

Asian Regional Integration from “an Elite Employee”

in Japanese Companies based in Taiwan

Floating Local Managers and Network Formation towards Asian Integration

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## **Abstract**

In the late of 1960's, Japanese manufacturing companies started to establish companies in Taiwan which are to be the case studies for this paper. Inside Japanese companies, a certain volume of core local managers are maintained. They are highly trusted by Japanese expatriates or head quarters and subsequently they are sent to mainland China to run factories or directly collaborate with Hong Kong or Singapore branches.

In many cases, employees who have been cultivated in Japanese companies in Taiwan eventually relocate to other parts of Asia. One of the important by-products of this movement is the establishment of strong networks in Asia in terms of economic activities. This networking process through multinational enterprises can be viewed as one of the contributors to Asia integration.

We can also view HRM and cultivation of employees inside Japanese companies as important contributors to Asia integration and cooperation through the movement of people in Asia. In consideration of the important role the movement of culturally competent managers and their movement in Asia have on Asian integration, this study will focus on core local Taiwanese managers working beyond national boundaries in terms of conducting interviews with them.

As a result of this investigation we expect to demonstrate that deepening Asia integration can and should be viewed through the movement of people as exemplified by local core managers accumulated in Japanese companies in Taiwan.

## **1. Introduction**

Generally speaking, it must be common sense for any organizations to recruit excellent personnel if they want to maximize the benefits to the organization (Watson Wyatt, 2003: 1). One of the measurements used to determine whether certain personnel are excellent or not depends on their academic background (Hioki, 1998). The higher a person's academic background, the higher their position may be, and likewise the lower a person's academic background, the less chance they have to reach a higher position.

In a Japanese company in Taiwan, people who have lower education tend to stay in the company for a long time. Especially in managerial positions, the percentage of people with a low educational background is increasing in accordance with appreciation of their long term commitment. Judging from this, people with higher educational backgrounds (so called "elites" in Taiwan) always seem to seek "the best practice" and look for a company that estimates their ability adequately. Thus, they always look for a company which estimates their ability higher and then move to that company. On the other hand, people with lower academic backgrounds seem to choose to stay in the Japanese company for a long time because they do not appear as elites of "high educational background" and cannot stand up against competition in the personnel-labor market. People with high academic backgrounds literally look for "the best practice" and people with low academic backgrounds seek "the second best practice". This is the reason that, in a Japanese company in Taiwan, one of the

characteristics of people who work for a long time is a low academic background. Moreover, the “the second best practice” allows these people to more easily gain the trust of the Japanese company, and as a result the percentage of people with low academic backgrounds in managerial positions is high.

## **2. Problem setting**

A lot of Japanese enterprises have advanced to East Asian countries, which are Asian NIEs ——Taiwan, South Korea, Hong Kong, and Singapore—— because of the sharp appreciation of the yen since the Plaza Accord in 1985 with the Nixon shock in 1971 (Itou, 2000). However, Japanese companies advanced to East Asian countries come to face many problems. One of the biggest problems is outflow of a good personnel (Suzuki, 2000). Generally speaking, it is said that in East Asia a rate of job-hopping is relatively higher than that of in Japan. So, inside Japanese companies in East Asia, even though Japanese companies tend to have a seniority system which is commonly adopted in Japan, many local staff resign and it's difficult to stabilize a seniority system (Okamoto, 1998: 254). Moreover, many Japanese expatriates often mention that job-hopping of local staff bothers them and even local companies are also bothered by employee's job-hopping (Sonoda, 2001: 62).

Besides, it is often pointed out that Japanese companies have a kind of equal salary system and local staff complains this kind of salary system (Sonoda, 2001: 150).

In this way, because there is a principle of “prolonged competition” in Japanese company (Koike, 1998), the average of the amount of first salary of Japanese university graduates in a Japanese company is lower than those of an American one (Shiraki, 1999: 12). This kind of discussion concludes that a Japanese company is likely to lose an outstanding human resource, and it would be difficult for Japanese companies to attract such kind of excellent human resources if they do not rearrange a condition of salary system or promotion practice when they are in abroad (Yoshihara, 1996, Sonoda, 2001).

This kind of issue is often related to the merit system for salaries. In other words, a Japanese company should pay salary based on his or her individual achievement because otherwise outstanding human resources in a Japanese company quit easily and flow into an American company which has the merit system for salaries instead (Yoshihara, 1992, Keizai Sangyoushou, 2001).

In this paper, I describe an idea of facilitating of the use of excellent human resources as “the first best practice” in terms of human resource management. However, in this paper, I focus on local employees who have been working for a long term in a Japanese company rather than outstanding human resources so called “elites”. As I mentioned above, it is often discussed that outstanding human resources in Japanese companies in Asia search for a better work place which evaluates their ability appropriately in the labor market because of “prolonged competition” or “slow promotion” practices of a Japanese company. However, on the reverse side of this

phenomenon, there are certain employees who stay in a Japanese company for a long time as a result. In this paper, I describe an idea of facilitating of the use of such kind of employees who stay in Japanese company as “the second best practice” in terms of human resource management.

A main purpose of this paper does not discuss why many excellent human resources so called “the first best” leave Japanese company easily, but why “the second best” human resource who does not have “educational capital (Bourdieu, 1979)” stay in a Japanese company as a result.

### **3. Research Outline**

In this paper, I use the result of two researches, which are qualitative and quantitative data.

Regarding the quantitative data, I re-analyze the data of 1000 local employees working in 35 Japanese companies (manufacturing) in Taiwan which professor Sonoda at Waseda University conducted on March, 2002. Especially in this paper, I mainly focus on items of “Education”, “Job ranking” and “length of service”.

Regarding the qualitative data, I interviewed 11 local employees on March to April of 2003. They have been working for Japanese companies (manufacturing) in Taiwan which have a long history. I use this data as a qualitative in this paper.

The outline of the interview is as follows. First I picked up Japanese companies

in Taiwan which have a long history, and then I called those companies directly and asked to accept my interview. Regarding selection of companies, I focused on Japanese companies of manufacturing who have a long history. Besides, I picked up large-scale manufacturing companies because it's obvious to see Japanese characteristic management style from such kind of companies (Okamoto, 1998: 5). Besides, I thought it would be easier to see issues of transfer of Japanese management style from large-scale of Japanese companies. Regarding of selection of informants, I asked companies to select local employees who have been working for a long time. The length of interview ranged from one hour to two hours for each person. The interview was mainly conducted in Japanese due to limitation of my language proficiency.

**Table 1. Profile of Companies and informants of interview**

<b>Company</b>	<b>Years in Businee in Taiwan</b>	<b>Employee number</b>	<b>Type of business advancement</b>	<b>ownership</b>
<b>A (case1、 2)</b>	<b>33 年</b>	<b>746</b>	<b>independent management</b>	<b>100%</b>
<b>B (case3、 4)</b>	<b>36 年</b>	<b>—</b>	<b>independent management</b>	<b>100%</b>
<b>C (case 5)</b>	<b>40 年</b>	<b>106</b>	<b>independent management</b>	<b>100%</b>
<b>D (case 6、 7、 8)</b>	<b>25 年</b>	<b>103</b>	<b>independent management</b>	<b>100%</b>
<b>E (case 9、 10)</b>	<b>32 年</b>	<b>338</b>	<b>joint management</b>	<b>93.3% · 6.7%</b>
<b>F (case 11)</b>	<b>19 年</b>	<b>45</b>	<b>independent management</b>	<b>100%</b>

Case (informant)	age	sex	academic background	experience of residing in Japan	category of business	service years	status
1	54	M	Junior College (Taiwan)	None	Music instrument	32 years	Vice president
2	50s	M	Junior College (Taiwan)	None	Music instrument	25 years	Manager
3	55	F	University (Taiwan)	None	electronic components	29 years	Manager
4	47	M	University (Japan)	5 years	electronic components	16 years	Manager
5	59	M	University (Taiwan)	None	Medicine	39 years	Manager
6	49	M	High School (Taiwan)	None	Watch	25 years	Vice president
7	50	M	Junior College (Taiwan)	None	Watch	26 years	Vice president
8	52	M	Junior College (Taiwan)	None	Watch	25 years	Manager
9	51	M	---	None	fishing gear	28 years	Manager
10	51	M	Junior College (Taiwan)	None	fishing gear	27 years	Manager
11	47	M	Junior College (Taiwan)	None	watach	23 years	Manager

Among my 11 informants, case 5 has been working for 39 years since his company established in Taiwan. Most informants have been working for 20 to 30 years, and the shortest one is case 5, which is for 15 years.

Age of informants ranges from the late 40s to 50s. Job position of my informants is above manager level. The highest rank is vice president. Only case 4 has stayed in Japan for more than one year because he graduated from a university in Japan. Except case 4, all informants have been educated in Taiwan. Regarding educational background, three informants have bachelor degree, and the rest of them are either junior college graduates or high school graduates. Moreover, among three vice presidents, one is high school graduates and the other two are junior college graduates.

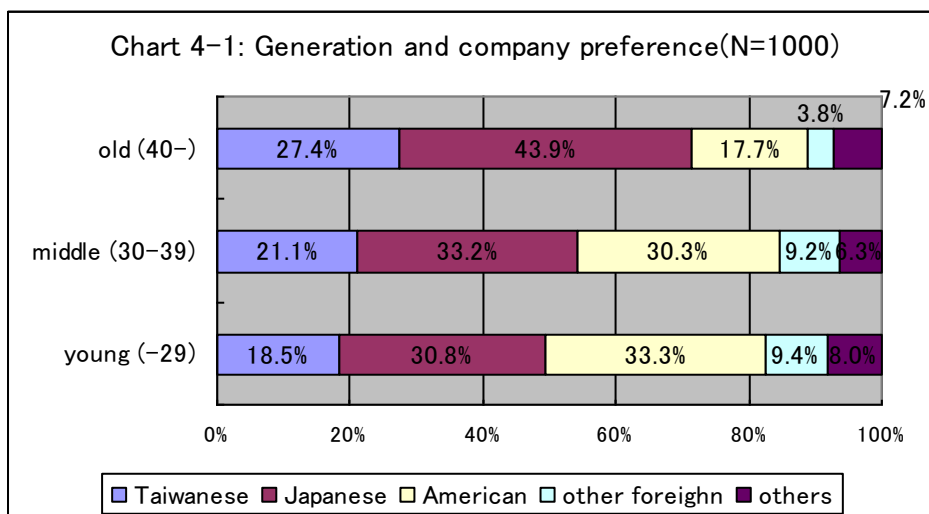


## 4. Results of analysis

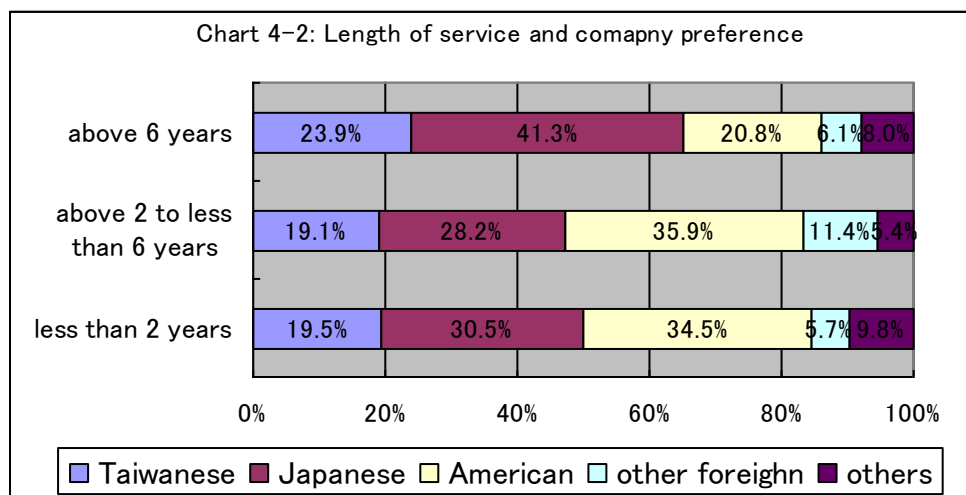
### 4.1 Results from quantitative data

#### a) Company preference in terms of inter-generation and the length of service

Chart 4-1 below is the relation between inter-generation and company preference. Judging from Chart 4-1, young employees prefer an American or other foreign company to a Japanese or Taiwanese company. However, old people prefer Japanese or Taiwanese company in the contradiction to young people. Middle age people stand between two of them. This means that Japanese company is preferred along with the development of generation. It is often mentioned that local employees in Japanese company do not highly appreciate a Japanese company, but if I see the preference of local employees in details, old generation appreciates a Japanese company.

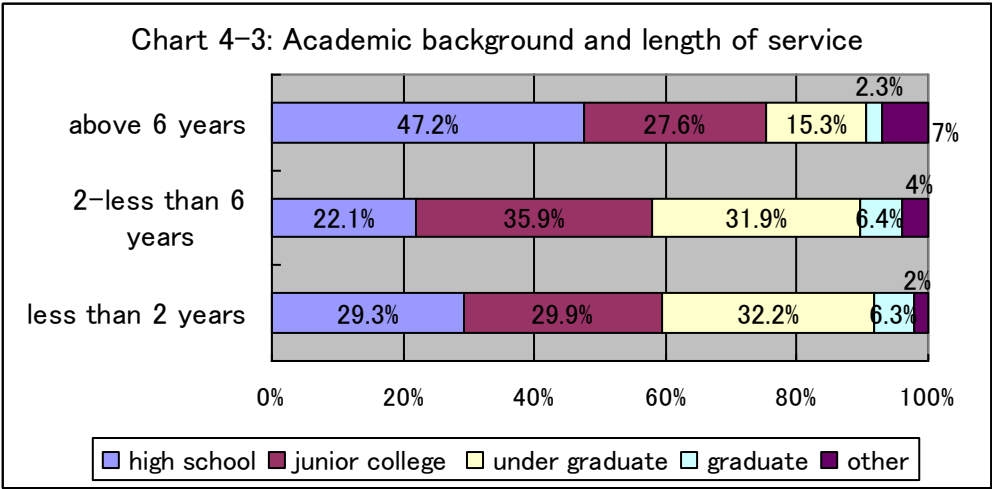


I have got the almost same result from the relation between length of service and company preference. According to chart 4-2 below, employees who have been working for more than 6 years appreciate a Japanese company. In this data this time, length of service positively correlates with age (correlation coefficient .622\*\*).

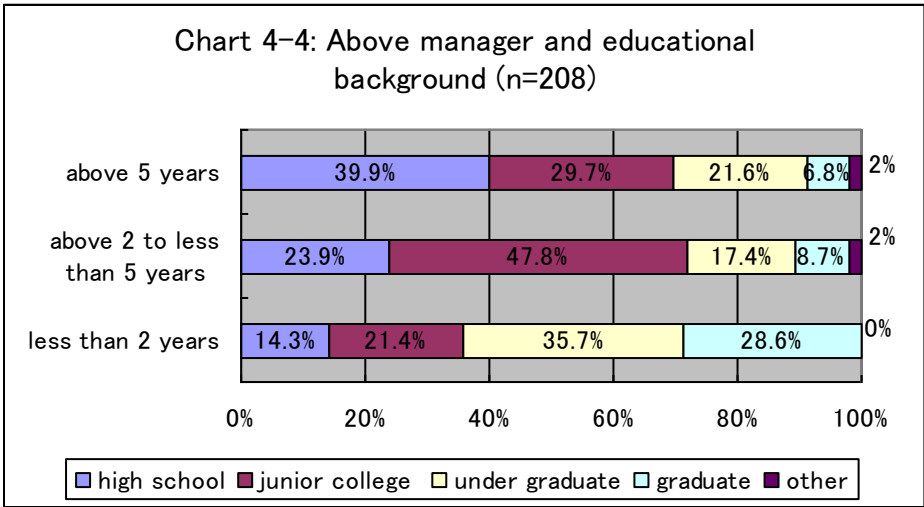


b) Educational background and length of service

Chart 4-3 shows that a relation between academic background and length of service. There is a difference between academic background and length of service. Employees who have high academic background are mainly in short term commitment group. On the other hand, almost 50% of employees who have working for a long time mainly have low academic background.



Moreover, chart 4-4 gives us a very interesting finding. Chart 4-4 is a cross-tabulation between length of service of above managers and their educational background. According to chart 4-4, the more length of service of employees increase, the more employees with low educational background increase. Length of service has weak correlation with academic background (.221\*\*).



Shiraki's survey conducted in a Japanese company in southeast Asia also supports this result. Shiraki compared a Japanese company to Euro-American company in southeast Asia in terms of promotion, and he concluded that the average of managers of high school graduates or junior high school graduates in Japanese company was higher than those people in Euro-American company. Then, finally he mentioned that in Japanese company in southeast Asia, possibility of promotion is widely open to people who do not have high educational background (Shiraki, 199:11).

#### **4.2 Results from qualitative data**

Here, I move to results of interview in 2003. By using interview data, I clarify the meaning of staying in a Japanese company for a long time.

My informants told me that they developed a sense of loyalty or understanding to a company in accordance with accumulating a certain amount of experience there. Moreover, some informants told me that working for a long time leads to internalization of Japanese way of thinking or a way of Japanese business.

Case 10 pointed out that it is important for understanding Japanese people to have a lot of contact experience.

“I understand Japanese people in terms of contact with them. I have been

working here for more than 20 years, so I have spontaneously become to understand them better than other local staff” (case 10)

However, in East Asia including Taiwan, people do not have positive value to commit for a long time in one company (Chan, 1995, Wong, 1999). On contrary, they have strong orientation to be a business owner so called LaoBan(老板)(Numazaki, 1996:298). In the society that has strong orientation to be a business owner, my informants have been working for a long time against local logic that becoming a business owner is better than staying one company and getting salary, and as a result, they paradoxically promoted in Japanese company in Taiwan. They finally internalized the way of Japanese thinking and the way of Japanese management style in terms of long-term commitment in Japanese company.

Case 10 pointed out that the way of Japanese thinking or the way of Japanese management which he learned has a profound influence on his daily life.

“For my 27 years in this company, I was influenced by the way of Japanese thinking and the way of doing business. This company has been operated as an organization and has rules. Those rules influence on my daily life without realizing them” (case 10)

Moreover, case 6 told me that he often read and studied Japanese management

books or books related to China business.

A : Nowadays, China is the biggest market, right?!

K : That is right.

A : Yes, and I like a Japanese scholar named Daizen Kenichi.

K : Oh, yes. Oomae Kenichi

A : Yes, yes, yes. His name is Oomae Kenichi. I like his books. I often read his books and learn a lot of things from his books. Actually, I have to study and get information as much as possible.

(case 6)

Besides, case 9 mentioned that his way of thinking got close to Japanese one because of working together every time.

A : One Japanese expatriate who came here long time ago told me that I am a half Japanese.

K : Why is that ?

A : Because my way of thinking or my decision process is quite close to Japanese way because I have been contacting Japanese since I entered this company.

K : I see.

A : I work with Japanese everyday, so my thinking got close to Japanese. Besides, now I can understand Japanese well because of contacting.

(case 9)

Thus, working for a Japanese company for a long time has one meaning of internalizing the way of Japanese management, or the way of Japanese thinking.

In other words, as mentioned above, people in Taiwan generally do not have positive value for a long time commitment in one company. That is why the average of labor fluidity is extremely high in Taiwan. However, long time commitment has become cultural capital for people who stay Japanese company as a result. Long time commitment in Japanese company finally leads to making a trust formation with Japanese company (Whitely, 1997, Arai, 1990). In Taiwan society, people who work for one company for a long time are judged as they reluctantly stay one company. However, for Japanese company, that reluctant stay for a long time in Japanese company is evaluated by Japanese way of trust formation beyond culture (Fukuyama, 1995). For local employees, especially for local employees who do not have high educational capital, staying for a long time leads to making a high trust formation, and helps them to get promotion.

Thus, local employees who do not have enough educational capital enable to stay in a Japanese company for a long time in terms of implicit practice called “long

term commitment” . They succeed in gaining implicit knowledge in the process of collaborating with Japanese expatriates.

## **5. Summary**

As I introduced the result of questioner so far, most of long-term-service local employees in Japanese company in Taiwan have low educational background. People who stay in Japanese company are those who do not have high educational background. Due to their low academic back ground, it is difficult to survive in an outer labor market. On contrary, however, inside a Japanese company, they are highly appreciated by Japanese company and are regarded as “elite employee” because of their “long term commitment (Abegglen, 1958)” . In other words, they are highly appreciated in the inner labor market inside a Japanese company.

An “elite employee” seems to be different depending on a system of an organization (Fujimoto, 2004). This paper raises the question who is an “elite” in Japanese company in Taiwan. Generally speaking, an idea of outstanding human resources often connects to their educational background. People tend to believe that those who have higher educational background easily promote in an organization. However, in Japanese company in Taiwan, do elite outstanding human resources mean



people who have higher educational background? The answer is no. Actually defining an outstanding human resource is very difficult (Takahashi, 2004). This paper implies an outstanding human resource for Japanese company is created in organization rather than people who have high educational background.

In a society, highly-educated people called “social elites” search for a best practice and easily move to a better working place which will satisfy them. In other words, they switch working places to find a better company which gives high praise to them. Contrary to them, those who do not have high educational background, they cannot stand up against an outer labor market because of their low educational background. Accordingly, it seems that they choose a long term commitment in a Japanese company. On the one hand, social elites search for the best practice, but on the other hand, those who have low educational background search for the second best practice. As this result, most of the people who have been working for a long time can be relatively seen in the group of low academic background.

It is difficult to make it clear whether a Japanese company is aware of this issue or not. However, this kind of low-educated people working for a Japanese company for a long time will become key persons for future Japanese management in East Asia. It's an indisputable fact that local managers support Japanese company in Taiwan, and most of them are those who have been working for a long time. They became a managerial position in the process of long-term commitment. Those employees who have been

cultivated in Japanese companies in Taiwan eventually relocate to other parts of Asia. One of the important by-products of this movement is the establishment of strong networks in Asia in terms of economic activities. This networking process through multinational enterprises can be viewed as one of the contributors to Asia integration.

We can also view HRM and cultivation of employees inside Japanese companies as important contributors to Asia integration and cooperation through the movement of people in Asia. In consideration of the important role the movement of culturally competent managers and their movement in Asia have on Asian integration, core local Taiwanese managers work beyond national boundaries. In this sense, deepening Asia integration can and should be viewed through the movement of people as exemplified by local core managers accumulated in Japanese companies in Taiwan.

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