Belated Changes in International Management of Japanese Multinationals

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I Development of Japanese Multinational Enterprises

1 Big Changes in International Strategy

Japanese companies have made big changes in their international strategies for the last nearly sixty years. Until 1985 export was the most important strategy. The Plaza Accord was concluded in September 1985 and it triggered a sharp rise of Japanese yen. In August 1985, 1 US $ was around 240 yen, and one year later 1 US $ became about 150 yen, thus jumping up by almost 40% in one year. Facing the sharp appreciation of yen, Japanese multinational enterprises made strategic decisions to shift the emphasis on international strategies from export to overseas production. In this sense the year 1985 was a turning point for Japanese multinationals. More recently, overseas R&D has been actively conducted by many Japanese companies.

There are two important aspects in the strategic changes of Japanese multinationals. First, the strategic changes took place chronologically. They have been conducted step by step in time sequence from export to overseas production and lastly to overseas R&D. Second, the strategic changes are accumulative. After mid 1980s Japanese multinationals shifted their strategies from export to overseas production. It does not mean that they stopped export. Today, the most common practice is that three kinds of strategies of export, overseas production and overseas R&D, are pursued simultaneously.

Through the historical development of international business strategy of Japanese companies, a lot of Japanese multinational enterprises were born. Here the multinational enterprises are those companies that meet two criteria. First, they are among the largest 500 companies listed at the first section of Tokyo Stock Exchange Market. Second, they have manufacturing subsidiaries in at least five foreign countries.[1]

The numbers of the Japanese multinationals have been; (Yoshihara, 2006)

37 as of 1974
67 as of 1982
149 as of 1994
208 as of 2002

Thus, today, multinational enterprises are common among large Japanese companies.

One of my friends, an alumnus from Kobe University, was a board member in charge of overseas operations at an automobile parts manufacturer. He was assigned to USA in early 1970s. At that time he never thought of working abroad. These days young employees of the company take it granted that they some time will work at overseas subsidiaries.

Today, the total of three hundred thirty thousand Japanese businessmen and their families are living in foreign countries (as of 2002). Additionally, more than fifteen million Japanese people go abroad for sightseeing every year.

2 Small Changes in International Management

When we turn attention from the strategy to the

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management of Japanese multinationals, we see that changes have been smaller.

The ownership policy has changed. Until mid 1970s, the ownership pattern of Japanese multinationals had distinct features. Joint ventures were dominant and in many cases Sogo-shosha (general trading companies) became partners. However, after 1990s, 100% ownership has become more dominant, and Sogo-shosha almost disappeared as partners. (Yoshihara, 2001a)

The organization has also changed. In 1970s the most common organization was 'overseas' division. However, later on, the 'global' division instead of the 'overseas' division gradually increased and recently has become the dominant type. Roughly speaking, there seems to be thirty years of time lag between Japanese and US multinationals regarding the development of organizational form. (Fujino, 1998)

With regard to people and language in international management, we see little change over long period of time. The Japanese multinationals are engaged in business globally and they manage their global operations by Japanese people and in the Japanese language. (Yoshihara, 2001b)

Another feature of the management of Japanese multinationals, non-internationalization of Japanese head offices, is closely related with the above mentioned two features of Japanese style international management, that is, management by Japanese people and management in the Japanese language. At Japanese parent companies only Japanese people work in their accustomed Japanese ways using the Japanese language.

Thus, we may summarize existing Japanese style of international management as the triangle system consists of the three elements of (1) management by Japanese people, (2) management in the Japanese language, and (3) non-internationalization at Japanese head offices.

The Japanese style of international management has some problems. One of them is that Japanese companies are not attractive to the mangers of local nationals.

In 1985, Professor Christopher A. Bartlett of Harvard Business School conducted field research on Japanese multinationals in Japan. I was a co-researcher and an interpreter. One day I asked him. "Suppose you are a Harvard Business School graduate. Do you want to work at Japanese companies like Toyota, Matsushita and Canon in the United States?" He answered "No". I asked "Why?" He pointed out the following features of Japanese style of international management. (Bartlett and Yoshihara, 1988)

(1) low initial salary and post
(2) slow pace of salary increase and promotion
(3) limited promotion opportunities
(4) little room for participation in decision process

His comment which was made in mid 1980s is still relevant today. And it is relevant to Japanese companies not only in USA but also in other countries like European countries and Asian countries such as UK, France, Germany, Singapore, Taiwan, and China.

The above mentioned problems of Japanese style international management may be more accurately described with the phrase, "The Bright and the Dark Sides of Japanese Management Overseas." (Yoshihara, 1989) Japanese production management like Toyota Production System functions well in foreign countries. Overseas plants are attractive to workers of local nationals. On the other hand, offices of Japanese companies are not attractive to managers and white collar people.

In this paper, I would like to focus my attention on the triangle system of international management of Japanese multinationals. For the last two years, I conducted interviews to around fifteen major Japanese multinationals such as Toyota, Matsushita, Sony, NEC, Canon, Omron, Komatsu, Daikin, Denso, Aishin Seiki, Asahi Glass, Takeda, Kao and Ajinomoto. And I have found that Japanese multinationals have at last started to change their triangle system of international management.

Ⅱ Changes in International Management

1 CEOs of Local Nationals at Overseas Subsidiaries

I conducted field research on Japanese companies in Bangkok, Thailand in 1974. One of the findings was that localization of management at Japanese companies was behind US and European multinationals. All CEOs at Japanese companies in Thailand were Japanese expatriates.（Yoshihara, 1975）

According to the data of my mail questionnaire survey, which was conducted on global base, as of 1994, 484（78%）subsidiaries had Japanese CEOs and 136（22%）subsidiaries had non-Japanese CEOs.（Yoshihara, 1996）

Let me tell you about my interesting discussion with the managers of Japanese multinationals. It was in mid 1980s. I asked them. "Which do you think is better for US and European multinationals; to have Japanese CEOs at their Japanese subsidiaries or make expatriates from their own countries become CEOs in Japan?" They answered. "Japanese CEOs are better." I asked why. They pointed out the following reasons. Japanese CEOs are more familiar with local business situations. They are better at building good relationships with local business community, government officials and customers. Employees are Japanese and communication with them is done in the Japanese language. Then, I asked them. "Who are CEOs at your overseas subsidiaries, Japanese or local nationals?" They answered. "Our CEOs are Japanese." Then I summarized their opinions in the following way. The US and European multinationals in Japan should have Japanese CEOs, and the Japanese multinationals in foreign countries should have Japanese CEOs also. I asked the managers. "Do you mean that CEOs should be Japanese people all over the world?" They responded "Yes" with smile in their faces. The discussion struck me. I thought that something must be wrong.（Yoshihara, 2001a）

In September 2001 I was asked to become an instructor at Toyota Executive Development Program. In my lecture, I pointed out that the majority of CEOs at overseas subsidiaries were Japanese. And, I added that this was true with Toyota as other large Japanese companies. Then, I was criticized by a senior manager who was in charge of overseas operations. The CEO of Toyota Manufacturing, Kentucky, Inc. in USA was not Japanese but an American. It was the largest overseas manufacturing subsidiaries of Toyota. As a matter of fact, Toyota promoted an American manager to the CEO position at the company a few months earlier than my lecture.

These days more and more Japanese multinationals have localized CEOs at overseas subsidiaries. Roughly speaking, about one third of the CEOs at overseas subsidiaries are local nationals. Localization of CEOs is more advanced at sales subsidiaries than at manufacturing subsidiaries. An electronics company has promoted managers of local nationals to the CEO position at seven overseas sales subsidiaries in EU. When Japanese multinationals acquired existing local companies, they often have CEOs of local nationals at the acquired subsidiaries.

CEOs of local nationals are required to have the following traits.

First, managers with local nationalities are required to work for a long period before they are promoted to CEOs. For example, at Toyota it took more than ten years before local managers were promoted to CEOs at major manufacturing subsidiaries in USA, Canada and UK. Internal promotion is common and hiring managers as CEOs from outside companies is rarely practiced.

The second trait is loyalty to organization. Let suppose that two persons are candidates for CEO position. The first person has high record in performance and moderate record in loyalty to organization. The second person has moderate score in performance and high score in organizational loyalty. Japanese multinationals generally promote the second person. Japanese companies highly evaluate a man of loyalty.

A senior executive vice president of a large electronics company told me. The CEOs represent the companies. They work twenty four hours a day,

and three hundred sixty five days a year. They are required to sacrifice their private lives for the good of the companies.

The third trait is the acceptance of corporate philosophy.

Many multinationals have education and training centers. One of their missions is to develop managers who are qualified for global operations of the companies. These centers emphasize education of corporate philosophy. Based on the corporate philosophy codes of behavior are developed which tell employees how to behave.

As overseas operations increase it becomes important for a company to have an explicit code of behavior for employees all over the world. To be promoted to CEOs, understanding and practicing the code of behavior is a must. Managerial capabilities and performance are not enough. They are required that they practice the code of behavior which is based on the corporate philosophy.

Thus, at Japanese multinationals, conformity rather than diversity is pursued. Managers of local nationals at overseas subsidiaries are required to learn and practice corporate philosophy, management style, management know-how, and good practices of Japanese parent companies.

Japanese language ability is not included in the list of required traits. As a matter of fact, except for rare cases existing CEOs of local nationals are not proficient in Japanese.

Localization of CEOs at overseas subsidiaries is now being pursued for practical reasons. Probably the most urgent reason is that Japanese people are not enough to manage fast growing overseas operations. In addition, promotion of managers of local nationals to the CEO positions has symbolic meaning. Local managers generally think or believe that there exists a limit of promotion to CEO position at foreign subsidiaries. Japanese people deny the promotion limit. Managers of local nationals have difficulty in believing it. Assigning a local manager to be a CEO could make a good example which convinces local managers of non-existence of glass ceiling (or rice-paper ceiling) of promotion. (Kopp, 1994) One real case tells more than many words.

At regional management meeting in Europe of an electronics company, announcement of promotion of a manager of local nationals to CEO position is welcomed by enthusiastic applause from his subordinates within the subsidiary and colleagues at other subsidiaries. It nurtures and spreads a feeling among employees all over the world that the company is not a Japanese company but an international one.

Some companies put emphasis more on the symbolic meaning than on the practical effect of localization of CEOs at overseas subsidiaries. From practical managerial reasons it seems too early to realize CEOs of local nationals. But considering the motivational effect, companies attempt localization of CEOs at overseas subsidiaries.

2 English

A Japanese CEO at an Australian subsidiary of a motor vehicle company declared a language policy called no-Japanese-use policy in mid 1970s. And he asked the head office in Japan to use English when they send fax (in those days e-mail was not used) to the Australian subsidiary. This kind of language policy was sometimes announced at Japanese multinationals, at parent head offices and/or overseas subsidiaries. However, there is no Japanese company that is successful in no-Japanese-use policy.

Japanese multinationals still manage their global operations in the Japanese language. Let me elaborate the language problem of Japanese multinationals. The Japanese language plays important roles on the following three occasions. (Yoshihara, 2001a)

First, Japanese head offices often send information to their overseas subsidiaries in the Japanese language. They send summary or conclusion of important decisions in English.

Second, international communication between Japanese parent companies and their overseas subsidiaries on important matters is done in the Japanese language. Reporting and exchanging information about routine operations are mostly done in English.

Third, at overseas subsidiaries, meetings where only Japanese attend are sometimes held. Japanese

people exchange information, discuss and make decisions in the Japanese language.

Since most of the managers of local nationals at foreign subsidiaries do not have the Japanese language ability, they are not able to participate in information and decision processes at Japanese multinationals.

At Japanese multinationals common basic language is not English but Japanese despite the fact that they have been trying for a long time to use English in their management. Why? One reason is the demerits for Japanese businessmen to use English in international business. When Japanese people use English in their international business, they usually have the following three kinds of difficulties.

The first problem is psychological stress. Communication in English requires Japanese businessmen to keep continuous attention. When they relax, they often miss some messages in communication.

The second problem is the reduction of the volume of information. It takes more time for Japanese people to read and write in English than in Japanese. When they are required to send some documents in English, they tend to send only important information. Or, they only send the conclusion or the summary of documents omitting details.

The third problem is the deterioration of the quality of information. I heard an interesting opinion from a manager who was in charge of international business for many years. "When I use English in my discussion with foreigners, my IQ (intelligence quotient) suddenly drops. It's hard for me to convince them of my opinion in English. It is almost impossible to argue against them. I have had many vexing experiences. " I told him. "I quite agree with you. I have had similar experiences in my academic life."

It may not be accurate if I do not mention good points about Japanese businessmen's using English in their business communication. (Yoshihara, Okabe and Sawaki, 2001)

If their English is rather good, their communication becomes clearer, more logical, more explicit, shorter and thus easier to understand than using the Japanese language. Japanese people tend to become open, talkative and bold in their discussion. They sometimes openly display disagreement. They concentrate on important points omitting minor related points mainly because of their limited English language abilities. When they use English, they can change their mentality which is typical Japanese, moderate and passive to be more open and aggressive like American people.

Traditional Japanese style of communication is characterized by such features as being inexplicit, being roundabout, demanding guesses about the meaning, and communication without language. These days, to speak and write directly (communication style of getting to the heart of the matter) is permitted or even welcomed at Japanese companies. This tendency is observed among young people. This style of communication is proper in international business because not only Japanese but also foreigners can participate in communication.

At some companies Japanese are able to have service of interpreter when it is necessary. Use of interpreter has good points for Japanese. Japanese understand what the interpreter tells in English. When the interpretation is wrong or inappropriate, they are able to correct or amplify it. While the interpreter tells in English, they have time to think.

China has become a very important foreign country to Japanese multinationals, and China deserves special attention from the standpoint of language. The subsidiaries of Japanese companies in China are managed in the Japanese language. An important reason is that Chinese people are good at learning Japanese. On the other hand, the Chinese language is a difficult language for Japanese people and only a limited number of Japanese expatriates in China are able to communicate in Chinese.

The use of the Japanese language at Chinese subsidiaries has good and bad points. The use of the Japanese language is convenient for Japanese managers both at Chinese subsidiaries and at Japanese head offices. Conversely, international communication of Chinese subsidiaries with other overseas subsidiaries in USA, European countries

and other countries is done in English. Thus, Chinese subsidiaries have problems in their global linkage with other overseas subsidiaries. It is also a problem in recruiting capable Chinese people. There are many English speaking Chinese people, but Japanese speaking Chinese people are scarce.

Foreign managers at overseas subsidiaries are expected to learn minimum level of Japanese language. Just to say some greeting words in Japanese to Japanese people is effective in building good human relationship. Foreigners are not expected to have the Japanese language proficiency which is high enough to do business in the Japanese language.

3 Internationalization at Japanese Head Offices

3-1 CEOs and Managers with Overseas Experiences

Human resources with overseas experiences were accumulated within Japanese parent companies as a result of the long history and high growth rate of overseas operations.

The CEOs of many multinationals such as Canon, Matsushita, NEC, Takeda, Komatsu, and Omron have overseas experiences. The former two CEOs of Toyota have overseas experiences.

At the middle management levels many managers with overseas experiences work at various functional fields such as marketing, production, and R&D. Many managers working at the corporate staff sections of personnel, accounting, planning and general affairs also have overseas experiences.

At a construction machinery company most of the plant managers of nine domestic plants have overseas experiences. And at the same company many of managers and specialists in charge of maintenance services have been abroad to repair machines installed overseas.

At an electronics company one thousand employees are working at overseas subsidiaries. Five thousand employees have overseas experiences. They represent 25% of the total employees of the Japanese parent company. At the copy machine division of the company, employees having overseas experiences amount to 70% of the employees working at the head office in Tokyo. As female employees rarely go abroad, it means that almost all male employees have overseas experiences. It is not uncommon that the same people are assigned for work at overseas subsidiaries three times or more.

Until mid 1980s, assignments for overseas countries were often negatively received by employees for the following reasons.

First, overseas operations were considered as less important compared with main domestic operations. The capable people on the first track were retained in Japan and less capable people were expatriated (in the literal sense of the word) to overseas subsidiaries.

Second, it was not rare that no appropriate jobs were given after returning to Japanese parent companies. Overseas experiences including foreign language proficiency were not useful in domestic operations at Japanese parent companies. In those days, Japanese market was not internationalized and domestic operations were literally domestic.

Third, expatriates working abroad tend to be excluded from human network of Japanese parent companies. Engineers were afraid of obsolescence of their technology, expertise and knowledge.

As a growing sector of companies has changed from domestic operations to overseas operations, assignments for overseas subsidiaries gradually gained attractiveness. These days many young employees are eager to work at overseas subsidiaries. It is a good career path. When they stay in Japan, they have little chance to be promoted to managerial positions. There are many companies where overseas experiences are requisites for promotion to the middle management positions. At these companies many young people apply for overseas assignments.

It is now widely understood that foreign assignment is a good way of developing managerial persons who are candidates of top management at Japanese parent companies.

To appoint managers with overseas experiences to CEO posts may be the most powerful stimulating factor which motivates employees, especially young ones to prepare for overseas assignments like

mastering English conversation. More and more employees listen to CNN news programs which are recorded on cassette tapes in commuting trains, buses and cars.

A kind of good circle（opposite of vicious circle）is observed. Capable people are assigned for overseas subsidiaries. They achieve good performance records. After returning to Japanese head offices, they are promoted to higher positions. They become good role models to be followed by many.

3-2 Foreigners at Japanese Head Offices

At Asahi Glass Company two foreigners were appointed as board members of the Japanese parent company in 1999. They used to be the CEOs of overseas subsidiaries. One of them had stayed in Japan. Both of them did not speak Japanese.

Foreign board members at Japanese parent companies are increasing these days. However, it is rare that they stay in Japan. Usually they work at overseas subsidiaries and attend the board meetings in Japan every month or every other month.

At board meetings where Japanese and foreigners attend, both Japanese and English are used. At one company official language is Japanese and foreigners have interpretation service. Handouts are written in Japanese and English. Power point slides are usually prepared in English. Japanese board members are better in reading English than listening and speaking English. Japanese board members are able to speak in the Japanese language. Foreigners are provided with interpretation service. Foreign board members rarely are able to communicate in Japanese.

At Sumitomo Chemical Corporation an American person was appointed to the head of the export department of agricultural products in 1999. He was not a manager at an overseas subsidiary of the company and was scouted from an American company to occupy the post. He stayed at Japanese head office in Tokyo for nearly one and a half year. He did not speak Japanese. English naturally became common language within the department. Managerial practices related to his department such as budgeting, reporting, discussion and decision processes were substantially changed. A kind of cultural revolution occurred in the department and related other departments in the company.（Yoshihara, 2001a）

His successor is a Japanese person. The company wanted to have a foreigner as his successor. But the company's plan was not realized. One reason was a salary problem. The salary which is normal for the post in USA is unacceptably high for Japanese companies. The salary of the head of export department would exceed the salary of the top management of Japanese parent company.

When foreign board members and managers join the head offices of Japanese parent companies, they contribute in such ways as activating discussion at meetings and internationalizing management processes. Their weak points are that they lack hands-on knowledge of the operations at plants and sales organizations. When they are asked by Japanese people, "What are at the plants?" their typical answer is, "I do not know. The plant managers are responsible for operations and management at the plants."

Many of foreign employees working at Japanese parent companies are interpreters, translators, or instructors at education centers. There are also various specialists in charge of public relations for foreigners, advertisement, and investment relationship. Many of them are hired in Japan and are non-regular employees. Many foreign scientists and engineers are working at R&D organizations of Japanese parent companies.

Announcements of the promotion of the managers of local nationals to the board members of Japanese parent companies motivate managers of local nationals at overseas subsidiaries. These cases show not by words but by concrete examples that non-Japanese can expect to be promoted to the top management positions at Japanese head offices. At a company such an announcement was made at a regional management meeting in Europe and a foreign CEO at an overseas subsidiary was promoted to the officer of the Japanese parent company. The announcement was greeted by loud cheers of all managers attending the meeting. They said that "our company is not just for Japanese employees but also for non-Japanese."

Many of the Japanese managers who occupy the senior management positions at Japanese parent companies or foreign subsidiaries have global career experiences. Their careers are usually not restricted in Japan, but are extended in several foreign countries. On the other hand, the careers of the managers of local nationals at overseas subsidiaries are mostly restricted in their present subsidiaries. They are promoted within the present subsidiaries. They rarely have had chances to work in other foreign subsidiaries or at Japanese head offices.

An automobile company, in order to remedy the narrow careers of the managers of the local nationals at overseas subsidiaries, has started regional or lateral transfer of managerial persons. A manager at a subsidiary in USA is transferred to management position at a Canadian subsidiary. Or, a manager at UK subsidiary is promoted to a higher position at a Spanish subsidiary. The company's next plan is to promote lateral transfer on global scale like transfer of managers in USA to UK subsidiary. The reverse transfer of local managers from overseas subsidiaries to Japanese head offices is also included in the next plan.

With respect to the careers of the managers of local nationals, China provides an interesting case. Overseas Chinese managers working at subsidiaries in Southeast Asian countries like Malaysia and Singapore go to Chinese subsidiaries on a temporal basis to assist production start ups or to help solving product quality problems. They are Chinese people and thus know local conditions including Chinese culture and habits. And, they are able to communicate in Chinese.

4 Cautious Pragmatism

Japanese multinationals have clear goals with respect to changes in international management. The existing Japanese style of international management has three features. They are : ① Japanese CEOs at overseas subsidiaries, ② the Japanese language, ③ non-internationalization at Japanese head offices. Contrastingly, emerging new style of international management is characterized by : ① CEOs of local nationals at overseas subsidiaries, ② English, ③ internationalization at Japanese head offices. Thus, the goal of Japanese companies for changing their international management is rather ambitious. On the other hand, the way of attaining it is cautious and pragmatic.

First, Japanese multinationals are not hasty in attaining the goal. A manager of an automobile components manufacturer told me. "We can not attain the goal in a few years. The plan will take ten years."

Second, they take step by step solution and piecemeal approach. Big ban theory is not applied.

Third, they are realistic and they do not hesitate to compromise. To be promoted to managerial positions, employees are required to achieve targeted scores of TOEIC (Test of English for International Communication). There are some plants where nobody has been promoted to managers for several years because of English requirements. English is not used in daily work at these plants. To remedy the promotion problems, the following means are adopted. Employees who are older than certain ages are exempted from TOEIC requirements. English test applies only to the first track employees, and other non-first track employees are not subjected to English test. English is not required for those who are candidates for operations in China. Instead of English test, Chinese language ability is required to them.

As for the way of using English, at a company, 'global' English is recommended instead of native English. One feature of 'global' English is that there is a speed limit. Native English speakers like Americans and the British are required to speak slowly. Another feature is length of sentence. Sentences must be short with simple words.[2]

There are exceptions. A few Japanese multinationals have pursued radical innovation in their international management.

Sony is one of the few exceptions. Mr. Harvey Shine was the CEO at Sony America from 1972 to 1978. He used to be the president of CBS International and scouted by Sony to be the CEO of its US subsidiary. Mr. Shine is probably the first case of the CEO of local nationals at overseas sub-

sidiaries of Japanese multinationals. The present CEO is Sir Howard Stringer. He works in New York for three weeks and in Tokyo for one week every month. He does not speak Japanese.

Asahi Glass is another example of the exceptions. As it was mentioned earlier, the company promoted two foreign managers who used to be the CEOs at their overseas subsidiaries to the board members of the parent company. It represented radical change in the international management of the company. The foreign board members were responsible for two branches of businesses. One of them worked at Tokyo head office. He did not speak Japanese. English naturally became official language at his organization.

Ⅲ Implications of Management Change

1 Global vs. Metanational

In terms of sales, production and employees, overseas operations already exceed domestic operations at many Japanese multinationals. And it is anticipated that overseas operations will grow faster than domestic operations in the future. At a company overseas sales occupy 80% of the total sales and domestic sales represent only 20%. Production is evenly divided between domestic production and overseas production. There are nine plants in Japan and twenty seven in foreign countries. And it is anticipated that the future growth will largely take place overseas.

The management of fast growing overseas operations requires ample supply of Japanese people from parent companies. However, parent companies are not able to respond to the requirement simply because of the shortage of qualified people. At a company Japanese expatriates have been stable around two hundred and seventy for the last fifteen years. The size of overseas production has more than doubled. Thus, per head overseas operations has increased to the point where Japanese expatriates have to bear excessive burden.

Many Japanese multinationals are facing serious problems of how to respond to fast growing overseas operations. Overseas operations are growing so fast and becoming so large in scale that Japanese people alone are not enough to manage them. Managers of local nationals are expected to join management teams of Japanese companies and work together with Japanese people. To realize this, the Japanese style of international management needs to be changed so that it becomes more attractive to the managers of local nationals.

In addition to people, various resources such as technology, know-how, skills, management processes and the brands of Japanese parent companies are transferred to overseas subsidiaries. Overseas subsidiaries are dependent on the resources of Japanese parent companies. And the central role of overseas subsidiaries is to implement the strategies of Japanese parent companies. Overseas subsidiaries rarely develop new products, new production equipment and new management skills. And therefore, it is rare that overseas subsidiaries reversely transfer their resources to Japanese parent companies. Thus, Japanese multinationals are 'global' in the sense of the word used by Bartlett and Ghoshal. (Bartlett and Ghoshal, 1989)

Japanese multinationals are only partially metanational. (Doz, 2006 ; Asakawa, 2006) In the case of a pharmaceutical company US operations are more important than domestic ones. The US market is larger in size and faster growing than Japanese market. R&D capabilities are more advanced in USA than in Japan, thus more new drugs are developed in USA. Adapting to the features of pharmaceutical industry, Japanese multinationals like Takeda have changed the role of US subsidiaries from implementers to innovation centers. US subsidiaries are expected to develop new products for the world market, that is, US, Japanese and European market.

At a machinery company, mother plants which have product development capabilities are located not only in Japan but also in foreign countries such as USA, UK, Germany, Sweden, and Italy. They plan to make Indian and Chinese subsidiaries mother plants in the near future. The location is decided based on the relative excellence of the countries for

the types of products. Overseas mother plants are centers of excellence for certain types of products and develop new products for world markets including Japanese market. Overseas mother plants are managed by the CEOs of local nationals.

Regarding the theories of multinational enterprises, traditional theories developed by such pioneers as Stephen Hymer (1976) and Raymond Vernon (1972) are relevant to Japanese multinationals. New theories developed by such theorists as C. A. Bartlett and S. Ghoshal (1989), J. Birkinshaw (1997), J. Birkinshaw and N. Hood (1998) and Yves Doz (2006) are only partially relevant to Japanese multinationals. Thus, on the whole, changes in the international management of Japanese multinationals are taking place in the framework of traditional multinational enterprise model.

2 Weakening Japanese Uniqueness

Until mid 1980s Japanese multinationals were different from US and European multinationals with respect to both strategy and management.

As for export, Japanese multinationals exported through general trading companies more often than by their own export organizations. Overseas production concentrated in less developed countries like Southeast Asian countries. Production in North America and Europe was rather rare. R&D was exclusively conducted in Japan.

The international management of Japanese multinationals was also different. Joint ventures were dominant and Japanese general trading companies were important partners in many joint ventures. The standard organizational form for overseas operations was an international division. As for people and language, management by Japanese persons using the Japanese language has been practiced for a long period of time.

As time has passed, most of these features of Japanese multinationals are gone or are weakening. In the first place, the international strategy of Japanese multinationals has become more similar with that of Western counterparts. Following the changes in strategies, the international management of Japanese multinationals has also been increasing similarity with American and European counterparts. Recently Japanese multinationals have begun changing with respect to people and language in international management.

In sum, Japanese multinationals have weakened their uniqueness and strengthened their commonality with US and European multinationals.

3 Limits of Japanese Management

As I have already mentioned, managers of local nationals have difficulties in demonstrating their capabilities at overseas subsidiaries of Japanese multinationals. We may add two kinds of people who have similar difficulties at Japanese companies. They are female employees and MBA graduates.

Female CEOs are almost zero in Japan. I know only two female CEOs of the listed Japanese companies. They are Ms Chiyono Terada at Art Corporation, a transportation company, and Ms Shoko Ikeda at Bull-Dog Sauce, a Worcester sauce company.

The senior and middle management positions are mostly occupied by male managers. Female managers are only 2.2% of the senior managers (department heads) at companies which have one hundred or more employees. (*Nihon Keizai Shinbun*, 13 February 2003)

There are four obstacles to the promotion of female employees to managerial posts in Japanese companies. The first obstacle is over time work, the second is the habits of eating and drinking with colleagues after office hours, the third is eating and drinking with people of other companies and organizations, and the forth is transfer including assignments to distant locations. These four are taken granted by male employees. On the other hand, they are almost unsolvable problems to female employees, especially those who are married with children. (Taniguchi, 1996)

MBA graduates from overseas and Japanese business schools also have difficulties in finding opportunities to display their educational attainments at Japanese companies. MBA graduates have no advantages in salary and promotion compared with ordinary non-MBA employees. As a common corporate practice, MBA graduates and other

employees are treated equally.（Kim, 2007）

There has been a kind of business school boom in these days in Japan. There may be around fifty business schools. Nearly two thousand students graduate business schools every year. They have difficulties in finding good jobs and in getting promotion. Generally speaking, Japanese companies are skeptical about MBA graduates.

One feature of Japanese style of management is MWA. MWA means management by walking around.[3] Managers appear themselves once or twice a day on the shop floor and take a direct look at the operations of workers. They watch work processes, chat with workers about their conditions including such private matters as health conditions of their wives and school lives of their children, and check orderliness of work place. When something wrong happens on the shop floor, they rush to the spot to fix the problem with workers. At the factories of Japanese companies hands-on knowledge is more emphasized than textbook knowledge. Quick action is more important than time consuming discussion and analysis. Teamwork is more emphasized than individual action. It may not be easy for MBA graduates to work effectively in the MWA style of management at Japanese companies.

Widely told and written features of Japanese management are applied to Japanese regular male employees. Japanese management shows different features to female employees and MBA graduates at Japanese parent companies. Japanese management also shows different features to the managers of local nationals at overseas subsidiaries. Japanese management is not good at utilizing female employees, MBA gradates, and managers of local nationals. This may be limits of Japanese management. The changes in international management of Japanese multinationals which I treated in the present paper may probably be a first step toward breaking the limits of Japanese management. The changes in international management may be belated, yet these changes are worth paying close attention.

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1 This definition is similar to the definition employed by the Multinational Enterprise Research Group of the Harvard Business School（Vernon, 1972）.

2 The 'global' English of this company may be seen as an example of controlled English.（Feely and Harzing, 2003）

3 I owe the word of MWA to T. J. Peters and N. K. Austin（1985）. They use the word of MWBA（Management by Walking Around）.

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