“GLOBALIZATION AND THE CHANGING HUMAN RESOURCE MANAGEMENT IN JAPANESE COMPANIES AND THE CHANGING ROLE OF BUSINESS EDUCATION IN JAPANESE UNIVERSITIES”

Masaharu KUHARA

2014年4月

昭和女子大学
GLOBALIZATION AND THE CHANGING HUMAN RESOURCE MANAGEMENT IN JAPANESE COMPANIES AND THE CHANGING ROLE OF BUSINESS EDUCATION IN JAPANESE UNIVERSITIES

MASAHARU KUHARA

Many cross-border M&As involving Japanese companies have been taking place, and we find that many entail HRM problems. (Kuhara, 2012) It is generally thought that such global HRM related problems are caused by lack of English communication skills. However, I find that the cause of these problems has more to do with lack of Strategic HRM (SHRM) itself in Japanese companies in the face of globalization. In this paper, I will discuss issues and important factors in global SHRM of Japanese companies. Furthermore, I will talk about my experience in global business and education, and the challenges and roles of Japanese universities on how to foster Global Human Talent (GHT)\(^1\).

GLOBALIZATION AND HRM

Some Definitions

Globalization is defined as the creation of a borderless global economy that allows unhindered movement of finance, products, services, information, and people. (Mankin, 2009) In a globalized world, SHRM has become increasingly important. SHRM is defined as a vertical and horizontal alignment of human resource strategies, policies, plans and practices with the organization’s corporate or business strategies. (Delesky, 2011) In a
globalizing economy, human resource is the most valuable resource, as sending other resources such as capital, technology, goods and information across the border is easy and fast, whereas moving human resource requires more time and costs. Accordingly, effective human resource management can be a distinctive competitive advantage for a company in the face of globalization.

Balancing global integration and local responsiveness is the most important factor in achieving an effective global SHRM. Global integration is mainly attained through centralized decision making at headquarters by parent company nationals (PCNs), and local responsiveness is mainly attained through decentralized decision making by home country nationals (HCNs). (Hitt et al, 2013) Now the role of employees sent abroad, also referred to as expatriates, has become more global.

**Globalization and SHRM of Japanese Companies**

Japanese companies used to achieve successful international HRM by using ethnocentric approaches, which included sending Japanese employees to management positions in overseas operations (Yoshihara, 2011). As the common language was Japanese, communication between the HQ and overseas offices was never a problem, and HQ strategies and knowledge were transferred smoothly to subsidiaries and branches. Generally, Japanese expatriates had more training, and faced significantly fewer issues compared to their US counterparts (Delesky, 2011).

However, the progress of globalization and increasing cross-border M&As shed light on many problems in Japanese-style HRM. (Olcott, 2009; Kuhara, 2012) In the case of M&As, top management shifts to HCNs or third country nationals (TCNs). Ethnocentric HRM approaches were not effective in achieving the balance of global integration and local responsiveness. (See Table 1)
Japanese companies that acquired foreign companies did not have suitable talents to manage acquired companies. Many local managers of acquired companies left the company shortly, often resulting in a decline in business performance. When foreign companies acquired Japanese companies, the acquirer positioned their people (PCNs) in management positions. As with Nissan’s Carlos Ghosn, if the PCNs respected the local business and management style, the M&A often turned out a success. (Olcott, 2009) However, as with Shinsei Bank, if the parent company enforced their own culture, language (English) and short-term oriented strategies, they experienced many issues mainly triggered by damaging accumulated knowledge about associated customers, organizations and institutions. (Kuhara, 2012)

Is Language (English) a Major Cause of Japanese Companies’ HRM Problems?

According to a survey by Sanno Research Institute, Japanese companies select expatriates based on their business performing ability (84.3%) and past business experience (62.7%). Required capabilities for expatriates include communication skills (75.2%), adjusting to different cultures (69.6%), English skills (68.4%), stress management skills (53.2%) and management skills (5.6%). (Sanno, 2012)

Another international survey also revealed that when Japanese companies select expatriates, “Experience in the company”, “Technical/professional skills” and “Personality factors” are much more important than “Language proficiencies”. (Tungli and Peiperl, 2009)

I myself observed that language is a less important prerequisite for successful expatriates in overseas operations compared to some other capabilities. For example, many experienced professionals sent abroad by Japanese manufacturers learn language after arrival. Both language and professional skills are important for Japanese sales personnel going abroad, but in many cases these sales professionals are transferred to multiple
countries, and therefore also end up learning foreign languages on the job.

Japanese banks select prospective international business leaders and send them to US business schools or trainee programs in their 20s, middle management positions in overseas branches or subsidiaries in their late 30s, and overseas branch manager positions in their 40s. This has been the established international finance career pass, in which technical skills and advanced English communication skills are acquired mainly on the job. Most Japanese bank employees in international business were comparable to their counterparts of international banks in the US and Europe. The selection of expatriates was made from a long-term career perspective with emphasis on business knowledge and experiences, along with language proficiency potentiality. (Kuhara, 2009)

**English as the Means of Global Business Expansion**

No one can deny the importance of English as the basic communication tool of Japanese companies in globalization. However, English is merely a means to bring professional expertise into the global business arena. In that sense, Rakuten’s CEO Mikitani carries a clear strategy of Englishnization, which he states is the only way to bring innovation to his company and develop his company into a truly global player. (Mikitani, 2013) However, we can easily raise questions such as “How can Rakuten translate their unique competitive advantage of “Omotenashi” into English?” or “How can they establish in depth and sensitive conversation in English among Japanese employees?” If they simply change their common company language to English, they will just become another player in e-commerce with no distinctive competitive advantage compared to their US counterparts.

**Policy Proposals to Globalize both Japanese Companies and Universities**

Since 2010, the Japanese government, namely the Cabinet assembled The
Committee for Promoting Global Human Resource Development (Cabinet Committee) as part of Japan's Growth Strategy for the economy, which pointed out the started to point out the issues of lacking global human talent (GHT). Their proposal mixed up purpose and means, placing English education as the top priority in developing GHTs, i.e. *Cultivating English and other communication skills and enhancing intercultural experience opportunities by sending young people abroad through student exchange* etc. (Cabinet committee, 2012). Additionally, the Ministry of Education, Culture, Sports, Sciences and Technology (MEXT), which is responsible for University education defined the first condition of GHT as “*Language and communication skills*” (MEXT, 2011) under this strategy.

The Cabinet committee’s proposal was created based on the understanding that *Japanese enterprises are being overlooked in the world market*. MEXT proposed various ways to globalize Japanese universities such as to *offer lectures on the actual situation of global business; to give lectures in foreign languages; to support for sending Japanese abroad; international faculty ratio of at least 10%, international student ratio: at least 20%; a certain command of English as a condition for graduation* (METI, 2011). Obviously the Japanese government mixed up the mean (English Education) and purpose (Japanese companies and Universities fit to globalized environment).

**Lack of Clear Global Strategy and SHRM**

I believe that the present weak competitiveness of Japanese companies in the global market is mainly a result of Japanese companies’ own issues in global strategies rather than in university education. Japanese companies sent many young employees to US MBA courses during the late 60’s to late 80’s, but had difficulty in effectively utilizing them after they returned. Hence, many MBA holders left those companies for foreign companies. It can
be said that Japanese companies lacked adequate global SHRM policies.

Global Multi-National Companies should implement global strategies of using English as a common language to attract talented people from around the world. However, managing Japanese companies in English is difficult because resources are accumulated in Japanese and the volume and quality of English information is scarce (Yoshihara, 2011).

What is essential for Japanese companies is a clear global strategy and adequate SHRM implementation.

BUSINESS EDUCATION IN A GLOBAL ENVIRONMENT

Universities can help develop GHT, but it should be done strategically. Unless there is a clear strategy on how to foster GHT, teaching subjects to Japanese students in English or sending students abroad for a short period is meaningless.

Business Education in Other Country: Observations from My Experiences²

I have taught business education at DePaul University MBA course in Chicago, Singapore Management University undergraduate course, and University of National and World Economy diploma course for business people in Bulgaria. Through these experiences I found there are many problems in these countries’ business education as well. For example, in the US, despite their fluent English, students’ understanding of globalization is very poor. In addition, aside from the top-tier 20 US business schools, return on investment (ROI) is very small compared to that of Japanese schools. In some cases, I found that the quality of business education in Japan is much better than that in the US. In the presentation.

Business Education in Japan: Observations from My Experiences
I was involved in two projects related to establishing globalized education in Ritsumeikan Asia Pacific University (APU), and am currently involved in establishing a new global faculty at Showa Women’s University (SWU). I also took part in various committees related to GHT development projects at Kyushu University, one of the most internationalized universities in Japan in terms of the number of incoming foreign students and outgoing Japanese exchange students, as well as their global education budget. I will touch briefly on my observation at these three universities and discuss the role of higher education to foster GHT in Japan.

At APU, I was responsible for establishing a US-type MBA course and also taught undergraduate courses in both English and Japanese. Most of our Japanese faculty were not prepared well to teach in English. However, our undergraduate course was very successful in attracting talented foreign students from over 80 countries. This was achieved by the hard work of the administration office and well-funded Japanese corporate scholarships. Another important factor in attracting many foreign students was not including a Japanese language requirement for admission. APU succeeded in creating a new foreign student market other than China, Korea and Taiwan, the three traditional dominant market for Japanese Universities. Students learned Japanese intensively after entering the university. Most graduates appreciated studying at APU not necessarily because of its academic standard, but rather, because of the global environment itself created by the university. As students were required to live in a dormitory during their first year, they faced conflicts triggered by different cultural views on a daily basis, and English was the only language they could use to solve these problems. Through these experiences, they developed lifelong friendships and many even married classmates from other countries. APU became an ideal active learning environment to become a GHT. Most of these foreign students joined Japanese companies after graduation, but according to my survey, 90% left their companies for various reasons
and joined foreign firms in Japan or third countries, or studied at top-tier graduate schools in the US, UK or Australia. (Kuhara, 2009) Most became true GHRs. However, Japanese companies failed to keep these GHRs, and if nothing changes, there is not much hope in attracting these talents in the future too. Japanese companies are the ones that need to change. Japanese Universities like APU have already changed.

At Kyushu University, with the help of focused government funding for globalization, there are many programs and initiatives to globalize the university. However, I found that due to the lack of university-wide strategies, implementation and executions were inefficient. Most of the English programs are aimed at only foreign students and they are separated from traditional programs for Japanese students. There are very few benefits from the various program to globalize Japanese students.

In April 2013, I transferred to SWU and am working for the newly established Faculty of Global Business. SWU is a traditional women’s college, which has produced many mid-level support staff for large Japanese companies. Facing severe competition among peer colleges and decreasing applicants, SWU abolished its junior college which used to be cash cow, and started this new faculty this year. Basically, SWU adopted a globalization strategy to survive the race. At the moment, neither SWU’s faculty nor students are globalized compared to their peers. However, SWU has two competitive advantages, a strong leadership and commitment by the management, and a campus in Boston which has been used for English education for the last 30 years. In the new Faculty of Global Business, students learn management subjects in both Japanese and English. During their first year, we teach Management, Accounting, Marketing, and Economics in Japanese. We also teach intensive English courses including business English. In the spring semester of the second year, students go to Boston and are taught the same four subjects in English by Harvard MBA students. In the third and fourth year, students will engage in research projects run by
active business people recruited by SWU. In this way, we plan to educate female GHTs. There are many issues in implementing this strategy, but from the management down to each faculty member, we are focused on achieving this.

**FINAL THOUGHTS**

**Higher Education to Foster GHT**

The major factor in delayed globalization and failure to foster GHT is the result of ineffective Japanese corporations’ strategies and SHRM policies. Importance of English language skills depends on the industry and the mode of globalization. IT and finance industries need truly globalized talents in order to compete on a global scale. Many manufacturers still use Japanese for knowledge accumulation, but some professionals should be able to speak English fluently. Domestic retail and service industries may need some English-speakers as well.

**Strategy is Important for both Japanese Companies and Universities**

As mentioned, individual Japanese universities have been taking actions towards globalization. Japanese university education has many strong points compared to their global counterparts. Return on investment of Japanese business education is higher compared to their US counterparts aside from the top 10-20 schools. It may not be worth paying expensive tuition to study abroad, but if there are good incentives, Japanese students will study abroad.

I am not denying the importance of English language skills, but I believe that globalized companies can manage well with 5% of their employees speaking fluent English, 20% speaking moderate English, and 20% or so understanding basic English. English is a
means of globalization and not the purpose. It is not a good idea to have Japanese faculty teach every subject in English to Japanese students, as students cannot gain deep knowledge.

Japanese companies should align head quarter strategies and local management, and adopt two official language policies at the corporate-level. They should establish transparent HR policies and decision making processes as a globalized company to attract talented young GHTs.

**TABLE 1: Choice of Entry and HRM in local operations by Japanese MNCs**

(Source: Hitt et al., 2013:1st and 2nd column and by the author: 3rd column)

<table>
<thead>
<tr>
<th>Type of Entry</th>
<th>Characteristics</th>
<th>HRM in local operations (Ethnocentric approach)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exporting</td>
<td>High cost, low control</td>
<td>Parent Country Nationals (PCNs) branch manager, sales representative and local agent</td>
</tr>
<tr>
<td>Licensing</td>
<td>Low cost, low risk, little control, low returns</td>
<td>Local agent</td>
</tr>
<tr>
<td>Strategic alliance</td>
<td>Shared costs, shared resources, shared risks, problem of integration</td>
<td>PCNs and Host Country Nationals (HCNs) shared top management</td>
</tr>
<tr>
<td>Acquisition</td>
<td>Quick access to new market, high cost, complex negotiations, problems of merging with domestic operation</td>
<td>PCNs top management shifting to HCN or Third Country Nationals (TCNs) top management</td>
</tr>
<tr>
<td>New wholly owned subsidiary</td>
<td>Complex, often costly, time consuming, high risk, maximizing control</td>
<td>PCNs to top and middle management with HCNs to middle management</td>
</tr>
</tbody>
</table>
REFERENCES


Mikitani Hiroshi (2013), *Market Place 3.0: Rewriting the Rules of Borderless Business,*
New York: Palgrave Macmillan.


1 A Global Human Talent (GHT) is a human resource who can work anywhere in the world, understand different cultures, and communicate with others in such global environments. Please see Kuhara (2009) for further discussion of GHT and Japanese University education.

2 Please also see Kuhara (2009) for further details of my teaching experiences abroad.