

# AN EXAMINATION OF HUMAN RESOURCE MANAGEMENT PRACTICES BY JAPANESE EXPATRIATE MANAGERS AND THEIR IMPACT ON JOB SATISFACTION OF EMPLOYEES OF MATSUI (ASIA) CO., LTD.

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## Abstract

*This paper explored the job satisfaction of employees of Matsui (Asia) Co., Ltd. (MAC), a foreign subsidiary of Matsui Mfg. Co., Ltd., which employs an ethnocentric staffing policy. A survey was used to assess employees' perceptions toward MAC's management policies in general and toward Japanese expatriate managers on four dimensions of management skill. Job satisfaction was assessed in terms of the four dimensions of Herzberg's Motivation-Hygiene theory. Demographic attributes also were assessed. Attitudes toward MAC's ethnocentric staffing policy also were explored through an open-ended question and a focus group.*

*Results indicated that respondents held both positive and negative attitudes toward management, but the perception that MAC has an ethnocentric staffing policy is more strongly associated with positive attitudes. Job satisfaction was most clearly related to the perception that work is challenging and that management is flexible.*

## Introduction

HRM strategies of foreign subsidiaries of multinational companies (MNCs) can be discussed in terms of Perlmutter's tripartite model, which divides strategy types into ethnocentric, polycentric, and geocentric (Perlmutter 1969; Heenan and Perlmutter 1979; Adler and Ghadar 1990; Tung and Punnett 1993). The practice of managing a subsidiary predominantly with parent country nationals and following parent country management practices has been termed the ethnocentric approach (Dowling, Welch, and Schuler, 1998). The benefits are that it promotes transfer of core competence developed by the parent companies and overcomes deficiencies in management practices in host countries.

The drawback, however, is that it may tend to exaggerate the expatriate's own perception of cultural superiority, which leads to a bias in judging the behavior of other cultures. Banai (1992, 1993) noted that, by definition, ethnocentric policy blocks the promotion of local employees to management positions at home and at headquarters. The result is a lack of comparable training and compensation for host country nationals relative to parent country employees. This is a discrete

form of discrimination (Banai, 1993) that is justified within a decision-making structure that values productivity outcomes over the possible "sacrifices" that must be made along the way to achieve them. Ethnocentrism also tends to reinforce stereotypes that characterize the relative abilities of parent country and host country workers, sustaining an in-group/out-group categorization that actually works to justify discriminating policies long-term (Banai, 1992).

The ethnocentric policy may well be justifiable if it provides the benefits of technical transfer to generate competitive advantage and of consistent management of the company. However, if the blockage of promotion opportunities and "cultural myopia" of the expatriate managers outweigh those benefits, local employees may not be happy with the staffing policy and may have low job satisfaction.

Empirical studies show that Japanese MNCs tend to place a large number of Japanese expatriate managers in their overseas companies (Hanami and Blanpain, 1993; Kono, 1984) although they tend to lack organizational preparation in cross-cultural adaptation, particularly as regards Asian nations. Lawler, Siengthai, and Atmiyanandana (1998) argued that the domination

by expatriates of key positions in subsidiaries in Thailand is still very much in evidence. Due to the shared aspects of East Asian religious cultural heritage (Fukuda, 1987; Fukuda and Chu, 1994), Japanese expatriates may not be so sensitive to the cultural distance between Japan and other Asian nations as they are to that separating Japan from western nations.

Because the Japanese are socialized to be part of the shared fate of the company (Dambman, 1986), they are committed to the parent company and less likely to have a sense of shared fate with host country nationals. For example, while American expatriate managers show a dual pattern of organizational commitment to both the parent company and local work units (Gregerson, 1992), Japanese managers demonstrate a single, global pattern of commitment directed to the parent company (Gregerson and Black, 1996). These reasons may explain why Japanese expatriates tend to be less concerned with acquiring cross-cultural adaptability.

This paper presents the results of a study on attitudes toward ethnocentric policies and the effect of such a policy on the job satisfaction of host country nationals (HCNs). The study was conducted in Matsui (Asia) Co., Ltd. (MAC), a Japanese subsidiary company manufacturing plastic-processing machinery in Thailand that has taken an ethnocentric staffing policy for over 16 years since it was established in Thailand.

### Conceptual Framework

This paper explores a conceptual model which establishes that an ethnocentric staffing policy often blocks the promotion of the HCNs to management positions and that ethnocentrism often leads to the “cultural myopia” of the expatriate managers, while it theoretically helps transfer core competencies of parent companies. This conceptual framework is explored through two main sets of analyses: (1) examination of local employees’ attitudes concerning MAC management policy, to determine the degree to which they consider it ethnocentric or Japanese-oriented; (2) examination of local employees’ judgments regarding expatriate manager attributes that are relevant to ethnocentric management and whether these judgments are directly related to job satisfaction.

### Dependent Variables: Job Satisfaction

Herzberg’s Two-Factor theory (Herzberg, Mausner, and Synderman, 1959) is one of the most distinguished models for identifying the causes of job satisfaction and job dissatisfaction. Herzberg identified

five determinants of job satisfaction (Achievement, Recognition, Responsibility, Opportunities for personal growth, and Advancement), called *motivator needs*, which are associated with the actual work itself and how challenging it is. Job facets such as interesting work, autonomy on the job, and responsibility are factors that satisfy the motivator needs. He also identified the major causes of job dissatisfaction (Company policy, Supervision, Salary, Interpersonal relations, and Working conditions) as *hygiene needs* and argued that offering more *hygiene needs* is not the best way to strengthen motivation since they only placate dissatisfaction of employees.

The two types of motivator need that were expected to be most affected by an ethnocentric staffing policy (advancement and personal growth) and overall job satisfaction were chosen as dependent variables. In addition to the two types of motivator need, three types of hygiene need (salary, company policy, and job security) were assessed to give a more comprehensive picture of overall job satisfaction and perceptions of the staffing policy.

### Independent Variables

As indicated above, the ethnocentric staffing policy often blocks the promotion of local staff and brings lack of local adaptation of expatriates, although it may help transfer core competencies of the parent companies. Therefore, the main set of predictors were employees’ attitudes toward four categories of manager attributes addressing those issues: Skill Competence, Promotional Opportunity, Local Adaptation, and Communication Skill. *Skill Competence* is the level of technical expertise and cultural, relationship, and political skills exhibited by expatriate managers. *Promotion Opportunity* refers to the degree to which expatriate managers offer HCNs opportunities for promotion. *Local Adaptation* is the degree to which expatriate managers fit in with local culture and labor market considerations and fulfill legal requirements. *Communication Skill* is expatriate managers’ competence in communicating with HCNs. Managers in an ethnocentrically managed company should exhibit lower levels of Promotion Opportunity, Local Adaptation, and Communication Skill than managers in companies that are not ethnocentric. Skill Competence may not differ between ethnocentric and other companies, but the possibility of transferring skills is one of the potential benefits of ethnocentric management, so this attribute was assessed as well.



Methods

The study used a questionnaire methodology. Since the target population is not large (N = 85) and is easily measured, a complete *census*, rather than a random sample, was selected as the survey technique.

Questionnaire

The questionnaire was prepared in the Thai language. Attitudes toward MAC management policy were assessed with seven questions. Attitudes toward expatriate manager attributes (Skill Competence, Promotion opportunity, Local Adaptation, and Communication Skill) were assessed with five to eight questions for each group. Each facet of job satisfaction was assessed with two items. The above questions used a five-point Likert-type response scale, with anchors of 1 = strongly disagree and 5 = strongly agree.

Qualitative Analyses

A single open-ended question asking for any comments and suggestions was included to supplement the scaled-response items. In addition, a focus group was held with eight MAC employees to examine the following issues: (1) Is the staffing policy taken by Matsui headquarters/MAC perceived as an ethnocentric approach or not? (2) If it is so perceived, what are the perceived advantages and disadvantages of the policy or behavior? (3) What should the policy be in the future?

Hypotheses

All facets of job satisfaction were hypothesized to be positively related to each of the four categories of manager attributes, that is, to the degree to which managers were seen to have skill competence, to provide promotion opportunities, to exhibit local adaptation, and to have communication skills.

Data Reduction

Each category of attributes regarding Japanese expatriate managers was assessed with five to eight items. Therefore, each hypothesis concerning the relationship between perceptions of managers and job satisfaction could conceivably be tested by up to 16 correlations (8 independent variables and 2 dependent variables). To minimize the number of analyses, each hypothesis was tested using the single item that best represented each attribute category: one each representing Skill Competence, Promotion Opportunity, Local Adaptation, and Communication Skill. The items representing each group were selected by performing a factor analysis on

all the questions for each category. In each factor analysis, a single-factor solution was specified. The item that loaded highest on each factor was selected as the “primary question” for each group, to be used in testing the hypotheses. The following primary questions were selected in this manner (the factor loading for each item is shown in parentheses):

- *Skill Competence*: Skill competencies of Japanese expatriates managers are high. (Loading: 0.746)
- *Promotional Opportunities*: Japanese expatriates have negative attitudes toward empowerment (i.e., they are not willing to hand over authority to Thai employees) (Loading: 0.790)
- *Local Adaptation*: Generally, Japanese expatriate managers in MAC seem to understand the personal traits of Thai people well (Loading: 0.826).
- *Communication Skill*: Japanese expatriates are capable of explaining things sufficiently in the Thai language or English (Loading: -0.626).

This reduced the number of tests of each hypothesis to two, one for each of the dependent variables assessing each facet of job satisfaction. A hypothesis was considered fully supported if both tests showed statistically significant results, partially supported if only one test was significant, and unsupported if neither test was significant.

Method of Analysis

The *Pearson correlation coefficient* was used to investigate the relationships among the perceptions toward manager attributes and the dependent variables.

Results

Attitudes toward Ethnocentric Staffing Policy

Table 1 shows responses to the seven questions about MAC management policy. Nearly two-thirds of MAC employees agreed that Japanese expatriates fill key management positions (65.5%), that the cost of hiring expatriate managers is high (65.5%), and that there is no opportunity to participate in making significant decisions (64.7%). Nevertheless, a large majority agreed that job assignments were challenging (59.9%) and they overwhelmingly believed that Japanese expatriates are necessary in MAC’s organization (82.2%). Similarly, while half thought that MAC’s corporate culture is Japanese-oriented (50.0%), a large percentage (63.5%) indicated that MAC’s management was flexible. These findings present no clear, unitary perception regarding MAC’s ethnocentric management practices.

Table 1 MAC’s Ethnocentric Staffing Policy and Behavior

Question	Completely disagree		Moderately disagree		Neutral		Moderately agree		Completely agree	
	N	%	N	%	N	%	N	%	N	%
Key management positions are filled by Japanese	0	00.0	16	19.0	13	15.5	29	34.5	26	31.0
MAC is Japanese-oriented	2	02.4	22	26.2	18	21.4	29	34.5	13	15.5
MAC is flexible	10	11.8	14	16.5	7	8.2	25	29.4	29	34.1
Cost of expats is high	2	2.4	1	1.2	26	31.0	21	25.0	34	40.5
Job is challenging	5	5.9	8	9.4	21	24.7	39	45.8	12	14.1
No participation in decision making	6	7.1	14	16.5	10	11.8	28	32.9	27	31.8
Expats are necessary	1	1.2	5	6.0	9	10.7	35	41.7	34	40.5

Note: Between 98.8% and 100% of participantes repoded to the above items.

Attitudes toward Expatriate Managers

Table 2 shows the responses to the primary questions assessing attitudes toward expatriate managers. Well over half (60.3%) of the respondents moderately or completely agreed that skill competencies of expatriate managers are high. However, just more than one-quarter (28.2%) agreed that Japanese understand Thais (Local

Adaptation), compared to 43.8% who disagreed with this proposition. In contrast, there were similar levels of agreement and disagreement with the statements representing attitudes toward Promotional Opportunity and Communication Skill, indicating no general trend of agreement or disagreement for these attributes.

Table 2 Summary of the responses to the four primary items

Category: Question	Completely disagree		Moderately disagree		Neutral		Moderately agree		Completely agree	
	N	%	N	%	N	%	N	%	N	%
Skill Competence: Skill competencies are high	2	2.4	15	18.1	16	19.3	35	42.2	15	18.1
Promotion Opportunity: Japanese are negative toward empowerment	11	13.3	24	28.9	15	18.1	22	26.5	11	13.3
Local Adaptation: Japanese understand Thai people well	17	20.2	20	23.8	23	27.4	20	23.8	4	4.8
Communication Skill: Japanese are capable of explaining in Thai or English	9	10.7	25	29.8	13	15.5	31	36.9	6	7.1

### Relationship between Attitudes toward Managers and Job Satisfaction

Table 3 shows the correlations between the items assessing attitudes toward expatriate managers and the job satisfaction dependent variables. Of the 20 hypotheses concerning the relationship between job satisfaction components and perceptions regarding Japanese

expatriates, 10 were fully or partially supported. The strongest support was found for hypotheses relating to Local Adaptation. The hypothesized relationship between Local Adaptation and job satisfaction for personal growth, salary, and company policy were fully supported; the relationship with advancement was partially supported; only the relationship with job security was not supported.

**Table 3 Correlations (*r*) between manager attributes and job satisfaction**

<i>Job Satisfaction Facets</i>	Manager Attributes			
	Skill Competence	Promotion Opportunity	Local Adaptation	Communication Skill
Satisfied with advancement	.147	-.122	.148	.085
Satisfied with advancement policy	<b>.270*</b>	-.057	<b>.248*</b>	.165
Hurting my career progress	.084	.052	<b>.260*</b>	.213
Satisfied with learning skills	<b>.345*</b>	.016	<b>.236*</b>	.213
Satisfied with pay	.170	-.003	<b>.251*</b>	.114
No relation of salary and performance	-.139	-.096	<b>-.316*</b>	<b>-.240*</b>
MAC's policy is understandable	<b>.379*</b>	-.090	<b>.225*</b>	.149
No program to attract capable staff	-.114	-.152	<b>-.247*</b>	.000
Management is consistent	<b>.300*</b>	-.143	.169	.216*
Employment is secure	.100	-.092	.114	-.030
Overall satisfaction	.092	-.121	.200	.035

\*Satatistically significant at *p* ≤ .05.

The sample size was between 81 and 84, inclusive, for all correlations.

The hypothesized relationships for Skill Competence were partially supported for four job satisfaction facets: advancement, personal growth, company policy, and job security. For Communication Skill, the hypotheses relating to salary and job security were partially supported. Interestingly, the correlations for both items relating to personal growth just missed being statistically significant. However, since the performance of multiple significance tests dictates the need to be conservative, the hypothesis regarding the effect of Communication

Skill on job satisfaction for personal growth is considered not to have been supported. No support was found for hypotheses relating to Promotion Opportunity.

### Qualitative Analyses: Open-Ended Question and Focus Group

Request for increase in basic salary was the dominant comment (42 comments). Other common comments were complaints about lack of leadership and skill competence (22), request for increase in fringe



benefits (20), and lack of management skill or morale (15). It must be noted that although lack of leadership and skill competence was mentioned frequently, the objects of these comments were directed not only toward Japanese expatriate managers but also Thai staff.

Although the focus group did not find explicit perceptions toward the ethnocentric staffing policy, some members expressed dissatisfaction toward slow advancement. Some respondents admitted that opportunities for advancement and individual performance are related, whereas the advancement policy imposes too long a wait on staff to become a manager or director. Skill transfers by expatriate managers are perceived to be lacking, although local employees expect them. Some respondents were confident that they could fulfill their responsibilities without expatriate managers, whereas some justified the existence of Japanese managers in view of technical competence and sales capabilities to retain patronage from loyal customers or Japanese purchasers.

## Discussion and Conclusion

This paper explores a conceptual model that the ethnocentric staffing policy often blocks the promotion of the HCNs to management positions and that ethnocentrism often leads to the “cultural myopia” of the expatriate managers, while it theoretically helps transfer core competencies of parent companies. Despite the expectation that MAC employees are more or less dissatisfied with the de facto ethnocentric staffing policy implemented by the subsidiary and its headquarters, no distinct dissatisfaction was found with the policy itself and the conceivable drawback such as blockage of the promotion of the HCNs. Overall, while these data revealed that most respondent believed that top MAC management positions are filled with high-cost Japanese that do not include Thai managers in decision making, they also think that the work is challenging and that MAC management has flexibility in adopting suggestions. From these findings, the de facto ethnocentric staffing policy of the MAC may not be doing critical harm to the employees in the light of Herzberg’s motivator needs (opportunities for personal growth and advancement).

However, as it became evident in the focus group, the MAC employees are not satisfied with the degree of skill transfer. This may imply a sort of ethnocentric behavior of Japanese managers, reflecting that they may somewhat neglect HCNs, based on the underlying belief that their superior technical skill cannot easily be transferred, and that they feel more comfortable in their

do-it-themselves attitude rather than practicing coaching management.

The correlational analyses revealed the Local Adaptation of Japanese expatriate managers had the greatest impact on locals’ job satisfaction, affecting all facets except job security. This may suggest that, to the degree that HCNs perceived expatriate managers as having attempted to adapt to the local culture, they trusted them to promote their interests at work. Skill Competence and Communication Skill also were related somewhat to job satisfaction. These findings indicate that Japanese headquarters should attempt to support these qualities in their expatriate managers. Interestingly, the degree to which expatriate managers were seen as providing promotion opportunities was not related to job satisfaction.

Based on these findings, it is suggested that the expatriate managers of MAC review mentor-protégé relations and reinforce training programs in MAC to promote technical transfer. Although the skill competence of Japanese expatriates was perceived as high, it remains one of headquarters’ responsibilities to examine the technical level of expatriates and make sure that these expatriates’ levels are appropriate to meet the requirements of the subsidiary.

## Limitations and Recommendations for Future Study

Three main limitations should be mentioned. Since this paper focused on a single specific company, general perceptions of Thais toward Japanese people and subsidiaries could not be known. Thus, the findings of the study may not be generalizable to other Japanese subsidiaries in Thailand.

Secondly, the mean responses to the questions about ethnocentric management practices did not suggest strong feelings one way or the other and, moreover, it was difficult to assess to what extent the advantages of ethnocentric management, such as skill transfers generated under the policy, outweigh its disadvantages, such as blocking the promotion opportunity of local staff.

Thirdly, whereas this study was undertaken based on the assumption that staff localization is necessary, there are many considerations affecting whether or not the ethnocentric policy should be followed. The ethnocentric staffing policies make sense under conditions in which placing parent country nationals in management positions abroad will lead to valued outcomes, while placing host country nationals in those positions will lead to negatively valued outcomes. Further, Rosenzweig and Nohria (1994) argued that choice of the policy is often dictated

by other factors, such as restrictions and bargaining power of the host country, degree and nature of technology transfer, country of origin effect, and industry and market influences on the relative need for local responsiveness versus standardization. Nevertheless, this study argues the policy only from the aspects of perceptions from employees and job satisfaction.

Therefore, three recommendations are made for future study: (1) Ethnocentric, Polycentric and Geocentric policies should be viewed from broader aspects in the light of desirability, practicability and rationality; (2) more solid definitions for the three policies should be made; and (3) further discussion is required in regard to the ethical rationale of those policies.

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