An Investigation of The Human Resources Management Practices of Japanese Subsidiaries in The Arabian Gulf Region

Dr. Dean Elmuti, Management, Eastern Illinois University
Dr. Yunus Kathawala, Management, Eastern Illinois University

Abstract

This paper addresses the topic of Japanese human resources management effectiveness in non-Japanese environments by trying to identify management systems and practices of selected Japanese subsidiaries in the Arabian Gulf Region. The findings indicate that Japanese subsidiaries in the Arabian Gulf Region have not been able to apply the Japanese-style management systems. The management systems for these Japanese subsidiaries in the Arabian Gulf Region have been apparently modified to suit the local environment.

Introduction

One of the most significant developments in business activity during the past thirty years has been the emergence of multinational corporations in general and Japanese multinational corporations in particular. For more than a decade, Western scholars have praised the unique features of Japanese management, which has made Japan a formidable worldwide economic power.

According to Ouchi (1981), the principles of Japanese management systems are: lifetime employment; slow evaluation and promotion; consensus-based decision making; collective responsibility; and holistic concern for people. Yager (1979), Cole (1980), Dewar (1982), Wright (1984), Griffin (1988) and many other scholars list essentially similar principles with some additions. For example, Griffin (1988, pp. 338-358), indicates that Japanese managers have historically been more receptive and committed to employee participation than have American managers. The Japanese view their employees as valuable resources, according to Griffin, and consider employees to be intelligent and as responsible as the managers. Wright (1984, pp. 19-20), places great emphasis on situational conformity, groupism, training, and the organic nature of Japanese organizations. They value the good of the group and loyalty and pride in the group. The strength of their tight-knit society and group is their ability to organize a highly-skilled work force to produce goods at lower cost and higher quality than most other nationalities.

Ruffner and Ettkin (1987, p. 13), remark that the Japanese management philosophy is to "make every man a manager", and Japanese firms invest heavily in employee education and training. Kamata (1982), on the other hand, directs attention to negative aspects of Japanese management systems, such as the pressures caused by the concept of life-time employment and discrimination against female employees.

Debate has focused, in recent years, on whether Japanese management style can succeed in countries other than Japan. Modic (1987, p. 53), quotes Kenichi Ohmae, a Japanese representative for the management consulting giant, McKinsey and Co., as arguing that "Japanese firms have no basis for operating outside Japan. When we come across national borders, we just fall apart. Our traditional, cozy style is not working."

Morris (1988, pp. 31-39), disagrees, however, based on findings from his survey of Japanese manufacturing investment in England; which suggests that Japanese companies are successful in England because of their overriding emphasis on quality, participation by their employees, and open communication. Negandhi, Eshghi, and Yuen (1985, pp. 93-105), claim that Japanese subsidiaries in the U.S. utilize a modified version of the Japanese management system and seem to be more successful than their counterparts in developing countries. They also identify problems such as central-

ization of decision making, low level of confidence in subordinates' abilities, low levels of trust for local managers, and problems with unions and equal employment regulations. Furthermore, Dicle and Ali (1988, pp. 36-46), surveyed Japanese companies in the U.S. and found that the Japanese subsidiaries have not been able to practice traditional Japanese-style management. The management style in the surveyed firms evidently being either a largely modified version of Japanese-style management or a new management style composed of elements of both American and Japanese managerial practices.

This paper addresses the topic of the effectiveness of Japanese human resources management in other cultural environments through identification of management systems and practices of selected Japanese subsidiaries in the Arabian Gulf Region. In addition, we investigate the relationships between management systems and both organizational productivity and job satisfaction in these firms.

Research Methodology

A survey was used, with open-ended interviews, to test several hypotheses. The predominant style of management system is identified by respondents who are top and middle managers employed by Japanese subsidiaries presently operating in the Arabian Gulf Region.

The sample consisted of twenty-four Japanese subsidiaries presently engaged in marketing, finance and petrochemical operations and based in the Arabian Gulf Region (Saudi Arabia, Kuwait, Bahrain and United Arab Emirates).

The sample of firms were chosen from a Ministry of International Trade and Industry (MITI) listing of Japan's leading companies in the Arabian Gulf Region, Directory of Foreign Firms in the Arabian Gulf Region (1989), and the Council of Saudi Chambers of Commerce and Industry. The selected firms were large Japanese subsidiaries in the Gulf region and had operated for at least ten years. The total number of top and middle managers in the twenty-four selected organizations was 1,800. A representative sample of 10 percent was chosen, a total sample of 180 managers in 24 firms.

To facilitate data collection, group sessions of one hour each were held with coordinators of the individual administrative units of the twenty-four firms. The coordinators were assigned by the top management of each firm and were provided a rationale and intended use of the study.

The assigned coordinators distributed the questionnaires in sealed envelopes to the top and middle managers. The completed questionnaires were then collected by the coordinators and delivered directly to the United States. This was done to promote confidentiality of responses and to protect anonymity.

The response rate resulting from the group sessions was 69 percent. Demographic characteristics of the respondents and surveyed organizations are shown in Table 1.

Interviews were also conducted with one top executive and one middle level manager in each of the twenty-four Japanese subsidiaries in the study. The purpose of the interviews was to obtain a deeper understanding of Japanese management effectiveness and practices in individual firms. During the interviews, the questionnaires were used initially as a guide.

The two instruments used for this study were Likert's (1967), Profile of Organizational Characteristics, and Mott's (1972), Characteristics of Effective Organizations. Likert's questionnaire was used because it emphasized the relationship between management systems, productivity, job satisfaction and adaptability to environmental changes.

The four generalized management systems proposed by Likert range from a very autocratic to a very democratic management style. System 1, Exploitive Authoritative, is the most autocratic style; following are System 2, Benevolent Authoritative; System 3, Consultative; and System 4, the participative Group, which is the most democratic on the continuum. These systems are shown along with their identifying range of scores for each category in Table 2.

Mott's questionnaire dealt solely with productivity and was used in conjunction with the data gathered from the Likert instrument. The Mott instrument was a five-point scale with five as the most effective point and one as the least effective point on the scale. Although Likert's indices of management systems have been tested for validity and reliability by Taylor and Bowers (1972) and Al-Jafary (1979), a reliability test was conducted for these indices to enhance their credibility. Cronbach's alpha (1951), was calculated for each index in these instruments. The results of this test indicated that all indices were above 0.70 (alpha) criterion for adequate scale reliability.

Hypotheses

The two following hypotheses guided the study:

Table I
Demographic Characteristics Of The Respondents
And Their Organizations

1. Nature of Business :

<u>Marketing</u>	<u>Finance</u>	<u>Petrochemical</u>	<u>Construction</u>
45%	20%	20%	15%

2. Size of the Organizations :

<u>More than 1,000 employees</u>	<u>500-1,000 employees</u>
60%	40%

3. Respondents level :

<u>Top Executives</u>	<u>Middle level managers</u>
36%	64%

4. Nationalities of respondents :

<u>Japan</u>	<u>Local(Gulf Region)</u>	<u>Middle East</u>	<u>Europe</u>	<u>Far East</u>	<u>Others</u>
20%	20%	40%	5%	10%	5%

Table 2
Systems of Organization

	System1	System2	System3	System4
Name of System:	Exploitive-Authoritative	Benevolent-Authoritative	Consultative	Participative Group Approach or Japanese Management System
Range of scores:	1.00-1.99	2.00-2.99	3.00-3.99	4.00-4.99

Hypothesis 1. *The predominant human resources management system in the twenty-four Japanese subsidiaries in the Arabian Gulf Region will be between Likert's system 3 (Consultative) or System 4 (Participative) management system category.*

Hypothesis 2. *A positive relationship exists between a higher human resources management system (more participation) and both organizational productivity and job satisfaction in some of the firms investigated.*

The hypotheses were stated to reflect the claims made by Japanese management-style proponents. They were also stated in a way that seeks to determine linear relationships. Therefore, the problem was identified as one of correlation-regression.

Several variables were identified as being significant for the purpose of this study. First, there were the elements used to measure the independent variable -management system - which include managerial leadership and organizational climate; second, there were the dependent variables of organizational productivity and job satisfaction.

Results and Data Analysis

One major objective of this study was to identify the management systems of several Japanese subsidiaries presently operating in the Arabian Gulf Region. The first hypothesis predicts that the management system or pattern of practices, behavior and beliefs as perceived by organizational members predominant in the surveyed firms will

be classified as Likert's System 3 or System 4. This hypothesis does not require statistical testing. Mean scores were used for this hypothesis to classify management systems as 1, 2, 3 or 4 according to Likert's profile of organizational characteristics.

The research data indicated that the predominant management systems in the surveyed Japanese subsidiaries in this study were System 3, the "consultative" type or System 4, the "participative group approach" supporting the first hypothesis. The average mean scores of firms range from 3.40 to 4.20 and span the consultative and participative approaches. Equally significant was the finding that ten of the twenty-four Japanese subsidiaries in this study were located within the "participative" or system 4 range, and fourteen of the firms were located within the "consultative" or system 3 range. Those firms located within the range of System 4 scored the highest means on the management system dimensions - managerial leadership and organizational climate - among all firms investigated in this study. This confirmed hypothesis one which led to its acceptance.

Another major objective of this study was to examine the relationships between human resources management systems and both organizational productivity and job satisfaction as perceived by respondents in the firms studied. An analysis of variance of organizational mean scores for dimensions of human resources management system and both organizational productivity and job satisfaction was used to test the significance of the difference between means for the surveyed firms. The average mean scores for those firms that have participative group systems was 4.30 for management system dimensions, 4.10 for productivity dimensions and 3.90 for satisfaction dimensions. At the same time, the average mean scores for those firms that do not have participative group systems was 3.40 for management system dimensions, 3.10 for productivity dimensions and 2.95 for job satisfaction dimensions. (1)

Further analysis of the relationships between participative management system and both organizational productivity and job satisfaction was done with the use

of multiple regression analysis. This analysis determines the proportion of variance in organizational productivity and job satisfaction scores explained by the scores of the participative management system.

Table 3 presents the results of the multiple regression analysis which indicates a positive relationship exists between the measures of participative management system and both productivity and job satisfaction. The results indicate that 24 percent of the variation in satisfaction and 62 percent of the variation in productivity were explained by Linear regression on the participative management system dimensions. The F-ratios of 5.70 and 4.21 for productivity and satisfaction respectively indicate that these Linear relationships are statistically significant. The results of this analysis indicate that the highest relationships are found between measures of productivity and the group interaction process through participatory activities such as team-building, goal setting, employee participation in problem solving and support from leadership in that order.

Findings From Interviews

The purpose of this section is to obtain a deeper understanding of Japanese human resources management practices in the Arabian Gulf Region and report the interview findings.

Human Resources Management Philosophy and Style. Most of the managers of Japanese subsidiaries in the Arabian Gulf Region viewed a business firm as a human community which served the needs of its members including the employees, managers, and the general public. In addition, they viewed groups as superior to individuals in solving operational problems. Further, eighty percent of the managers of the Japanese subsidiaries expressed the need for a modified "Japanese-style" human resources management. They strongly believed that the Japanese-style management as practiced by their parent companies would not work in the Arabian Gulf Region. Modifications were necessary to suit the local environments and to meet the legal requirements. For example, only Japanese managers and technicians and

Table 3
The Effect of Productivity and Job Satisfaction
on Participative Management System

Dependent Variables	Multiple Regression	Regression Square	F-ratio (R ²)
Productivity	0.68	0.62	5.70
Job Satisfaction	0.37	0.24	4.21
All P < .05			

few local managers were considered lifetime employees. The remaining employees were hired without the understanding of life-time employment.

Employee Participation and Perceived Organizational Productivity. Exchange of information and openness to employee suggestions seemed to be the dominant characteristics of the majority of Japanese subsidiaries in this study. Most of the managers expressed strong support for group interactions and participatory activities such as team-building, goal setting, and employee participation in problem solving. In nine of the subsidiaries, participatory programs such as quality circles, employee-management forums, and quality teams had already been formed and started to function. Participatory activities provide a vehicle for allowing employees a sense of dignity, a sense of fuller participation in the organization, and an opportunity to develop their skills. Concurrently, they contribute to the organizational goals of increased productivity, reduced costs, and improved quality.

Decision Making. Although the level of face-to-face communication in the Japanese subsidiaries was relatively high, it should not be confused with participation in decision making. Most of the major decisions were made by the Presidents or top executive officers of the companies, usually after discussing the problems with their lower level managers. Only twenty percent of the Japanese managers indicated they sought consensus in decision making. In fact, the dominant mode of decision making among the Japanese managers was consultative (73 Percent), followed by benevolent-authoritative or directive (24 percent). Several Japanese managers indicated that the decision-making style was a function of the nature of the decisions and the people involved. They felt a consensus style would not work in the Arabian Gulf Region.

Japanese Managers and Local Managers. Most of the Japanese managers indicated that they were not willing to extend trust to local managers whom they did not know on a personal basis. However, over a period of years, a few local managers may succeed in gaining the trust of the top executives in the Japanese subsidiaries in the Arabian Gulf Region. There was a tendency for the Japanese to rely heavily on few local managers, effectively treating them as key local officials. This situation was observed in the case of a Japanese subsidiary in Saudi Arabia and Kuwait. These local managers, especially in Saudi Arabia, assume an added role that is normally not granted to their counterparts in other developing nations. Some factors according to Ali and Al-Shakhis (1989, pp. 262-264) stand out to explain this

added roll for local managers. First, managers in the Arab Gulf States have developed a mature relation with the rulers. Second, the size of native manpower to the workforce in the region is fairly small; and third, the Arab Gulf society is characterized as a personalized society. In such a society, the political elites are sensitive and easily influenced by the orientations and demands of the powerful businessmen and managers.

Factors Attributing to Japan's Presence and Effectiveness in the Arabian Gulf Region. Most of the interviewed Japanese managers indicated that there are at least five factors attributing to Japan's presence and effectiveness in the Arabian Gulf Region. First, since 1973, Japan has engaged in an extensive campaign to win Arab markets. The turning point was November 22, 1973, when the Japanese government issued an official statement in support of the Arab world position in the Middle East conflict. A second factor is the fact that Japan is not a military power and consequently does not pose a threat to Arab National interests. Furthermore, the Arabs are highly impressed by the rapid development of the Japanese economy since World War II (Odono, 1988).

Adaptation was a third factor for Japan's effectiveness in the Arabian Gulf market. For instance, many Japanese executives are learning the Arabic language in order to communicate directly with Arab customers. In addition, they are designing calculators that incorporate keys which use Arabic symbols and are modifying their products to fit the unique conditions in the Arabian Gulf Region (Truell, 1984). A fourth catalyst to favorable Arab-Japanese relations was noted in a recent survey by the Saudi Arabia Ministry of Planning (1985) as the primary reason for Japan's effectiveness in the Saudi Arabian market.

"The Japanese are patient and they receive more government backing. Also, in Japan you do not have five construction companies competing with each other. Japanese normally compete as an industry and that gives them a lot of clout. The Japanese in particular give systematic attention to the market and are highly successful in promoting their products."

Finally, much of Japan's effectiveness and presence in the Arabian Gulf Region has been attributed to Japan's global strategy, which identifies target industries such as petrochemicals, banking, construction and oil. In addition, the Arabian Gulf Region is rapidly becoming the leading supplier of crude oil to the world's two largest oil importers, Japan and the U.S.. For Japan, the reliance on crude from the Middle East, particularly the

Gulf, is of greater concern than it is for the U.S.. The U.S. relies on imported crude for around one-third of its needs, Japan is entirely dependent on imported oil, mainly from the Middle East. Japan's imports from Saudi Arabia for example is reflected in its trade figures. In 1987, its imports from the kingdom, mainly crude oil, were 40 percent up on the previous year, at \$7,310 million (Odone, 1988).

Conclusions and Implications

Several significant conclusions emerged as a result of this study. First, the research data indicated that the management systems predominant in the surveyed Japanese subsidiaries in this study were System 3, the "consultative" type or System 4, the "participative group approach." Equally significant was the finding that only 10 of the 24 Japanese subsidiaries located within the range of System 4, while the other 14 subsidiaries located within the range of System 3 in this study. These firms located within the range of System 4, scored the highest means on the management system dimensions in all the firms investigated.

Second, the research findings clearly revealed that the majority of Japanese subsidiaries in the Arabian Gulf Region have not been able to practice the Japanese-style human resources management as practiced in Japan. The human resources management in the firms surveyed can be described as either a largely modified version of the Japanese-style management or a brand new management style composed of the elements of local and Japanese managerial practices. While it was possible to see such practices of Japanese management as employee participation in problem solving, quality circles, openness to employee suggestions, team building, goal setting, information sharing, and limited usage of profit sharing plans. Such well-known Japanese human resources management practices as consensus decision making, life-time employment and confidence in subordinates' abilities were not practiced in the surveyed Japanese subsidiaries.

Third, the data of this study supports the conclusion that group interactions through participatory activities such as team-building, goal setting, participation in problem solving, sharing information and supportive leadership often increase organizational productivity and,

to a lesser degree job satisfaction, in some of the firms investigated in this study.

Fourth, the findings also support Likert's thesis that management systems which approach System "4", "the participative group approach", tend to be more productive and yield more favorable results than other systems. In addition, the findings support Al-Jafary's thesis that the perception of a more participative group system is, in the majority of cases, associated with perception of higher productivity and to a lesser degree job satisfaction.

Implications

The findings of this study of the Japanese subsidiaries in the Arabian Gulf Region are largely in agreement with the findings of earlier studies. They indicate that the Japanese subsidiaries in this study have not been able to practice all aspects of Japanese-style human resources management as practiced in Japan. The management systems for the surveyed Japanese subsidiaries in the Arabian Gulf Region have necessarily been modified to address the needs and perceived requirements of their new environments.

At the same time, this study suggests that some Japanese managerial techniques can be utilized in countries other than Japan. These techniques include participatory management activities such as quality circles, and employee participation in problem solving. In addition, Japanese managers simply involve more people in identifying operational barriers, finding their cause, and deciding what action should be taken. Workers' involvement ensure commitment and commitment ensures quality, productivity and to a lesser degree job satisfaction.

Although the findings from this study may not be generalizable to other regions, they may have some relevance to previous observations about the possibility of transferring Japanese practices to other cultures. Findings are based upon static self report data, and the analysis is correlational in nature. Further research should seek to investigate the relationship between Japanese management practices and overall organizational effectiveness in several regions utilizing longitudinal research design in order to provide guidance to global managers.

Footnote

- 1 The average mean scores is based on a scale of 1 to 5 (a Likert type rating scale), with 5 as the most productive and satisfied and 1 as the least productive and satisfied.

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