (Kopp, 2000) and bamboo ceiling (Black and Morrison, 2010). Rice-paper ceiling Kopp (2000) refers to the situation a where it seems impossible for non-Japanese to land a significant post in a Japanese corporation. The term bamboo ceiling was made a decade later, and the term is defined as the ethnic barrier for foreign nationals to climb further up than the mid-management position in the Japanese company. Many frustrated local employees tend to opt for organizational exit because they are placed with a dead-end in their career progression (Kopp, 2000; Black and Morrison, 2010). The high turnover rate among the local employees, unfortunately, convinced the Japanese employees that it is impossible to trust the locals (Black and Morrison, 2010; Kopp, 2000)

THE STUDY

So far we have seen the importance of organizational culture to the company. Moreover, as a company evolves into a multinational corporation, there is a need to transfer the culture to its overseas subsidiaries. For the Japanese multinationals, the role has been performed by the Japanese expatriates. Though there is an evidence of success in their international assignment (Tung, 1984), relying too heavily in the expatriates could lead into several disadvantages. The more obvious one would be the cost factor: why send expatriates when there are equally qualified local employees? (Beamish and Inkpen, 1998) Moreover, Shiraiki (1997) shows that Japanese expatriates often failed to communicate effectively with the locals.

Tarique and Schuler (2008) argued that ethnocentric firms can expose HCNs to the corporate culture by taking them to the head quarter, so that these HCNs could go through a socialization process which is similar to the PCNs. Using the case study of Indonesian nationals who work for a Japanese multinational manufacturer, this study will investigate the use of local nationals as agents to transfer the organizational culture from the Japanese HQ to the overseas subsidiary. This study aims to answer the following questions:

- Where do these Indonesian employees fit in the dual employment structure that is

apparent in many Japanese overseas subsidiaries?

- What are the organizational implications of training the HCNs in the head office?

Brief introduction to Indonesia

Indonesia is a country in the South East Asian region. The island nation has its capital in Jakarta and currently Indonesia has the population size of 246.9 million (World Bank). Although majority of the people are ethnic Javanese, the country's private businesses are dominated by the minority Indonesian Chinese. More than 80 percent of Indonesians are Muslims, and the rest are Catholics, Christians, Buddhists and Hindus. Indonesia celebrates its multi ethnic society with the national slogan *Bhinneka Tunggal Ika*, which means unity in diversity.

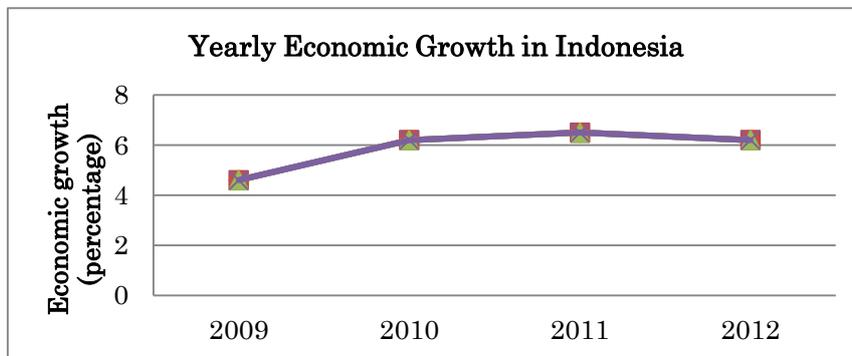
After gaining its independence from the Netherlands in 1949, Indonesia achieved a high economic growth during under Suharto's presidency. Unfortunately the country was hit badly with the 1997 Asian financial crisis, which also marked the end of Suharto regime. Currently, Indonesia is under the governance of Susilo Bambang Yudhoyono. He was elected two times in a row during the presidential election in 2005 and 2009. Under his presidency, Indonesia managed to re-emerge as a new economic power in the region. The country sees an increasing inflow of foreign direct investment in recent

years, which led to a steady economic growth.

Foreign Direct Investment in Indonesia by Country of Origin in 2011		
No	Country	Investment Value
1	Singapore*	5,123
2	Japan	1,516
3	United States of America	1,488
4	Netherlands	1,354
5	South Korea	1,219
6	Malaysia	618

* The data reflects foreign direct investments that are *managed by* Singaporean investment firms or holdings and it does not necessarily mean that the investment comes from Singapore itself.

Source: KPGM Report



Source: World Bank

The negative consequence of Indonesian economic growth is the high social inequality. One study shows that there is an uneven income distribution in Indonesia, with 34.6% of the total GDP is held by the top ten percent of the highest income population (Leigh and Van der Eng, 2009). According to World Bank, currently the GNI per capita is US\$3,420 which is still relatively low. Moreover, the majority of Indonesian people are still employed in the agricultural sector, which accounts to 38% of the total working population (Indonesian Statistic Bureau). Furthermore, there are more than 8 million unemployed people, almost half of them are with secondary school education or less.

Indonesian management style and leadership

As Javanese ethnic group made up the majority of the population, Indonesian leadership style is heavily influenced by the Javanese culture (Hofstede, 1997). Indonesian leadership style is conventional, patriarchal and stratified. Authority is not equally spread, most of the power is held by the 'father' or 'patron'-like figure (Prasetyantoko in Harukiyo and Noronha, 2009; Widhayartono, 2007 in Irawanto, 2009)). Employees are supposed to obey the leaders, who on the other hand are

expected to exert his/her authority and direct his/her subordinates (Zhou,1996 in Irawanto, 2009) . However, greater influence of Islamic practices is seen in the management style after the fall of Suharto’s presidency in the late 1990s. (Prasetyantoko in Harukiyo and Noronha, 2009).

The interview

A semi-structured interview was conducted in September 2013 at Company X branch in Jakarta, Indonesia. The interview with the eight Indonesian employees was conducted in Indonesian language and translated into English. The interviewees were encouraged to speak freely about their experience working in Japan and Indonesia, and about their interaction with their coworkers. The questions asked to the interviewees were:

- ① Please introduce yourself
- ② Why did you choose to work in a Japanese company?
- ③ Why did you choose this company in particular?
- ④ How did you find your working experience in Japan?
- ⑤ Did you find it difficult working in Japan because you are a foreigner?
- ⑥ In what ways did you find yourself to be different from the Japanese employees in

the HQ?

- ⑦ Do you find it different to interact with Japanese, in comparison to Indonesians?
- ⑧ In what aspects do you find the HQ different from the subsidiary?
- ⑨ In what ways do you find yourself to be different from the local employees in the subsidiary?
- ⑩ Please define yourself in relation to the company.
- ⑪ Do you think that your experience working and studying in Japan affect your perceptions of yourself as a professional? If yes, in what aspects?
- ⑫ Please tell me additional thoughts about your current position or your time in Japan.

The interviewees

The interviewees are currently holding the position of “senior specialists”.

They were educated in Japanese universities and they have already mastered Japanese when they entered the company. They spent two years of training in the Japan Head Quarter (HQ) before they were posted to the Indonesian subsidiary. The table below summarized the profile of the interviewees.

Inter viewe e	Major in University (Highest Qualification)	Current Department	Age	Gender	Date Joining the subsidiary
1	Management (Master)	Accounting	20s	F	04/2013
2*	Management (Bachelor)	Production Engineering	20s	M	10/2011
3	Nutrition Science (Bachelor)	Human Resources	20s	F	04/2013
4	Architecture (Bachelor)	Production Engineering	20s	F	04/2013
5	Management (Bachelor)	Accounting	20s	F	04/2013
6	Engineering (Master)	Production Engineering	30s	F	04/2013
7	Engineering (PhD candidate)	Production Engineering	20s	M	04/2013
8*	International Bio Business (Master)	Supply Chain Management	20s	M	04/2012

Company x's profile

Company X is a Japanese musical instruments manufacturer which operates worldwide. In Indonesia the company has a total of 6 offices, where the majority of them functions as manufacturing centers. The branch where the interviewees currently work was established in the late 1990s. The branch has about 4000 employees and around 80 percent of them are contract employees. A high proportion of products that were manufactured in the Indonesian subsidiary are exported back to Japan, company X's main market. Company X has ethnocentric approach to its strategies and the dual employment structure can be observed in the Indonesian subsidiary. The top management is dominated mostly by Japanese expatriates, although there were few Indonesian department general managers.

Company philosophy

Company X's values seem to be influenced greatly by the Japanese culture. For instance, Japanese word is used in the company's slogan. Moreover, the company's values appear to be in line with the Japanese behavior that seeks to preserve harmony and to value their employees. The company commits to deliver high quality goods and services while maintaining transparency in their management.

Facts and Findings

Reasons for recruitment

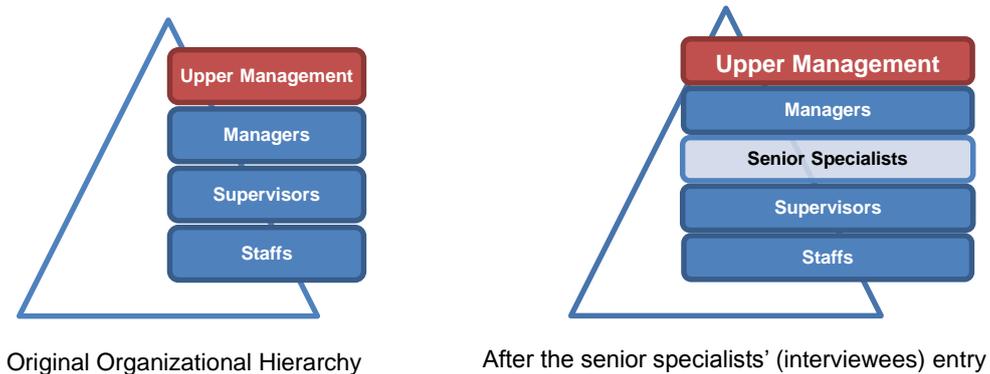
The interviewees were recruited during their penultimate year in 2009 and 2010 while they were searching for jobs in Japan. The recruitment was initiated by the top management team to fill in the early managerial posts in the subsidiary. By becoming employees of the subsidiary, the informants are expected to bridge the cultural and communication gap between the HQ and subsidiary, and between the locals and expatriates.

Although the interviewees were permanent employees of the Indonesian subsidiary, the first place where they worked was the Japanese HQ. Upon the completion of their studies, they entered the Japanese HQ as ‘trainees’. Other local employees of the subsidiary can also have the opportunity to be trained at the head office, but only after years of service. Some informants believed that the two years program’s objective is to prepare them as managers. They also believed the program was done so that the informants could internalize the company’s values and share those values to fellow local employees. As Interviewee 5 said:

“The Japanese expect us to bring the Japanese work ethics back and transfer it to the locals... So the people in the HQ want us to stimulate the other (local employees) because (such work ethics) has not been formed here. For us, we should not lose them (the ethics) but we also should not stand out too much to the point where we are despised by others.” [Interviewee 5, Female, 20s, Accounting]

In Japan, employees who perform the task of connecting different cultures are often referred as “bridge persons” (Yamamoto and Oota, 2009)

Even though they were recruited to fill in a managerial position, in the middle of their training program the employer told them that they will not be a ‘manager’ but ‘senior specialists’ instead. The employer might be worried that they would not be able to handle the “real” leadership position even after spending two years in the HQ. Therefore, the informants were still managers-to-be during the interview, and they would continue to hold the position for a period of time. The diagram below explains their position within the interviewees’ entry.



Weak presence of the organizational culture in the subsidiary

In Company X's Indonesian subsidiary, dual employment structure can be observed. The senior management level is dominated by Japanese and the informants agreed that the way Indonesian employees' working attitude differed from the Japanese. In the interviews, some interviewee expressed that they are concerned about Indonesians' lack of punctuality which effects the production time greatly. While in Japan the working attitude may be taken for granted, in Indonesia these behaviors might have to be learnt. Therefore, this is where the interviewees could pay their part in conveying the corporate culture. Interviewee 5, for example, shared that although she felt that it is a pity that her Indonesian colleagues were in general lacking the "oomph" in their work, it is does not mean they have poor attitudes. She believed that was just how Indonesians normally behave in the workplace.

Furthermore, the informants and employees in Japan are trained to be someone who

could understand the company as a whole. On the other hand, the Indonesian employees identify themselves with their expertise and thus less flexible when it comes to performing certain job responsibilities. Interviewee 2 said;

“I find that the people here are more segmented. In Japan people are multi-skilled though” [Interviewee 2, Male, 20s, Production Engineering]

The high rate of job demarcation in the subsidiary could have been the reason why employees seem to be only interested in accomplishing their own tasks. This situation creates difficulties of implementing programs which do not directly related to one’s job. For instance, during the time of interview the company was creating manuals for easier transfer of knowledge to new employees. The current employees, however, were not really prompted to create the manuals. Interviewee 1 could not contain her dismay:

“In the accounting section we are making manuals and also pushing for kaizen. So...em... it is very hard to mobilize them. I have already told them the purposes (of the program) are such and such... But I do not think they are motivated to do tasks that are not immediately related to their job... If it is like this, we need much more effort.”

[Interviewee 1, Female, 20s, Accounting]

The lack of presence and internalization of corporate culture was associated with the high turnover rate among the local employees (Wong, 1996). According to a report by Towers Watson, there is a high turnover rate in Indonesia. In 2011, the figure is high at 17%. Interviewee 3 who is working for the HR department also confirms that the turnover rate in the firm is high as well. The recruitment team needs to review the needs for new employees on a weekly basis. This is different from the practice in the Japanese HQ where turnover rate is low. In Japan new hires are recent graduates and they are recruited once a year. Interviewee 3 mentioned that such practice is possible because of the stable employment situation. It enables the firm to make predict the number of new employees needed for each year.

A match between employees' career aspiration and company's program

The interviewees were recruited in the Japan while they were doing job hunting in their penultimate year in college. The recruiters were looking for Indonesian university graduates for managerial positions in the Jakarta subsidiary of their company. However, the selected candidates will spend two years of on-the-job training (OJT) in the

Japanese HQ before they would join the subsidiary as permanent employees. Some interviewees found the program attractive because it fits their career plan, as

Interviewee 1 said:

“I wanted to do something which relates to Japan, because I speak Japanese so it would be a waste if I don’t use it... I would like to work in Japan... for a couple of years before I go back to Indonesia. And when I was searching, this company offered a program which matched my aspirations. Work (in Japan) for two years, although as a ‘trainee’, and then we could work here (in Indonesia) and we do not have to start from the bottom (position)” [Interviewee 1, Female, 20s, Accounting]

Many respondents also cited their family in Indonesia for their reason in choosing the company. In Indonesia, family seems to be the main priority for many people (Harris and Moran, 1996). Interviewee 3 and 4 shared that the family factor was especially important because they were females and their family was not supportive if they work abroad for too long. Interviewee 8, on the other hand, felt that he had the responsibility take care of his parents. He was offered a place in two other companies: one of them offered a global career path. However, since the overseas placement might not be in

Indonesia, he decided to join the present company instead.

“If we are employed as a permanent employee (of the HQ), it would be treated as an overseas placement... Three, four or ten years here and then we have to go back to the HQ. (A program that offers) a permanent position in the subsidiary is rare, and currently there is no system that allows an automatic switch of status (from an employee of the HQ to an employee of the subsidiary)” [Interviewee 8, Male, 20s, Supply Chain Management]

The training program in the company can be considered fast. Usually Japanese companies train foreign students from Japanese universities for 5 to 10 years in the Japanese HQ before sending them to manage the offices abroad (Yamamoto and Oota, 2009; Moriya, 2012).

Furthermore, a good match between company’s goals and employees’ career aspirations is actually a rare case. According to a survey conducted by the Japanese Ministry of Labor in 2008, 31.6% foreign students chose “Managing overseas subsidiary” as their career aspiration when entering a Japanese company. Despite the fact that it was the most popular choice among foreign students, only 0.3% of Japanese

corporations are planning to utilize foreign students to manage the company's overseas operations. 49.8% of the companies surveyed chose to "treat them just like the Japanese employees".

The extent of success of company x's local recruitment program

The objective of company X of training the Indonesian nationals in the HQ is so that *they could become managers who can pass on the corporate culture to fellow locals*. Some interviewees managed to establish their position as managers because of these following reasons:

- They were working closely with the Japanese managers, became their right hand because they can understand Japanese
- They could communicate directly with the HQ

On the other hand, the majority of the interviewees felt that they had yet to acquire the leadership position because:

- ✧ In reality they did not have real authority
- ✧ They did not have the specific skills and enough experience

Furthermore, because the interviewees had studied and worked in Japan, they believed that they could position themselves as Indonesian who understands the

objectives of the corporate culture. Some interviewees, however, said that they could only do so much because they were still occupied in learning the basic knowledge needed to perform their respective job in the subsidiary.

Although it seems that the training in HQ had succeeded in instilling elements of corporate culture to the employees, there are some unintentional impacts of their special career path. One of those impacts is the inability of the interviewees to completely blend with other local employees in the subsidiary. Moreover, the interviewees felt that there is overdependence on local staffs who could speak Japanese and it had caused their workload to multiple. The heavy workload they had to carry created dissatisfaction against their remuneration.

Cross cultural understanding

Irawanto(2009) emphasizes the importance of personal relationship in Indonesian workplace. The interviewees said that while in Japan such relationship is built after the working time is over during events like drinking parties, in Indonesia friendship needs to be built during work hours. Interviewee 4 used Indonesian proverb '*tak kenal maka tak sayang*' for the situation. The proverb means that if you do not know the person, you would not care for them. Moreover, interviewee 2 said that although in Japan employees tend to keep things professional in the work place; in Indonesia things may not proceed

smoothly if good relationship between employees is absent.

“Here, there is more political stuff going on... In Japan, for example if I do not like this person I will not do the tasks he gave me. That is unprofessional and unthinkable. But it can happen here. So approach, personal approach is important” [Interviewee 2, Male, 20s, Production Engineering]

The interviewees did realize the difference in working style of the local employees. In general, the interviewees thought that the dedication towards one’s job is not as great if compared to the employees in HQ. The Indonesians have different working culture from the Japanese. For instance, Indonesia scores low in the uncertainty avoidance dimension (Hofstede, 1997 in Davis & Schulte, Jr.), while in Japan people there is a high tendency to avoid uncertainties. Hofstede (1997, in Davis and Schulte, Jr) defines high uncertainty avoidance as a great tendency to avoid conflict and taking risks, as well as group’s preference for stability. Due to this difference, the Japanese might think that Indonesians work too slowly and lacking the passion (Irawanto, 2009). In a low uncertainty avoidance society like Indonesia, people feel comfortable when they procrastinate (Hofstede, 1997).

According to the interview result, the Indonesian workers also seem to not be very punctual. This could be because Indonesians believe that time can be bend into their convenience, a concept known better as ‘rubber time’, as opposed to a fix set of resources (Harris and Moran, 1996). Punctuality, therefore, is not taken for granted and need to be taught (Hofstede, 1997)

Japanese language ability

Proficiency in Japanese language is regarded highly in company X. Interviewee 7 said that the company’s ID card displayed each worker current attainment of the Japanese Language Proficiency Test (JLPT). According to Interviewee 7, it was rare to see local employees to attain the highest N1 level of the JLPT test, while all the senior specialists possessed the qualification. Foreigners have been left out in the ‘in’ circle of the Japanese firm because of their inability to speak Japanese (Black and Morisson, 2010; Kopp, 1994). The Japanese, on the other hand, are often poor linguists (Hammerich and Lewis, 2013). The lack of language proficiency on both sides can hinder them from creating good relationship. In situation like this, the senior specialist has the crucial role to facilitate communication between the local employees and the Japanese expatriates. Interviewee 8 illustrated his experience dealing with a

misunderstanding in the company:

“So there was this (Japanese) department head that looked after my staffs, because I could not look after them every day... He scolded my staffs. (Saying that they) kept meddling with their cell phone (while working). After I asked them... People are not always in the office, in genba there is no (telephone) but their own cell phone. I explained this to him (the department head)”. [Interviewee 8, Male, 20s, Supply Chain Management]

The Japanese ability enabled them to interact with the Japanese expatriates and to gain their trust. Interviewee 2 explained:

“It is weird because while I was in Japan I was always worried that I would be the only one who cannot understand things. Here, if my (Japanese) boss does not talk to me, who else can understand him?”

Networking with the head quarters

Yamamoto and Oota (2009) wrote about the networking advantage that local

employees can gain after spending some time in the head office. In this case study too, such advantage can be observed. Interviewee 4, for example, said that she was able to contact her previous department in the HQ to clarify problems that she faced in the subsidiary. This allowed her to solve problems faster and benefitted her production engineering team's effectiveness.

The downsides of early career internationalization

The interviewees entered the subsidiary after they worked in the HQ, just like the Japanese expatriates. However, unlike the expatriates, the amount of time they spent in the HQ is much shorter. Furthermore, in the HQ they were under the 'trainee' status. Interviewee 3 mentioned that the two years of training program was specially designed for them so that they could handle the managerial position in the subsidiary. They were expected to learn things fast. Nevertheless, this special status made them different from the other new Japanese hires who are working as 'permanent employee'. The 'trainee' status prevented them to take up challenging tasks. Interviewee 4 expressed her dissatisfaction towards the contents of her work in the HQ.

“(My knowledge level) is the same with the Japanese new hire. But the senior and

the person-in-charge during OJT did not let me do the same work. So there was a gap. I was disappointed with my manager because of that. I did not get why our work is different because we entered the company at the same time. My skills are no worse (than the Japanese employee)”.

In contrast to Interviewee 4, some interviewees found the training period quite challenging because they were in charge of things which are not related to their field. Interviewee 2 was a management major but he had to enter the production engineering division. Likewise, Interviewee 3 spent her college years as a nutritional science student but was assigned to the Human Resources. Interviewee 7 was a chemical engineering student but his current work is related to mechanical engineering and physics.

Interviewee 7 explained:

“It was difficult because the academic field was different, also because of the Japanese and the terminology. In the university we used a lot of English but I understood the terms... If it is related to agriculture I could understand but terms in physics, like ‘expansion’ and things like ‘energy transfer’ I cannot (understand)”

[Interviewee 7, Male, 20s, Production Engineering]

In company X's HQ, just like in other Japanese companies, job rotation is normal. Interviewee 6, for instance, was rotated to different division once every three month. Moreover, some interviewees are handling different division from what they were trained in the HQ. For example, interviewee 4 was in the product design division during her training but currently she handles the woodworking parts of the production engineering division. Nevertheless, Interviewee 4 mentioned that she did not have much problem adjusting to a new division because she could make the connection between product design and product engineering as the former is a one stage earlier from the latter.

In Japan, such cases are not are. According to Sano (1995), Japanese university graduates joined the company right after graduation. They were recruited based on how their characters fit the company. Their skills or work-related knowledge are not important selection criteria (Sano, 1995). Furthermore, the job boundary in Japanese firms is unclear. Employees perform a greater variety of tasks compare to workers in Western style management, which are more specialized. The reason is because the firm values multi-skilled employees who are more flexible in facing unpredictable situations more than those who are knowledgeable in only one specific area (Itoh,

1994). Generalist training also enables firms to look for a replacement within the company to fill an empty position, as oppose to the external labor force (Sano, 1995).

The generalist training enables the interviewees to know how the company operates as a whole. However, this can be problematic once they are posted to the subsidiary, because the local employees expected them to be experts in the respective field.

Furthermore, in the subsidiary their role is no longer a ‘trainee’ but a ‘leader’. The leader’s role in Indonesia is more like a teacher who needs to educate his/her students (Hofstede, 1997). This may explain why some respondents think that they are still lacking as a leader. Interviewee 1, for instance, was disappointed that she could not apply what she had learnt in the Japanese HQ.

“Compared with other staff, my experience is different.... In Japan, the job was more like cost accounting, how to manage and analyze... But here (my job) is really about making financial reports, and also (about dealing) with taxes. I do not understand. I am starting from zero again, so I feel like I have nothing to be proud of. I did not learn these things in college or when I trained in Japan. What to do...” [Interviewee 1, Female, 20s, Accounting]

Big potential, limited chances

From the interview, we also became aware that the interviewees who were in the Production Engineering division and Supply Chain Management seemed to be playing their role as “bridge persons” more actively than the interviewees who worked for the Accounting and Human Resources division. The former group’s job required them make frequent contact with the HQ. Moreover, the former group also mentioned more interactions with the Japanese expatriates. The roles of the latter group, however, were limited to sharing their experience and motivating their coworkers to adopt the Japanese working ethics.

Strategic positioning

The interviewees joined the Indonesian subsidiary after the completion of training in the HQ. Their current title is ‘senior specialists’ and it is a position that was not present in the original structure of the Indonesian subsidiary. Coming to the subsidiary after two years of the generalist training in Japan, the senior specialists are lacking of the expertise in their own field. However, being assigned in a leadership role allows them to acquire information faster from their subordinates. Interviewee 6 explains

“(My position) is higher than the rest. However, I still haven’t got the abilities. The

good thing about my current position is that it allows me to learn faster. I am not timid.

Being a subordinate and a leader is different, if I were a subordinate, (I would be confused and be like) who should I ask? ... (This) position aids me to learn more quickly”

[Interviewee 6, Female, 30s, Production Engineering]

Interviewee 7 added that their strategic position as a leader also enabled them to concentrate in their technical work because their subordinates would handle the bureaucratic stuff which they are not familiar with.

Moreover, in order to get familiarize with the working environment and their new job, the interviewees were required to interact with people from every stage in the organizational hierarchy. This does not only allow them to build networking within the company, it also gives them the opportunity to pick up the aspects which can be improved from each level.

Unintentional disadvantages

Neither-nor-there position

Despite the fact that the interviewees were employees of the local subsidiary, the interview results showed that they felt different from the other local employees

because of their special career path. The company seemed to be aware that the interviewees needed some time to adjust themselves. For example, they were allowed to design their own time schedule to familiarize themselves with their job in the subsidiary. However, since the interviewees were exceptional cases, the local subsidiary seemed to be unprepared for their entry. While the interviewees agreed that in the HQ they were carefully mentored and received much assistance from their seniors, it was not the case in the local subsidiary. Interviewee 1, for instance, felt that she is “fighting alone”. On top of that, interviewee 3 mentioned that some local employees were skeptical about her ability because she was “young”.

The other trouble the interviewees were facing was the difficulty to place themselves in the company’s hierarchy. Some blamed their sudden entry as “boss” although they were the “newest members”. Moreover, although they had a leadership position, they did not have any real power. Interviewee 5 explained:

“Actually I am still having an identity crisis. So like [interviewee 7] said, we are already inside the management (team) but we are not yet managers. Each division has already had its own structure: there are managers, supervisors and staffs. We have this senior specialist position but everything is under the manager’s

control, we are not the ones who evaluate them (the staffs and supervisors) and so it is fine if they (staffs) do not listen to us” [Interviewee 5, 20s, Female, Accounting]

Great burden and multiple responsibilities

The fact that the interviewees were able to perform as “bridge persons” is undoubtedly advantageous for the company. They facilitated communication between the Japanese expatriates and the locals. Clarifications of problems between the HQ and the subsidiary were also done faster because of the bridge persons. However, some interviewees seemed to be burdened. It looks like the interviewees felt that they need to fulfill the duties which previously belonged to the Japanese expatriates, on top of performing their own job responsibilities. Interviewee 8 shared his frustration:

“They (the HQ) cannot see the genba. So I have explained, over and over, showed them the pictures, but still (they replied that) everything has to be done by tomorrow. (They said) as managers-to-be, since we are not managers yet, you have to be responsible. But they cannot leave everything to me. How about the Japanese expatriates?” [Interviewee 8, Male, 20s, Supply Chain Management]

On the other hand, the interviewees who were still unsure about their position in the company ended up doing every available job in their division. This could also contribute to their exhaustion. Interviewee 4 explained:

“... Actually I am still confused because my status is not clear. I am above the supervisor, a manager, but there is this manager who is higher than me. So sometimes I do the supervisor’s job, sometimes I act as a manager... Sometimes my job is really confusing. Everything has to be done. So I often become my manager’s backup while backing up the staffs and the supervisors as well. (This is) because the company gave us an unclear position, senior specialists.” [Interviewee 4, Female, 20s, Production Engineering]

Dissatisfaction towards the current remuneration

The interviewees were aware that they would be remunerated based on the standard of the subsidiary. However it seems that after spending some time in the subsidiary they began to realize that it might be too small for the amount of responsibilities they needed to fulfill. Interviewee 8 explained that they were trying to bring this issue to the upper management.

High turnover rate

Originally, Company X recruited 10 Indonesian employees for the local recruitment program. Two employees quit before they joined the Indonesian subsidiary and by the time this paper was written, Interviewee 2 had also resigned. Since follow up interviews were not conducted, we are unable to deduce the reason behind their exit. Although the interviewees shared that they understand their company's culture and Japanese way of thinking, the turnover rate among the senior specialist is unfortunately high.

DISCUSSIONS AND CONCLUSION

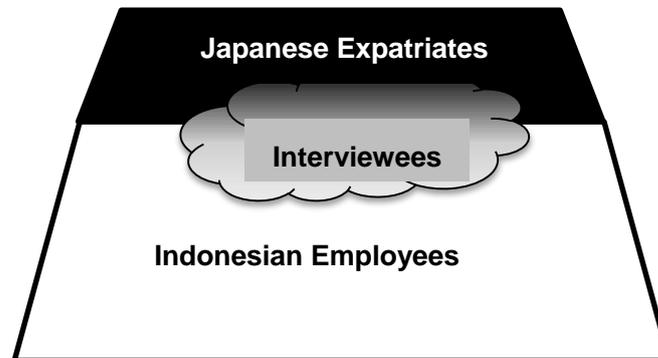
Previous researches (Wong, 1996; Wong 2010; Taira, 1980 in Wong 1996; Kopp, 2000; Black and Morrison, 2010) that highlighted the two distinguishable groups of Japanese expatriates and local employees in the overseas subsidiaries of Japanese multinationals. This case study of company X, however, pointed out that there is another group that consisted of HCNs who entered the subsidiary *after* spending years of training in the Japanese head quarter. Their unique career path and Japanese language ability enabled them to communicate effectively with the head quarter. In the HQ, they went through firm-specific trainings and were nurtured to comprehend the company's

values and beliefs. Those were the areas that set them apart from other local employees.

On the other hand, the Japanese expatriates in company X had longer tenure than the interviewees, which was probably why they were in the senior management posts. The interviewees' career internationalization was faster and thus they entered the company as low-level managers. The interviewees' entry to the subsidiary was not smooth because other local employees have more specialized career path. The interviewees experienced numerous job rotations and their current work might not be related to their major in the university. In Indonesia where leaders are supposed to be teachers to their subordinates (Hofstede, 1993), the situation was reversed for the interviewees.

The interviewees, therefore, emerged as the new group in the dual employment structure of the Indonesian subsidiary of Company X. Unlike the two original structures which are more solid and well defined, the new structure is still wobbly and uncertain. Some interviewees admitted that they were still facing an identity crisis. Moreover, some interviewees were not satisfied with their remuneration because they felt that they had done more tasks than other local managers. To company X's biggest disappointment, the retention rate of this structure is not as high as they would like it to be.

Company X's Structure: New Model of Japanese multinationals' Overseas Subsidiary



Being in the “grey area”, however, was not entirely bad. They were able to understand the corporate culture, while also taking consideration of local sentiments. Their language and cultural skills could foster better flow of ideas between the Japanese expatriates and the local employees. The extent of utilization of these skills, however, can be limited because not every interviewee has the opportunities to work closely with the HQ or the Japanese expatriates. The interviewees with few opportunities to utilize their skills were especially troubled, as they were already behind their local colleagues in terms of technical expertise.

Although this study is limited to one company, the case of Company X illustrates the problems that Japanese multinationals could face as they are finally moving from ethnocentric HRM policies. Company X's local recruitment program showed that company's initiative to integrate HCNs into the Japanese style management

and to prepare HCNs as future leaders of the overseas subsidiaries. The local recruitment program did attract talented and highly skilled individuals. However, more attention should be given in designing the career development program. In company X's case, a fast career track was combined with Japanese style firm-specific training. The interviewees who went through such combination, however, faced a rough entry to the local subsidiary. Company X could have prepared some assistance to the interviewees to help them adjust to the new workplace.

In the future, individuals like the interviewees would likely to increase in number. The Japanese government is actively promoting Japanese higher education and therefore the number of foreign students who would graduate from Japanese universities will increase. The number of foreign students entering Japanese labor market would go up as well. Japanese companies can take this opportunity to leave its ethnocentric tendencies, welcome those individuals and integrate them into the company.

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