

Foreigners Finding a Niche in Japanese Firms

By Takahiro Takesue

(This is the first of two articles on the sharp increase in the number of foreign nationals working in Japanese companies. The first article deals with those employed by major corporations with proper working visas. The second article, to appear in the May/June issue of the *Journal*, will cover those working here illegally, mostly at smaller companies short of workers.)

Anyone visiting Roppongi, one of Tokyo's best known nightlife districts, will need no further convincing of Japan's internationalization. There are so many foreign nationals out for a night on the town that one could easily think it part of a foreign country. Now the same tide of internationalization is tugging at Japanese companies as well. The number of Japanese firms hiring foreign nationals to work as full-time employees inside Japan is increasing inexorably.

"No other city bank in Japan has as many foreign nationals on its staff as we have," boasts Ryoji Hirabayashi, senior manager of the International Division of Fuji Bank. It was in 1985 that Fuji Bank began to hire foreign nationals as full-fledged staff members. There are now 20 men and women from Australia, the United States, Canada and three other foreign countries working in the International Division and International Project Finance Division of the bank's head office. Most are in their 20s, and about half were recruited straight out of university in their home countries.

Important assets

Japanese banks have always been very conservative in their ways, and personnel administration is no exception. Until very recently, Japanese banks hardly ever employed even Japanese at mid-career, and taking on foreign nationals was inconceivable. Fuji Bank, however, saw ample cause to try something new.

"The biggest reason is that the financial



An office of Fuji Bank, which claims to have more foreign nationals on its staff than any other city bank in Japan.

business has turned international," explains Hirabayashi. "Our operations have become international in scale—dealings, mergers and acquisitions (M&A) and overseas financing. In this age of international financing, foreign nationals versed in overseas commercial practices and systems are important assets."

According to the Justice Ministry Immigration Bureau, 42,806 foreign nationals received a working visa for the first time in 1984. By 1986 the number had increased 30% to 54,736.

Companies hiring foreign nationals extend over the length and breadth of Japanese businesses—banks, securities firms, supermarkets, department stores, automobile manufacturers, *sogo shosha* (general trading companies) and more. Moreover, big businesses have recently started to employ foreign nationals in large numbers. Fujitsu, for instance, is recruiting American and European engineering graduates this year. The company says it will ultimately employ at least 50 foreigners graduating in 1988.

Yasuda Trust & Banking Co. added nine persons to its foreign staff at the end of 1987, bolstering a force which already numbered 11 in its real estate and international finance divisions. "Seven out of 10 major corporations are positive about employing foreign nationals on a full-time basis," says Prof. Mitsuyo Hanada of the Sanno Institute of Business Administration. The desire to employ foreign nationals has never been stronger.

Internationalization of their business is the universal reason Japanese companies give for hiring foreign nationals. Conversely, this response points up the

scarcity of Japanese fluent in foreign languages who possess a solid understanding of foreign business practices.

The word internationalization has been used in a very facile way. In fact, it signifies a very diverse range of developments, and the forms it takes are no less numerous. C. Itoh & Co., one of Japan's leading *sogo shosha*, has drawn up a plan to hire 100 foreign nationals over 10 years. Its aim is to train people from other countries in Japanese management know-how, then send them out as managers to the company's more than 140 overseas branches.

Another top *sogo shosha*, Marubeni Corp., is known for its employment of Chinese. This is part of the company's effort to build a marketing structure aimed at the Chinese market.

Worried managers

Another reason companies give for hiring foreign nationals is "to make the organization more heterogeneous." In 1982, Seibu Department Stores recruited 27 foreign nationals at the same time, including a number from Southeast Asia. "The participation in the organization of foreign nationals with a different sensibility from Japanese employees will serve to revitalize the organization and our own thinking," the company explained.

Despite subtle differences in rationale, however, all the companies agree that a foreign corporate staff is indispensable for their future growth.

"Deep inside, we were worried about whether they would be able to work well within a Japanese company," admits

Masao Miyamoto, manager of the Personnel Department of Honda Motor Co. "However, they assimilated themselves into the company much better than we anticipated." Honda hired six foreign nationals for the first time in 1987. All were fresh out of university or graduate school, and had no business experience.

In the past, most foreign nationals working for Japanese companies had switched from other jobs. Their new employers expected them to be of immediate help to the company because of their ample experience. Honda, however, gambled on people who were an unknown quantity. Miyamoto explains, "We think of them in terms of future management staff. In order for foreign staff to learn about Honda from the bottom up, it is best to recruit them straight out of school while they are still green."

The six foreign nationals who joined Honda received the same freshman training as Japanese university recruits. In fact, they trained together with their Japanese colleagues. All Honda recruits undergo practical on-the-job training for three months each on the production line and in the sales division, and the foreign recruits were no exception.

"Unless they are familiar with the production plant, they cannot work effectively in our company," says Miyamoto. "We had them live in the dormitory, two to a 10-square-meter room, and to actually work on the assembly line just like the Japanese recruits."

In the past several years, the job classifications of foreign national employees in Japanese firms have undergone a big change. In the past, foreign nationals were employed as language instructors or translators, largely because the Justice Ministry had laid down the rule that "entry visas will be given only to those fulfilling tasks which can be done only by a foreign national." After the Justice Ministry approved Seibu Department Stores' application for "foreign nationals with a sensibility different from that of Japanese," however, the rules were eased. Today, foreign nationals are working in Japanese companies at a wide range of jobs, from sales to foreign trade, design and planning.

Table 1 Categories of Foreign Nationals Authorized to Engage in Professional Activities for Remuneration in Japan

| Residence status in Japan | 1984 | 1985 | 1986 |
|---|--------|--------|--------|
| Trade, business or investment | 6,887 | 6,826 | 6,773 |
| Teaching at academic and research institutions | 336 | 310 | 333 |
| Theatrical and other performances and sports events for income | 32,952 | 34,569 | 44,989 |
| Providers of advanced technology | 10 | 13 | 18 |
| Skilled labor | 511 | 498 | 552 |
| Other categories, including teaching, as authorized by the justice minister | 2,110 | 1,797 | 2,071 |
| Total | 42,806 | 44,013 | 54,736 |

Source: Justice Ministry Immigration Bureau statistics

From specialist to generalist: the significance of this shift in job content is that Japanese companies are increasingly expecting their foreign staff to become core personnel. The employment of men and women from abroad is entering into a new stage.

Kobe Steel is well known as the first Japanese corporation to employ foreign nationals in earnest. The company hired its first foreign worker in 1975, and today has 27 on its payroll. The total number of foreign nationals to work for the company since 1975 is more than double that figure. This suggests substantial turnover, and in fact the average length of service for foreign nationals is only five years. This is extremely short from the standpoint of a Japanese used to lifetime employment, but Shigetou Kotani, manager of Kobe Steel's Personnel Planning Section, considers the phenomenon to be unavoidable. "People from other countries do not think of working for a single company all their life," he says. "Their approach is to change jobs to get higher pay. It is unreasonable to force on them the Japanese concept of lifetime employment."

Yet even if the foreign employee stays only a short while, Japanese corporations believe that employing them still has sufficient merits. Kajima Corp. has been hiring foreign nationals since 1985, and Personnel Manager Seiichi Hakozaki says his company does not plan to stop.

"In the Japanese construction industry, we accept orders for buildings costing several billion yen over the telephone," says Hakozaki. "It is business based on mutual trust. Outside Japan, however, this method is not viable, so we hire foreign nationals well versed in the laws and contracts of other countries. Thanks to them, our overseas business has gone very smoothly."

Stresses and strains

Many personnel managers list improved language ability on the part of Japanese staff and increased familiarity with the way of thinking of people of other countries as additional benefits of hiring foreign nationals. The foreign staff of heretofore isolated Japanese companies are proving a major plus when their employers undertake work overseas.

Even at the best of times, however, working in a Japanese company has its share of stresses and strains. Chicago-born Gerard J. Maloney, 30, has been at Kobe Steel for eight years. But he says he still sometimes feels out of place.

"When I make a mistake in my work, there is nobody to whom I can unburden myself," Maloney says. "At such times, I get very tense. To ward off the tension, I try to keep my sense of humor."

Maloney says the most essential qualities for a foreign national to do well in a Japanese company are "patience and perseverance."

Table 2 Persons Entering or Reentering Japan

| Year | Total | Japanese | Foreign nationals | | | | U.S. forces* |
|------|--------------------|---------------------|----------------------|----------------------|----------------------|-------------------|------------------|
| | | | | Regular | New entrants | Reentrants | |
| 1981 | 5,600,789 (7.0) | 4,008,002 (2.8) | 1,592,787 (19.5) | 1,552,296 (19.8) | 1,330,720 (22.4) | 221,576 (6.1) | 40,491 (8.1) |
| 1982 | 5,845,130 (4.4) | 4,085,456 (1.9) | 1,759,674 (10.5) | 1,708,306 (10.1) | 1,479,859 (11.2) | 228,447 (3.1) | 51,368 (26.9) |
| 1983 | 6,172,117 (5.6) | 4,214,291 (3.2) | 1,957,826 (11.3) | 1,900,597 (11.3) | 1,667,585 (12.7) | 233,012 (2.0) | 57,229 (11.4) |
| 1984 | 6,727,031 (9.0) | 4,626,860 (9.8) | 2,100,171 (7.3) | 2,036,488 (7.1) | 1,783,689 (7.0) | 252,799 (8.5) | 63,683 (11.3) |
| 1985 | 7,267,380 (8.0) | 4,934,248 (6.6) | 2,333,132 (11.1) | 2,259,894 (11.0) | 1,987,905 (11.4) | 271,989 (7.6) | 73,238 (15.0) |
| 1986 | 7,574,673 (4.2) | 5,479,070 (11.0) | 2,095,603 (-10.2) | 2,021,450 (-10.6) | 1,710,450 (-14.0) | 311,000 (14.3) | 74,153 (1.2) |

Notes: 1. Figures in parentheses are percentage changes from previous year.

2. *Includes military personnel and civilian employees of the armed forces and their families.

Source: Annual Report on Emigration and Immigration Control Statistics, 1987

Some aspects of the Japanese way often try the understanding of foreign workers. Japanese workers, for instance, will stay in the office long past the end of normal working hours even when there is no urgent work to be done. Meetings are held with astonishing frequency, and work does not proceed smoothly without *nemawashi*—the laborious process of going around to all the persons concerned and getting their informal agreement before taking up a proposition formally. Nor are stand-out, hotshot lone wolves welcome in the office. All these traits reflect the Japanese philosophy of work through collective harmony. Not all foreign workers can adjust to such an atmosphere, and some clash with management and resign.

According to a study by the Sanno Institute's Hanada, the complaints of foreigners working in Japan range from "promotions" to "feelings of inadequacy on the job," "smoking in the office," "unclear expectations of colleagues" and "differences in business practices."

It is only natural for problems to occur when people from different cultures work together, and Japanese executives do show some understanding of the problems their non-Japanese staff face.

"Both sides should say what is in their mind," maintains Honda's Miyamoto. "It's all right if it leads to a dispute. The first step in communication is to deepen mutual understanding."

There are some foreigners who feel the burden of adjustment should be on their shoulders. After three years at Fuji Bank Australian Colin Noble is quite practical about it. "Japanese companies are conservative," he says. "They don't accept new ideas easily. However, I am working in a Japanese company, so I do things the

Japanese way in almost every respect, with two exceptions. On days when there is no leftover work that needs to be completed, I go home at the regular quitting time. And when I go drinking with my colleagues, I don't sing *karaoke* (sing to the accompaniment of recorded music)."

In other words, his philosophy is "when in Rome, do as the Romans do." However, if a Japanese company should try to force the Japanese way on to its foreign employees, they would probably not stay very long.

What is the best way to treat foreign staff? The answers that corporate personnel managers give are vague and ambiguous. Most Japanese companies pay their foreign personnel larger salaries than their Japanese contemporaries. But while they receive preferential treatment in this respect, they are also usually on a different promotion track from their Japanese colleagues. At Sony Corp. and Kajima Corp., for instance, there are foreign departmental managers and assistant managers. Other companies like Kobe Steel have no foreigners in managerial posts, a reflection of their separate personnel administration systems for Japanese and foreign employees.

The main yardsticks for personnel administration in Japanese corporations are length of service and lifetime employment. The number of companies trying to reflect actual job performance in the pay check, though increasing, is still a tiny minority. It is difficult to fit foreign employees who are accustomed to the merit system into this framework. Treating them exactly the same as Japanese workers only increases the possibility of friction with management.

Instead, promotions and pay raises are

usually determined through direct negotiations between the worker and the personnel manager, an approach which also allows for more accurate employee evaluations to be made. Fouad Otsuka is a Lebanese who has become a naturalized Japanese citizen and now works at Kajima. "I am very satisfied with the way the company has evaluated me," he says. "I'm satisfied with my salary and treatment. Human relations within the company are going well."

As long as the number of foreign employees in a company remains small, this case-by-case decision-making works fine. In the future, however, swelling foreign staffs are likely to outstrip the system. A more formalized approach will then become necessary.

Road to reform

Meanwhile, the number of foreign nationals working in Japan who remain outside the protection of the law also seems certain to increase, posing a new challenge not only for management but for society as a whole.

It will take some time yet for foreign workers to substantially alter the face of the employment system in Japan. Yet that day could come. "Kobe Steel has roughly 24,000 employees, of whom a mere 0.1% are foreign nationals," says Kotani. "We cannot reform our entire system just to accommodate this small fraction of employees. But if the number of foreign employees continues to increase, we may have to modify our Japanese-style personnel management, including the seniority and lifetime employment systems. Otherwise, internationalization within Japan will not progress."

The increasing number of foreign nationals employed by Japanese companies will inevitably spur change in Japan itself. Japanese corporations are steadily moving themselves, and the nation, along the road to reform. ■

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