Japanese Expatriate Managers in Japanese Subsidiaries in Brazil: why not learning-driven?

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Abstract

It has been said that international assignments are traditionally “demand-driven” (DD) that is a way of expatriation of executives focused on control, solution of problems and transference of tacit knowledge. Besides that, according to the international literature, “adjustment” is the determinant factor for success in overseas assignments and Japan usually sends their own executives to subsidiaries in other developing countries for “DD” purpose. However, according to the initial empirical study and in-depth interviews, it seems that Japanese expatriate managers in Brazil were sent to learn how to adjust the local staff to their philosophy instead of adjust themselves to a new complete scenario. This paper found that “adjustment” would not be fundamental for Japanese expatriate manager’s success in their assignments to Brazil, since they were under a special “learning-driven” type of expatriation process. This paper also highlights the challenges of the Japanese expatriate managers in Brazil and their contribution to the development of local staff under the internationalization process.
Introduction

International Human Resource Management (hereafter IHRM) is the target of new demands under the global economic context. This new economic context requires from the IHRM International Assignments (IAs) to fulfill strategic roles, to support new subsidiaries in Host-Countries and to develop the individual and the organization. According to Toh and DeNisi (2005): “With increasing foreign revenues, multinational companies' (MNCs) need for expatriate assignments shows little signs of slowing down”. Although expatriation represents the most expensive staffing strategy for the multinational corporation, it is still viewed by MNCs as a strategic way to control and coordinate worldwide operations. IAs is traditionally “demand driven” (DD) that is a way of expatriation of executives focused on control, solution of problems and transference of tacit knowledge (Evans at all, 2002). Usually, this is a long term type of expatriation (more than three years). Under IAs, adjustment of the expatriate to a complete new life is considered to be the determinant factor for the assignment’s success. (Tung, 1981). In this way, many researches had emphasized the predictors of adjustment of expatriates, since it is considered to be fundamental when it comes to IAs.

Statement of the Problem

According to Collings&Scullion (2006), Japanese organization are extremely identified with “DD” and their executives (from the PCNs: Parent Country Nationals) are sent to control and fill key positions in worldwide Japanese Subsidiaries. The very low failure rate of Japanese MNCs concerning expatriation (Tung, 1984) is associated to their successful adjustment under a “DD” type of expatriation. The range of Japanese subsidiaries in Brazil is extremely wide. They also had influenced Brazilian enterprises...
with their managerial expertise, regarding quality tools and so on. However, little attention had been given to the expatriate managers in Brazil. Under a DD type of expatriation to Brazil, how do they adjust? This research question addresses the purpose of Japanese expatriate managers in Brazil and their adjustment.

**Demand-Driven Expatriation and Adjustment: Something new?**

Global Staff, especially expatriation of executives, is a strategic issue for MNCs. According to Collings & Scullion (2006), the reasons for expatriations are:

a) To fill key positions in developing countries (focus on control);

b) To develop employees individually;

c) To foster organizational development.

These reasons above configure the most common and traditional type of expatriation that is the “Demand-driven” (DD) expatriation. This type of expatriation presumes that the lack of local expertise and cultural differences would invoke the presence of more Parent Country Nationals (PCNs). Collings and Scullion (2006) state that Japan prefers to send its own Parent Country Nationals (PCNs) to other subsidiaries in Developing Countries. They also affirm that Japanese organizations are extremely identified with utilization of PCNs to fill key position in subsidiaries’ operations. The international literature confirm the Japanese preference for DD expatriation, since the PCNs fill key position, focusing on control of subsidiaries and providing solution of problems.

The very low failure rate of MNCs concerning expatriation is another important issue concerning the global staff under IHRM. Tung (1981) had emphasized the adjustment of the expatriate manager as the key factor for IAs success. Adjustment is generally defined as the process of adaptation to working and living in a foreign country. It is the
perceived degree of psychological comfort and familiarity a person has with a new host culture (Black, Mendenhall, & Oddou, 1991). On the other side, the failure in adjustment would mean to quit the international assignment and go back to one's country before the determined period. According to Thomas and Lazarova (2006), adjustment had been the principal construct from 1970 to 1990, but still today, adjustment is the principal target of researches although feel literature had direct analysed the relation between adjustment and achievement of expatriates. Empirical research had also ignored the process of adjustment, taking into account antecedent situations and results, without focusing on how people adjust. Empirical researches usually take the adjustment as dependent variable in various techniques of multivariate data analysis. It is a sign of how researches on expatriation had emphasized the adjustment as the prominent factor of expatriation success.

In general, researches on IAs approach the DD type of expatriation and the adjustment as the predominant issues on global staff. However, literature review had showed that the relation between expatriate achievements and adjustment is not so clear. Moreover, the DD expatriation faces the challenge of development of local staff since they play important support role to expatriates. In this way, a profound analysis on Japanese expatriate managers in Brazil would give significant insights and offer a valuable theoretical contribution to the field of IHRM and also to researches on internationalization since they face the challenge to adjust, under a DD type of expatriation, to a completely different scenario.

**Japanese Expatriate managers’ perspective**

The life of an expatriate manager can not be compared to a tourist's life, since
they can not choose what they want to live or see (Freitas, 2000). It is quite clear that expatriates have to deal with undesirable situations that arise in a foreign country. Anxious, fear, cultural shock, and uncomfortable feelings of stress are some of the various symptoms of difficulties in adjustment. A recent research made by Japan Overseas Enterprises Association tried to collect the causes of stress in a survey with 324 Japanese expatriate managers as follows:

<table>
<thead>
<tr>
<th>Cause of Stress and the biggest worry in your life on abroad:</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel-Labour management of Local Staff</td>
<td>64.2%</td>
</tr>
<tr>
<td>Japanese headquarters’ persuasion and comprehension</td>
<td>50.6%</td>
</tr>
<tr>
<td>Achievement of business target</td>
<td>47.5%</td>
</tr>
<tr>
<td>Communication with local employees</td>
<td>46.6%</td>
</tr>
<tr>
<td>Preparation of Middle managers</td>
<td>38.6%</td>
</tr>
<tr>
<td>Adjustment to local manners</td>
<td>27.5%</td>
</tr>
<tr>
<td>Human Relation with Japanese Residents</td>
<td>24.1%</td>
</tr>
</tbody>
</table>


The table above shows that “adjustment” to local manners” is not a considerable worry or cause of stress on abroad for Japanese expatriate managers. Instead of that, the Personnel Management and the Labour Management of Local Staff are considered to be the most stressful activity on abroad. Why Japan is not following the trend of having inter-cultural “adjustment” under a DD expatriation type as the principal factor of worry or even stress concerning life on abroad? Adjustment to local manners, i.e. customs, would be the primary factor for success in IAs. Why Japanese expatriate managers are not focusing on adjustment in this table? It would be effective to investigate the causes...
of Japanese success in expatriation from a different perspective and Brazil would be a suitable place for this empirical study, due to the massive presence of Japanese Subsidiaries, together with the cultural differences.

**Methodology**

This paper has analysed, in the first step, the data from “The Japan Institute for Labour Policy and Training” –JIL- (http://www.jil.go.jp/institute/research/documents/research009.pdf#page=106).

The 6th survey's results from JIL on Japanese Expatriates' work and life configure secondary data that were re-analyzed in this paper. These data were initially organized in various tables. The table “4-2. Adjustment do work and life” from JIL’s official report compiles the answers of 1,443 Japanese expatriates distributed in 61 countries, including Brazil and it was the principal target of this paper's analysis. The table 4-2 is available on page 99 from the JIL's official report that can be downloaded from the website above. The research was conduct in 2004 and 68 Japanese expatriates from 522, that were in Brazil in this year (JIL, 2005, p.4) were included in this research. All statistical data analysis were performed on a PC computer using SPSS (Statistical Package for the Social Science) for Windows, Version 13.0. The statistical method applied for this study was multiple linear regression. In the second step, this paper shows two in-depth interviews with two Japanese expatriates from Japanese Subsidiaries in Brazil, Sao Paulo.

This paper is the beginning of the exploration of quantitative secondary data with two in-depth interviews that will lead to a more profound approach on expatriation of Japanese Executives to Brazil.
Statistics Analysis

A multiple regression analysis was conducted from the table “4-2 Adjustment to work and life” that is in JIL's official report. There were 14 variables that configured the various elements of adjustment in this table as follows:

1) V1- The range of work's responsibilities.
2) V2- Required level of work
3) V3- Supervision and instruction of staff
4) V4- Manners of the local society
5) V5- Relationship with the local residents
6) V6- Relationship with the local workplace's employees beyond the work
7) V7- Daily conversation with local persons
8) V8- General Life
9) V9- Housing condition
10) V10- Meal
11) V11- Shopping
12) V12-Level and quality of life
13) V13-Utilization of Amusement-Recreation facilities
14) V14- Utilization of medical treatment institution

Through a correlation matrix, it was possible to draw some inferences concerning V1 and V4; V5 and V8 and V6 and V12 as follows:

- V1 and V4 (r=0,62, p=0,13; the correlation reported is not significantly different from 0 because p-value is slightly greater than 0,10). This suggests that adjustment to manners of the local society does not mean an appreciable effect on the range of work's responsibilities.
• V5 and V8 (r=0.46  \( p=0.21 \); the correlation reported is not significantly different from 0 because p-value is greater than 0.10). This suggests that relationship with the local residents does not have an appreciable effect on general life.

• V6 and V12 (r=0.45  \( p=0.22 \); the correlation reported is not significantly different from 0 because p-value is greater than 0.10). This suggests that relationship with the local workplace’s employees beyond the work does not cause an appreciable effect on level and quality of life.

Results
These three Pearson bivariate correlations show that adjustment of Japanese Expatriate managers overseas is not necessarily linked with getting used to local manners and social relations. It seems that the concept of adjustment for Japanese Expatriates may be something different from inter-cultural adjustment.

In order to draw new inferences from the data, a multiple regression analysis would be effective to establish the variables that would be important for adjustment in a foreign country for the Japanese Expatriates.

Using SPSS, it was possible to analyse the 1443 answers from the Japanese expatriates and then reach the following model:

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Change Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>R Square Change</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>F Change</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Sig. F Change</td>
</tr>
</tbody>
</table>
The linear combination from the proposed model was significantly related to the range of work's responsibilities ($p<0.01$) in this sample. The proportion of total variation explained by the model is also high (R Square=99.7%) which expresses statistically significant linear relationship between the independent variables (V7 and V2). According to this model, the adjustment of the Japanese Expatriate managers is not determined by adjustment to local society manners or customs, but rather by the work's requirements and by daily communication with local people.

In-depth interview

In an attempt to gain better understanding of the reasons for the lower failure rates of Japanese MNCs concerning the expatriates, in-depth interviews were conducted with two expatriate managers from two different famous Japanese Subsidiaries in Brazil. Company A is a famous Japanese Automotive Subsidiary and Company B is another famous Japanese Motor Subsidiary in Brazil.

The both interviews represent the beginning of a more profound study of the purpose of Japanese expatriates in Brazil since Japan could give to Brazil a significant contribution regarding IHRM.

Both interviews are organized as follows:

<table>
<thead>
<tr>
<th>Questions</th>
<th>Japanese Expatriate Manager from Company A</th>
<th>Japanese Expatriate Manager from Company B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Duration of the interview (recorded)</td>
<td>47m:42s (In Japanese, Semi structured)</td>
<td>48m: 38s (In Japanese, Semi structured)</td>
</tr>
</tbody>
</table>

1) How do you communicate with your employees?

“[… ] I use English, because it is still difficulty talking in Portuguese. One
| 2) Have you received any education or training before coming to Brazil? | “Yes, I had a course around one week about life on abroad, security; how to talk with a person from a different culture, training of management skills and also about how to deal with local staff under cultural differences […]” | “Yes, around one week and the principal subject was the life on abroad” |
| 3) Do you think adjustment is really necessary for running the business on abroad? | “[…] for sure it is important to learn the host country’s affairs. However, as a company we have to form and cultivate our human resources. Of course we have to adjust to some customs but as a company we preserve for example the *nemawashi* (Japanese way of decision making that involves all the team). Although we know about the individualism of other cultures there are some points where we can not adjust.”  
“For us it is important that the local staff learn our company way of doing the job, independent of the nationality.” | “I personally think adjustment is important but since this is a Japanese Company, other people think we have to implement the Japanese way […]”  
“I think it is important to remain in Brazil according to the determined period […] Alone I can not do anything and I think adjustment is to construct an ambience where people can understand my intentions and we can pursue results together.” |
| 4) What’s the meaning of your assignment? | “I am a coordinator of Human Resources and I give support to the local director by transmitting the demands of the headquarters. I am not involved with line management and my Company ideal is to let the line management to Brazilians. However it may not be possible depending on the level of preparation of the local staff. I am here to help in the communication and also in making a kind of manual of the job that I performed in Japan […]” | “I am transferring and making a kind of manual of the job that I performed in Japan […]”  
“I think the objective is to prepare the local staff to do the job as it is performed in the headquarters. For this reason the Japanese are here […]”  
“The best would be to let the posts to Brazilian employees; however I think we may need at least the minimum number of Japanese expatriates since
| 5) Regarding the Japanese Life time employment | “We want local staff to remain and then they will become leaders. We have life time employment in this Company”. | “I think it is important to preserve the excellent employees and I transmit the assurance of life time employment to the local staff”. |

**Interpretation of the interviews**

The two in-depth interviews showed that for both expatriate managers in Brazil, the definition of adjustment is not to apprehend and adapt to the local manners, but to cultivate and prepare the local staff in the Japanese Companies' philosophy. Japanese expatriate managers emphasize the cultivation of human resources able to do the job in Brazil in the same way that it is performed in the headquarters. Both Japanese Managers also cited the life time employment and the companies' original way of doing the job as important bases for the formation of local staff. Concerning the question 3, it was possible to observe that for both expatriates, adjustment is viewed as something to be reached by the Brazilian employees' side and both companies are striving to prepare and educate local staff in their way of doing the job. By answering question 5, both Japanese expatriates showed that formation of local staff is the biggest concern of Japanese MNCs and instead of control they come to Brazil to learn and teach the employees where and how to adjust their actions to the Japanese Company's way. Both Japanese managers are developing a function of support to the line management and they are here to learn how to communicate and also prepare the local staff as explained by Company B expatriate manager in question 4.
Conclusion

In this exploratory research it was found that in Brazil, the Japanese expatriate manager is more concerned with the preparation of local staff in the Companies' way than with inter-cultural adjustment. Although the international literature had emphasized the Demand-Driven type of expatriation, the statistics analysis and the depth interviews had showed that in Brazil, the Japanese Expatriate managers do not come just to control, but instead of that, they come to learn how to communicate and how to adjust the local staff to their philosophy. Adjustment in international assignments, according to the initial findings of this paper, has a different connotation for Japanese Expatriate managers in Brazil. This different interpretation may provide theoretical contributions to internationalization and IAs. For these reasons, in Brazil, Japanese Expatriate managers are actually operating under a “Learning-driven” type of expatriation. They are prepared to come to Brazil for dealing and teaching the local staff how to absorb institutional values and cultural aspects that are viewed as competitive advantages of Japanese MNCs. It would be effective to make an empirical research in other Japanese Subsidiaries in Brazil to verify the trend found in this paper. That is the beginning of an empirical study on international assignments' challenges that will bring theoretical contributions to the field of internationalization to Brazil.
REFERENCES


