

# American Managers, Japanese Bosses

By Vladimir Pucik

Japanese direct foreign investment is expanding rapidly. In recent years a large portion of it has gone to the United States. By the end of 1989 the volume of net Japanese investment in the U.S., excluding real estate, is estimated at over \$80 billion. More than 2,000 Japanese-owned firms employ over 300,000 Americans (about half of them in manufacturing), and there is little doubt that this number will continue to grow. Having a job with a Japanese-owned firm is becoming a common experience for many American employees.

Traditionally, and with reasonable success, Japanese firms have relied on their expatriates to manage the local affiliates. However, the need to broaden access to world markets and a scarcity of expatriates capable of running a truly global firm are forcing them to rely more on local managers. Yet it is well-known that many Japanese firms, although they make a considerable effort, run into trouble when they try to enlist and retain first-class American executives. The building of effective local executive teams, as well as the integration of these executives into a global business management system, is a key challenge facing many Japanese multinationals today.

## Concern about careers

In order to learn how Japanese firms are responding to this challenge, we conducted a survey\* of the key factors that may impact the effectiveness of American executives employed in Japanese-owned subsidiaries. In total, 133 top-level American executives in 31 firms across a wide range of industries participated in the study. Most of these firms were among the best-known industrial, financial and service firms in Japan with long experience of operating overseas.

In contrast with the "horror stories" so common in the popular American press, a majority of executives surveyed expressed general satisfaction with job con-

ditions and environment in Japanese firms. A small group (less than 10%) voiced strong dissatisfaction. Many executives characterized their responsibilities as broader than what they were used to in an American firm, but their authority may be diminished under Japanese supervision. In particular, Americans in mature subsidiaries are less content with their jobs than those in smaller growing firms.

The level of satisfaction with employment in a Japanese-owned firm is partly influenced by the reasons why Americans joined such firms (Fig. 1). In general, most executives chose to enter Japanese firms because of their strong position in the industry or their potential for growth. However, security and stability, rather than advancement, are principal considerations for many older executives for whom a job with a Japanese firm is a "second career." In contrast, younger managers are primarily motivated by growth opportunities and many of them have doubts about their long-term future. One young marketing executive said, "To work in this company is a great opportunity. I have a good job. But is it really a great career?"

For the large majority of American managers and executives with whom we met, a long-term career with a Japanese company had been seriously considered. American executives also appreciate the patience and long-term strategic perspective of the Japanese parent firm. Yet, the perceived exclusion from decision making and strategic planning, the absence of training and management development programs, and the apparent lack of career opportunities discourage even the most loyal and determined individuals from long-term commitment to the company.

According to our survey, manufacturing subsidiaries are more integrated with the Japanese parent firm than affiliates engaged in sales and marketing only or in the service sector. As can be expected in today's "global era," the degree of busi-

ness integration is strongly correlated with the performance of the subsidiaries: a higher global integration is associated with a higher market share and new product development. However, high integration is also negatively associated with the job satisfaction of American executives, since it is seen as limiting their decision-making autonomy.

## Local independence

In a number of firms we visited, local executives (both Japanese and Americans) are still quite independent from headquarters' influence. However, as the firms expand, this autonomy encounters limits, and coordination across subunits worldwide becomes critical. While the local decision-making authority may expand with the size of the business, so does the need for global coordination, creating a paradox that many local managers are not equipped to handle.

The degree of integration of business activities should not be confused with the presence of Japanese expatriates. In general, Japanese nationals represent a body of managers that is two to three times greater than is customary in Western multinational firms. However, greater integration does not mean that more Japanese are dispatched to the U.S.

A large Japanese staff may indicate, paradoxically, less integration and more decentralization. In other words, local operations can be integrated into the global corporate infrastructure either through a formal reporting and planning system or through informal channels managed by the expatriates. The dilemma facing many American executives in Japanese firms is that they don't like the former, but find it also hard to live with the latter.

In general, no clear pattern of "Japanese-style" decision making emerged from our survey. In some companies, many of them acquired, Americans carry strong responsibilities and hold substantial power; in others, they function with

\*Vladimir Pucik, Mitsuyo Hanada and George Fifield: *Management Culture and the Effectiveness of Local Executives in Japanese-owned U.S. Corporations*, Egon Zehnder International, Tokyo 1990.



only a shadow of authority. In most cases, the decisions are ultimately made by the Japanese. There are consultations, discussions, meetings and perhaps even arguments, but the common perception is "once it's decided (by the Japanese), it's done." Many Americans accept this as a given fact of life in a foreign-owned company, others resent their perceived lack of real authority.

The common complaint among American executives regarding communication with the parent firm is the lack of systematic sharing of strategic information, either through briefings by senior Japanese staff or by direct contact with the headquarters. It is not yet clear whether the recent tendency of many Japanese firms to set up a regional HQ in the U.S. will promote the inclusion of local executives. While participation in regular management meetings in Japan is seen as especially beneficial for the morale of local executives, it is also apparent that some Japanese expatriates are not yet, for a number of reasons, comfortable about sharing strategic information with their American colleagues.

## Preferred pattern

Broadening the decision-making process through joint consultations involving the Japanese parent firm, Japanese expatriates and the local executive staff is clearly the preferred pattern of decision making from the point of view of American executives (Fig. 2). This seems to make good business sense: our study shows that profitability of the subsidiary and other key performance measures, such as sales volume and market share, are strongly associated with the involvement of local executives in strategic decision making.

With respect to their own managerial role, what matters most to the Americans is mainly the delineation of authority in the organization. The tendency of many Japanese firms to tolerate, if not encourage, overlapping managerial jobs and collective authority is a source of frustration to a number of executives. The Americans want to know who is "in charge" and many do not manage effectively in situ-

Fig. 1 Reasons for Joining a Japanese-owned Company

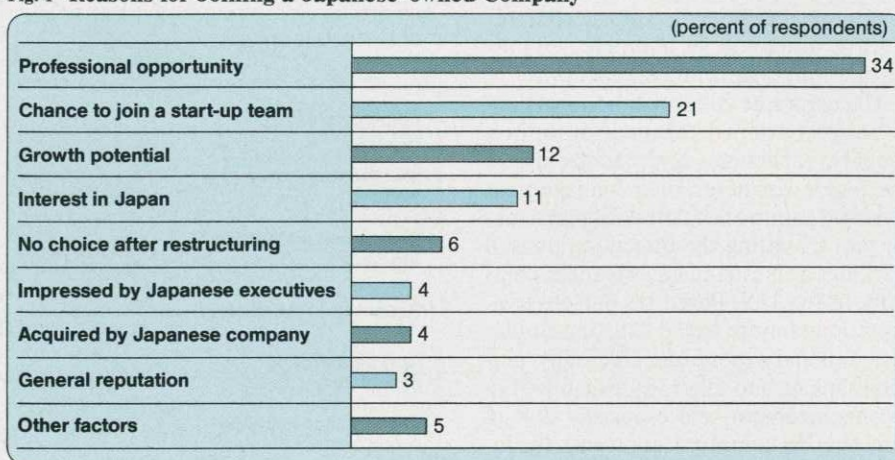
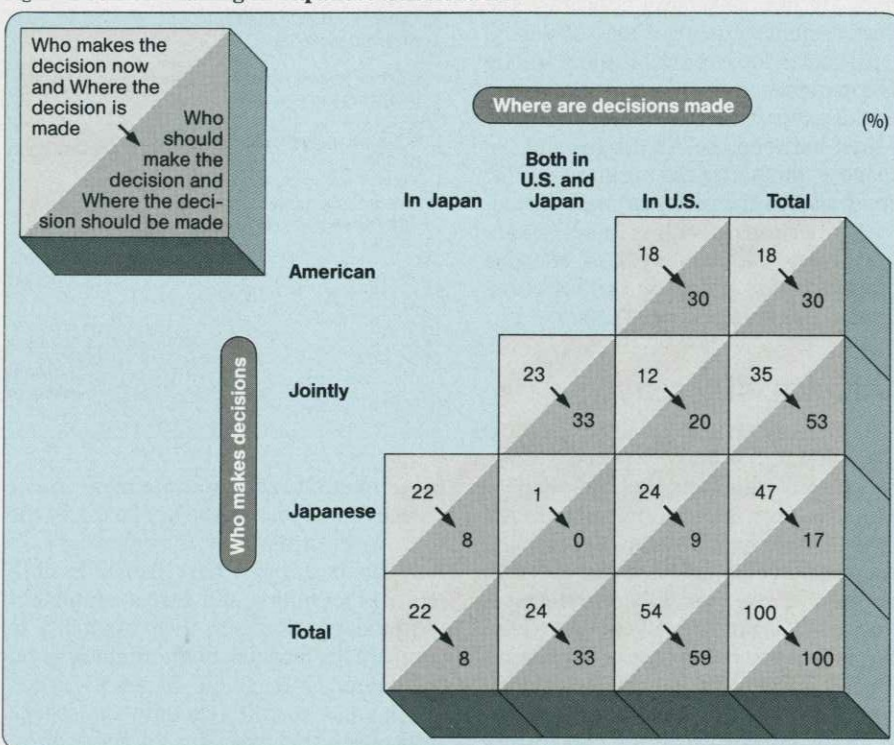


Fig. 2 Decision Making in Japanese Subsidiaries



ations where authority is ambiguous. They find it hard to differentiate between formal and informal hierarchical structures, in particular who among the Japanese has the power to get things done.

Though the organizational culture in Japanese-owned manufacturing plants is often commented on, there is no single

"Japanese" management culture visible on the executive level in Japanese operations in the U.S., nor, given the variety of patterns in which Japanese firms in the U.S. develop, is one likely to emerge. Companies with a "unique" flavor are those with a fairly stable management team at the top, both American and Japa-



nese, with frequent communications across the Pacific, and with a comprehensive set of policies and practices promoting intraorganizational cohesion.

The corporate culture of the subsidiary is to a great extent determined by the personality, capabilities and background of the senior Japanese. Their management style and communication skills play a major part in setting the direction, internal workings and tone of any Japanese company in the U.S. Based on our observations, long tenure in the U.S. or a similar international experience, credibility, personal linkages to other key executives in top management, and especially ease of direct verbal communication with the local staff are all critical.

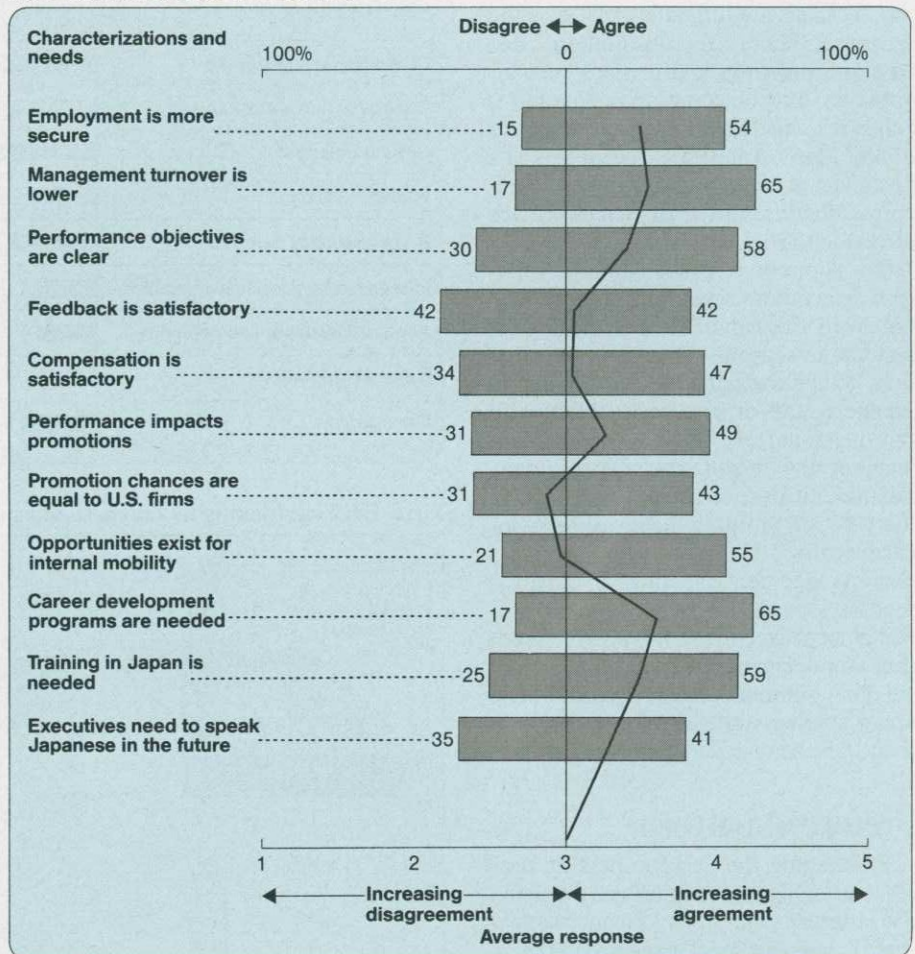
Somewhat surprisingly, cross-cultural issues are not considered critical for the effective management of the subsidiary, in particular for communication among the top management team. However, our data also show that the higher the degree of trust between the Americans and the Japanese, the better the business results. It may also be the case that many executives, Americans as well as Japanese, underestimate the challenges to effective communication posed by various cross-cultural and organizational issues.

## Dramatic difference

For most American executives, joining a Japanese firm was above all a novel and dramatically different, cultural experience. However, most companies do not seem to be prepared to devote time and other resources to address this issue. In our sample, less than 10% of the executives speak Japanese well enough to use the language in business situations. While it is doubtful that the full integration of overseas executives into the management infrastructure of the parent company is possible without some degree of familiarity with the Japanese language, efforts to learn the language were not really appreciated.

Most Japanese-owned firms face the challenge of upgrading the depth and professional quality of their existing local management team through internal development and external recruiting. The

Fig. 3 Human Resource Practices



need to attract and motivate high-caliber executives is seen as the key factor for the future performance of the subsidiary. So far, Japanese firms have had little difficulty in recruiting mid-career competent Americans. However, their capability to nurture the local talent internally is as yet untested. Only a few Japanese-owned companies recruit regularly on college campuses and maintain an active presence there.

Most managers agreed that the existing compensation systems are not a major handicap in attracting and retaining capable Americans. The problematic issue is not money, but performance feedback and career opportunities (Fig. 3). A significant proportion of executives at all management levels complained about

the lack of clarity of performance objectives and insufficient performance feedback. Performance evaluations that would involve one-on-one discussions are largely nonexistent.

For the middle management group, the key human resource constraint is limited autonomy in decision making and dissatisfaction with long-term promotional chances; at the top, the principal concern is the availability of opportunities for career advancement. The apprehension of many executives concerning their long-term careers is not surprising; most Japanese firms recruit U.S. executives or senior managers without regard to the individual's career aspirations, or without a long-term plan as to what these individuals may do in the future.



The tendency is to hire a manager to fill a specific position and to perform specific responsibilities. With only limited activities in place to enhance the manager's skills and capabilities, individuals are given little encouragement to think beyond their current roles. This short-term emphasis is interpreted by many as an indication that there are few career or promotion opportunities within the organization. As managers and executives perceive a limited commitment on the part of the company to expand their potential, they themselves are not willing to commit their careers to the company.

Much of the coordination infrastructure in any global firm is informal, based on shared culture and personal linkages developed on the job or through temporary transfers. We have observed that the inclusion of Americans into the "network culture" that is characteristic of many Japanese firms is critical to their acceptance of the globalization process and their success as executives. Forward-looking Japanese multinationals such as Sony or Honda are therefore using multicultural business teams and flexible task forces for strategy development and implementation in order to replace the closed "Japanese-only" communication channels with global information networks open to all.

Wide sharing of information and delegation of authority are necessary steps in this direction. Also, extensive horizontal linkages to the parent firm not only enhance managerial commitment, they also make local executives more effective. A number of American managers identified the relationship with their Japanese peers as most critical to their ability to manage, and they relied heavily on trusted Japanese colleagues in their communications with the headquarters.

Such relationships are difficult to establish and maintain without a thorough knowledge of how the Japanese parent firm operates. A career path that includes an assignment to the headquarters (with real job responsibility) and perhaps to another of the foreign subsidiaries is an ideal instrument to develop such expertise. The ability to manage such exchanges in a critical mass will be a true

test of globalization for many Japanese firms in the years to come.

In our survey, the quality of human resource management practices in the subsidiaries was one of the key predictors of corporate performance. In this respect, the issue facing many Japanese subsidiaries in the U.S. is not that they are too "Japanese" in their management practices, but that often they are not "Japanese" enough. They are not managing Americans with the same focus, long-term perspective and determination that they apply at home: from campus recruitment and management development, to open communication and information sharing.

## Route to excellence

In spite of what often are the very best intentions, the common "when in Rome do as the Romans do" philosophy of management may not be the correct prescription for Japanese firms operating abroad. With this kind of approach the best they could do is to replicate an "average" Western firm: that is probably not the best route to achieving excellence.

The challenge for the globalization of Japanese firms is to find a proper balance between an American and a Japanese orientation in their decision-making style. This does not mean trading off centralization of power at the head office against localization. It implies optimizing the quantity and quality of inputs from all areas of knowledge existing in a global company. In this respect, our study points to several key issues that need to be addressed by many Japanese firms operating overseas:

### Selection of local managers

Effective local managers and executives are characterized by flexibility and high tolerance of ambiguity, the ability to operate outside the formal hierarchical structure, good product knowledge, the skill to listen and communicate clearly, and a management style based on politeness and civility, rather than "table pounding." Cross-cultural sensitivity and the right combination of patience and a sense of urgency (patient aggressiveness) are essential. Managerial effectiveness is

also seen as closely linked to the degree of trust among the top executive team.

### Career development of local executives

In order to attract qualified candidates early in their careers, Japanese firms must substantially increase their visibility on college campuses, including visits by key executives from Japan and offers of internships in Japan to foreign students. Just as it is done in Japan, and by first-rate American firms, they need to be seen as offering careers, not just jobs. As at least some experience in the parent firm is increasingly essential for a successful career with a Japanese-owned firm (as in any other multinational), meaningful career opportunities in Japan are the test of a company's commitment to localization.

### Emphasis on joint decision making

One of the main challenges facing the parent firm in Japan is to increase the transparency of its decision-making system. Most of the local managers understand that the U.S. market is too important to be left truly autonomous as many critical corporate resources are concentrated there, but they want to be consulted in a meaningful manner. What is required is to give the local executives the opportunity to provide input and the appropriate skills to do so. More joint cross-cultural team training is essential in order to increase mutual understanding and trust.

As Japanese firms develop more and more international experience, it is to be expected that some of the shortcomings of the existing ethnocentric management systems will be corrected. This will not happen automatically as companies mature, however, but only through total effort, continuous experimentation, and trial and error. To maintain a steady course toward real globalization requires also strong top executive leadership and support, not just for the sake of being a "good corporate world citizen": a high quality of local management is a requirement for success in global competition.

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