

CROSS-BORDER HR MANAGEMENT AND ORGANISATIONAL ALIGNMENT

The HR Management of Western companies based in Japan is often limited to administrative tasks, when it is in fact a decisive element of successful cross-border management. On the importance of HR for globally operating businesses and its role in organisational development and alignment.

By Takeshi Mentzel and Chiaki Kataoka

WHY HR MANAGEMENT?

As a consulting company, one of the most frequent questions we get at CBI Partners is which function is considered the most important to be successful in Japan as a German company. A question to which there is of course no simple answer. If, however, the question were about which function is, in our opinion, most underestimated by foreign companies in Japan, the answer is clear: Human Resource Management.

The term Human Resource Management (HRM) itself points towards the most common default. Management of people does not mean to just administrate them. However, most foreign companies in Japan focus on administration alone. Additional important HR management tasks, such as clear definition of tasks and processes, evaluation, further training, promotional decisions, building teams, et cetera, are often lacking. Especially in the cross-border and cross-cultural work and communication of globally operating companies, not having tightly focused HR management often results in both personal and organisational gaps. It is a core task of the Human Resources Department to identify and reveal these gaps in time, or in the best-case scenario, prevent them from developing in the first place. The HR Department should, in cooperation with the line managers abroad and in Japan, clearly identify cultural, market-specific work rights and corporate culture-related differences and subsequently define measures to be taken to ensure efficient working.

Small to mid-sized businesses tend to completely ignore the topic of HR management in Japan or try to control it from their main main, or regional headquarters, whereas large global companies tend to spread their tools and standards all over the world without sufficiently considering the need for localisation. Regional factors like socio-demographic background (i.e. education, communication), different market requirements, as well as business culture and the country's own culture are often underestimated. Additionally, there are many cases where the local competency in Japan is not enough and the influence of the foreign HQ is too dominant. In the most challenging case, there is an Asian head office in Shanghai or Singapore with a strong Chinese influence involved. Incorrect leadership of (Japanese) staff and enterprises often causes them to fall behind on their set goals, and the staff are then held directly responsible for any mistakes that are actually due to a lack in strategic implementation.

IS JAPAN DIFFERENT?

But why is it that many foreign companies struggle with establishing an efficient organisation with clearly defined structures and adequate HR management in Japan? Is it because Japan is so "different"? After all, this is what many Japanese people tell foreigners: "You have to understand, Japan is different!" or "This is not possible in Japan!" These are but a few examples of the numerous phrases that every foreign manager has probably been confronted with so far. A good way to counter this is to try asking the following question: "What

can we do to make it work? How can you support us in our efforts to make it work?” Instead, many managers simply tolerate these excuses without explicitly finding and defining the cause of the probable failure. This is then relayed to the HQ, often accompanied by pointing at the so-called difficult conditions in Japan. In turn, the head office accepts these explanations mostly due to deficient market knowledge. However, in the long run, this will lead to frustration on the headquarters’ side and / or dissatisfaction (or even mistrust) towards the Japanese staff. In some cases, the responsible managers have to face the consequences. These consequences usually come as a surprise to the people concerned, since the HQ’s expectations have not been clearly and transparently presented to them. If these kind of sudden changes in personnel accumulate they not only pose a massive hindrance to the organisation but also often have a negative influence on customer relationships.

Often companies lean too far the other way and show a misplaced sense of tolerance towards the foreign culture in the form of being too lenient and thus giving away possible market share and growth potential. This usually results in gaps, problems and inefficiencies that become graver and harder to overcome with passing time.

OF COURSE JAPAN IS DIFFERENT! After all, it is the Japanese business conduct that shows considerable differences to that of western developed nations. This topic has been covered at full length in various books and should be familiar to any reasonably informed manager (please refer to fig. 1). The solution is not recognising the problems at hand, it is finding an appropriate way to deal with them: Many businesses fail in building an organisation that is capable of managing these differences by conducting cross-border communication and consultation.

	The West	Japan
Communication	Direct, clear statements, open criticism	Indirect, only hints are given, avoiding of conflicts
Decision-making processes	Fast, single people in charge decide, takes short time, top down	Complicated, group decision, takes long time, striving for harmony, bottom up
Leadership	Decides, gives clear orders	Guide, provides directions
Teamwork	Clear distribution, individual tasks	Variable distribution, intensive cooperation
Role perception	Strong sense of individuality, self-definition	Group-oriented thinking, appointed roles
Hierarchy	Based on performance	Based on seniority
Supplier	Independent	Integrated into conglomerates (Zaibatsu); clear performance targets
Customers / Service	The customer is always right, but not at all costs	The customer is always right, extremely high customer service

Figure 1: Differences Western / Japanese businesses

WHAT IS COMMUNICATION?

Within the framework of our work (e.g. workshops), one thing we often hear is: “To solve our problems, we must improve our communication.” However, this realisation is seldom followed by a useful approach to solving the problem. There is a prevalent misbelief that communication will be improved by trying to convince the other party of the accuracy of your point of view: “You (the other party) should understand that this has to be dealt with in this particular way...” This, however, is not called communication; it is called imposing your point of view – your self-proclaimed reality (wishful thinking) – onto the other party. This kind of behaviour is counterproductive, leads to a decline in communication and creates the negative spiral of failure.

The topic of communication is a science in itself, but if one were to try to define communication in relation to the strategy process in cross-border management, the following process description would be a useful approach: communication is the process wherein the manager in charge produces a common understanding of the market expectations. Based on that, the management team (subsidiary and headquarters) comes together and reflects on the company’s current position in relation to the market expectations (gap analysis). Afterwards, a suitable strategy is developed and tasks and responsibilities are clearly coordinated in order to close the

identified gaps. In the course of this process all aspects that might lead to failure should also be systematically covered. One way to go about it is the holistic approach designed by CBI (see Fig. 2). Thus, to ensure comprehensive communication a well-structured follow-up consisting of analysing the current status and tending to deviations is needed. Doing so allows communication to be linked to progress objectives, and aids in the timely correction of deficiencies as well as making the success of communication measurable.



Fig. 1: CBI's Holistic Approach

But as is often the case, things are a lot more complicated in reality than they are in theory. Communication wherein the sender is not able to produce a rapport¹ with the receiver is considered only a noise or an irritation (Peter F. Drucker: The effective Executive). First and foremost, regardless of linguistic and cultural barriers, communication in the organisation means to properly coordinate business efforts using clear objectives to achieve the set goals.

To ensure and support communication is one of the core tasks of an HR manager working at a multi-cultural company in Japan. The HR department should be involved in the company strategy right from the beginning, and assist in the

¹ **Rapport** (French: le rapport, "relationship, connection") describes a trusting relationship based on mutual empathetic attention. Psychoanalyst Daniel Stern also refers to it as *attunement*, meaning the fine adjustment of emotional communication.

processes. The decisive role of HR consists especially in establishing a common understanding of the market requirements, the current status of the company as well as the gap analysis. Serving as a neutral facilitator, the HR management helps in rationalising contents and establish a new common understanding between Japanese and foreign colleagues.

COMMUNICATION INTERFACE – THE LEADING MANAGERS

Most multinational companies in Japan consider English skills as a key qualification, but even though language skills are crucial they should not be emphasised too much. Many highly capable Japanese employees often feel frustrated and / or misunderstood when there is too much focus on language abilities, thus drowning out their full potential. This is where the leading managers play a major role: they have to possess the ability to communicate to both sides – not only linguistically. They should be as much familiar with the Japanese business routine as they should be able to be assertive towards the headquarters. Furthermore, leadership skills as well as skills in building a team are necessary to be accepted by both parties, and to establish and implement the company culture and strategy. In particular, the management in Japan is in charge of bringing both the Japanese and the foreign expectations, standards and demands in line.

The HR department is in charge of finding and deploying suitable managers (as well as other staff). If, as is often the case, there are gaps in terms of competence and qualifications, it is up to the HR department to make those gaps transparent and help the employees and the managers fill them. In many cases, the top-tier managers (both Japanese and foreign) of multicultural companies in Japan are the ones who have the biggest gaps, yet operate beyond any of the HR control mechanisms. Feedback loops between the employer and the employee concerning roles, qualifications and performance are often non-transparent – if they are held at all. To resolve these issues, it might be

advisable to hire external experts as temporary support. As a general rule, you should not hesitate to make use of external support. It provides additional know-how and offers a more objective point of view.

HR MANAGEMENT

What are the other often-lacking elements of effective HR management? Aside from the previously mentioned fair evaluation (constructive feedback and subsequent training), they are the setting-up of clear definitions and rules (qualifications and tasks, positions, work processes and communication channels) as well as active team building in particular. Ideally, a well-thought-out HR strategy aids in building a motivating, communicative and supportive work environment that enables cooperative, efficient working and establishes a positive company culture. This is why HR management is a crucial factor in cross-border management – especially in a “different” country such as Japan – to successfully communicate the differences to all parties and include them into the organisation as factors to be managed. It is important to find a balanced compromise between the Japanese market expectations and work conditions, and the German business culture. Last but not least, the usual tasks of HR should not be neglected, either: administration of work rights, company rules, workforce, salaries, promotions etc.



Fig. 2: The Pillars of HR Management

ANALYSIS – HOW TO RATIONALISE THE COMPANY’S REALITY

Since 2006, CBI Partners have been analysing and adjusting cross-border organisations. We have learned that generating a transnational common understanding of the actual situation is the fundamental first step towards improvement. Even though the symptoms in almost every unsuccessful business might be the same (stagnant market shares, no profit, high staff turnover), their causes are a lot more complex.

Both managers and employees of a business that isn’t going quite right are normally well aware of the problematic situation. Unfortunately, almost everybody tends to look for the fault in others rather than reflecting upon themselves, especially in an environment focused on performance where their own existence is at stake. Furthermore it’s far from easy to clearly define right and wrong in a multicultural environment. This is why over the years, CBI has developed its very own integral analysis approach (based on the holistic approach, see Fig. 2) to scan systematically for the crucial points of possible failure.

To create transparency, an analysis based on objective methods is necessary; if need be, it should be conducted by a third party. Tools for this kind of analysis include internal and external (i. e. customers) interviews, but formats like SWOT, USP and online surveys can also greatly support the process. Most big companies nowadays do have global employee satisfaction surveys but those are usually not suited for cross-border organisational development. CBI has developed a so-called Fitness Check, based on the holistic approach, that we use to show a company’s situation in an objective and transparent manner using a variety of tools. In addition, CBI supports the teams in analysing the results to evaluate them. neutrally and to generate a commonly accepted understanding of the reality of the company. An understanding stretching across borders is the base needed to define a clear strategy and activate most necessary change processes. This is why CBI always involves the foreign headquarters as well, especially since most

analytical results show that big adjustments should be also made outside of Japan to make further progress. To be able to properly manage crucial change processes outside of Japan, on the other hand, definitely also requires a strongly transborder HR function (see Fig. 4: Results of an Example Analysis).

Question: Is there a clear strategy for the company how to achieve its targets in Japan?

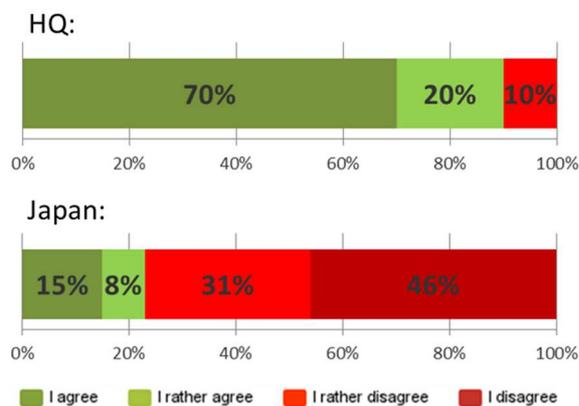


Fig. 3: Results of an Example Analysis

CHANGE MANAGEMENT = ALIGNMENT

Analysing and creating shared transparency is usually the first step in the change management process to help a company get back on track. To develop and implement concepts of a change process, a common understanding of the need for change is created. The implementation is then monitored with frequent project reviews, and after all goals have been achieved the company can go back to the regular cycle of improvement process.

In this context, it is necessary to keep in mind that every change management process is first and foremost a process of alignment. The main problem with change processes is that humans generally do

not like to change. They often react dismissive and are rarely open to changes that will rip them out of their familiar routine and their comfort zone. This is especially true for organisations: they are not built for change but for functioning as efficiently as possible by consistently repeating and optimising their processes. In turn, this means that all staff in charge have to be convinced of the necessity of change and the way it is going to be implemented, and then brought in line. The consciousness and the will to change not only the staff in Japan but also oneself or rather the company’s central organisation is often missing and has to be communicated. This change process, creating a situation in which all parties including headquarters are focused on the same goals has to be managed by – you guessed it – the HR department.

But how do you create such a fluent alignment within a company? By combining the strategic process with the change management, therefore having all people in charge focus on the same goals. Humans follow clear tasks and (work) processes, which follow an organisational structure. The organisation, in turn, has to follow the business strategy – read: the market requirements.

HR management is creating the framework for developing a strategy based on real situations, breaking that strategy down into operational and personal goals and enabling the achievement of these goals on a personal level. Moreover, HR management is making sure that all staff are well qualified to fulfil their role or are being trained accordingly. This is a task and role that is both highly important and very interesting, and is unfortunately not quite yet established in many companies in a way that makes it work the way in which it should.

The authors:



Takeshi Mentzel has been working as consultant for CBI Partners for many years, with a degree in economics; with both German and Japanese roots, he grew up bilingual and bicultural and provides advice for German and European companies in the framework of analytical, implementation and change management projects in Japan.



Chiaki Kataoka is a partner at CBI Partners and possesses more than 20 years of experience in cross-border management thanks to being successfully engaged in numerous global companies based in Japan. She is also an HR expert with MBTI and Reteaming licenses.

About the company:

CBI Partners Co., Ltd. is one of the leading consultants in the German-Japanese business environment. Founded in 2006, the multinational team of experts at CBI Partners deal with the four main topic fields that are crucial for success in Japan.

- **Operational Consulting (analysis, strategy & organisational development)**
- **M&A, joint ventures and partnerships (research, consulting, contacting, negotiation support)**
- **Representing and interim management (from market entry to proxies to temporary direction of companies in Japan)**
- **Human Resources Development (training, coaching & team building of cross-border teams)**