

# Research of HRM of Japanese companies in China: HRM localization development

**Shi Jun Zhu** (Graduate School of Management, Aichi Gakuin University, zhushijun0212@yahoo.co.jp)

## Abstract

*HRM seems to have to consider the development and enhancement of “human resources strategy” to hire talented personnel, nurture their capabilities, and raise the motivation for constant work. In particular, in global companies, it is necessary to recognize the necessity of nurturing cosmopolitan human resources, to pay attention to acquiring and retaining excellent talent. How are Japanese companies working on it? In this article the author started with knowledge about the concept and practices of Japanese companies’ HRM. Additionally, Japanese companies that entered the Chinese market place were examined. The fierce acquisition competition of Chinese talent in China is making it difficult to cultivate the excellent Chinese talent as faced by Japanese affiliated companies. It is important for Japanese companies to make concerted efforts, this research examined the secrets of corporate success, the view of the work of the Chinese who are the basis of the response, and the of employment, as well as issues raised by the expected human resource development expressed by the author.*

## Keywords

*human resource development, talent shortage, regional disparity, internationalization education, Japanese companies local recruitment*

## 1. Introduction

In the “Human Resource Development Strategy of Japanese-affiliated Companies in China”, first of all, we clearly state the talent image that Japanese companies need, and consider what type of “human resource development strategy” Japanese companies are developing to realize this goal. Unlike the speculation of Japanese companies, there is no doubt that the mobilization of Chinese employees (turnover jobs) will continue as it is ridiculed as “nursing when growing up”. As a result, local companies are constantly facing talent shortages. Therefore, it is an urgent and important task for Japanese companies to control not only human resource development but also mobilization of human resources. The author will prioritize such circumstances and propose a prescription on them.

Generally, as companies utilize human resources, there is a trend to recruit, nurture and secure human resources, and there are various views on which processes should be emphasized by Japanese companies in China. In the Chinese talent market, Japanese talented personnel, engineers and management craft workers are basically short and it is necessary to focus on hiring activities [Ohashi, 2004]. On the other hand, according to the survey, the typical problem faced by Japanese companies lies in the suspension of talented people. Therefore, it is necessary to give a motivation not to lose necessary personnel while creating recruitment systems that can acquire excellent talent. On the contrary, it is also better to have people who are not required to quit any time soon.

## 2. Current status of Japanese-style human resource development in China

### 2.1 Human resource mobilization concerned: Human resource development to be evaluated

China has a population of 1.3 billion people. However, as recruitment of white collar and technical personnel such as Japanese companies are seeking, the hiring environment differs greatly from Japan as a matter of course. For Chinese who are strongly oriented towards capability and career advancement, the popularity of Japanese companies tends to be lower than that of Western companies, which makes it difficult to recruit and retain human resources. Under that circumstance, Japanese companies’ investment in China have increased to the highest levels ever, and as a result competition for acquiring Japanese talent is intensifying. Many Japanese companies collaborate with universities in China to develop human resources and adopt Chinese students in Japan, but supply is still tight. In addition, localization of personnel involves risk. The strength of Japanese companies is that they maintain high quality and high service. Currently it is more effective for Japanese expatriates to maintain important posts, but considering future development, it is necessary to try to nurture locals who have adopted locally.

#### 2.1.1 Regional disparity

In China’s human resources market, it is necessary to consider two points, regional disparity and disparity for each talent market. First, in China, the disparity in living standards for each region is expanding, and there is an inflow of talent from the rural areas to the urban areas and from the suburbs to the city areas [Jetro, 2005]. Therefore, it is relatively easy to recruit personnel in large cities such as Beijing and Shanghai, but it is difficult in local cities. Secondly, cultural differences including institutional disparity, such as differences in implementation status of labor insurance equivalent to the Japanese pension system, and incomparable dialects in various places, are much larger than in Japan [Jetro, 2005].

### 2.1.2 Current situation of talent shortage in China

The shortage of manpower/executive candidate student talent is regarded as a problem. In China, being a person who received higher education is generally regarded as a fundamental condition. There are no more than 5 % of the workforce aged 25 or older who received higher education, and the shortage of executive human resources in foreign-affiliated and local-affiliated companies is serious.

According to the analysis by educational background of recruitment talent to Japanese companies, it is found that 42 % of vocational school graduates, 41 % of bachelor's degrees and employment of high school students are increasing. In recent years, it seems that the adoption of Chinese staff of Japanese companies is shifting to highly educated people. It seems that the reason is that the employment of Chinese advanced personnel became necessary for the growth advancement of advanced Japanese companies (from assembly plant to design development base, start of marketing business for Chinese market, etc.).

There are many job offerings on marketing research [Jetro, 2005]. Movement is attempted to adopt Chinese-grown human resources, to train at the Japanese headquarters, and to take measures such as returning as a local corporate executive.

### 2.1.3 Lack of qualified personnel

The evaluation of corporate executives is generally low. Some Japanese executives who are dispatched from Japanese headquarters to a company are "keener on golf and karaoke, rather than work". "Even if the Japanese staff sent back to the headquarters, they will likely not be promoted there, so as much as possible they play." [Chinese Dragon, 1999] Therefore,

Japanese business operators and managers in China tend to fail in terms of handling frequent local labor disputes, "I would suggest that we need to send workers who are more interested in China's human resources, familiar with the Chinese people, and can accept the Chinese people as a partner".

### 2.2 Suppression of fluidization: irony that grows nesting (investigation of cause)

Let us consider human resource development of Japanese companies here. If Japanese companies and Chinese understand each other, they will be able to resolve conflicts and smoothly operate the local Chinese management of Japanese companies. Japanese companies should emphasize education, carry out education and training in collaboration with the Chinese universities, and should carry out mid- and long-term training in Japan as well as in China.

#### 2.2.1 Human resources mobilization from Japanese companies

It is clearly evident that the direction of talent migration is less from European and American companies to Japanese companies, and that the migration from Japanese companies to European and American companies is much greater (Table 1).

In addition to the above, the factors of human resource transfer from Japanese companies to Western companies include (1) they can not bear the rigors of the Japanese management system, (2) problems of wages that are not as high as those of Western companies (Table 2) [Zho, 2002].

Chinese employees first get a job at a Japanese company that is enthusiastic about education, acquire the necessary knowledge and skills there, then change to a Western company with

Table 1: Talent movement between foreign-affiliated companies

Previous work place \ Current place	Japanese companies	US companies	European companies
Japanese companies	64.4	28.4	29.8
US companies	13.9	37.0	6.4
European companies	4.0	13.6	31.9
Hong Kong • Macao companies	6.9	12.3	6.4
Taiwanese companies	7.9	3.7	21.3
Other foreign-affiliated companies	2.9	5.0	4.2

Source: Ma, C. (2000). "Labor Issues of Companies Entering China" Japan External Trade Organization.

Table 2: Comparison of average wage levels by job type of foreign-affiliated companies

	US companies	Japanese companies	European companies
Worker	1,028 (100.0)	783 (76.2)	1,053 (102.4)
Engineer	1,868 (100.0)	1,513 (81.0)	1,644 (88.0)
Clerical (finance)	2,140 (100.0)	1,367 (63.9)	2,054 (96.0)
Clerical work (sales)	1,144 (100.0)	1,822 (159.3)	1,821 (159.3)
Middle management	2,166 (100.0)	1,807 (83.4)	2,251 (103.9)

a high salary and then save money, the last is welfare change of position to a state-owned enterprise where welfare is full and try to obtain a high post. From the standpoint of individualism, it will be necessary to rationally calculate one's own life and to recognize the Chinese people's idea.

### **2.2.2 Suppression of fluidization**

With the lack of Japanese human resources, partnerships between Japanese companies, Japanese universities and vocational schools and Chinese universities are accelerating. Partnerships have diversified, such as developing national speaking technicians in partnership with Chinese universities and customizing internal training in university classes. Examples of partnerships are as follows.

#### **2.2.2.1 Partnership between Japanese companies and universities in China: Training Japanese human resources and engineers**

Pasona Tech, a temporary staffing agency in the field of IT, has tied up with the Chinese Academy of Science and Technology graduate school "Researcher at the Chinese Academy of Sciences" and opened a human resource development center in mid-November 2004. It will teach skilled Chinese technicians in Japanese for 10 months to learn Japanese and business practices in Japan by educating about 360 people per year. Regarding employment after graduation, there are contracts with major automobile manufacturers and major consumer electronics manufacturers.

Matsushita Electric Industrial Co., Ltd., with the cooperation of Dalian University of Science and Technology, opened the "Matsushita Group Special Course" and fostered excellent software engineers who enrolled as Chinese students of excellent science and engineering courses that started in mid-October. There are 40 students in the first year. The Matsushita Group selected students at the university, implemented one year of practical education including Japanese language acquisition, and lecturers also totally manage it by sending talent from the same group.

#### **2.2.2.2 Partnership between Japanese companies and universities in China: Customization of in-house training**

At Shanghai Foreign Language University, at the request of Japan Airlines (JAL), the Japanese Cultural Economics Institute conducts Japanese language training of Chinese staff.

#### **2.2.2.3 Collaboration between universities and vocational schools in Japan and universities in China**

In Dalian University, for the students of the Department of Business Administration Course major, establishing the International Business Department within the vocational school of Fukuoka, a 2 year study abroad program has been organized [Jetro, 2005].

### **2.2.3 Necessity of international human resource development**

#### **2.2.3.1 Necessity of company-wide internationalization education**

In the recent globalization of international trade and overseas

business expansion, internationalized education forms of "only relevant personnel and related departments" are inadequate. It is desirable that all the people of the company receive internationalization education and can make contact with foreign countries at any time.

#### **2.2.3.2 Internationalization education of headquarters executives**

For executives, it is considered necessary to prepare a specialized training system that teaches about professionally overseas business problems as well as a wide range of rich knowledge on intercultural issues without fail.

#### **2.2.3.3 Contents of internationalization education**

Internationalization education is not synonymous with language education. Especially for Japanese, education on "cross-cultural communication", "expert management knowledge" and "management performance ability" is necessary.

#### **2.2.3.4 Education of Chinese business managers**

The author advocates the necessity of long-term internationalization training at the headquarters, training for management leaders. Local officers understanding "Chinese learning", "Chinese personnel management" and "Chinese ideas" are considered to be particularly important, so it is necessary to consider the contents of international education according to local needs.

### **3. New human resource development strategy in China: Human resource development to ensure fixing ability**

As China has a relatively short history as a corporate society, it is inevitable that each company must develop personnel who are responsible for localizing the management. In addition, European and US companies are doing their utmost to secure talent with a huge market, so currently competition in the talent market is very intense. On the other hand, since people's awareness about human resource development and the provision system of training resources are still immature, how to tackle and develop human resources for the management team of Japanese companies in China is the most important issue.

#### **3.1 Elements necessary for establishing talented personnel**

There are four major elements required for establishing talented personnel in terms of institutional aspects: material satisfaction, prospects for a sense of belonging to the company, and fairness of treatment. Table 3 shows the main points.

Beyond the four requirements shown in Table 3, the most significant influence on talented personnel establishment is the "Japanese representative who is the boss".

Therefore, the following discusses about "qualifications of expatriates necessary for consolidation of national staff about competence". Institutional measures are indispensable in nurturing and establishing national staff. Please refer to Figure 1 for the institutional fixing measures.

It is a Japanese representative who is responsible for the

Table 3: Four elements on institutional aspects for the establishment of competent human resources

Material satisfaction	<ul style="list-style-type: none"> <li>• Salary level that does not compare favorably with other peers in the same industry</li> <li>• Welfare program</li> </ul>
Prospects for the future	<ul style="list-style-type: none"> <li>• Company's vision</li> <li>• Expectation for one's own value rise</li> </ul>
A sense of belonging to the company	<ul style="list-style-type: none"> <li>• Granting discretionary power</li> <li>• Participation in management</li> </ul>
Equity fairness	<ul style="list-style-type: none"> <li>• Ability of individuals</li> <li>• Treatment correctly reflecting organization contribution</li> </ul>

management of the local corporation. Occasionally one hears, "Expatriates who became the first local corporate president of the company had a strong trust from the national staff, a strong and talented person established and the business was on track but the first president returned to Japan. Then, as soon as the new representative took over as the president, the company was disrupted, talented people left and management issues became unavoidable" (and vice versa, of course) [Sasaki and Fujii, 2009].

### 3.2 Human resource development on the premise of Chinese character

In the state-owned enterprises of China, the ratio of "internal development" is 94.9 %, the ratio of external training is 68.8

%, the ratio is high, educational institution entrance is 26.7 %, others are 8.3 %. Appraisal of vocational skills in China is necessary, and apply to appraisal by a preview labor bureau vocational skill appraiser [Tsugami, 2003]. "Education training certification certificate" or equivalent technical grade certificate will be given to those who pass the examination and examination of various exams. Generally, employees of state-owned large enterprises have the qualifications and abilities of various education and training. Moreover, these large enterprises have independent official education and training divisions.

Next, in general large non-state-owned enterprises, two educational courses are prepared, managerial and professional, and qualify each. In general companies, there are few courses of education and training.

Workplace education and training system called OJT (on the Job Training), which is widely practiced at Japanese companies, is education and training on the job content, and managers are also included in that category. This education and training system is highly appreciated.

#### 3.2.1 Points to remember when hiring Japanese locally (middle-aged talent and young talent)

##### 3.2.1.1 In the case of middle-aged talented persons: Attractive with skilled technology and experience and high cost performance

Human resources experienced by manufacturers' engineers, trading companies, etc. fall under this case.

It seems to be conspicuous that experienced middle-aged tal-

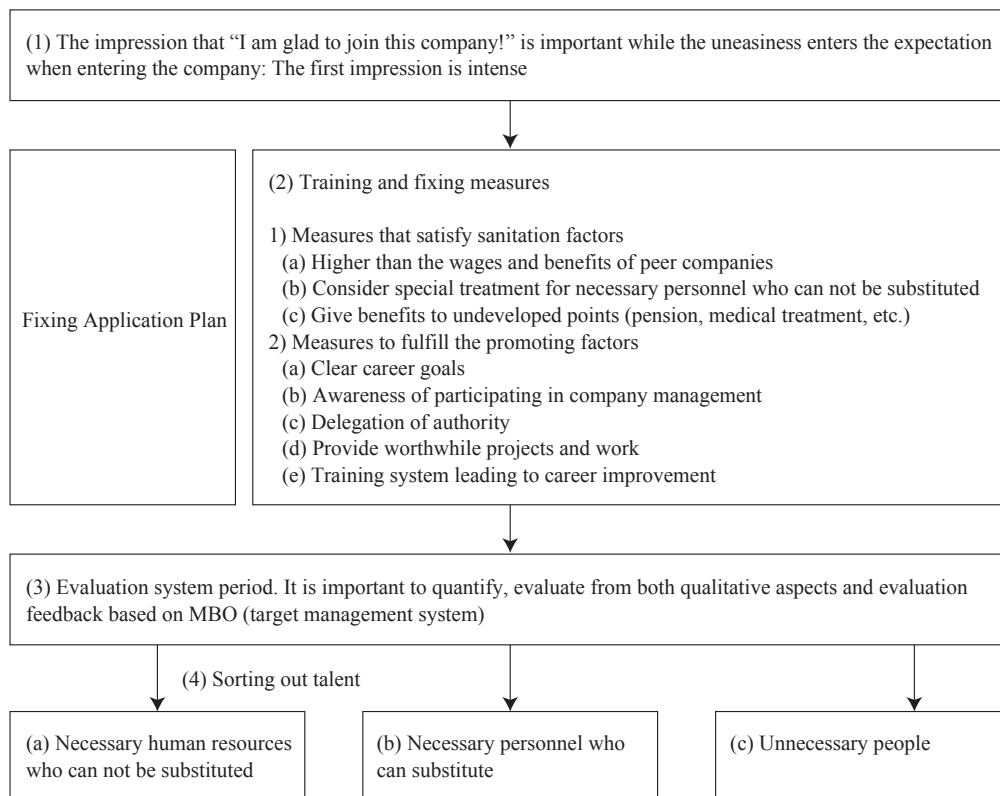


Figure 1: Flowchart for institutionalization

ented people in recent years and those who previously engaged in China, and those who have been involved in some way with China based in Japan are considering working in China.

- Success example

Mr. A who had a career as a mold manufacturing engineer in Japan has not yet had the opportunity to utilize his experience in China as the manufacturing process of home appliance manufacturers who had been trading partners has shifted to China

He tried a job seeking activity. He has been experienced in a wide range of sourcing, personnel management, training, negotiations with customers in a small company, being employed by Chinese Japanese mold manufacturers.

### 3.2.1.2 In the case of young talent: as a foothold to localization. For excellent talent, consider treatment similar to that of expatriates

The number of Japanese who graduate from universities in China and want to work in China increases year by year, and the number of young talent who seek jobs locally is also increasing accordingly. As a company, there are merits in that human resources who can use both Japanese and Chinese and who have sensitivity similar to a Japanese who can be hired at a relatively low cost. For this reason, it is also necessary to switch to superior human resources at the head office, switch to expatriate treatment, or switch to treatment close to that, and keep them as talented personnel for localization.

- Example of failure

After graduating from university, Mr. D finished employment in Japan, but retired in the third year of employment,

he carried out the study abroad in China that he had been thinking about from before. He gained experience of studying abroad for two years in three places, including local cities in China, deepened his understanding of language skills, Chinese society, further hoped to work in China, and found employment at the local hiring. However, when he worked, severity was totally different between “working in China” and “learning in China”, waiting for the trial period to expire, he retired and decided to return to Japan [Fujii, 2000].

### 3.2.2 Human resource development strategy of Chinese enterprises

The biggest theme of the Chinese subsidiary is training human resources. It is no exaggeration to say how to foster excellent executive talent separates the success or failure of local corporate management [Ohashi, 2008].

### 3.2.3 Recognition that “China and Japan are partners”

Construction of a strategic reciprocal relationship (mutual prosperity) is important for the development of both China and Japan [Zhang, 2004]. Companies in China and Japan never deny any competition, but rather it is necessary to think of building a middle-to-medium business partnership as an option of a new strategy. Rather than rejecting other companies in today’s information society, it will be required to build cooperative relationships that enhance each other’s capabilities and head towards realizing a better society.

## 4. Key points, problems and future topics

### 4.1 Key points

Organization and consideration of the “human resources development of Japanese companies” is necessary for the audience to know the “Chinese people” for “human resource

Table 4: Menu, by purpose, contents of human resource development

Menu	Purpose	Main contents/training examples
Junior board (Youth Board of Directors)	As part of executive training, the aim is to train in line with the facts of the company	Junior board of twice a month × 6 months is launched, after theme setting, improvement of company and executive training
Executive training	Mid-level to train executives to truly executives	Learn through basic lectures, practical training, and group discussion on the basis of business needed for executive staff (management • leadership • organization management etc.)
Business etiquette training	General employees learn the basics of work and try to improve morale	Learn the basics and manners of business necessary for employees through lectures • games • role playing
CS (customer satisfaction) training	Enhance customer quality by enhancing customer-oriented ability and differentiate	Learn customer-centric business cycle and thinking, awareness, actions through lectures and group discussion
Other training	Strengthen weak points through training	5S fixation training, leadership training, sales training, marketing training etc.
Job aptitude inspection	<ul style="list-style-type: none"> <li>• Selected materials for recruiting interview</li> <li>• Drafting and judging materials for human resource development plan</li> <li>• Tools for behavior understanding and understanding of personality traits in training etc.</li> </ul>	Objective analysis of motivation and interpersonal relationship processing abilities, etc. Diagnose characteristics essential to raise results by abundant clinical case.

Source: <http://www.tanabekeiei.co.jp/01consulting/china/05/>



development” of Japanese companies that have advanced into China (or that will advance in the future), “On the other hand, the Japanese economy will not be able to grow without China. And, for Japanese companies, factories, markets or market, it will be impossible to formulate and carry out management strategies with the exception of local people (Chinese). It can be said that China and Japan are indeed inextricably linked, a so-called “strategic reciprocal relationship” as advocated by the Japanese government.

#### 4.2 Problems and future topics

The situation that the training of local people of Japanese companies does not proceed brings about various problems not only in the field but also in the home country. Where are the factors that reduce the motivation of locals and increase the turnover rate of locals? How to make effective on-the-ground training can be a very important task for Japanese companies in the future. It is imperative that Japanese companies understand Chinese history and culture more fully and understand Chinese viewpoints and thinking correctly. Even though companies will advance into China, they should think more beyond the idea of just using Chinese people.

That is to share the recognition that “China and Japan are partners”. Construction of a strategic mutually beneficial relationship (coexistence prosperity) is important for the development of both countries.

For Japan, China is not simply “a supply source of labor and production resources” but a “market for goods and services”. For China, Japan is not “imitation sources of production technology” or “suppliers of low-priced products”. It is a neighboring country where it is important to share each other’s fields (dominance) and mutually reinforce each other. “Human resource development” discussed in this paper has overcome the “discrepancy” in the current situation and has been mutually developed on the “foundation” of “win win” for both countries (or between the two companies) mutually in the medium to long term.

#### 5. Conclusion

The need to develop human resources by Japanese companies in China connects to a variety of topics, such as, analyzing the changes and the current situation of China’s labor market, investigating the current situation of human resources in Japanese enterprises in China, recognizing the shortage of human resources, by curbing the flow of talent, and by promoting slower growth. For Japanese companies in China’s management team, learning how to deal with and protect human resources is the most important issue. The four basic elements in the establishment of a fixed system of talent can be broadly divided into “material satisfaction”, “future prospects”, “fostering a sense of belonging” and “fair treatment”. In this light, China should re-confirm the need for the development of human resources. A proposal should be made to ensure fixed human resources development methods: the most important thing is to “attract”

talent, and later “retain” talent. Special emphasis should be given to “we do not need unnecessary human resources,” “an effective way to get talent is” enthusiastic “to cultivate human resources [Ohashi, 2008].

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