

# Chapter 1

## Introduction

Contemporary society is characterised by diffusion and intermingling of cultures prompting the need for more effective cross-cultural communication. As increasing numbers of multinational corporations are extending their overseas business boundaries, the understanding of intercultural, interpersonal relationships, and organisational behaviour in cross-cultural settings is becoming more important. Cultural barriers to communication such as inaccurate perceptions and negative stereotypes may cause a breakdown of understanding between people, resulting in conflict and problems at the interpersonal level. Organisations involve a web of interpersonal relationships. Communication problems between employees, as well as supervisors and subordinates, not only adversely affect job satisfaction, but also impact upon the commitment of employees to the welfare of the company, and have a direct bearing on productivity.

Researchers and practitioners strongly argue that enhancing adjustment of expatriate managers is a key to the success of international organisations. The determinants of expatriate managers' adjustment to a new job and a new environment have been extensively studied. Effective cross-cultural communication between expatriate managers and local employees has been addressed as one of the important factors to expatriate adjustment. However, most studies fail to recognise that local employees also play important roles in the operation of an international organisation. Organisational commitment has been a central concept in the field of work attitudes and behaviour, because of its association with the important work outcomes such as turnover and absenteeism. It is argued that increased commitment of employees to the organisation affects organisational effectiveness by reducing the costs incurred from high turnovers

and increasing job performance and productivity. Thus, it is important for the organisation to identify the determinants of organisational commitment and create human resource strategies to enhance commitment of its employees.

The key questions investigated in this thesis are: 1) are there significant differences between Japanese expatriate managers and local managers working for Japanese multinational corporations in their work values and beliefs derived from characteristics of Japanese multinational corporations and cultural norms?; 2) how do the economic functions of particular industries affect the cross-cultural relationship and work attitudes of expatriate and local managers?; 3) what are the different and common determinants of organisational commitment of expatriate and local managers; and 4) what is the future direction of human resource strategies that need to be adopted in multinational corporations to improve employee commitment to the organisation?

The primary objectives of this thesis are to point to ways of improving understanding between expatriates and local managers thereby improving overall organisational performance; and adding to an understanding of intercultural, interpersonal relationships and organisational behavior in cross-cultural settings. To achieve these objectives, first, this thesis identifies structural and cultural features of Japanese managerial practices and styles with particular focus on overseas subsidiaries of Japanese companies. Second, the impact of Japanese managerial practices and styles upon perceptual similarities and differences in business values and beliefs between Japanese and Australian managers are examined empirically. Third, this thesis analyses the effect of industry type upon work relationships between Japanese and Australian managers in overseas subsidiaries; and examines the influence of interpersonal and intergroup relationships in the area of cross-cultural communication. Finally, this thesis outlines a conceptual framework for

research on organisational commitment in international settings. It builds upon previous research and utilise insights from several disciplines and theoretical perspectives. It incorporates economic functions of industry and cross-cultural work relations into an organisational commitment framework. Based on this model, determinants of organisational commitment of Japanese and Australian managers in overseas subsidiaries of Japanese multinational corporations are identified.

Chapter 2 reviews and identifies theoretical gaps in the literature relating to expatriate managers and international human resource management in multinational corporations with particular focus on Japanese multinational corporations.

Chapter 3 provides the rationale for the development of an organisational commitment model. An integrated model of organisational commitment of Japanese and Australian managers is developed that draws upon existing research and findings in Chapter 2 and domestic turnover literature. The chapter firstly discusses the importance of organisational commitment for the welfare of organisations. Secondly, the theoretical relevance of the variables incorporated in the commitment models is presented along with the commitment model.

Chapter 4 describes the methodology employed in the data collection, characteristics of the Japanese and Australian samples, and the measurement of the constructs used.

Chapter 5 identifies the main structural and cultural features of Japanese managerial practices and styles in overseas subsidiaries of Japanese companies. In particular, attention is given to the headquarter-subsidiary relationship by looking at the implementation of Japanese human resource management practices in overseas

subsidiaries; and differences in business values and beliefs between Japanese and Australian managers with particular focus on groupism-individualism. The aim of this chapter is to examine whether we can differentiate between Australian managers and Japanese managers in terms of their business values and beliefs. Various hypotheses are presented in relation to this question, and these are tested empirically.

Chapter 6 examines macro and micro level factors in relation to job satisfaction and organisational commitment of Japanese expatriate managers and Australian managers in Japanese subsidiaries in Australia. At the macro level, functional differences between the general trading companies (the *sogo shosha*) and the manufacturing companies are discussed. Then, characteristics of Australian subsidiaries of these companies are addressed. At the micro level, communication between Japanese and Australian managers and their perceptions of each other are taken into account. Two work attitudes (job satisfaction and organisational commitment) and perceived work relations (communication and liking) held by Japanese and Australian managers are examined statistically according to the type of industry (the *sogo shosha* or manufacturing) and by nationality (Australian or Japanese). This chapter draws upon economic theory to argue that type of business functions is an important explanatory variable in the nature of cross-cultural communication, job satisfaction and organisational commitment of local managers.

In Chapter 7, the empirical validity of the organisational commitment model developed in Chapter 3 is examined. Variables included in the model are individual characteristics, job satisfaction, industry, integration, and work relations. A set of screening analyses is used to identify a subset of key variables (individual characteristics variables) that appear to be important in explaining organisational commitment. The important explanatory variables

are taken forward to further analysis. The validity of the model is tested by employing ordinary least squares regression analysis and findings obtained from the regression analysis are presented. Post-hoc analyses are carried out to test a mediating effect of job satisfaction on organisational commitment.

Finally, Chapter 8 summarises the findings obtained from this research and discusses their implications. The limitations as well as strengths of this study are discussed, and suggestions for future research are provided.

## Chapter 2

### A Review of Literature on Expatriate Managers

#### 2.1 Introduction

This chapter reviews the literature on cross-cultural adjustment, particularly of expatriate managers in multinational corporations (MNCs). Over the past few decades a considerable number of studies have been conducted on cross-cultural adjustment. Earlier research on cross-cultural adjustment focused on non-business groups, such as Peace Corps volunteers and foreign students as subjects of study, and the term sojourner adjustment was generally used (Church, 1982). Sojourners are defined as “relatively short-term visitors to new cultures where permanent settlement is not the purpose of the sojourn” (*ibid.*, 540). International human resource management has been of increasing interest for researchers and practitioners as a result of the rapid globalisation of business and markets. In particular, research on adjustment of expatriate management has become pervasive since the late 1970s.

Past studies reported considerable failure rates for international assignment of expatriate managers (Mendenhall and Oddou, 1985; Black, 1988; Copeland and Griggs, 1985; Tung, 1981; Black and Mendenhall, 1990). While the definition of “failure” can vary, most have defined failure as premature return before recall from international assignment. In the case of American expatriates, failure rates of 16-40% were reported (Black, 1988; Copeland and Griggs, 1985; Tung, 1981). Japanese and European expatriates were generally found to have lower failure rates as compared to those of American expatriates (Tung, 1987). In Tung’s study (*ibid.*), more than half of the American companies surveyed had recall rates of 10-20%, and about 7% had recall rates

of 30%, while 59% of the Western European companies and 76% of the Japanese companies surveyed had recall rates of under 5%. The costs of unsuccessful foreign assignment are high, including direct moving costs, downtime costs and non-financial costs such as the damaged reputation of the firm (Black, Gregersen and Mendenhall, 1992). Thus, reducing premature return and facilitating effective international assignment of expatriate managers will contribute to the successful operation of MNCs.

## 2.2 Development of cross-cultural adjustment theory

### *2.2.1 Culture shock and uncertainty reduction theory*

Earlier studies conceptualized cross-cultural adjustment as a single facet: psychological adjustment or adaptation to the host culture was the only concern (see reviews by Church, 1982; Stening, 1979). The uni-dimensional concept of adjustment originated from the work of researchers such as Oberg (1960), Lysgaard (1955) and Torbiorn (1982). Oberg (1960) introduced the term “culture shock” and described four stages of adjustment sojourners go through. The first stage is a honeymoon stage, characterized by fascination and enthusiasm; the second stage is crisis characterized by feelings of loss and anxiety; the third stage is recovery from such depression; and the final stage is gradual adjustment to the host culture. This process of adjustment has been characterised as a U-curved adjustment (Oberg, 1960). Torbiorn (1982) empirically examined the appropriateness of the U-curve adjustment in terms of general satisfaction in the host country in the case of Swedish expatriates. He argued that the level of satisfaction perceived by expatriates was high at the beginning of overseas assignments, but it deteriorated after 6 months, and then, gradually increased again. This U-shaped pattern was generally applicable to sojourners regardless of sex, age, education, or the host country.

The uncertainty reduction theorists argued that “culture shock” occurs when individuals do not know what are appropriate behaviors in the new environment, and as a result experience feelings of uncertainty or anxiety. Reducing uncertainty and anxiety should facilitate adjustment to the host culture, while increasing uncertainty should inhibit adjustment. Mendenhall and Wiley (1994) posit that impression management tactics enable individuals to reduce psychological uncertainty in the new environment. However, it is necessary to have knowledge of the new culture to exhibit the effective impression management tactics. This will be further discussed under cross-cultural training (Section 2.3.2).

The uncertainty reduction theory has contributed to explaining cross-cultural adjustment, and in particular, explains the effectiveness of cross-cultural training (Hammer and Martin, 1992). However, the U-curve hypothesis has been criticized as overgeneralised and weak (Church, 1982; Gertsen, 1990). Moreover, the notion of adjustment as a single construct i.e. sojourner’s psychological adjustment, has been questioned (Black and Gregersen, 1991). For example, Ruben and Kealey (1979) conceptualised cross-cultural adaptation in terms of three perspectives: culture shock, psychological adjustment, and interactional effectiveness.

### *2.2.2 New phase of adjustment theory*

A number of studies on international adjustment by Black and his associates (Black, 1988; Black and Gregersen, 1991; Black, Mendenhall, Oddou, 1991; Black, Gregersen, Mendenhall, 1992) are important in that they conceptualized expatriation adjustment as multifaceted; that is, in terms of adjustment to work, adjustment to interacting with host nationals, and adjustment to the general environment. Moreover, Black, Mendenhall and Oddou (1991) built a comprehensive model for international adjustment by integrating



the theoretical framework of domestic adjustment literature into that of international adjustment. They argue that although both domestic and international adjustment are the result of a shift from a familiar setting to an unfamiliar setting, the effect of non-work factors (i.e. cultural novelty and family/ spouse) on the degree of adjustment is much stronger for international adjustment. Because international adjustment involves significant changes in the environment, “the magnitude of uncertainty” is higher compared to domestic adjustment. The international adjustment literature generally focuses on adjustment to the host culture, and in the process, individual (i.e. previous overseas experience, and individual skills) and non-job factors (i.e. cultural novelty) have been identified as important. On the other hand, domestic adjustment literature tends to focus on adjustment to work, and job and organization-related variables have been discussed. Therefore, combining both sets of concepts could lead to a more comprehensive understanding of international adjustment (ibid.).

Black and his associates (Black et al., 1991; Black and Gregersen, 1991; and Black et al., 1992) examined “anticipatory adjustment” of expatriate managers as well as “in-country adjustment”. The notion of anticipatory adjustment stemmed from uncertainty reduction theory, which argues that people make adjustments before they enter foreign countries. According to the proponents of this theory, “the more accurate expectations individuals can form, the more uncertainty they will reduce and the better their anticipatory adjustment will be” (Black et al., 1991, 305). Pre-departure training and previous international experience can help expatriates form more accurate expectations for international assignment.

Black, Mendenhall, and Oddou (1991, 304) further argue that “because adjustment appears to be multifaceted, it follows logically that different antecedents to adjustment

may have different impacts on each facet of adjustment”. Recent literature suggests that there are three types of factors (antecedent variables) influencing degree of adjustment, namely individual/personal, job/organizational, and non-work/environmental variables (Black et al., 1991; Black and Gregersen, 1991; Mendenhall and Wiley, 1994). It is generally hypothesized that job/organizational factors most strongly relate to general and interaction adjustment. Black and Gregersen (1991) examined empirically the impact of personal, job and general factors on each adjustment dimension for American expatriates in the Pacific Rim region. Results of their study showed that different antecedents related to different facets of cross-cultural adjustment.

## 2.3 Factors relating to success or failure of foreign assignment

### *2.3.1 Overview*

Many studies have attempted to examine causes of failed foreign assignment and the various factors affecting expatriate adjustment (Black, 1988; Black and Gregersen, 1991). Some studies have used intention to leave (job, location, and/or organisation) as a dependent variable instead of adjustment (Black and Gregersen, 1990; Guzzo, Noonan, and Elron, 1994; Birdseye and Hill, 1995). The following variables have been identified as important factors influencing adjustment of expatriate managers: cross-cultural training, selection criteria, spouse (family) adjustment, previous international experience, cultural novelty, intercultural effectiveness, intercultural interaction, and variables relating to job (i.e. role discretion, role ambiguity, wage and career prospect). Each variable is discussed in more detail below.

### *2.3.2 Cross-cultural training*

Comprehensive cross-cultural training has been regarded by many scholars as useful in increasing cross-cultural competence and skills of expatriate managers, and hence, enhancing anticipatory adjustment and performance (Mendenhall and Oddou, 1985; Tung, 1981; Mendenhall et al., 1987; Black and Mendenhall, 1990). However, the theoretical base to support this view has been lacking. Several researchers have since attempted to add credibility to this prospect through constructing a comprehensive theoretical framework using social learning theory (Black and Mendenhall, 1990), and uncertainty reduction theory (Hammer and Martin, 1992). Others have simply provided empirical support for the effectiveness of cross-cultural training (Deshpande and Viswesvaran, 1992).

Although academics have strongly supported the effectiveness of cross-cultural training for facilitating expatriate adjustment and cross-cultural interactions, studies have revealed that most companies do not provide sufficient and comprehensive cross-cultural training beyond briefings or language training, or no training at all (Mendenhall, Dunbar and Oddou, 1987; Derr and Oddou, 1991). Past studies found that only thirty percent of expatriate managers received pre-departure training (Black, 1988; Deshpande and Viswesvaran, 1992), and expatriates' families were often excluded from such training (Torbiorn, 1982; Mendenhall et al., 1987; de Cieri, Dowling, and Taylor, 1991; Fukuda and Chu, 1994). Fukuda and Chu's study (1994) showed that sixty percent of Japanese subsidiaries surveyed in Hong Kong and seventy percent of those in Taiwan provided pre-departure training including more than language training. They also found that these firms seldom provided training to expatriate families. Gertsen (1990) reported that only about twenty percent of the surveyed Danish companies offered any kind of formal pre-departure training, and ten percent of the companies offered no preparation.

The main reasons why companies do not offer pre-departure training to expatriates are:

1. a perception of the ineffectiveness of training (Tung, 1981; Mendenhall et al., 1987; Black and Mendenhall, 1990);
2. the belief that managers who are effective in their home countries are also effective in foreign countries, so that training is not required (Mendenhall et al., 1987; Black and Mendenhall, 1990; Black et al., 1991);
3. that the cost of investment is too high (Tung, 1981; Mendenhall et al., 1987; Black and Mendenhall, 1990); and
4. that there is insufficient time to train between the decision to assign and the departure date (Mendenhall et. al, 1987, Tung, 1981).

One question that arises here is what is effective training? Gertsen (1990) suggests that inter-cultural training should be aimed at increasing cross-cultural competence in three broad domains: cognitive, affective, and communicative/behavioral. In particular, the communicative/behavioral dimension should be emphasized in training. To increase levels of competence in all three areas, cultural-general and cultural-specific types of training should be combined and an experimental style of training such as role games should be added to the traditional lecturing style of training. Goldman (1992) developed an intercultural training program which contrasted Japanese and American negotiation styles and focused on differences in communicative behavior. Mendenhall, Dunbar and Oddou (1987) recommended that cross-cultural training should cover productivity and acculturation (self-orientation, others-orientation, and perceptual-orientation), and types of training should be responsive to changing needs of integration with the host culture. Mendenhall and Wiley (1994, 619) suggest applying impression management concepts in cross-cultural training programs, that is, “training that attempts to assist the trainee in

learning how host nationals engage in impression management behaviour among themselves” and “how to strategically use appropriate behaviour to build relationships with the host nationals”.<sup>1</sup>

Communication problems in intercultural relations arise due to differences in appropriate communication behaviour and the misinterpretation of communications. Local employees working for foreign subsidiaries experience greater cultural novelty compared with employees working for local firms; and they are more likely to face difficulties in dealing with and communicating with expatriates because of differences in values, beliefs and attitudes. Providing cross-cultural training both to expatriates and local employees should facilitate intercultural communication. It should also help both types of employees to develop more accurate perceptions of other cultures and members of other cultures, and appropriate behaviour in intercultural interactions. Hammer and Martin (1992) demonstrated that cross-cultural training was useful for host nationals in reducing uncertainty and anxiety, and also increasing technical information exchange between Japanese and American managers. As Hammer and Martin (1992) argued, past research on cross-cultural training has paid little attention to the impacts of training on host national coworkers of the expatriate managers. Moreover, little empirical data has been provided in terms of quantity and contents of training provided to local employees in MNCs. Future research on cross-cultural training needs to examine these issues.

### *2.3.3 Selection*

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<sup>1</sup> Impression management refers to “the tendency to present oneself in a socially desirable way to others-especially others in authority” (Mendenhall and Wiley, 1994, 605).

Selection criteria for expatriate managers and the need for cross-cultural training have been the subjects of considerable discussion (Mendenhall et al., 1987; Gertsen, 1990; Hall and Gudykunst, 1989). It has been argued that the criteria used for selecting personnel for an international assignment should be different to criteria for a similar position involving a domestic assignment. Not only technical competence, but also factors such as intercultural competence, should be taken into account. Cross-cultural training is used to increase intercultural competence of candidates (Gertsen, 1990).

However, several studies have shown that, in practice, most firms place too much importance on technical competence in selecting candidates for international assignment. This has been regarded as one of the key factors associated with a high failure rate in international assignments (Tung, 1981; Mendenhall and Oddou, 1985; Mendenhall et al., 1987; Gertsen, 1990; Hall and Gudykunst, 1989). For example, Danish companies were asked to indicate their three most important selection criteria; 81.3% of the firms surveyed indicated technical and other professional qualifications, followed by previous achievements (51.3%), motivation (32.5%), and managerial talent (30.0%) (Gertsen, 1990). Japanese subsidiaries in Hong Kong and Taiwan also emphasized technical competence and motivation in selecting candidates for overseas assignments, but did not consider family support as important (Fukuda and Chu, 1994). Compared to domestic assignments, international assignments are accompanied by significant changes in environment. As a consequence, intercultural competence as well as technical competence is required for managers to perform their jobs effectively in international assignments. Intercultural competence (effectiveness) will be further discussed in Section 2.3.7. Furthermore, significant changes in environment impact upon the psychological adjustment of spouses and families of expatriate managers.

#### *2.3.4 Spouse and family adjustment*

Spouse and family adjustment is one of the most important non-work factors associated with success or failure of expatriates (Mendenhall et al., 1987; de Cieri et al., 1991; Schneider and Asakawa, 1995). For example, Birdseye and Hill (1995) found that spouse satisfaction was negatively and strongly associated with expatriates' intention to turnover. Another study showed that spouse interaction adjustment was strongly related to expatriate interaction adjustment, and spouse general adjustment was strongly related to expatriate general adjustment (Black and Gregersen, 1991). Therefore, it is important to include family members in participating in cross-cultural training programs (Tung, 1981; Gertsen, 1990; Derr and Oddou, 1991; de Cieri et al., 1991).

However, previous studies indicated that little attention has been paid to the importance of spouse and family factors in selection and training. For example, only 12% of expatriate spouses (spouses of Australian repatriates and spouses of non-Australian expatriates assigned to Australia) surveyed in one study received any language training, and only 26% received cultural information (de Cieri et al., 1991). As for Japanese firms, family factors seem to have been almost neglected. The inability of spouses to adopt the host culture was ranked as the most important factor of expatriate failure in a survey of US expatriate managers (Tung, 1987), whereas a survey of Japanese expatriates in Hong Kong and Taiwan regarded it as the least important (Fukuda and Chu, 1994). The extent to which spouses are interviewed in selecting candidates for international assignment is relatively high for the American (52%) and European (41%) samples, low for the Scandinavian sample (18%), and almost nonexistent for the Japanese sample (Black et al., 1992). Why do Japanese companies tend to put little emphasis on family factors? Black, Gregersen and Mendenhall (1992, 58) explained that "...Japanese decision makers believe that a wife will not really be able to influence her husband's decision. Even if a Japanese wife rejected a decision to move overseas, her husband would still be

bound to the firm and would have to take the global assignment”. Cultural homogeneity and paternalistic practices of Japanese firms were also nominated as reasons why Japanese firms tended to neglect family factors.

### *2.3.5 Previous international work experience*

Empirical results on the relationship between the amount of previous international work experience and adjustment are inconsistent. Parker and McEvoy (1993) reported a positive correlation between international experience and general adjustment. On the other hand, Black and Gregersen (1991) found that previous international work experience was not associated with any facet of adjustment. They suggested, however, that “the lack of relationship between previous work experience and interaction or general adjustment may be due to the generally novel cultures in which all the expatriates in this study resided” (509). If the location of assignment (e.g. Japan) is so culturally different or “distant” from their own culture (e.g. America), it will be hard for them to apply their previously acquired knowledge to the host culture, unless they have previous experience in the same culture. These researchers recommended that future research should look at “not only the quantity of experience, but the quality and location of it as well” (509). Previous work experiences in a host country will help expatriate managers to gain knowledge about business culture in the host country and acquire appropriate communication skills required in the culture. Similarly previous experiences in the home culture of expatriates will help local managers understand expatriate managers’ behaviour, and acquire skills to interact effectively with expatriate managers. The effect of previous international experience upon communication effectiveness, between expatriates and local employees, needs to be further examined.

### *2.3.6 Cultural novelty*



The location of assignment has been found to be related to the degree of adjustment. For example, North American expatriate managers assigned in Europe were more satisfied than those in South America (Miller, 1973). It is generally expected that the greater the difference between the home culture and the host culture, the more difficult for expatriates to adjust. This difference has been called “cultural distance” or “cultural toughness”. If one does not know about the culture (cultural novelty), it is difficult to adapt. Parker and McEvoy (1993) examined how individual, organizational, and contextual factors affect the degree of adjustment. Using a sample of 169 people working abroad in 12 different countries, their results suggest that uncontrollable, contextual variables are significant predictors of adjustment. Specifically, cultural novelty was significantly and negatively related to interaction adjustment.

Most expatriate adjustment studies focus on the culture of the host country in examining the degree of adjustment. Stening and Hammer (1992) explored this area by examining both the characteristics of the host culture and the cultural background of the expatriates themselves. Specifically, they examined the cultural adaptation pattern of Japanese managers and North American managers in the United States, Japan, and Thailand. Their study found that the cultural adaptation patterns of Japanese managers and North American managers in Thailand were significantly different. However no significant difference was found in adaptation patterns of the same nationality groups across locations (i.e. comparisons were made between Japanese managers in Thailand and Japanese managers in the U.S.A., and between North American managers in Thailand and North American managers in Japan). Their findings suggest that the cultural background of the expatriates was more important than the characteristics of the host culture in influencing the cross-cultural adaptation pattern of the expatriates. Thus, it is

important to examine both home and host cultures in understanding the nature of the relationship between expatriates and local employees.

### *2.3.7 Intercultural effectiveness*

Intercultural effectiveness (competence) is an important determinant of the degree of adjustment. In particular, many researchers have emphasised communicative competence as an important dimension for intercultural effectiveness (competence), and as a facilitator of intercultural adjustment (Nishida, 1985; Gertsen, 1990; Cui and Awa, 1992). For example, Hammer, Gudykunst, and Wiseman (1978) identified three dimensions of intercultural effectiveness: 1) ability to manage psychological stress; 2) ability to effectively communicate; and 3) ability to establish interpersonal relationships. Gertsen (1990) conceptualised intercultural competence as comprising three interdependent dimensions: 1) an affective dimension (personality traits and attitudes); 2) a cognitive dimension (categorisation of information and knowledge); and 3) a communicative and behavioural dimension (verbal and non-verbal communication skills).

Cui and Awa (1992) developed the concept of intercultural competence, and empirically tested the relative importance of five dimensions of intercultural effectiveness to general adjustment and work adjustment of American expatriate managers working in China. These five dimensions are: 1) interpersonal skills; 2) cultural empathy; 3) social interaction; 4) managerial ability; and 5) personality traits. Their study found that general adjustment and work adjustment were connected with different aspects of intercultural competence. For example, personality traits were the important dimension for general adjustment, while interpersonal skills were the important dimension for work adjustment. In general, intercultural effectiveness has been positively related to the degree of adjustment of expatriate managers. Language efficacy should help expatriate managers

communicate more effectively and accurately with local managers, and this should create more positive relationships between expatriates and local managers. This needs to be examined further in future research.

### *2.3.8 Intercultural interaction*

Interaction with host nationals is expected to facilitate expatriate general and interaction adjustment, but not work adjustment. One study showed that interaction with home nationals was significantly related to work adjustment, while interaction with host nationals was significantly related to interaction adjustment (Black and Gregersen, 1991). However, these studies only examined the effects of interactions with host nationals in general, rather than interactions with host nationals who worked alongside expatriate managers. Effectiveness of interactions between expatriates and local employees in the same organisation needs to be examined, because accurate information exchanges between expatriates and local employees may be a key to understanding expatriates' work adjustment.

### *2.3.9 Dual commitment and job factors*

There is research examining the antecedents of job satisfaction and/or organisational commitment of expatriate managers (Naumann, 1993; Gregersen and Black, 1992). Gregersen and Black (1992) argue that it is important for expatriates to create dual commitments to the parent company and the overseas subsidiary for successful international assignment, that is, to be "dual citizens" (see below). Non-job factors, such as adjustment to the general environment of the host country, are important for facilitating such commitment in international settings.

Job factors such as role discretion, role ambiguity, and role conflict will relate to adjustment to work, but not to general adjustment or interaction with host nationals. Past

research indicates that job discretion and clarity reduce the uncertainty associated with a job, and hence, enhance adjustment to work but not general adjustment. Role conflict has been found to inhibit work adjustment (Black and Gregersen, 1991). According to Black, Gregersen and Mendenhall (1992), expatriate managers can be seen as “dual citizens” who commit to both their parent firm and the foreign operation.<sup>2</sup> They experience role conflict when the two organizations give them conflicting demands and expectations. If expectations given by the two organizations are not clear, expatriate managers experience role ambiguity problems. The degree of job autonomy, including job discretion, was found to be a strong predictor of an expatriate’s intention to leave (Birdseye and Hill, 1995). Consistent with these findings, a path analysis of expatriate turnover by Black and Gregersen (1990) revealed that role clarity had a negative relationship with intent to leave.

Variables such as compensation levels and perceived opportunities for promotion upon repatriation also affect work adjustment (Parker and McEvoy, 1993). Uncertainty about career prospects after foreign assignment will lead to low expatriate satisfaction on the job. Birdseye and Hill (1995) confirmed that career prospects were consistently and negatively associated with turnover; and that job and organizational turnover and material life satisfaction were key correlates of internal turnover. Stipulating career paths after repatriation is likely to prevent the problem of “out of sight, out of mind” or “going native” while on international assignments.

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<sup>2</sup> Black et al. (1992) categorised the types of expatriates into four types in terms of their allegiances to the parent firm and the local subsidiary. These are: 1) going native (expatriates who have high commitment to the local subsidiary, but low commitment to the parent firm); 2) leaving their heart at home (expatriates who have high commitment to the parent firm, but low commitment to the local subsidiary); 3) free agent (expatriates who have low commitment to both the parent firm and the local subsidiary); and 4) dual citizens (expatriates who have high commitment to both the parent firm and the local subsidiary).

## 2.4 Summary of expatriate adjustment

The theoretical framework of expatriate adjustment, satisfaction and turnover has been evolving since the 1980's. As many studies have shown, it is not a single factor which determines expatriate success or failure of an international assignment. Individual, organizational and environmental factors have to be taken into account. Expatriates who move from their home country to another country will encounter significant environmental changes. They are placed into "new and unfamiliar managerial, organisational, industrial, and societal contexts" (Gregersen and Black, 1992, 67). The adaptability of their family and spouse to the new environment affects expatriate adjustment. Personality traits and their cultural background influence the extent of their adjustment. Role conflict, role ambiguity, and role discretion affect adjustment to work. Non-work factors also play important roles in the international assignment. Cultural differences between the host culture and the home culture hinder adjustment, while intercultural effectiveness facilitates adjustment. Finally, cross-cultural training has been shown to be the most effective way of reducing the uncertainty of an unfamiliar culture, and developing skills and appropriate behaviour in order to facilitate intercultural communication, and adjustment.

## 2.5 Extending the current research

### *2.5.1 Theoretical gap in past studies on expatriate managers*

As seen above, a significant body of research has been conducted on the adjustment of expatriate managers, and on the theoretical framework of expatriate adjustment to international assignment. This research overemphasises the roles of expatriates while neglecting those of local employees: it is as if only expatriate managers contribute to organisational performance in international operations. Little attention has been given to the relationships between expatriate managers and local managers or the perspectives of local managers working in MNCs. Hailey's (1996) study is noteworthy in that it addresses issues which have been relatively neglected in past studies. These issues are: "the attitudes of local managers to their expatriate colleagues"; "the impact of the continued use of expatriates on the productivity of local staff"; and "the conflict of interest faced by local managers working for foreign multinationals operating in their own country" (*ibid.*, 256). Moreover, Hailey argues that even the literature looking into the localisation of key management positions in overseas subsidiaries "has generally concentrated on the implications of localisation from the multinational or head office perspective, rather than from the perspective of the localised manager" (257). To fill this gap, local managers' perspectives on issues relating to localisation such as the headquarter-subsiidiary relationship and the corporate membership will be taken into account in this research. Moreover, the nature of the relationship between expatriate and local managers will be examined in terms of communication and mutual perceptions by using the dyadic data (the nature of the dyadic data is described in Section 4.3 in Chapter 4 for detail).

### *2.5.2 Problems associated with localisation in Japanese MNCs*

The advantages of filling key managerial positions in overseas subsidiaries with expatriates, (i.e. parent country nationals /PCNs) has been increasingly questioned, and the advantages of localisation of management have been emphasised by researchers and practitioners (Shiraki, 1995; Watanabe and Yamaguchi, 1995). For example, Japanese-led joint ventures in China have promoted localisation to adjust discrepancies between nominal responsibilities held by expatriate managers and real responsibilities held by local managers, and to reduce costs for maintaining PCNs (Deyong, 1996). Moreover, these firms claim that localisation increases the local managers' sense of loyalty to the organisation and motivates them to take initiatives in the firm (*ibid.*). Hall and Gudykunst (1989) found that the level of perceived ethnocentric attitudes in a MNC's corporate culture influenced the selection of employees for international assignment. That is, MNCs with lower levels of perceived ethnocentrism tended to use third-country or host country nationals for managerial positions in overseas subsidiaries, while MNCs with the higher levels of perceived ethnocentrism tended to use expatriate managers.

It has been pointed out that human resource management practices in overseas subsidiaries of Japanese MNCs are ethnocentric (Beechler and Taylor, 1994) or characterised by the limited internalisation of labour markets (Dedoussis, 1994). Compared to American or European MNCs, Japanese MNCs use less host country nationals with tertiary qualifications in top management positions (Shiraki, 1995), and significantly less third-country nationals in key positions of overseas subsidiaries (Peterson, Napier and Shim, 1996). Such key positions in Japanese MNCs are generally occupied by Japanese expatriate managers. This results in the exclusion of local employees from decision-making and promotional opportunities (Watanabe and Yamaguchi, 1995). For example, a survey on Japanese companies in Europe shows that

only 11% of the total companies had locally employed chief executives or managing director. One third of surveyed companies did not even have local staff as heads of departments, in particular, local heads of finance were rare (36%). Local managers or directors generally dealt with daily operational matters rather than a long-term planning and strategy (Europe Japan Centre 1995).

Moreover, it has been found that local managers are frustrated and dissatisfied with the continued employment of expatriate managers. This is because the disparity in wages is often too large to be justified; expatriates are unable to make valuable local contacts, they rely too heavily on head office procedures, ignore local feeling and ethical values (Hailey, 1996). Furthermore, local managers in Japanese MNCs in Asia complain about a lack of promotional opportunities, micro management from Tokyo, poor communication between Japanese expatriates and local employees, and exclusion from decision-making (Thome and McAuley, 1992).

Dedoussis (1994) employs dual labour market theory to explain why different human resource management (HRM) practices apply to local employees in overseas subsidiaries of Japanese MNCs. According to this theory, the labour market in Japan is divided into two sectors; core and peripheral. Some HRM practices such as the seniority-based promotional system and employment stability are only privileges of employees within the core sector. This core-peripheral dichotomy applies to expatriate managers and local employees in overseas subsidiaries of Japanese MNCs. That is, local employees in Japanese MNCs are placed in the peripheral sector while expatriate managers are placed in the core sector. Consequently, "HRM practices featuring among core-employees in Japan are almost entirely absent in the case of white-collar [local] employees in Japanese firms in Australia" (*ibid.*, 742).



Wong (1996) attempted to identify institutional factors as structural sources of conflict between Japanese expatriates and local employees in Japanese MNCs. She concluded that the strategies of dual employment and shadow management employed by Japanese MNCs were likely to induce conflict between Japanese expatriates and local employees (*ibid.*, 109). Issues regarding dual employment and shadow management will be further discussed in Section 5.2 in Chapter 5. These studies suggest the need to identify difficulties and problems which local employees encounter in overseas subsidiaries of MNCs, in particular, Japanese MNCs, if one is to understand the nature of the relationship between expatriates and local employees. Thus, in this research, structural and non-structural obstacles to the integration of local managers into the Japanese MNCs will be identified.

Some studies examined perceptions of the attitudinal traits of Japanese expatriate managers held by local employees; for example, perceptions of Japanese managers held by Japanese themselves and Singaporean managers in Singapore subsidiaries (Everett, Stening and Longton, 1981); perceptions of Japanese expatriate managers held by local employees in British subsidiaries (Watanabe and Yamaguchi, 1995); and perceptions of Japanese in general held by local employees in five Asian countries (Imada and Sonoda, 1996). Watanabe and Yamaguchi (1995) suggest that perceptions of Japanese expatriate managers held by local employees are affected by communication difficulties between expatriates and locals. These difficulties arise from socio-cultural and attitudinal differences between the two cultures. Moreover, negative perceptions of Japanese expatriates held by locals result from structural problems in Japanese organisations in terms of “decision-making procedure” and the “mechanism of information transmission” (*ibid.*, 596-597). Ito (1992) investigated the sources of communication difficulties with Japanese expatriate managers perceived by local managers working for Japanese-led

joint ventures in Asia. Results showed that communication difficulties between expatriate and local managers were derived from differences in language, customs and values. Moreover, local managers perceived that Japanese expatriate managers' heavy reliance on their headquarters negatively affected communication between expatriate and local managers. As these studies suggest, conflict between expatriates and locals can be caused by cultural misunderstanding, ineffectiveness of communication as well as structural problems such as disparity in wages and promotion opportunities. Thus, structural and cultural factors which may affect the relationship between Japanese and Australian managers will be identified in this research.

As noted previously, past research on expatriate adjustment examined the effect of social interaction with host nationals on expatriate adjustment. However, the effect of interaction between expatriate managers and local employees has not been fully investigated. If social interaction with host nationals affects expatriate adjustment, local managers' interaction with expatriates will affect the psychological welfare of local managers. Thus, mutual perceptions and communication between expatriate managers and local employees need to be examined. A survey using the dyadic data of Japanese-Australian managers will be able to measure mutual perceptions and communication.

Few studies empirically examine levels of job satisfaction and commitment to the organisation of local managers in overseas subsidiaries of MNCs. Imada and Sonoda (1996) conducted surveys on local employees working for Japanese MNCs in five Asian countries. These surveys covered various issues in MNCs, including stereotypes of Japanese in general held by local employees, the evaluations of Japanese management styles and practices by local employees, job satisfaction of local employees, and local managers' intentions to leave the organisation. Dankwa, Kanthi, and Arora (1999)

examined the level of organisational commitment and job satisfaction of local engineers working for a Japanese-owned automobile company in the U.S.A. in comparison with those for an North American-owned automobile company. They concluded that American engineers in the Japanese subsidiary showed higher levels of organisational commitment and lower levels of job satisfaction than American engineers in the North American firm. These studies, however, failed to identify the antecedents of job satisfaction and organisational commitment of local managers. In addition, the relationships between intercultural interactions and work attitudes have not been examined. In this research, antecedents of organisational commitment of both expatriate managers and local managers will be identified with the focus on intercultural relations between the two groups.

### *2.5.3 Summary*

In summary, studies on expatriate adjustment offer a key to understanding the issues associating with cross-cultural communication in organisational settings, and have identified important factors affecting intercultural relationships. However, these studies have been heavily focused on the roles of expatriate managers in MNCs, and have failed to take account of local employees' perspectives. The relationship between expatriate managers and local employees has not been fully investigated. No comprehensive models have been provided to explain the relationships between communication, perceptions between expatriates and locals, organisational structure, and their work attitudes. This thesis attempts to fill these gaps identified in the literature. The level of cross-cultural understanding between Japanese expatriate managers and local employees in Japanese subsidiaries in Australia is assessed, and its effect on work-related outcomes such as job satisfaction and commitment to the organisation is examined. This thesis also identifies both macro and micro factors which may be associated with levels of job satisfaction and

organisational commitment; taking into account not only communication and mutual perceptions, but also structural characteristics of the organisation.

## **Chapter 3**

### **Theoretical constructs of an organisational commitment model**

#### **3.1 Introduction**

Organisational commitment has been a central concept in the study of work attitudes and behaviours. This is due to its association with important work outcomes which affect organisational effectiveness, such as tardiness, absenteeism, turnover intentions and actual turnover (Mathieu and Zajac, 1990; Meyer and Allen, 1991; Morrow, 1993; Reichers, 1985; Cohen, 1992; Allen and Meyer, 1996). It is believed that committed employees have a strong desire to stay with their organisations. Employees will be more willing to exert efforts in order to achieve organisational goals and values, and more likely to avoid the option of withdrawal or exit. Consequently, committed employees contribute to overall organisational effectiveness by reducing the costs incurred from high turnovers (Ivancevich et al., 1997), and increasing job performance and productivity (Mottaz, 1988; Naumann, 1993). Hence, organisational commitment has been discussed in relation to human resource management (HRM) and corporate cultural management (Peters and Waterman, 1982; Tichy, 1983; Legge, 1995). There is an assumption that a strong, unitary corporate culture generates organisational commitment, and hence achieves desired behavioural outcomes such as low labour turnover and high job performance (Legge, 1995). Thus, “organisations should consider the determinants of organisational commitment and ensure that these issues be addressed in their human resource strategies” (Iverson and Buttigieg, 1998, 1).

Organisational commitment in the domestic context has been extensively studied (see reviews by Reichers, 1985; Mathieu and Zajac, 1990), however, little research has been undertaken in the international context. In the context of international assignments, lack of commitment held by expatriate managers to local operations results in premature return from assignments, thereby causing significant financial and non-financial loss to the organisation (Gregersen and Black, 1992). Consequently, increasing expatriates' commitment to subsidiaries is important for the organisation as a whole. Given the importance of commitment for organisational effectiveness, explanatory variables for organisational commitment of both expatriate managers and local managers need to be identified. Thus, the aim of this chapter is to develop a conceptual framework for an organisational commitment model for expatriate and local managers (i.e. Japanese and Australian managers in this study), based on the organisational commitment literature in the domestic and international contexts as well as expatriate studies described in Chapter 2.

### 3.2 Multi-dimensionality of organisational commitment

Organisational commitment has been increasingly identified as a multi-dimensional construct rather than as an uni-dimensional construct. Some researchers distinguish behavioural or exchange commitment from attitudinal or psychological commitment (Gaertner and Nollen, 1989; Cullen, Johnson and Sakano, 1995). Behavioural (exchange) commitment refers to “utilitarian gain from the employment relationship”, while attitudinal (psychological) commitment refers to “non-instrumental, affective attraction to the firm by the employees” (Gaertner and Nollen, 1989, 976). Meyer and Allen (1991) identified three distinctive conceptual components of organisational

commitment. These are: 1) affective commitment which emphasises employees' emotional attachment to the organisation; 2) continuance or calculative commitment that is characterised by the perceived cost incurred from leaving the organisation; and 3) normative commitment which is characterised as an obligation to stay with the organisation. Affective commitment reflects employees' desire to stay in an organisation, continuance commitment relates to employees' need to stay in an organisation, while normative commitment reflects employees' obligation to stay in an organisation (*ibid*). Meyer and Allen suggest that each component of organisational commitment is negatively correlated with turnover intentions. Motives underlying each component of commitment may be different, so that, each component of commitment may be associated with different effects on work outcomes or behaviours (*ibid.*).

Attitudinal (affective) commitment has been the most commonly studied type of organisational commitment, often by means of a scale developed by Porter and his colleagues (Mathieu and Zajac, 1990). In addition, past empirical studies have found that affective commitment is a stronger predictor than normative and continuance commitment for work outcomes, in particular, employees' withdrawal behaviour (Somers, 1995; Whitener and Walz, 1993; Meyer et al., 1993; Jaros, 1997). Jaros (1997) empirically assessed the relationship between organisational commitment and turnover intentions based on the propositions derived from Meyer and Allen's three-component model of organisational commitment. The study showed that each component of commitment was significantly and negatively related to turnover intentions, however, the three components of commitment differed in "the strengths" of their correlations with turnover intentions. Affective commitment was found to

have a significantly stronger correlation with turnover intentions than normative or continuance commitment. Moreover, results of the multiple regression analyses indicated that the affective component of commitment was the only component which contributed significantly and independently to predicting turnover intentions. Based on these findings, Jaros (*ibid.*, 331) argued that “organisations interested in reducing voluntary turnover behaviour can do so indirectly (i.e. through turnover intentions) by fostering affective commitment”. Given significant influences of the affective component of commitment on employees’ withdrawal behaviour, an organisational commitment model in this thesis will be developed within a framework of affective commitment to the organisation rather than normative or continuance commitment. Specifically, affective commitment in this thesis is defined as employees’ 1) identification with the organisational goals and values; 2) loyalty to the organisation; and 3) willingness to work hard for the organisation.

### 3.3 Organisational commitment in the international context

There has been growing interest among researchers and practitioners to study organisational commitment in the international context as activities of MNCs have been expanding across national boundaries. However, the coherent theoretical framework for organisational commitment in international settings is still underdeveloped. Randall (1993) pointed out that past management research has concentrated on the North America, and that the theories developed from the North American based research were treated almost as universalistic. However, over the last decade, the universal validity of the theories developed from the North American-centred research has been increasingly challenged. Simultaneously, the importance of



“culture” on shaping management thought and practice has been increasingly recognised. In accordance with this trend in the field of management- moving away from the North American-oriented universalistic approach to a cross-cultural approach- attitudinal and behavioural researches have also been adopting a cross-cultural approach (Buchko, Weinzimmer, and Sergeyev, 1998). Randall reviewed research on organisational commitment occurring outside the U.S.A. in order to “organise what is currently known about organisational commitment from a cross-cultural perspective and to offer a theoretical framework to help interpret those findings [based on Hofstede’s Value Survey Module]” (Randall, 1993, 92).

To date there have been several studies making cross-cultural comparisons in levels of organisational commitment and its correlates, often comparing Japan and the U.S.A. Attention has been given to organisational commitment of Japanese employees in Japan as an explanatory variable for relatively low turnover rates and the high productivity growth rates.<sup>3</sup> For example, Luthans, McCaul, and Godd (1985) compared levels of organisational commitment among American, Japanese and Korean employees across several occupations and industries. Lincoln and Kalleberg (1985) compared levels of job satisfaction and organisational commitment between American workers across 52 manufacturing plants in Indianapolis and Japanese workers across 46 manufacturing plants in Japan. It should be noted that these studies are cross-cultural, however, they do not examine or compare organisational commitment between host national employees and home national employees of overseas subsidiaries of MNCs.

In cross-cultural comparisons, the nature of organisational commitment has been assessed from either aspects of organisational structures (i.e. welfare corporatist) or national culture (i.e. individualism/collectivism), or sometimes a mixture of both. Lincoln and Kalleberg (1985) state that organisational commitment of Japanese employees has been dominantly explained by two types of theories: that is, the “culturalist” theories which emphasise Japanese culture and tradition such as Nakane, (1973), and the ‘corporatist’ theories which emphasise organisational structures and employment systems prevalent in Japanese organisations such as Dore (1973). Lincoln and Kalleberg take the former approach and argue that Japanese (manufacturing) organisations in the core sectors tend to be “welfare corporatist” organisations which have management structures and practices fostering commitment and dependence between the organisations and their workforce. Specifically, “welfare corporatist” organisations have management structures: 1) facilitating participation in decision-making; 2) facilitating integration across ranks and around company goals; 3) fostering individual mobility and careers internally; and 4) fostering legitimacy and legal order within the firm. In their study it was hypothesised that organisational commitment of Japanese workers is likely to be higher than that of American workers, and this may be partly due to the greater prevalence of welfare corporate structures in Japanese organisations (*ibid.*). Although their empirical study showed that some aspects of corporatist organisations contributed to increased commitment both in Japan and the U.S.A., there was not enough evidence to support their hypothesis.

The traditional corporatist theories do not seem to take the dual employment structure (home nationals v.s. host nationals) in MNCs, into consideration. As discussed in

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<sup>3</sup> The period from 1970s till the beginning of 1990s is regarded as Japan’s high economic growth

Chapter 2, there are certain HRM policies which only apply for home nationals (core-employees) but not for host nationals in Japanese MNCs. For example, participation in decision-making and internal mobility and career progress may be encouraged in large Japanese firms, however, these practices are generally applied only for Japanese male university graduates, and the policies are extended when they are assigned to overseas. Hence, by examining determinants of organisational commitment of host national employees in overseas subsidiaries of MNCs, we need to assess the implications of corporate structures on host nationals and home nationals separately. To do this, the characteristics of Japanese MNCs regarding the head office-subsiary relationships need to be taken into account, because the head office-subsiary relationship affects international human resource strategies of MNCs. This issue will be discussed in Chapter 5.

Luthans et al. (1985) assessed the levels of organisational commitment of Japanese, Korean and American employees. Luthans et al. expected that Japanese employees may have shown higher levels of commitment as a result of the “life-long employment practice” in Japanese firms than American counterparts. However, results indicated that Japanese and Korean employees showed no difference in levels of organisational commitment. Moreover, contrary to expectations, American employees were more committed to their organisations than Japanese and Korean employees (*ibid.*). Their findings need to be treated with caution, because of the unequal sample size across the three-nationality samples used in their study (1,181 respondents in the American sample, 176 in the Japanese sample, and 302 respondents in the Korean sample). Moreover, there were notable differences in firm

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period.

size, industry type, and organisational status of the respondents among the three samples, which have not been controlled in their analyses.

In the cross-cultural studies, the dichotomy between individualism and collectivism is frequently considered to be an important cultural factor which affects work attitudes and behaviours of employees (Randall, 1993; Abrams, Ando and Hinkle, 1998). For example, employees in collectivist cultures (i.e. Japan) are expected to have higher levels of commitment to the organisation than employees in individualistic cultures (i.e. North America), because the employees in collectivist cultures tend to have greater involvement and identification with the institution or a group they belong to than those in individualistic cultures. Dankwa et al. (1999) empirically examined levels of job satisfaction and organisational commitment of American R&D automotive engineers working for an American firm and those working for an American subsidiary of a Japanese firm. It was found that American engineers working for a Japanese subsidiary in the U.S.A had higher levels of organisational commitment, but lower levels of job satisfaction than their counterparts working for an American company (*ibid*). In their study, it was implied that both structures of the organisations and organisational culture derived from national culture (in relation to individualism and collectivism) related to work attitudes of employees. Specifically, they argue that American firms tend to employ individualistic management styles, which American employees are accustomed to, while Japanese firms tend to employ conformable management styles, which Americans may get frustrated by. Thus, American employees working in American firms are more likely to have higher levels of job satisfaction than American employees working in Japanese firms (*ibid*). As for organisational commitment, Japanese subsidiaries tend to emphasise human resource

policies which foster high organisational commitment among employees, while American firms tend to emphasise the “day labour” model which is likely to weaken employees’ commitment to the organisation. Thus, levels of commitment of American employees in Japanese subsidiaries are likely to be higher than that in American firms (*ibid.*). The potential division of individualism and collectivism in their work beliefs and attitudes of Australian and Japanese managers will be examined in the next chapter.

Although studies on organisational commitment in the international context have been increasing, these studies generally have focused on expatriate managers rather than local employees (Naumann, 1993; Birdseye and Hill, 1995). For example, Gregersen and Black (1992) attempted to examine the associations between the four categories of factors (personal, job, organisational and non-job) and dual commitment of expatriate managers to the headquarters and its local subsidiary. The study by Johnson (1999) extended the subject of past commitment research by focusing on multiple commitment and conflicting loyalties in international joint venture (IJV) management teams. Cullen, Johnson and Sakano (1995) investigated the antecedents of commitment of Japanese and local partners in IJVs led by Japanese companies. Their study found that satisfaction with the IJV relationship and the partners was the strongest predictor of commitment for both the Japanese and their local partners. Naumann (1993) attempted to link the domestic organisational commitment research to expatriate studies by constructing models for expatriate turnover on the basis of Glisson and Durick’s (1988) domestic turnover model. However, Naumann’s model does not provide an in-depth investigation into local employees’ work attitudes in an international setting. Significant contributions of local employees to the success of

local operations should not be dismissed. Thus, this thesis examines the antecedents of organisational commitment held by both expatriate and local managers in Japanese multinational organisations.

### 3.4 Antecedents of organisational commitment

#### *3.4.1 Overview*

The organisational commitment literature in the domestic context generally recognises that factors which are potentially associated with organisational commitment are grouped into two major categories. These are: individual characteristics such as age and education; and organisational or work characteristics such as pay and promotion opportunities (Gaertner and Nollen, 1989; Putti, Aryee and Liang, 1989; Mottaz, 1988). As discussed in Chapter 2, the expatriate adjustment literature indicates that additional factors need to be taken into account for examining organisational commitment in the international context. For example, non-work factors such as cross-cultural training and language ability are considered important factors for expatriate adjustment. Gregersen and Black (1992) emphasised the importance of non-job factors as predictors of organisational commitment in international assignments. They argue that “international assignments usually place individuals in new and unfamiliar managerial, organisational, industrial, and societal contexts. Thus, it would seem that non-job factors would be especially relevant to organisational commitment during international assignments” (*ibid*, 67). Local managers working for overseas subsidiaries also face difficulties because of unfamiliar managerial and organisational practices derived from cultural differences. In this sense, local managers are placed in a “quasi-international” environment despite

remaining in their home country. For this reason, international factors also need to be included in examining commitment of local managers.

This thesis attempts to construct a commitment model for expatriate and local managers (i.e. Australian managers in this study) based on the literature on domestic and expatriate turnover. Moreover, three additional factors are postulated as being worthy of inclusion in the model as potential determinants of organisational commitment. The three factors are: the type of industry to which managers belong; the perceived work relations between Japanese expatriate and local managers; and perceptions of others with regard to psychological integration of local managers. Potential determinants for organisational commitment examined in this study will be discussed below.

#### *3.4.2 Individual variables*

Demographic variables which are commonly used as explanatory variables for commitment are marital status, gender, education, tenure, and age (Putti et al., 1989; Mottaz, 1988; Randall, 1993; Abdulla and Shaw, 1999). With regard to marital status and gender, some studies have indicated that male employees who are married have higher levels of commitment to the organisation (Hrebiniak and Alutto, 1972). The relationship between gender and levels of commitment found in the literature is not consistent (Mathieu and Zajac, 1990). For example, some argue that women are likely to have higher levels of organisational commitment than men, because women have to overcome more barriers than men to gain membership (Grusky, 1966). On the other hand, women are expected to have lower levels of organisational commitment than men because they receive lower wages, fewer promotional opportunities, and family

responsibilities (see a review by Lease, 1998). Past research supports a negative relationship between commitment and education (Steers, 1977; Angle and Perry, 1981; Putti et al., 1989; Naumann, 1993; Mathieu and Zajac, 1990; Naumann, 1993). This may be due to higher educated employees having more options to find other jobs than lower educated employees, leading to lower organisational commitment.

Luthans et al. (1985, 214) noted that “age and tenure have been most frequently examined, and have been most consistent in their relationship to organisational commitment”. The positive relationship between (organisational) tenure and commitment has been supported by past studies (Kosh and Steers, 1978; Stevens et al., 1978; Welsch and LaVan, 1981; Mowday et al., 1979; Gaertner and Nollen, 1989; Gregersen and Black, 1992). Age and commitment were found to be positively related (Hrebiniak and Alutto, 1972; Kosh and Steers, 1978; Morris and Sherman, 1981; Welsch and LaVan, 1981). Allen and Meyer (1993) found that affective commitment (and normative commitment) increases across employee age. In addition, age and tenure are generally correlated (Angle and Perry, 1981). Meyer and Allen (1991, 69) posit that “the positive relationship between tenure and commitment may be due to tenure-related differences in job status and quality”. Employees who hold longer tenure tend to occupy higher positions in the organisation and receive higher income than employees who hold shorter tenure. Therefore employees who hold longer tenure are likely to exhibit higher levels of commitment to the organisation. Naumann (1993) suggests that years of acculturation and socialisation in the organisation result in higher levels of congruency between personal values and goals of employees and organisational values and goals. Consequently, employees who are working for the



organisation for a long time tend to be more committed to the organisation than those who are newly employed.

As stated in Chapter 2, studies on expatriate adjustment have demonstrated the importance of language skills (Cui and Awa, 1992) and previous international experiences to facilitate expatriate adjustment (Parker and McEvoy, 1993). However, as Black and Gregersen (1991) argued, previous international experience may not be related to adjustment if the culture of the countries where managers previously worked and the culture of the presently assigned country are very different. This thesis will consider the importance of a variable that captures exposures to a specific culture rather than general international exposure.

Comprehensive cross-cultural training has been regarded by many scholars as useful to the adjustment of expatriate managers to a new culture (Mendenhall and Oddou, 1985; Tung, 1987; Mendenhall et al., 1987). This is because cross-cultural training increases cross-cultural effectiveness in terms of skill development, adjustment, and performance. Moreover, cross-cultural training could assist in the development of accurate and realistic expectations on international assignments and new environments (Gregersen and Black, 1992). Hammer and Martin (1992) show that cross-cultural training is also useful for host nationals. Cross-cultural training provides employees with adequate information about an unfamiliar culture thereby reducing uncertainty and anxiety. This suggests that cross-cultural training is beneficial for both expatriates and locals for adjusting to each other's culture, which may, in turn, increase levels of job satisfaction and commitment to the organisation. It should be noted that cross-cultural training is often categorised as an organisational

factor. However, in this study, cross-cultural training is treated as an individual factor similar to the cultural exposure variable reflecting individual experiences.

Thus, the following individual variables will be potentially included in a model in association with organisational commitment in this thesis: cultural exposure (previous exposure to Japanese/Australian culture), cross-cultural training, language skills, age, tenure and education. Tenure and age are expected to be positively related to commitment. Respondents who have higher levels of cultural exposure and higher levels of language skills are expected to have higher levels of commitment than those who have lower levels of language skills and cultural exposure. For the Australian sample, tenure in the subsidiary they currently work for is included, while for the Japanese model, tenure in the headquarters and tenure in the subsidiary are included.

#### *3.4.3 Job satisfaction variable*

Job satisfaction is regarded as a function of job experiences while organisational commitment as a function of beliefs about the organisation (Glisson and Durick, 1988). Job experiences held by employees derive from employees' perceptions of various job facets and/or the degree of congruency between the perceptions or expectations and desires or needs held by employees regarding the facets of job in which employees are engaging. The job satisfaction scale employed in this study encompassed various facets of the job including pay, promotion, work environment, job variety, job autonomy, and so forth (see Appendix II-2 for full set of items). These job facets such as pay, promotional opportunities and job autonomy are known to be important predictors of organisational commitment. Mottazz (1988) found that job autonomy, job involvement, wage, and promotional opportunities were the significant

determinants of commitment. Past research findings indicate that job satisfaction is consistently positively related to commitment (Naumann, 1993; Glisson and Durick, 1988). A review article on commitment by Mathieu and Zajac (1990) meta-analysing 124 studies on organisational commitment showed that the correlations between job satisfaction (and its components) and organisational commitment were uniformly positive. A study on organisational commitment of Russian workers showed positive correlations among supervisor satisfaction, co-worker satisfaction, work satisfaction and organisational commitment (Bunchko et al., 1998). Hence, a job satisfaction scale that represents work-related domains of pay, promotion opportunities, job autonomy, job variety and so on will be included in a model as an antecedent of organisational commitment.

#### *3.4.4 Three additional variables shaping work environments*

Work environments of employees are likely to affect the development of affective commitment to their organisations. Angle and Lawson (1993, 5) suggest that:

While organisational-based factors originate with the organisation, it is the member's personal perception of, and affective reaction to, these phenomena that influence his or her organisational commitment. For the member, organisation-based factors span a range of issues from perceptions of the way he/she has been treated by the organisation, per se, to evaluations of impacts and outcomes that have resulted from the organisational memberships, over time.

This suggests that “employees’ perceptions” of human resource policies and practices rather than “actual” human resource practices may be an important predictor of an

affective component of organisational commitment. Moreover, as a prerequisite to the development of affective reaction to the organisation, employees need to perceive that they are treated fairly or positively by other members of the organisation.

Meyer and Allen (1997) argue that work experiences are critical to the development of commitment and a set of work experiences may be important to all employees. They suggest that there is “universal appeal for those work environments in which employees are supported, treated fairly, and made to feel that they make important contributions”(ibid., 57). Thus, positive work experiences produced by the universally appealing work environment may contribute to enhanced levels of organisational commitment. Beck and Wilson (2000, 132) extended this proposition, and argued that “there may also be organisations that have certain [structural and cultural] characteristics that result in universal repulsion for their employees, where work experiences flag a lack of support, justice and value”. These studies suggest that there are structural and cultural characteristics of an organisation that are systematically perceived as creating a positive or negative work environment for employees. The work environment affects employees’ perceptions of human resource policies and practices and hence affects the affective component of employees’ organisational commitment. Given the importance of work environments to organisational commitment, three variables which are intertwined in shaping work environments in overseas subsidiaries of MNCs will be included in a model. These three variables are: industry, work-relations, and integration variables. The theoretical rationale for including these variables is provided below.

### 3.4.5 Industry variable

The functional differences in industries may lead to different HRM policies and create certain types of work environment, and thus affect employees' perceptions of the organisation. This may affect employees' commitment to the organisation. Wallace (1995) argues that perceptions of career opportunities and legitimacy of the reward distributions held by employees affect the degree of employees' commitment to the organisation. In similar fashion, Watanabe and Yamaguchi (1995) indicated that the lack of promotional opportunities and autonomy negatively affected perceptions held by higher-ranking local employees of Japanese managers. This thesis focuses on differences in economic function between two types of industries, manufacturing and general trading (the *sogo shosha*). Differences in economic function between manufacturing and trading industries (the *sogo shosha*) in relation HRM policies will be discussed in more detail in Chapter 6.

Meyer and Allan (1991) argue that the relationship between organisational structure and commitment is rather indirect, and often mediated by work experiences associated with structural characteristics such as the relationship between an employee and a supervisor and feelings of personal importance. These differences might cause differences in the treatment of local managers, in opportunities for career advancement of local employees, and therefore influence their affective levels of commitment to the organisation. Two other variables, work relations between expatriate managers and local employees and integration of local employees into the organisation are important variables creating work experiences in overseas subsidiaries of MNCs. These variables will be discussed in the next sections.

#### *3.4.6 Work-relations variable*

Effective communication between a supervisor and a subordinate and positive evaluations of each other will be important factors in creating a positive work environment. Having trusting, efficient, responsible colleagues or supervisors, and open and accurate communication channels may enhance employees' sense of belonging to the organisation, and hence levels of affective commitment to the organisation.

In a mono-cultural setting, positive relationships between supervisor-subordinate relations and organisational commitment (Gaertner and Nollen, 1989), and perceived supervisor and co-worker assistance and organisational commitment have been empirically supported (Mottaz, 1988). In this thesis, the association between commitment and perceived work relations in terms of communication and liking in cross-cultural settings will be assessed. Perceived harmonious and positive work relations between expatriates and local employees may help them create a sense of mutual understanding, and commitment to the organisation. Thus, perceived work relations is expected to be positively related to organisational commitment of both expatriate and local managers. The associations between organisational commitment and work relations with other group members (i.e. Japanese or Australian managers in general) will be examined in this thesis.

#### *3.4.7 Integration variable*

In overseas subsidiaries of Japanese MNCs, levels of psychological integration of local managers into the organisations as well as structural integration will be one of the factors shaping work environments. In this thesis, structural integration of local

employees refers to an organisational structure which provides equal opportunities to local employees for promotion and participation in decision-making process. Psychological integration of local managers relates to perceptions of belonging and acceptance, that is, local managers regard themselves being accepted as legitimate members of the organisation, and being as competent and responsible as Japanese managers by fellow Japanese expatriate managers. Thus, psychological integration is likely to affect the development of an affective response to the organisation.

It should be noted that there is a notion that organisational identification and organisational commitment are different constructs. That is, “organisational commitment tends to be conceptualised as a general orientation (to a set of organisational goals or values), [while] organisational identification involves psychological attachment to a specific company”(Abram et al., 1998, 1029). This argument may apply if one looks at the overall concept of organisational commitment, rather than each dimension of commitment. Some regard organisational identification as being one of the sub-dimensions of, or a precondition for attitudinal commitment. Legge (1995, 81) refers to Guest’s argument (1992) that “attitudinal commitment suggests the continuance of organisational membership - a precondition to developing any strong organisational culture - follows from a positive decision, resulting from organisational identification”. This thesis focuses on affective (attitudinal) component of organisational commitment, so that organisational identification is regarded as a precondition of affective commitment.

The link between employee’s perception of fair treatment, group membership and employee’s emotional attachment to the organisation is demonstrated in several

studies. Tyler and DeGoey (1996, 346) demonstrated that treatment with respect and dignity by authorities in an organisation increased employees' feeling of trustworthiness, especially when their sense of identity was strongly associated with group membership. Past studies examining the relationship between procedural justice, distributive justice and organisational commitment indicated that employees' positive perceptions of work procedures were likely to increase levels of organisational commitment even more than distributive justice (Martin and Bennet, 1996; Moorman, Niehoff, and Organ, 1993). Higher levels of perceived justice by employees lead to higher levels of comfort which employees feel in the organisation. This brings about positive overall work experiences, and increases levels of affective commitment (Gellatly, 1995, 472).

Kim and Mauborgne (1993) examined the direct effect of procedural justice on the compliance behaviour of top managers working in subsidiaries of multinationals, and the indirect effect of procedural justice through the mediating attitudes of commitment, trust, and outcome satisfaction. In addition, they examined the strength of those effects on compliance behaviour according to industry type (multidomestic or global). Their proposition is that group membership is an important part of social life, and that procedural justice enhances compliance. Perceived high levels of procedural justice satisfy individuals' needs to belong to the group and affirm their status in the group. Hence, procedural justice helps individuals develop a strong sense of attachment to the group, and motivates them to comply with the group decisions (*ibid*). It should be noted that participants in the above Kim and Mauborgne's study were top managers in subsidiaries of mainly North American firms. No distinctions were made regarding managers' nationalities, i.e. locals, headquarter nationals or third



country nationals. In addition, both theoretically and methodologically, organisational commitment and compliance behaviour are different constructs. Organisational commitment is an attitudinal measure, while compliance behaviour is a behavioural measure being a component of organisational citizenship behaviour (OCB). Notwithstanding this qualification, the findings of the above study suggest that procedural justice, in other words, employees' perceptions of fair treatment by their organisation, may be positively related to an affective component of organisational commitment. This is because compliance behaviour of employees may be derived from their willingness to work hard for the organisation to which they belong.

The importance of social distance or closeness and the way in which it impedes cooperation between groups is illustrated in the work of Braithwaite (1995). Braithwaite (*ibid.*) describes the breakdown of cooperative behaviour between a regulator group and a regulatee group as follows. The perceptions of mistrust in the treatment by the regulator group will lead to resistance and disengagement of members of the regulatee group and less compliance with requests of the regulator group. Cooperative and compliant behaviour between the two groups is enhanced by feelings of connectedness and social bonds between the two groups. Social bonds are developed through shared understanding based on trust, respect, communication and interdependency. Moreover, compliant and cooperative behaviour of the regulatee group is enhanced if the regulator group offers to enhance the regulatee group's social identity (*ibid.*).

In the case of subsidiaries of Japanese firms, local managers can be regarded as regulatees, and Japanese managers in subsidiaries as well as headquarters as

regulators. Japanese managers in subsidiaries may identify themselves strongly with the whole organisation or with headquarters, and they hold relatively higher status in the organisations. Considering this, the above arguments suggest that if Australian managers perceive that Japanese managers are not willing to accept them as members of the same group, they are likely to feel that they are treated by Japanese managers with less respect and trust. As a result, Australian managers' sense of identity in the organisation is weakened, and levels of commitment to the organisation are lowered. In contrast, Japanese managers' identity derived from organisational membership is unlikely to be affected by their perceptions of local managers. These conjectures will be tested empirically by examining the relationship between perceived levels of Australian managers' psychological integration into Japanese organisations and the affective component of organisational commitment.

### 3.5 Summary

In summary, it is expected that differences in economic functions of the *sogo shosha* and manufacturing firms may lead to differences in levels of structural inclusion of local managers into management such as decision-making and promotion. Psychological integration of local managers into corporate memberships may be affected by socio-cultural values held by Japanese expatriate managers. Structural and psychological integration of local managers may affect the way local employees perceive the organisation to which they belong. This will affect work relations between expatriates and local managers and the way they communicate and evaluate each other. All these factors: a) the type of industry; b) work relations; and c) psychological integration of local managers; contribute to creating a certain work

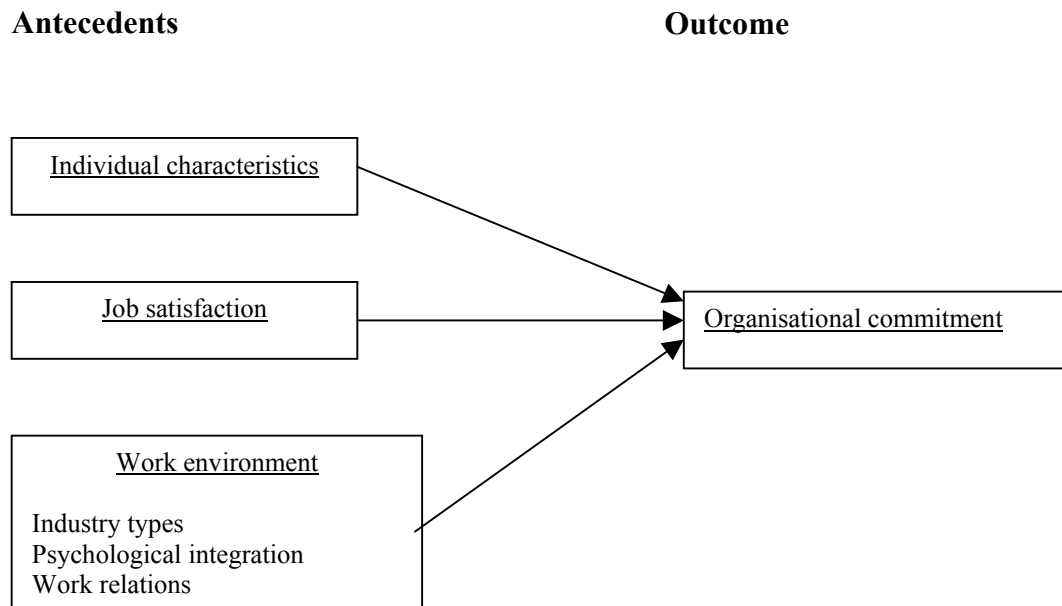
environment for employees, and hence their work experiences at the emotional level. Perceived work experiences may affect employees' affective response to the organisation, especially, of local managers. This is because local managers' status in the organisation is likely to be dependent upon how they perceive themselves being treated by Japanese managers. In addition, employees' job satisfaction derives from employees' perceptions of various facets of their job such as wage, promotion, supervision and autonomy, which create employees' work experiences regarding their job. This may positively contribute to the development of their affective commitment to the organisation.

Thus, the organisational commitment model proposed in this thesis includes the following variables.

- 1) Individual characteristics(demographic factors and international factors);
- 2) Job satisfaction (satisfaction with job related factors, such as pay, promotion, and autonomy);
- 3) Industry (manufacturing and the *sogo shosha* relating to structural integration of local managers into management);
- 4) Integration (relating to psychological integration of local managers into corporate memberships);
- 5) Work relations (liking and communication).

As a summary device, Figure 3.1 demonstrates the theoretical relationships in the organisational commitment model proposed in this thesis.

**Figure 3.1 Organisational commitment in multinational corporations**



This model is tested in Chapter 7. Prior to examining the predictors of organisational commitment, the issues related to this model are addressed and empirically tested in Chapters 5 and 6.

In Chapter 5, the characteristics of Japanese MNCs are discussed. Then, differences in the work values and beliefs between Japanese and Australian managers in Australian subsidiaries of Japanese MNCs are examined in relation to their perceptions of and/or acceptance of: 1) headquarter-subsidiary relations; 2) psychological integration of local managers; and 3) dichotomy of individualism and collectivism.

In Chapter 6, the differences in economic functions between the *sogo shosha* and manufacturing firms and their implications on HRM policies are discussed in general and in the case of Australian subsidiaries. In addition, the relationships between

communication, liking and organisational commitment are addressed. The empirical analyses are conducted to test: 1) the interaction effects of nationality of managers and industry types to which managers belong on their work attitudes; and 2) compare levels of job satisfaction, organisational commitment, communication, and liking of Japanese and Australian managers between the two industries.

In the next chapter, the data collection and methodology employed in this thesis are addressed.

## Chapter 4

### Methodology

#### 4.1 Sample

##### *4.1.1 Overview*

The sample analysed in this study consisted of sixty-six local managers and sixty-seven Japanese expatriate managers working for Australian subsidiaries of Japanese-owned firms. Data were collected between March and September 1998 from twelve subsidiaries of leading Japanese firms operating in Australia. These companies are grouped into two industries; five general trading firms (the *sogo shosha*) (Sumitomo Australia Ltd., Nissho Iwai, Tomen Australia Ltd., Mitsui & Co. Ltd, Marubeni Australia Ltd.) and manufacturing firms (Canon Australia Pty. Ltd., Panasonic Australia Pty. Ltd., Hitachi Australia Ltd., Toyota Motor Corporation Australia Ltd., Fujitsu Australia Ltd., Sony Australia Ltd., and Denso manufacturing Australia Pty. Ltd.). All these firms are members of the Japan Chamber of Commerce and Industry (JCCI).

Questionnaires were distributed to one hundred and forty-four managers (seventy-two Japanese and Australian pairs) working in these twelve companies. One hundred and thirty-three completed questionnaires were returned from the respondents (sixty-six local managers and sixty-seven Japanese expatriate managers). The response rate from the participants was 92%, which was considered high. Characteristics of local and Japanese samples are summarised in Table 4.1.

Table 4.1 Comparison of the characteristics of the two samples<sup>4</sup>

Items	Local managers	Japanese managers
<u>Number of respondents</u>	66	67
<u>Sex</u>	Male = 60/ Female = 6	Male = 67/ Female =0
<u>Industry</u>		
Trading firms	54.5%	53.7%
Manufacturing firms	45.5%	46.3%
<u>Tenure</u>		
Length of service in subsidiaries (Mean)	10 years	2.5 years
Length of service in organisations(Mean)	N/A	19.25 years
<u>Age</u>		
Under 30	3.0%	0
30-39	27.3%	42.4%
40-49	54.5%	39.4%
50-59	13.6%	18.2%
60 & over	1.5%	0
<u>Level of Education</u>		
Completed secondary school	7.6%	3.0%
Some tertiary education (TAFE etc)	15.5%	0
Tertiary graduate (diploma)	15.5%	1.5%
Some tertiary education (degree)	7.0%	0
Tertiary graduate (degree)	23.9%	91.0%
Some postgraduate degree	8.5%	0
Postgraduate degree completed	15.5%	4.5%
<u>Nationality</u>		
Australians	84.8%	0
Japanese	1.5%	98.5%
British	9.1%	1.5%
Other	4.5%	0

<sup>4</sup> Not all categories sum up to 100% due to rounding errors.

Items	Local managers	Japanese managers
<u>Cultural exposure in general</u>		
Previous work experiences in overseas subsidiaries	46.2%	N/A
Previous work experiences overseas	53.8%	63.1%
Previous educational experiences overseas	N/A	19.7%
<u>Cultural exposure to Japan/Australia</u>		
Previous business contacts	36.4%	44.8%
Previous business trips	25.8%	41.8%
Previous work experiences	16.7%	4.5%
Previous educational experiences in Japan	15.6%	N/A
<u>Language efficacy</u>		
Have used English for business purposes	N/A	86.6%
Degree of communication difficulties in English		
-Not at all	N/A	22.4%
-Slightly	N/A	61.2%
-A great deal	N/A	16.4%
Have studied Japanese	15.2%	N/A
Are able to have a conversation	13.6%	N/A
Level of Japanese comprehension		
- Not at all	27.3%	N/A
- A few words	42.4%	N/A
-Enough to follow the thread of a conversation	19.7%	N/A
- A considerable amount	10.6%	N/A



#### *4.1.2 Industry and tenure*

In the local sample, thirty-six respondents were working for the *sogo shosha*, and thirty respondents were working for manufacturing firms. In the Japanese sample, thirty-six respondents were working for the *sogo shosha*, and thirty-one respondents were working for manufacturing firms. The local respondents had an average tenure of 10 years. The Japanese respondents had an average tenure with the organisation of 19.25 years and had worked with this particular subsidiary on average for two and half years.

#### *4.1.3 Demographic characteristics*

More than half of the local sample were in the 40-49 age group, and 27.3% were in the 30-39 age group. Their levels of education varied; 15.5% had completed a diploma, 23.9% had completed a degree, and 15.5% had completed a postgraduate degree. The majority of the local managers were Australian nationals (84.8%), followed by British nationals (9.1%). Ninety percent of the respondents were males.

As for the Japanese respondents, 42.4% were in the 30-39 age group and 39.4% were between 40 and 49. The majority of Japanese respondents were university graduates (91.0%). All Japanese respondents in this survey were male.

#### *4.1.4 Cultural exposure in general*

Nearly half of the local respondents (46.2%) had worked in other overseas subsidiaries in Australia. Of those, 60% worked for American owned firms, followed by British owned firms (26.7%). More than half of the local managers had previous overseas work experiences, working in countries such as England (34.3%), the United States (28.5%), and Japan (23%). The length of time spent overseas ranged from 2 months to 15 years with an average of 3.3 years.

Australia was the first internationally assigned country for one third of the Japanese respondents. Of those who had previous international assignments, 58% worked in the United States, and 17% worked in England. The length of previous international assignments ranged from one to eight years with an average of 3.5 years.

#### *4.1.5 Cultural exposure specific*

One third of the local managers had business contacts with Japan, one fourth had made previous business trips to Japan, and 16.7% had worked in Japan. Almost 16% of the respondents had studied in Japan, attending various educational institutions including language schools, secondary schools, and universities.

Nearly half of the Japanese respondents had previous business contacts with Australia, and had also visited Australia for business purposes. However, the majority (95.5%) had never worked in Australia prior to the present assignment.

#### *4.1.6 Language efficacy<sup>5</sup>*

In terms of language efficacy, only 13.6% of the Australian respondents said that they could speak Japanese well enough to carry on a conversation with Japanese colleagues. Nearly 70% said they hardly understood spoken Japanese. Only 10.6% understood a considerable amount of spoken Japanese. Fifteen percent had studied Japanese prior to the present job.

Most of the Japanese respondents (86.6%) had used English for business purposes prior

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<sup>5</sup> Questions reflecting levels of language efficacy for the local sample and Japanese sample were different. This is because English is a compulsory subject in the secondary schools in Japan, so we expect that all Japanese expatriate managers have a basic knowledge of the English language.

to the present assignment, mainly for correspondence with overseas subsidiaries (72%) and/or business negotiations (60%) on a daily or weekly basis. More than half of the Japanese managers experienced slight difficulties in communicating with Australian colleagues in English, 22.4% did not experience difficulties at all, and 16.4% experienced considerable difficulties.

#### *4.1.7 Cross-cultural training*

Nearly half of the local respondents indicated that they had received cross-cultural training from their present organisation. The cross-cultural training they received included language training (33%), policies of the present firms (60%), Japanese business culture in general (63%), and beliefs, values, and customs of Japan (60%). The cross-cultural training was usually conducted in the form of group lectures (87%), and/or the distribution of written materials (33%). Lecturers were generally from the personnel department within the firm and/or consultants from outside the firm. The length of the training varied from a few hours to more than several days.

Nearly half of the Japanese expatriate managers (43.3%) did not receive cross-cultural training relating to the present assignment. They received country general training, but not country specific training. The training was given in the form of group lectures and/or written materials prior to departure. Only one expatriate received training both before and after the present assignment. Language training was popular as well as the country general training. Lecturers were mainly from the personnel department within the firm, and/or consultants from outside and repatriates. The training was generally given across several days (81.5%).

## 4.2 Selection criteria for participating firms

The researcher selected firms to be included in the survey based on the following criteria:

1) 100% Japanese equity, 2) a large proportion of Japanese expatriate managers to total employees, and 3) a relatively long period of operation in Australia. The first criterion was important for examining how local managers felt under “the Japanese management system”. In the case of joint ventures involving a few countries, it is difficult to identify which types of management system the firms are operating under. Therefore, the decision was made to include only 100% Japanese-owned firms in the sample. In examining Japanese and Australian (local) managers’ perceptions of each other, dyadic data composing Japanese manager-local manager pairs was required. In order to obtain as many pairs so that meaningful comparisons between groups could be made, firms had to have relatively large numbers of Japanese managers. The dyadic data used in this study will be further explained in the next section. The third criterion was also included to maximise the chances of finding suitable pairs of Japanese and local managers within one organisation. The size of newly established Japanese firms overseas is usually so small that they are unlikely to be able to support our request for manager pairs. Firms which met these three criteria were selected according to information obtained from JCCI and the Directory of Japanese Business in Australia 1996 (AJEI, 1996).

### 4.3 Nature of the dyadic data

The uniqueness of the data-set used in this thesis lies in the use of dyadic data (Japanese manager-local manager pairs). Each Japanese expatriate manager was paired with a local manager working in the same subsidiary. The dyadic data was employed in this study to examine how a Japanese expatriate manager and a local (Australian) manager perceived each other with regard to communication and liking. Their perceptions were examined both at the interpersonal and intergroup levels. Statements regarding interpersonal communication and intergroup communication such as “it is easy to talk to Mr./ Ms. X”, and “it is easy to talk to Japanese managers in general” were made, and responses sought according to a five-point Likert scale. By responding to statements regarding interpersonal perceptions, respondents were required to have certain knowledge about their paired partners. If not, no comparison could be made between interpersonal perceptions and intergroup perceptions. Thus, the following criteria are set out in choosing pairs for measuring interpersonal perceptions: 1) a Japanese manager and a local manager must be in frequent direct contact with one another on a regular basis; and 2) they ideally should hold equal or similar status in the company (e.g. a division manager and an assistant manager of a financial department). At the meeting, we asked executives from each firm to assist us compile a list of “pairs” who met the above criteria. In total, seventy-two Japanese and local pairs were selected from the 12 firms, of whom 62 pairs completed questionnaires.

It was extremely difficult for the researcher to obtain a large number of cases for this study, because the number of high level managers in each organisation is very small. Moreover, the number of expatriate managers working in Australian subsidiaries is fairly limited. In some cases, the firms consisted of only an expatriate manager working in a

division as a divisional manager without local employees (except a secretary). In these circumstances there was little interaction with other divisions. As a result, choosing pairs who were both at the managerial level, and were interacting with one another on a regular basis decreased the population from which the sample was drawn.

Such difficulties in obtaining a large sample for this type of research have been acknowledged by past studies (Callan, 1993; Omens, Jenner and Beatty, 1987). For example, Callan (1993) used the dyadic data of superior-subordinate pairs to investigate superior-subordinate perceptions about the nature of their communication in same-sex dyads and opposite-sex dyads. The total number of pairs in his study was 229 manager-subordinate pairs. Callan claims that “the sample size [of his study] is relatively large for this type of research....” (*ibid.* , 15). Although the sample obtained in Callan’s study was much larger than the sample used in this thesis, the number of pairs in each type of dyad used in his study (that is, 68 female manager-male subordinate pairs, 64 male manager-female subordinate pairs, and 47 female manager-female subordinate pairs) was similar to the number of pairs in this thesis sample.

Omens et al. (1987) examined Japanese and American managers’ perceptions of each other when they were working together in Japanese owned-banks in the United States. Their study focused on perceived similarities and dissimilarities between the two national groups at an intergroup level, but not at an interpersonal level. Although they did not employ the dyadic data for their analyses, the sample they obtained was small; that is, 26 Japanese managers and 34 American managers. They noted that “although these samples are small, the population of high level managers interacting together [on a regular basis in the organisational structure] is implicitly small” (*ibid.*, 251).

Stening and Yamaguchi (1982) examined perceptions between high level managers of two national groups by using dyadic data, again using a relatively small sample (108 pairs of Australian managers and Japanese managers). Previous research using dyadic data suggests that this sample of 62 Japanese-local dyads is an acceptable size for the type of research being conducting.

#### 4.4 Data collection methodology

Managing directors of the selected companies were sent a letter explaining the purpose of the research and asking for their cooperation in data collection. The researcher then had meetings with top executives of the companies to further explain the purpose and requirements of the research. As a result, twelve subsidiaries of Japanese companies agreed to participate in this survey by distributing questionnaires to both Japanese and local managers.

Sets of the questionnaire kit were sent to the top executives to be distributed to each manager. Each kit included a self-completed questionnaire, a covering letter explaining the nature of the research and the confidential nature of the data, a sheet of paper on which the name of the paired manager was written, and a stamped addressed return envelope. Participants were advised to throw away the sheet on which the name of their paired manager was written after they completed the questionnaires in order to ensure confidentiality. After the questionnaire was completed, it was mailed back to the researcher directly by the individual respondents. Respondents were advised not to write their names on the questionnaire. An identification number appeared on the cover of each questionnaire in the event that data needed to be matched for Japanese respondents and their local counterparts.

## 4.5 Questionnaire

### *4.5.1 Overview*

Data were collected through two separate, self-completion questionnaires: one was for Japanese expatriate managers and the other for local managers designed for this research (see Appendices IV and V). The questionnaire for Japanese managers was translated from English to Japanese by the researcher first. The appropriateness of the Japanese translation was checked by a Japanese language lecturer (a native Japanese speaker). Then it was back translated by a professional translator, who was a native English speaker, from Japanese to English to ensure that the translation was correct. Both questionnaires consisted of the following six sections: Section A: Business Attitudes, Section B: Job Satisfaction; Section C: Individual's Relationship to the Organisation; Section D: Communication; Section E: General Background; and Section F: Work Relationships.

### *4.5.2 Business attitudes (Section A)*

Section A comprised 26 items examining respondents' business attitudes toward their work environment. All twenty-six items were taken from the study on work attitudes and work relationships between Japanese and Australian managers by Stening and Yamaguchi (1982). The business attitude items dealt with various aspects of managerial styles and practices such as the headquarter-subsidary relationship, corporate membership, individualistic/group-oriented managerial and decision-making styles.

Section A was divided into three sub-sections (A1, A2 and A3), and each section comprised the same 26 items. In Section A1, the respondent was asked to express his/her own attitudes with respect to the 26 items. In Section A2, the respondent was asked to indicate how he/she thought the paired colleague would respond to the 26 items. In



Section A3, the respondent was asked to indicate how other national group (i.e. Japanese managers in general for an Australian respondent, and Australian employees in general for a Japanese respondent) might be expected to respond to the 26 items. Each statement was rated on a four-point scale (1=strongly disagree, 2=disagree, 3=agree, and 4=strongly agree).

These twenty-six items were used to develop a set of scale and components in this study. One scale (integration scale) and four components (strategic planning, individualism, groupism and diligence components) were formed from section A1 to compare Australian managers' responses to Japanese managers' responses with regard to their own values and beliefs of major management issues. Items of the scale and components are listed in Section 5.4 in Chapter 5.

These scale and components were formed according to the following procedures: 1) items which feature similar aspects of management were selected; 2) responses on items which were significantly correlated with a satisfactory Cronbach's alpha reliability coefficient (above 0.70), were aggregated to produce a single scale score; 3) items which were not significantly correlated were used as individual measures; and 4) aggregated scores were divided by the number of items in the scale, thereby the score ranged from 1 to 4. This made comparison across scales more readily accessible.

The integration scale captured the issue of psychological integration of Australian managers into Japanese organisations as legitimate corporate members. The items of the integration scale are listed in Appendix II-1. The integration scale had an alpha reliability coefficient of 0.70, and corrected item-total correlations between 0.46 and 0.58. The mean of the integration scale was 2.55 with a standard deviation of 0.63.

#### *4.5.3 Job satisfaction (Section B)*

Section B examined how satisfied respondents were with various facets of their present jobs including wage, job autonomy and promotional opportunities (see Appendix II-2 for detail). The job satisfaction scale, including 18 items developed by O'Brien, Dowling and Kabanoff (1978) was used in this section. Each item was rated on a five-point Likert scale (1=very dissatisfied, 2=dissatisfied, 3=neither satisfied nor dissatisfied, 4=satisfied, and 5=very satisfied). The job satisfaction scale had a mean of 3.57, a standard deviation of 0.58 and an alpha reliability coefficient of 0.90. The corrected item-total correlations for the 18 items ranged from 0.28 to 0.77.

#### *4.5.4 Individual's relationship to the organisation (Section C)*

Section C concerned respondents' affective commitment to the organisation with regard to the following three domains: 1) belief in and acceptance of the organisation's goals and values; 2) willingness to exert considerable effort on behalf of the organisation; and 3) desire to maintain memberships in the organisation (see Appendix II-3 for items). The Organisational Commitment Questionnaire (OCQ) consisting of 15 items developed by Porter and his colleagues (1974) was used in this section.

The OCQ is one of the most frequently used measures in the commitment literature. This measure has been utilised in at least 90 published studies in the field of organisational behaviour (Mathieu and Zajac, 1990; Angle and Lawson, 1993). The OCQ is also commonly used in the field of cross-cultural research on organisational commitment. For example, 17 studies out of 27 studies on organisational commitment occurring outside of the U.S.A. used the OCQ (Randall, 1993). Of 17 studies, 13 studies used the complete 15-item original scale, and the remaining used the short version of the OCQ (6-9 items)

(*ibid.*, 1993). The unidimensionality of the complete version of the OCQ has been supported by past studies (Dunham, Grube, and Castandeda, 1994; Beck and Wilson, 2000).

In this thesis, the original 15-item scale was employed based on the following reasons. 1) The inclusion of both positively and negatively worded-items can avoid response biases. 2) Rotated Factor loadings from factor analysis for the OCQ extracted two factors- all items loaded on factor 1 were associated with positively phrased items, and all items loaded on factor 2 were associated with negatively phrased items (reverse scores). The correlation between the aggregated positively worded-items and the aggregated negatively-worded items was  $-0.6$ . This suggests that the wording of items may have contributed to the separation of two factors. 3) Cronbach's alpha of the scale of 0.88 indicated the high internal consistency of the OCQ scale. 4) Two additional reliability tests were performed for a scale consisting of 9 positively phrased items and a scale consisting of 6 negatively phrased items respectively. Cronbach's alpha for the 9-item scale ( $\alpha = 0.85$ ) and 6-item scale ( $\alpha = 0.79$ ) were not higher than the Cronbach's scale for the 15-item scale. Thus, the full version of the OCQ was used as a single scale.

The original OCQ was rated on a seven-point Likert scale. However, the format used to measure organisational commitment in this study was brought into line with that used elsewhere in questionnaires for this study. Responses were made on a five-point Likert scale (1=very dissatisfied, 2=dissatisfied, 3=neither satisfied nor dissatisfied, 4=satisfied, and 5=very satisfied). The corrected item-total correlations for the 15 items ranged from 0.26 to 0.69. The alpha reliability coefficient was 0.88. The scale had a mean of 3.62 and a standard deviation of 0.55.

#### *4.5.5 Communication (Section D)*

Section D comprised 16 items tapping aspects of interpersonal and intergroup communication between Japanese expatriate managers and local managers. The first eight items dealt with the social aspect of communication, and the last eight items dealt with aspect of accuracy and openness of communication. Two communication scales, one for interpersonal communication and the other for intergroup communication, were developed by the researcher. Each scale encompassed four items rated on a five-point Likert scale (1=strongly disagree, 2=disagree, 3=neither agree nor disagree, 4=agree and 5=strongly agree). The interpersonal communication scale measured how a respondent perceived communication with his/her paired partner by responding to statements such as “it is easy to talk openly to Mr./Ms\_.”. The intergroup communication scale measured how a respondent perceived communication with another national group; for example, one item was “it is easy to talk openly to Japanese colleagues in general” (see Appendices II-4 and II-5 for full set of items).

As for the interpersonal communication scale, the corrected item-total correlations of interpersonal communication ranged from 0.55 to 0.69. The alpha reliability coefficient was 0.80. The scale had a mean of 3.53 and a standard deviation of 0.82. As for the intergroup communication scale, the item-total correlations ranged from 0.47 to 0.60, and the alpha reliability coefficient was 0.74. The intergroup communication scale had a mean of 3.12 and a standard deviation of 0.71.

#### *4.5.6 General background (Section E)*

This section included questions regarding respondents’ demographic characteristics such as age, education and nationality, plus work-related experiences such as tenure, cross-cultural training, overseas work experiences and other information such as

language efficacy. The cultural exposure scale containing 3 items for the Australian and Japanese samples, and language efficacy scale containing 3 items for the Australian sample were formed based on items in Section E. Language efficacy for the Japanese sample was measured by a single item.

The cultural exposure scale measured the degree of Japanese and Australian managers' previous involvement in Japanese or Australian business cultures, for example previous business visits to Japan or Australia (see Appendix II-9 for items). The mean of the scale for the Australian sample was 1.74 with a standard deviation of 0.36. The alpha reliability coefficient of the scale was 0.78, and corrected item-total correlations ranged between 0.55 and 0.67. The mean of the scale for the Japanese sample was 1.70 with a standard deviation of 0.32. The alpha reliability coefficient of the scale was 0.60, and corrected item-total correlations ranged between 0.28 and 0.53. Although an alpha reliability coefficient over 0.7 is desirable, the small number of items (3 items) comprising this scale meant that an alpha of 0.6 was acceptable (Scott, 1968; Robinson et al., 1991).

The language efficacy scale measured the degree of Japanese language efficacy for Australian managers (see Appendix II-10 for items). The mean of the scale was 1.85 and the standard deviation was 0.32. The scale had an alpha reliability coefficient of 0.90. The corrected item-total correlations ranged between 0.72 and 0.85. For the Japanese sample, a single item was used to measure their English language efficacy.

#### *4.5.7 Work relationships (Section F)*

Section F had two sub-sections (F1 and F2). The responses to eight items in each section were aggregated to form two scales, the interpersonal liking scale (Section F1) and intergroup liking scale (Section F2). The interpersonal liking scale measured how

positively or negatively a respondent perceived one's paired partner, while the intergroup liking scale measured how positively or negatively a respondent perceived Australian/Japanese colleagues in general. For example, a question which was included in the interpersonal liking scale was, "how efficient do you think Mr./ Ms. \_\_ is?" (see Appendix II-6 for details). The counterpart in the intergroup liking scale was "how efficient do you think Japanese/Australian managers are on average?" (see Appendix II-7 for details). Responses were made on a five-point scale (1=not at all, 2=moderately, 3=average, 4=very, and 5=extremely).

The alpha reliability coefficient for the interpersonal liking scale was 0.87, with corrected item-total correlations ranging from 0.54 to 0.79. The interpersonal liking scale had a mean of 3.27 with a standard deviation of 0.66. The alpha reliability coefficient for the intergroup liking scale was 0.85 with corrected item-total correlations ranging 0.52 to 0.70. The intergroup liking scale had a mean of 2.88 and a standard deviation of 0.58.

## 4.6 Data analysis

In the next three Chapters (5, 6, and 7), the data were analysed using SPSS-8. Several hypotheses are presented and tested using the dyadic data, and findings are discussed. In Chapter 5, independent samples t-tests are conducted to test five hypotheses regarding differences in business values and beliefs between Australian managers and Japanese managers. A Bonferroni adjustment is used to keep the type 1 error-rate low within each hypothesis. In Chapter 6, the job satisfaction scale, the organisational commitment scale, the communication scales and the liking scales are used. A Multivariate Analysis of Variance (MANOVA) is carried out in order to test an interaction effect between nationality and industry on work attitudes and work relations for Japanese and Australian managers. This is followed by a series of independent samples t-tests to test differences in work attitudes and work relations between the *sogo shosha* and manufacturing firms for Australian and Japanese managers respectively. A Bonferroni adjustment is used to keep the type 1 error-rate low. In Chapter 7, ordinary least squares regression analysis is employed to test an organisational commitment model developed in Chapter 3 to identify the determinants of organisational commitment of Japanese and Australian managers. Given the small sample size, preliminary analyses are conducted to minimise the number of predictors in the regression equation.

# **Chapter 5**

## **Management Practices in Japanese subsidiaries in Australia**

### 5.1 Introduction

In this chapter the main structural and cultural features of Japanese managerial practices and styles are discussed with a particular focus on overseas subsidiaries of Japanese companies. Japan's remarkable economic success in the post-war period has resulted in extensive studies of Japanese-style management overseas. This work has created several exaggerations in the analysis of Japanese management, particularly "the three sacred treasures", that is, life-long employment, the seniority-based wage system and enterprise unionism. These treasures are often referred to as the keys to Japan's economic success. Western observers have stressed the uniqueness of Japanese management due to its derivation from Japanese culture and tradition, which is very different to Western culture and tradition. They have also argued that the secrets of Japan's economic success lie in her management practices. Western companies were encouraged to learn from Japanese experiences and to adopt these "unique" management practices.

In the early 1980's, William Ouchi's Theory Z (1981) attracted considerable attention from Western managers. Theory Z explains the linkages between cultural imperatives and the humanistic and people-oriented system of Japanese management and productivity (Sethi, Namiki and Swanson, 1984, 265-271). Pascale and Athos (1981) also emphasise the humanistic side of Japanese management in their book The Art of Japanese Management. They conceptualise seven S's which characterise different management



systems: the hard S's refers to strategy, structure, and systems; and the soft S's refers to staff, style, skill, and superordinate goals. Pascale and Athos argue that hard S's are dominant features of American management systems, while soft S's are dominant features of Japanese management systems.

Questions have arisen concerning the validity of this popular view that Japanese management system is humanistic and people-oriented compared to Western management systems (Sullivan, 1992; Yoshimura and Anderson, 1997). Moreover, the gap between the myth and the reality of Japanese management has been gradually surfaced and subjected to closer scrutiny. The degree of influence of culture and tradition on Japanese management has been questioned by both foreign and Japanese analysts. For example, in challenging the model of Theory Z, Sullivan (1992, 81) argues that Japanese management is characterised "by order, stability, predictability and cohesion emerging from the subtle and not so subtle controls devised by powerful managers". Yoshimura and Anderson (1997, 101) suggest that "Japanese management is humanistic and personal when the context calls for it, but not at the expense of meeting production goals". Shimada (1985) indicates the danger of stereotyped views concerning the system of Japanese industrial relations, in particular "the three sacred treasures" and he tries to provide an alternative view of Japanese industrial relations. Odaka (1986) described disparities in Japanese management as myth presentation and as practice. For example, "the three sacred treasures" are only implemented by large Japanese companies which employ more than 300 employees and, moreover, they are only applied to the "core" employees. Ichimura (1992) also demonstrated that only 40% of the surveyed companies implemented a seniority based wage and promotion system. This suggests that the "three sacred treasures" have been overemphasised in many analyses of Japanese management.

Taking the above criticism into consideration, the main aim of this chapter is to focus on features of Japanese managerial styles and practices with respect to the relationships between Japanese expatriate managers and local employees. The following two aspects of Japanese management will be discussed: 1) the relationship between the headquarters and its subsidiaries by looking at the implementation of Japanese human resource management (HRM) practices in overseas subsidiaries; and 2) differences in work values and beliefs between Japanese and Westerners (specifically, Australians) with a particular focus on groupism and individualism in the two cultural groups. These issues are important because they may affect significantly the relationship between expatriate managers and local employees, which in turn, affect work-related outcomes. Previous literature on expatriate studies, however, has neither fully examined the relationship between expatriate managers and local employees, nor the effect of the relationship on their work attitudes.

## 5.2 The centre-division relationships

Various models of centre (headquarters)-division (subsidiaries) relationships have been observed in organisations. Goold and Campbell (1987) identified three types of centre - division relationships based on the different influences which a parent organisation (headquarters) has upon its businesses (subsidiaries): that is, 1) strategic planning style; 2) strategic control style; and 3) financial control style.

According to Goold, Campbell and Alexander (1994, 411-427), the strategic planning style is defined as one where headquarters play active roles in the formation of long-term plans and strategies for their subsidiaries, and encourage cooperation and coordination between the subsidiaries. Headquarters believe that centralisation of resources and authority, top-down planning and direct supervision will help foster the welfare of the organisation as a whole. Managers working in subsidiaries are expected to identify themselves with the whole organisation, rather than with their individual subsidiary. Under the direction given by headquarters, subsidiaries cooperate in fostering the long-term growth of the whole organisation rather than the short-term growth of an individual subsidiary. Headquarters emphasise consensus and shared responsibility among subsidiaries (ibid. 1994).

On the other hand, the financial control style is characterised by the decentralization of planning. Subsidiaries enjoy freedom and autonomy with full responsibility in the formation of their plans which are required to meet short-term financial targets. The headquarters' main role is to monitor financial targets (annual budgets) for their subsidiaries. The strategic control style has features of both the strategic planning style and the financial control style. Headquarters encourage subsidiaries to make plans,

strategies and proposals, but headquarters assess plans before their subsidiaries implement them (*ibid.* 1994).

Hannon, Huang and Jaw (1995) conceptualised the international human resource (IHR) strategy of MNCs in the framework of global integration (consistency or standardisation) and local responsiveness (customisation or adaptation). They examined the determinants of the IHR strategy applied to subsidiaries of Japanese, U.S. and European MNCs operating in Taiwan. Their findings showed that IHR strategies adopted in these subsidiaries were dependent upon a degree of interdependence between their head offices and the subsidiaries for supplying resources and control. For example, if a subsidiary depends largely on its head office for supplying technology and management systems, the subsidiary adopts a globally integrated IHR strategy. This results in the parent exerting control over its subsidiary through structures and through IHR strategies. On the other hand, if a subsidiary relies on local markets for supplying managers, technicians, suppliers and customers, the subsidiary adopts a locally responsive IHR strategy. This allows local subsidiaries to enjoy relatively great autonomy in implementing management strategies (*ibid.*). Thus, the above study demonstrates the significance of the parent-subsidiary relation in the formation of human resource management strategy in overseas subsidiaries of MNCs, and hence the treatment of local employees of the subsidiaries.

Japanese companies are generally regarded as having a strategic planning style to coordinate centre-division relationships. Goold et al. (1994, 413-414) state that “in Japan, most companies stress the importance of consensus decisions, regard the corporate center as having an essential contribution to make to the formulation of business strategies, and are driven by long-term goals and performance”. Kono (1992) argues that most Japanese

companies use long-range planning, which requires centralized and strong top management as a strategic planning department to develop innovative strategies and plans. Companies have management committees, consisting of around ten top executives, which review and make final decisions as a group. This centre-division relationship is not only applicable to domestic settings, but also to international settings in the relationship between headquarters and overseas subsidiaries. The strategic planning style invests headquarters with the authority for forming strategies and plans for their subsidiaries. This is likely to result in limiting the autonomy of overseas subsidiaries and local managers, as well as increasing the opportunity for receptive or ethnocentric human resource management policies.

A survey conducted by the Europe Japan Centre on 452 Japanese companies in Europe in the mid-90's showed that the autonomy of Japanese companies in Europe, regardless of subsidiaries, branches or joint-ventures, was fairly limited (Europe Japan Centre, 1995). According to the survey, the majority of the companies had discretion to make decisions on day to day operational issues, such as the recruitment of local staff, purchasing policy and the annual business plans. Only between one quarter and one third of the companies had autonomy to make decisions on long-term management strategy, investment in new facilities and the procuring of finance. The remaining was given detailed instructions or outlines to their subsidiaries and branches on these long-term strategic issues by their head offices in Japan. In addition, the majority did not expect the overall increase of autonomy of their companies in the next few years (*ibid.*).

In this context, overseas subsidiaries of Japanese companies are characterised by the centralisation of authority and resources in headquarters (Bartlett and Ghoshal, 1989; Peterson, Napier and Shim, 1996), tight personal ties between headquarters and

subsidiaries (Thome and McAuley, 1992), and centralisation of direct control in the hands of expatriate managers (Yasumuro, 1981). Fujino (1995) shows that Japanese headquarters demand that their subsidiaries report detailed information regarding not only the decisions these subsidiaries make, but also the whole process of how the decisions are made. This information is usually exchanged between headquarters and expatriate managers even if a local manager occupies the top position in the subsidiary. Moreover, the Japanese language is often used as the medium of communication between them (Ishida, 1992). Local managers feel that they are less influential than expatriate managers because of their lack of access to certain information exchanged between a head office and the subsidiaries communicated in Japanese language (Europe Japan Centre, 1995). Thus, the structural exclusion of local managers from managerial discretion seems to be prevailing in Japanese MNCs.

The transfer of the Japanese managerial system and practices has also been analysed from a socio-cultural viewpoint. Within this framework, it is argued that the Japanese managerial system and practices are difficult to transfer to other countries because of the uniqueness derived from Japanese culture, which is often incompatible with host cultures (Yoshino, 1976; Whitehill, 1991). Dedoussis (1994), however, argues that the transfer of Japanese management practices clearly does occur and can be best explained by the theory of a core-peripheral workforce dichotomy, which is based on dual labour market theory. According to dual labour market theory (Doeringer and Piore, 1971), the labour market is divided into two sectors: the internal labour market and the external labour market, in other words, core and peripheral sectors. The two sectors are differentiated in terms of financial benefit, promotion opportunity, and job stability. Managerial practices assumed to be unique to Japanese companies, such as the seniority system, and the life long employment system, only apply to “core” employees (generally white-collar and

male) in large enterprises (Odaka, 1986; Dedoussis, 1994). Dedoussis (1994) argues that the relationship between expatriate managers and local employees can be located in terms of this core-peripheral dichotomy: expatriate managers are regarded as core employees while local white-collar employees in overseas subsidiaries are treated as peripheral employees.

Dedoussis's study (1994) examined human resource management (HRM) practices in eight Japanese manufacturing firms in Australia. Findings revealed significant differences in HRM practices between overseas subsidiaries and headquarters in Japan in the case of large firms, but not in the case of smaller firms. Specifically, what are seen as low cost practices, such as international training and job rotation, have been implemented in overseas subsidiaries, but not high cost practices such as the seniority system and the life long employment system. This suggests that the transfer of Japanese management practice is primarily affected by economic considerations than socio-cultural constraints (Dedoussis, 1994; 1995). On the one hand, Japanese expatriate managers in overseas subsidiaries in large firms enjoy the same HRM practices as core employees in Japan. On the other hand, local managers are often excluded from these HRM practices. The dual employment system is implemented in overseas Japanese subsidiaries, therefore, in "the interests of core employees by keeping this group as homogeneous as possible" (*ibid*, 1995, 743). Thus, it is suggested that Japanese companies do not show concern for the welfare of local employees, which may lower the morale and job satisfaction of these employees.

Shiraki (1995) argued that localisation of employment in Japanese subsidiaries in ASEAN (Association of South-East Asian Nations) countries has been increasing as the operations of the subsidiaries are extended. However, compared to subsidiaries of

Western firms, promotion opportunities for local employees are limited in Japanese subsidiaries. For example, local employees with a university degree hold 21.7% and 52.2% of the top and middle management positions respectively in Japanese subsidiaries. In Western subsidiaries, local employees with a university degree hold 52.9% and 23.5% of these positions respectively (*ibid*, 1995). If local employees in Japanese firms know that they will not get promoted to the top management positions despite their qualifications, they will be discouraged from staying with these companies for a long period of time. This may result in the loss of competent and qualified local employees from these firms, higher job turnover and increased search and training costs for the company.

Wong (1996) identified structural problems of the overseas subsidiaries of Japanese companies which create shadow management. Shadow management means that Japanese expatriate managers have real power to run a subsidiary behind a local manager even if the local manager occupies the formal position. Wong argues that the dual employment strategies and shadow management work to the advantage of expatriates but to the disadvantage of locals. Generally, local employees in overseas subsidiaries of Japanese firms are structurally excluded from the “core” of the firms, and the key positions in Japanese subsidiaries are filled with parent nationals. Thus, opportunities for career advancement of local employees are fairly limited and they are largely excluded from making operating decisions. Japanese expatriates maintain tight linkages between headquarters and themselves through frequent communication in order to keep their corporate memberships. Local employees are not seen as corporate members, and no companies let local employees move from subsidiaries to headquarters. This also creates distrust between expatriates and local employees, and psychological exclusion of local managers from corporate membership. Distrust of local managers held by Japanese



managers results from a lack of shared values between them.

As Wong (1996, 105) states:

Japanese expatriates do not trust local employees to have the appropriate work attitudes. Primarily, this is due to an insufficient base of shared values between the expatriates and locals. These shared values are instilled in the Japanese expatriates by extended training and socialization which are only available in the internal labour market of the primary sector.

In order to examine the nature of the expatriate-local dichotomy, differences in work values and beliefs between Japanese and Australians will now be discussed, with particular focus on the potential division between groupism and individualism.

### 5.3 Groupism vs. Individualism

Problems will arise at individual levels if headquarters impose their managerial values and beliefs on overseas subsidiaries. As work-related attitudes and values are affected by culture, certain attitudes of one culture can be incompatible with those of other cultures. Hofstede (1997) compared the work-related attitudes held by employees of IBM working in 53 countries and regions, and found significant differences in attitudes according to countries/regions where the employees worked. Japan was found to be the most masculine culture among all surveyed countries/regions. Japan also scored high for uncertainty avoidance. A high score in masculinity means that Japanese employees emphasize achievement in terms of recognition and wealth. They are highly competitive and accept that achievement involves stress. Japanese employees like to avoid uncertainty in the future and therefore prefer to stay in the same company for a long

period of time. On the other hand, Australia scored high for individualism and masculinity, and low in power distance and uncertainty avoidance. A high score in individualism implies that Australian employees emphasise separation between private and work life, and value implementing individual ideas. A low score in power distance implies that Australian employees have respect for the individual and equality, thereby, preferring decentralisation of authority, and highly skilled and democratic leadership.

Based on the above results, it appears that work-related attitudes held in Japan and Australia are quite different. Consequently, Japanese expatriates may try to impose their work-related values and beliefs on local employees, expecting that local employees will follow Japanese values. Local employees, however, may feel uncomfortable with such Japanese behaviour and consider their behaviour is disrespectful and violating their values.

The above mentioned Hofstede cultural analogy, however, needs to be used with caution. Hofstede's sample was taken from a single American MNC and its subsidiaries. It consisted of only white-collar employees working for a technologically advanced multinational company. Hence, Hofstede's cultural dimensions may not apply for blue-collar workers who work in domestically operating companies and may include workers such as farmers or hairdressers. This thesis deals with Japanese and Australian managers who work for large MNCs (although not American firms), so that Hofstede's cultural dimensions do have some relevance to this thesis.

A study by Iwauchi and his associates (1992, 144-145) shows that American employees perceived that Japanese expatriates tend to impose Japanese or headquarter ways on subsidiaries and always refer to their experiences in Japan. Onaka (1996) also shows that

local employees in Japanese companies in Indonesia, Malaysia and Thailand perceive that Japanese expatriates do not respect local values but try to impose their own values. Failure to meet expectations on both sides may cause conflict and misunderstandings between expatriates and locals.

One cultural value orientation that is considered to distinguish Japanese management most particularly from the Western management style is its emphasis on groups, as compared to the emphasis on individuals in the West. Hofstede (1997), in discussing this difference, used the terms “collectivism” as opposed to “individualism”. The distinction between collectivism and individualism is the degree to which people prefer to act as individuals or as members of a group. Gudykunst (1991, 93) states that “members of collectivistic cultures are group-oriented and there is a strong identification with in-groups (i.e., groups with which people identify). In individualistic cultures, emphasis is placed on the self.” In short, collectivism cultures emphasise “we”, belonging to group, where as individualism cultures emphasise “I”, individual initiatives and achievement (Gudykunst et al., 1988).

Triandis’s studies on individualism-collectivism are noteworthy (Triandis, 1995; Triandis and Gelfand, 1998). Triandis (1995) argue that individualism and collectivism are polythetic, and there are many kinds of individualism and collectivism constructs which are further distinguished by social relationships. They are two types of social relationships: 1) a horizontal relationship emphasising high equality and similarities between oneself and others; and 2) a vertical social relationship emphasising hierarchical orders and dissimilarities between oneself and others. Thus, depending on the emphasis placed on each social relationship within a society, cultural patterns can be categorised as horizontal individualism (HI), vertical individualism (VI), horizontal collectivism (HC),

and vertical collectivism (VC) (ibid.).

As mentioned, in terms of an individualism/collectivism measure, Australia scored the second highest among the surveyed countries for individualism next to the U.S.A. Although Japan scored much lower on individualism than the Western countries, the score was higher than for most other Asian countries (Hofstede, 1997). Based on Triandis's four-way typology, Australian culture is categorised as a horizontal individual society, which places relatively more importance on individual ideas, achievement, equality and freedom (Triandis and Gelfand, 1998). In summary, these research studies suggest that the Japanese emphasise group membership and differentiate between in-group members (we) and out-group members (others) more strongly than do Australians.

*Shudan-shugi* (groupism) is considered to be a strong Japanese trait and the essence of Japanese management. The concept is often used to describe Japanese society and management styles and is used in comparison to individualism. The concept of groupism is characterised by the submission of individual interests to the group and involves a clear distinction between in-group members and out-group members (Ishida, 1992). Odaka (1986) defined groupism as follows:

[Groupism is ] a value orientation in which a group or organization, in this case usually a corporation, perceives itself as a close-knit community with a shared destiny and therefore places less emphasis on realizing its members' potential and satisfying their individual aspirations than on ensuring continued well-being of the whole and overall peace and happiness of the group.

It should be noted that the conceptual differences between groupism and collectivism

have not been clearly identified. Yet, as Matsumoto (1991) claims, the concept of groupism has not been clearly defined and the nature of groupism theory is too ambiguous and fragmented to be used to explain the complex Japanese system overall.

There are various theories on how the concept of groupism developed in Japan. As the origin of groupism is not a major concern for this study, it will only be briefly mentioned in order to capture features of the concept. Sethi et al. (1984, 7) argue that the social homogeneity of Japan and the lack of experience of colonialism have created paternalism, groupism and familism in Japanese society. Nakane (1973) states that personal relationships are based on the concept of *ie*, which is translated as household and/or family, and the concept has been extended to Japanese corporations. The structure of organisations is hierarchical and paternalistic, similar to the household. Employers are expected to care about and support their employees. Employees are expected to be self-sacrificing for their employers. This vertical and paternalistic relationship between employers and employees is important for making organisations function. Both employers and employees are required to exercise cohesiveness and consensus to maintain the established frame of the group.

Odaka (1986) holds the view that groupism in management practices has been created to imitate the principles of “close-knit communities”. People in the same close-knit community share the same fate, so that they have to cooperate for their community’s continuity and prosperity. Because these principles of personnel management which emphasise loyalty and group identification in close-knit communities are advantageous for a company and employer, they were institutionalised in large corporations after the second World War.

Once an individual belongs to a group, “the person’s self image [becomes] the group’s

image” (Odaka, 1986, 43). Whether a company is a close-knit community or an extended form of *ie*, Japanese identify themselves as members of the group. For example, Japanese business people often introduce themselves as Mitsui employees/Mitsubishi employees, not as Mr./Ms. X to their business partners. The employee’s strong identification with a company fosters loyalty to the company, and employees work not just for individual wealth but for the company’s prosperity as a whole. Whitehill (1991, 52) also noted that Japanese groupism “requires subordination of self to the goals and norms of collectivity”. Thus, the employees’ strong identification with their companies, sharing common goals and working as integrated members of the unit seem to be the characteristics of Japanese managerial styles.

There is some criticism of the claim that groups based on harmony and consensus are fundamental to Japanese firms as well as Japanese society. For example, Yoshimura and Anderson (1997, 89) argue that “harmony in Japanese firms, such as it is, stems from social controls. Therefore it could exist without widespread individual level feelings of interpersonal trust”. Moreover, they argue that trust in Japan encompasses two meanings: one is *shinrai* which is based on reliability and predictability, the other is *shinyo*, which is based on duty. By contrast, in the West the notion of trust refers to caring relationships. In this sense, the concept of trust in Japan is significantly different from that in the West. Furthermore, they argue that trust in Japan extends vertically but not horizontally. A supervisor will take care of his/her subordinates as long as they report everything to their supervisor (*ibid*, 90-91). Cooperative behaviour dominates over competitive behaviour in Japanese firms as a result of social control, not of emotional values. This suggests that harmony in Japanese organisations rests on its authoritarian nature rather than caring relationships. Further distinction between trust and assurance needs to be discussed to understand the complexity of social and business relations in various cultures.

Yamagishi and Yamagishi (1994) attempt to explain differences in the concept of trust between Japanese and Americans which is fundamental to the formation of relations in their societies. They argue that it is important to make a distinction between trust and assurance. According to them, trust is “an expectation of goodwill and benign intent” and “is based on the inference of the interaction partner’s personal traits and intentions”, whereas assurance is “an expectation of benign behaviour for reasons other than goodwill of the partner” and “is based on the knowledge of the incentive structure surrounding the relationship” (*ibid.*,132). Moreover, “commitment formation is the standard solution to the problem caused by social uncertainty” (*ibid.*,133). Trust is required to reduce social uncertainty where committed relations are less prevalent. Once committed relationships are formed, social uncertainty will be reduced, and trust becomes less important. Americans rely on mutual trust in the formation of social and business relationships. In comparison, Japanese rely on mutual assurance. Japanese society is based on long-term, committed relationships in which the level of assurance is high, but trust is low. American society, on the other hand, emphasises honesty and reputation, where level of trust is high and assurance is low. These differences are derived from differences between an individualist culture and a collectivist culture. In collectivist cultures such as Japan where social uncertainty is low, in-group members of committed relations are assured that they act for each other’s interests. In individualistic cultures such as the United States where social uncertainty is high, individuals need to have high levels of trust in each other (*ibid.*).

Since the Australian culture is regarded by most researchers as individualistic, and the Japanese culture as collectivist, business conflict could arise from fundamentally different cultural bases. For example, in a case when Japanese managers try to form

relations with Australian subordinates based on assurance, the following scenario might occur. The Japanese managers decide to look after the Australian subordinates, because they can then be assured that the Australians will work under them for a long term, and return favours in the future. The Australian subordinates do not understand the conditions on which support was offered. The Australian subordinates quit. The Japanese managers feel betrayed. The Australian subordinates think that as long as they perform well at present, they will be regarded as trustworthy by their supervisors, and be able to obtain good references for their next job. Both the Australian and Japanese managers may feel disappointed with each other. Without understanding fundamental differences in trust and harmony, Australian employees may get frustrated by certain behaviour of Japanese expatriates because managers are violating employees' notions of trust and vice versa.

Japanese workers tend to work long hours and take fewer holidays in comparison with Westerners (Watanabe, 1987; Matsumoto, 1991). For example, the total monthly working hours for a regular employee in Japan reported in July 2000 was 156.8 hours which was higher than that of the United States (137.6 hours) (Ministry of Labour, 2000; Bureau of Labour Statistics, 2000). Yet this does not necessarily mean that the Japanese are more diligent in nature than the Westerners. Low individualism means submission of individual interests to the group (organisation), and defining oneself by the group (organisation) rather than by individual assets. In particular, as we have seen, Japanese often define themselves by their work. As a result, the distinction between private life and work life tends to become blurred. For example, the study by Whitehill (1991, 155) shows that 64% of the Japanese employees surveyed regard their company as a part of their life, compared to 20% of the American employees. Cole (1992) suggests the pressure of group sanctions is also one of the reasons for the long working hours of Japanese workers. Employees feel uncomfortable in taking all of their entitled vacations because their absence may give



other workers trouble or their attitudes may be seen by the company as an act of disloyalty. In this interpretation, Japanese employees work hard not because of their loyalty but because of the manipulation of groupism in favour of the employers.

The decision-making process in Japanese companies is regarded as a consensus decision-making and bottom-up system, and also emphasises shared responsibilities as in the *ringi* system and *nemawashi* (Smith, 1983). It is seen as democratic since it requires consensus at all levels. However, the democratic nature of the decision-making system in Japanese companies has been questioned. Whitehill (1991, 160) argues that “the Japanese decision-making process is one of diffusion rather than outright delegation” and it is in nature a “conformation-authorization process”, not a bottom-up process. Marsh (1992, 256) examined the level of democratic and participatory elements of the *ringi* system using data on 48 Japanese manufacturing plants. He concluded that workers and lower-level managers participate in the decision-making process significantly; however, in general, only mid- to higher level managers have the authority to make the actual decisions. Zimmerman (1985) offers another view of the decision-making process. He also argues that the decision-making process in Japan is not democratic but rather the activity of middle management. This suggests that the decision-making system in Japanese companies is based on consensus on the surface but is not truly democratic in nature. Final decisions are made by a group of managers who are supposed to represent the opinion of each employee, but real authority lies with a handful of higher level managers. These discussions suggest that Japanese companies are group-oriented, but that the fundamental values which underpin groupism are not necessarily democratic.

#### 5.4 Hypotheses, scales and components development

#### *5.4.1 Measurement instruments*

Various hypotheses can be formulated in relation to differences in work values and beliefs between Japanese managers and Australian managers concerning managerial styles and practices in overseas subsidiaries of Japanese firms. These hypotheses will be tested by using one scale (the integration scale) and items representing four components of theoretical interest (the strategic planning component, groupism component, individualism component, and diligence component). As for the integration scale, aggregated scores were divided by the number of items, so that the scores ranged from 1 to 4. The integration scale had a mean of 2.55, with a standard deviation of 0.63. The alpha reliability coefficient of the scale was 0.70, and item-total correlations ranged from 0.46 to 0.63. The items of the scale are listed in Appendix II-1. The formation of the scale and components were described in detail in Section 4.5.2 in Chapter 4.

#### *5.4.2 Strategic planning component (Hypothesis 1)*

The strategic planning style of the centre-division relationship suggests that a head office has a large degree of influence over its subsidiaries. Strategies and plans regarding its subsidiaries are formed under the guidance and leadership of a head office, while limiting the degree of control delegated to its subsidiaries and discretion of local managers. Japanese expatriate managers are likely to accept the strategic planning style, because it strengthens the tie between a head office and expatriate managers and the centralisation of direct control in the hand of expatriate managers in subsidiaries. On the other hand, local managers are not likely to accept too much intervention of the headquarters or expatriate control, because it restricts autonomy and discretion of local managers and leads to ethnocentric HRM policies. Therefore, it is hypothesised that:

*H1: Japanese managers are more likely than Australian managers to believe that headquarters and/or expatriate managers should exercise authority to make final decisions regarding the strategies and planning of their subsidiary.*

A **strategic planning component** including the following five individual items is used to test the above hypothesis.

1. The head office of a MNC must reserve the right to have the final say on any policy decisions made in its subsidiaries;
2. Sometimes in the operation of a subsidiary a matter can be decided only by the Japanese personnel acting alone, without involving the Australian personnel;
3. If a Japanese manager believes that the directives given by an Australian superior are not in the best interests of the corporation, he/she should bring the matter to the attention of his/her Japanese superiors and, if they agree, ignore the directives of the Australian;
4. It is quite reasonable to reserve certain key positions in the overseas subsidiaries of a multinational corporation for executives of the parent company; and
5. The head office of this company has too much say in the management and administration of this subsidiary.

#### *5.4.3 Integration scale (Hypothesis 2)*

The strategic planning style tends to structurally exclude local managers from major decision-making processes. This may result in the creation of distrust between expatriate managers and local managers, and psychological exclusion of local managers from corporate membership. Under the strategic planning style of management, local managers are not given a sufficient base to develop shared values as corporate members,

which in turn may cause distrust from Japanese managers of the local managers' competency working for Japanese firms. Japanese managers would not regard Australian managers as being as competent and responsible as themselves, and hence as fully belonging to their corporate membership. On the other hand, Australian managers would regard themselves being an integrated part of the organisation since they chose to work for the organisation. They would believe that they have appropriate work attitudes as legitimate corporate members, and see themselves being as competent, responsible and loyal as Japanese managers. Thus, it is hypothesized that:

*H2: Japanese managers do not believe that Australian managers are fully corporate members, whereas Australian managers believe that they are validly corporate members.*

To test this hypothesis, an **integration scale** is formed which aggregates responses across the following three items:

1. The average Australian employee seeks responsibility and is capable of exercising self-control with respect to that responsibility;
2. Australians employed by MNCs with branches in Australia have just as much loyalty to the corporation as their colleagues from head office; and
3. Australian employees are generally more motivated to work well as result of an atmosphere of group harmony and cooperation than as a result of generous financial incentives.

#### *5.4.4 Individualism and groupism components (Hypotheses 3 and 4)*

There are inconsistent views on the orientation of conformable behaviour of Japanese employees, such as a result of social control or extension of close knit communities. However, it has been consistently agreed that Japanese employees in general place

relatively more importance on group consensus and harmony than individualistic values at least on the surface. On the other hand, Australians are believed to place relatively more importance on individual ideas, achievement, and freedom. Thus, the following two hypotheses were tested:

*H3: Australian managers are more likely than Japanese managers to believe that individual opinions and ideas are important.*

*H4: Japanese managers are more likely than Australian managers to believe that group consensus and harmony are important.*

To test these hypotheses, individual items from both the **individualism component** and the **groupism component** will be examined.

Items from the **individualism component** are:

1. Determination and driving ambition are more important qualities for a business person than an ability to work well with colleagues;
2. Open expression of disagreement with a superior by his/her subordinates is often a healthy means of ensuring that anxieties are released and that a better working environment is created; and
3. Compromise results in inappropriate decisions; an executive should hold out for what he/she believes is right.

Items from the **groupism component** are:

1. On the whole groups make better decisions than individuals;
2. The responsibility for an inappropriate business decision should be borne not by any single individual but rather by all persons consulted about or involved in

deciding on that particular matter; and

3. In the case of most business decisions, it is more important that a consensus is reached between the personnel concerned regarding the best course of action than that a decision is made quickly.

#### *5.4.5 Diligence component (Hypothesis 5)*

As suggested above, groupism can put pressure on members of an organisation to work long hours without pay for the profit of the organisation. In addition, empirical research shows that Japanese tend to work longer hours than other national groups. Thus, it is hypothesized that:

*H5: Japanese managers are more likely than Australian managers to believe that they should be willing to work overtime without pay.*

This hypothesis is tested by using two items that represent a **diligence component**:

1. There is no such thing as an eight-hour work day; one must be prepared to be on call at all times to attend to matters relating to one's job responsibilities; and
2. Any member of middle-or upper-management should be willing to work overtime, irrespective of whether he/she is paid for this or not, whenever circumstances in the company require this.

### 5.5 Hypotheses testing

#### *5.5.1 Measurement instruments*

In order to test the five hypotheses, one scale and four components are formulated based

on the twenty-six items in section A of the questionnaire. These are listed above as:

- 1) Strategic planning component (five individual item scores);
- 2) Integration scale (score aggregated over three items);
- 3) Individualism component (three individual item scores);
- 4) Groupism component (three individual item scores); and
- 5) Diligence component (two individual item scores).

Independent t-tests were conducted to compare differences in means between the Australian sample and the Japanese sample in regard to the five hypotheses. The error rate was corrected by using a Bonferroni adjustment for the t-tests within each hypothesis tested (p-value of 0.05 was divided by the number of t-test performed within a hypothesis).

### *5.5.2 Strategic planning component (Hypothesis 1)*

*H1: Japanese managers are more likely than Australian managers to believe that headquarters and/or expatriate managers should exercise authority to make final decisions regarding the strategies and planning of their subsidiary.*

The strategic planning component captured agreement with a management style that involved: 1) headquarters holding the final say on policy decisions in its subsidiaries; 2) expatriate managers' sole control over decision-making; 3) requiring subordinates to accept directives of superior Japanese expatriates; 4) reserving key positions in subsidiaries for expatriate managers; and 5) intervention from headquarters in management of its subsidiaries.

Table 5.1 Means for Australian managers (N = 66) and Japanese managers (N=67) for each item in the strategic planning component

Item	Australians Mean (SD)	Japanese Mean (SD)	t	Sig.
1. Headquarters holding the final say	2.71 (0.72)	2.97 (0.63)	-2.19	0.030
2. Expatriate managers sole control over decision-making	2.00 (0.70)	2.12 (0.81)	-0.92	0.361
3. Requiring subordinates to accept directives of superior Japanese expatriates	1.88 (0.67)	1.94 (0.68)	-0.52	0.606
4. Reserving key position in subsidiaries for expatriate managers	2.71 (0.55)	2.63 (0.57)	0.88	0.382
5. Intervention from headquarters in management of its subsidiaries	2.47 (0.64)	2.33 (0.59)	1.28	0.205

$p < .01$

The mean scores of the Australian and the Japanese samples are shown in Table 5.1. Significant differences between the two groups were not found with any of five items. The mean scores suggest that in general neither Australians nor Japanese believe in the centralisation of authority and resources in the hands of expatriate managers, although both groups are in favour of a head office holding the final say (item 1). At the same time, both samples were accepting of reserving key positions in the company for Japanese managers (Item 4). This interpretation is based on the fact that the midpoint or neutral point on the rating scale is 2.5 and a positive belief to some aspects of strategic planning would be reflected in a mean score that is greater than 2.5. Thus, Hypothesis 1 is rejected.



### 5.5.3 Integration scale (Hypothesis 2)

*H2: Japanese managers do not believe that Australian managers are fully corporate members, whereas Australian managers believe that they are validly corporate members.*

The integration scale measures the degree of integration of the Australian employees into Japanese organisations. The items included in the scale measure are: 1) Australian employees' willingness to take responsibility; 2) Australian employees' loyalty to the firm; 3) Australian employees' capacity to work in cooperation with others without being offered financial rewards for doing so.

The mean score of the Australian sample for the integration scale was 2.99 with a standard deviation of 0.45. The mean score of the Japanese sample was 2.11 with a standard deviation of 0.43. A significant difference was found in comparing the mean scores for the integration scale of the two samples ( $t = 11.35, p < .001$ ). Results showed that Australians perceived themselves to be members of the "corporate group" in the Japanese organisations; on average they scored above the scale midpoint. Australians regarded themselves as being as loyal as their Japanese colleagues, motivated to work well in a group atmosphere and seeking responsibility to perform well. However, Japanese managers did not agree with Australians' self-perceptions. Their average score on the integration scale was below the midpoint. Thus, Hypothesis 2 is supported.

#### 5.5.4 Individualism component (Hypotheses 3)

*H3: Australian managers are more likely than Japanese managers to believe that individual opinions and ideas are important.*

The items representing the individualism component emphasise: 1) determination and driving ambition; 2) open expression of disagreement with superiors; and 3) avoiding compromise with peers.

Table 5.2 Means for Australian managers (N=66) and Japanese managers (N=67) for each item in the individualism component

Item	Australians Mean (SD)	Japanese Mean (SD)	t	Sig.
1. Determination and driving ambition	2.05 (0.62)	2.41 (0.58)	-3.48	0.001
2. Open expression of disagreement with supervisors	2.95 (0.62)	3.22 (0.55)	-2.66	0.009
3. Avoiding compromise with peers	2.50 (0.61)	2.35 (0.64)	1.34	0.169

$p < .017$

The mean scores for the Japanese and Australian samples for the individualism component were compared item by item as shown below (Tables 5.2). In the case of individualism, significant differences were found between the two samples with respect to the items 1 ( $t = -3.48, p < .017$ ) and 2 ( $t = -2.66, p < .017$ ). The Japanese placed more value on determination and ambition than Australians (item 1) but the mean scores of both samples were less than the mid-point. Japanese placed more value on open expression of disagreement than Australians (item 2). The significant findings that did emerge were in the opposite direction to that expected. If anything, Japanese managers were more individualistic than Australian managers. Thus, hypothesis 3 is rejected.

### 5.5.5 Groupism component (Hypothesis 4)

*H4: Japanese managers are more likely than Australian managers to believe that group consensus and harmony are important.*

The three items included in the groupism component emphasise group aspects of management. There are: 1) the value of group decision-making; 2) the sharing of responsibility among all persons involved in a decision; and 3) the importance of group consensus in decision-making.

Table 5.3 Means for Australian managers (N =66) and Japanese managers (N =66) for each item in the groupism component

Item	Australians Mean (SD)	Japanese Mean (SD)	t	Sig.
1. The value of group decision-making	2.79 (0.57)	2.64 (0.60)	1.45	0.150
2. The sharing of responsibility among all persons involved in a decision	2.83 (0.65)	2.76 (0.77)	0.59	0.557
3. The importance of group consensus in decision-making	2.74 (0.64)	2.21 (0.51)	5.33	0.000

*p*<.017

In terms of items in the groupism component, a significant difference was found only with regard to item 3 ( $t = 5.33, p < .017$ ). Australian respondents scored higher than the mid-point on all three items of the groupism component (See Table 5.3). Results suggest that Australian managers are more inclined to groupism than Japanese managers. Thus, Hypothesis 4 is also rejected.

### 5.5.6 Diligence component (Hypothesis 5)

*H5: Japanese managers are more likely than Australian managers to believe that they should be willing to work overtime without pay.*

The diligence component is represented by two items: 1) ready to work on call at all times; and 2) willingness to work over time without pay.

Table 5.4 Means for Australian managers (N=66) and Japanese managers (N=67) for each item in the diligence component

Item	Australians Mean (SD)	Japanese Mean (SD)	t	Sig.
1. Ready to work on call at all times	2.92 (0.62)	2.81 (0.58)	1.14	0.257
2. Willingness to work overtime without pay	3.29 (0.46)	3.01 (0.59)	2.98	0.003

$p < .025$

A comparison of the mean scores of the two samples by item indicates that Australians scored significantly higher than Japanese on item 2 ( $t = 2.98$ ,  $p < .025$ ) (see Table 5.4). Australian managers are more likely than Japanese managers to believe that they should be willing to work overtime without pay. Thus, Hypothesis 5 is rejected.

## 5.6 Discussion

This chapter examined differences in work values and beliefs between Japanese and Australian managers. It was found that: 1) both Japanese and Australian managers did not fully support the value of the strategic planning style; 2) there were no significant differences between Japanese and Australian managers in their perceptions of the strategic planning style; and 3) the groupism-individualism dichotomy that appeared in values and beliefs of Australian and Japanese managers was in the opposite direction to that hypothesised.

Specifically, both Japanese and Australian managers expressed their business values in support of a structure where the head office had the final say and where certain key positions in the subsidiary were reserved for expatriates. However, they did not agree with giving sole authority and decision-making power to individual Japanese expatriate managers, while neglecting local managers' roles. These findings suggest some resistance to the ethnocentric employment styles that are favoured by Japanese MNCs and the strategic planning style of management in Japanese multinationals that has been so widely described in the literature.

Banai (1992) argues that the reason for MNCs using an ethnocentric staffing policy is that the head office believes it is more advantageous for the organisations to send home country nationals to their subsidiaries than employing locals, because home country nationals have skills and qualities that are not available in host countries. Banai (*ibid*) argues, that this policy is based on in-group favouritism (that is, members of the group seek positive social identity and distinctiveness). This belief may become very convincing, and develops into organisational policy which has the effect of a

self-fulfilling prophecy. That is, the policy is “a false definition of the situation that evokes a new behaviour which makes the originally false conception come true”(ibid.). In this case, Japanese managers, who are in-group members of a Japanese organisation, are perceived to have special skills and qualities compared to Australian managers, who are regarded as out-group members. Therefore, Japanese managers should be assigned to higher positions than Australians. These beliefs are eventually regarded as the “truth” in the organisation and as a result, the ethnocentric policy and the practices are further enforced. It is, therefore, of particular interest that Japanese and Australian managers in this study fail on so many counts to confirm the management philosophy of Japanese MNCs. Both groups support structural arrangements which give the final say to the parent firm, but both groups resist intervention from the parent and a command and control position for the Japanese expatriates.

Results indicated that Japanese and Australian managers differed in their perceptions of the competency, loyalty and commitment of Australian managers. Australian managers claimed to be the equal of the Japanese. The Japanese thought otherwise. The gap in perceptions between Australian and Japanese managers in terms of corporate memberships may become a source of conflict between Australian and Japanese managers. For example, Australian managers may be willing to make efforts to become integrated into the Japanese organisation despite the present management system employed in the organisation being unfavourable to them. Australian managers may feel marginalised within the Japanese organisation given that they are perceived by Japanese managers as not as competent, responsive and loyal as Japanese managers. As a result, Australian managers may become increasingly frustrated and dissatisfied with the organisation.

These findings have important practical implications for MNCs' management policy where the contribution of local managers is important to the effective functioning of the MNCs. Japanese organisations in Australia should improve the positions of local managers and respect their roles in subsidiaries. This requires more than just giving key positions to locals. Japanese managers have to trust local managers and realise that Australian managers are trying hard to have the appropriate work attitudes to be accepted by Japanese colleagues. It will take time for Japanese managers to change their attitudes, but there may be simple steps they can take, such as using a common language to exchange information between headquarters and local managers in order to include local managers in the major communication channel. This will help local managers enhance their sense of belonging in the organisation.

Contrary to our expectations, the results suggest that Australian managers are more likely than Japanese managers to believe that group consensus and harmony are important. They are more likely than Japanese managers to believe that they should be willing to work overtime without pay. Four explanations can be given for the rejection of hypotheses derived from groupism and individualism. These are as follows:

1. the distinction between Japanese being group-oriented and Australians being individualistic is oversimplified;
2. as Matsumoto (1991) stated, the concept of groupism is too ambiguous to use to explain complex behaviour within Japanese management systems;
3. the two samples used in this research do not represent general populations. The Japanese sample in this study is likely to be more Westernised than "average Japanese" because they have been working in Australia for a number of years, and have, to some degree adopted the Australian way of thinking. The Australian sample is again likely to be different from "average Australians"

since they have been working for Japanese subsidiaries on average for over 10 years, and have thus been influenced by the Japanese way of thinking; and

4. Japanese managers try to create a self-image of “internationalised managers” by breaking down the stereotyped image of Japanese managers as group-oriented and hard-working. Australian managers, on the other hand, try to be assimilated as Japanese corporate members by behaving in ways that they perceive Japanese would like Australian managers to behave.

More research is needed to validate the applicability of groupism and individualism as work values of Japanese and Australian managers. For example, obtaining larger numbers of samples from various industries, comparing samples from Japanese subsidiaries in Australia, Australian subsidiaries in Japan, and American subsidiaries in Australia will give more insight into this issue.

This chapter has focused on the structural features of Japanese multinational corporations in general as well as cultural features. In principle and in structural terms, Japanese and Australian managers support ethnocentric management policy only to a limited extent. Differences in beliefs between the two groups at this level were not significant. When the focus moved to Australians’ ability to satisfy work demands, however, the findings were consistent with ethnocentric employment practices. Australians saw themselves as willing and capable of accepting responsibility, as loyal, as being team players and as being prepared to work long hours without pay. Japanese managers thought otherwise. In this chapter, the strategic planning model of Japanese MNCs were not uniformly endorsed in the attitudes of Australian and Japanese managers. This finding was intriguing, and raises questions about whether a more detailed analysis of structural variables is warranted in seeking to understand the work relationships and attitudes of



Japanese expatriates and Australian managers. This issue is taken up in the next chapter where attention turns away from management philosophy toward economic function and its influence in the relationship between Japanese and Australian managers. Chapter 6 focuses more specifically on differences in economic function between the *sogo shosha* and manufacturing firms. In particular, the argument that is pursued is that the functional differences between two industries may affect work relationships and work attitudes of Japanese expatriate and Australian managers.

## **Chapter 6**

# **Job Satisfaction and Organisational Commitment of Japanese and Australian Managers in the Sogo Shosha and Manufacturing Firms in Australia**

### **6.1 Introduction**

This chapter examines two specific attitudes towards work held by both Japanese expatriate managers and Australian managers working for Japanese subsidiaries in Australia. These are: 1) commitment to an organisation; and 2) job satisfaction. Organisational commitment and job satisfaction are different attitudinal constructs although they are often highly correlated and both have significant impacts upon employees' work behaviour. As discussed in Chapter 3, organisational commitment in this thesis refers to an affective component of organisational commitment, defined as "a sense of identification with the organisation's goals, a feeling of involvement in organisational duties, and a feeling of loyalty for the organisation" (Ivancevich et al., 1997, 186). Job satisfaction, on the other hand, is defined as "a pleasurable or positive emotional state resulting from the appraisal of one's job or job experiences" (Locke, 1976, 1297). According to Glisson and Durick (1998, 65), organisational commitment is viewed "as based on beliefs concerning the organisation" and "satisfaction as resulting from one's perceptions of current job experiences".

It is important to examine employees' levels of job satisfaction and commitment to an organisation, because these are negatively related to employee absenteeism, turnover intention, and turnover (Ivancevich, Olekalns and Matteson, 1997; Steers and Mowday,

1981; Naumann, 1993; Lease, 1998), and thus organisational efficiency (Putti, Aryee and Phua, 1990). This applies not only to domestic assignments but also to international assignments. Gregersen and Black (1992, 66) argue that “sustaining commitment to a parent company may be very important because approximately 25 percent of all those sent on overseas assignment leave their parent companies within a year of returning” as well as creating commitment to local operations. Job satisfaction is consistently found to be positively related to commitment (Naumann 1993; Glisson and Durick, 1988). Naumann’s study (1993) indicated that job related variables such as participation and career advancement were the best predictors of organisational commitment of expatriate managers. Another expatriate study found that job satisfaction was negatively correlated with expatriate managers’ turnover intentions (Birdseye and Hill, 1995). The positive association between job satisfaction and organisational commitment on the one hand, and the negative linkage of job satisfaction and commitment to turnover intention on the other suggest that there may be common factors affecting both job satisfaction and organisational commitment of expatriate managers.

Both macro and micro level factors will be examined in relation to levels of job satisfaction and commitment of Japanese and Australian managers. At the macro level, functional differences between the general trading companies (the *sogo shosha*) and the manufacturing (and distributing and sales) companies will be discussed. The macro factor featuring industry types has not been examined in relation to work attitudes in past commitment studies. At the micro level, interpersonal factors, relating to communication in terms of accuracy and openness, and liking for or evaluations of a work partner will be taken into account. These micro factors are drawn from expatriate studies which show that effective communication with local employees has a positive impact upon adjustment of expatriate managers. This suggests that effective intercultural

communication affects the nature of the relationship between expatriate and local managers, and hence their work attitudes. A brief literature review on job satisfaction is provided in the next section before discussing macro level factors associated with job satisfaction and organisational commitment. The literature relating to organisational commitment has already been reviewed in Chapter 3.

## 6.2 Literature review of job satisfaction

### *6.2.1 Overview*

Job satisfaction is regarded as an important work attitude variable together with organisational commitment because of its association with turnover intentions (Angle and Perry, 1981; Bedeian and Armenakis, 1981). Job satisfaction is regarded as a function of job experiences while commitment is a function of beliefs about the organisation (Glisson and Durick, 1988). Job experiences derive from perceptions of job attributes held by employees, and/or the degree of congruency between expectations and needs or desires held by employees regarding the facets of the job they are engaging in. Job satisfaction generally consists of intrinsic satisfaction and extrinsic satisfaction. Intrinsic satisfaction refers to the sense of accomplishment, achievement, and personal growth that one gets by engaging in a certain job, whilst extrinsic satisfaction relates to work conditions such as wage and promotion (Ivancevish, et al., 1997; Hurlbert, 1991). Literature on job satisfaction has indicated that predictors of job satisfaction are categorised as: 1) individual factors such as gender and age; 2) job-related factors such as role ambiguity and skill variety; and 3) work environment factors such as supervisory support and procedural and distributive justice.

### *6.2.2 Individual factors*

In terms of gender, past studies reported no significant differences between men and women in their levels of job satisfaction despite women generally receiving relatively lower wages and less promotional opportunities than men. This may be because women value intrinsic rewards as much as, if not more than men, rather than material rewards that tend to be lower than men (Phelan, 1994). Age is positively related to job satisfaction. Older employees are likely to have greater job satisfaction and job involvement than younger employees (see Lease, 1998 for a review). However, perceived age discrimination tends to affect job satisfaction negatively (Miller, et al., 1993; Orpen, 1995). The positive correlation between age and job satisfaction may be the result of older employees having relatively higher levels of job attributes including skill-utilisation and variety, and higher income and work status than younger employees (O'Brien and Dowling, 1981). Indeed, tenure is found to be positively related to job satisfaction (Abraham, 1999), and employees with long tenure also may have better wages and enjoy higher levels of job attributes than employees with shorter tenure.

In addition to the characteristics specific to the individual employee described above, dispositional affectivity has been recently recognised as an important individual factor which predicts job satisfaction. Dispositional affectivity consists of negative and positive affectivity, which are defined as follows. Negative affectivity is defined as “an individual’s predisposition to experience discomfort” while positive affectivity is defined as “an individual’s disposition to experience positive mood states” (Lease, 1998, 157). It has been reported that positive affectivity and negative affectivity are related to job satisfaction, the former increasing and the latter decreasing it (see Hochwarter et al., 1999, 298; and Lease, 1998, 157-159 for a review; Brief et al, 1995; Staw et al., 1986).

### *6.2.3 Job-related factors*

Factors characterising the job tasks performed by an employee, such as role ambiguity, skill variety or complexity have been reported to be strong predictors of job satisfaction (see Glisson and Durick, 1988, 65-66 for a review). Task identity, task significance and role conflict are also found to affect job satisfaction (*ibid.*). Black and Gregersen (1990) argue that job satisfaction is a function of congruency between individual's expectations about the job based on his/her needs and desires. If an individual's job expectations are met, then they will be satisfied with the job. Based on this view, Black and Gregersen examined the relationships between expectations and job satisfaction, as well as work role clarity and satisfaction, of American expatriates in Japan. It was found that work role clarity and overmet expectations about job discretion were positive predictors of job satisfaction of American expatriates (*ibid.*).

### *6.2.4 Work environment factors*

Work environment is reflected in employees' perceptions of how organisations, their supervisors, peers, and work groups treat them. Supervisory, peers, and work group's support has been found to be positively related to job satisfaction (see Lease, 1998 for a review). Johnson and McIntye (1998) examined the relationship between job satisfaction and employees' perceptions of various facets of organisational climate and culture in a large government service agency in the U.S.A. Findings of their research suggest that organisations with a culture emphasising employees' autonomy and responsibility, recognising employees' contributions to the organisations, together with an open communication climate tend to facilitate job satisfaction of their employees.

Procedural and distributive justice are important work environment factors associated with job satisfaction. "[Procedural justice] refers to the process by which decisions about

job rewards such as pay, promotions, and transfers are made, [while], distributive justice refers to the fairness of the actual rewards but not to how the decision to give the reward was made” (Lease, 1998, 170). Procedural justice and distributive justice are positively related to job satisfaction (Martin and Bennet, 1996; Randall and Mueller, 1995; Moorman, et al., 1993).

Abraham (1999) argues that individual reactions to working conditions are contingent on perceptions of fairness in distribution of rewards. This is because the features of the physical environment can be used to differentiate employee status, and consequently, to provide reward values. She examined the effect of individual reactions to the working conditions on job satisfaction among 110 employees across several industries in the U.S.A. Individual reactions to working conditions were measured by the respondents’ perceptions of their working conditions relative to other workers. Other workers were defined as those: performing identical tasks in the same organisation; performing different tasks in the same organisation; performing the same tasks in other organisations; at the same educational level; and of the same age. In addition, Abraham compared the respondents’ perceptions of their working conditions relative to their own expectations. Results of the study indicated that employees’ perceived inequity in working conditions in comparison with others of the same age (age inequity) and with their own expectations (system inequity). This perceived inequity was negatively associated with overall job satisfaction (ibid.).

In summary, employees are more likely to be satisfied with their job if they perceive: their work environment positively; that the reward system (both intrinsic and extrinsic) is being implemented fairly; communication with supervisors is open; work relations with supervisors and peers as positive; and that participation and involvement in

decision-making are encouraged. Moreover, as it was argued in Chapter 3, a positive work environment is likely to enhance employees' commitment to the organisation. It seems that the work environment is an important factor for both job satisfaction and organisational commitment.

## 6.3 Macro level factors affecting job satisfaction and commitment

### 6.3.1 Overview

Japanese organisations examined in this study can be divided into two groups according to business types. Sumitomo, Nissho Iwai, Tomen, Marubeni and Mitsui are categorised as general trading companies (*sogo shosha*). Canon, Panasonic, Hitachi, Fujitsu, Sony (electrical and electronic goods), Denso (automotive accessories), and Toyota (automobile) are categorised as manufacturers and/or distributors. It is important to make this distinction because Japanese general trading companies (the *sogo shosha*) are regarded as “unique” among other business entities in the world. Their uniqueness derives from these firms' abilities to deal with a wide range of products, and to provide diversified functions and services as traders, and to perform as supply-sales intermediaries, and financial intermediaries (Young, 1979).

In Chapter 2, the relatively slow process of management localisation in overseas subsidiaries of Japanese MNCs compared to MNCs of other nations was addressed. It is less likely in Japanese MNCs than in the North American counterparts to employ local personnel in senior technical roles, or have host nationals as board members. In addition, overseas subsidiaries of Japanese MNCs are less likely to enjoy autonomy in making decisions on issues such as sourcing of capital good and components (Rabenhill, forthcoming). These features also seem to be prevailing in Australian subsidiaries of



Japanese firms according to roles and characteristics of Japanese firms in Australia identified by Drysdale and Farrell (1999). It was pointed out that one of the major characteristics of Japanese firms in Australia is the companies' preference for wholly owned subsidiaries (66% of the total firms) rather than licensing or joint ventures. In other words, Japanese firms in Australia are relatively reluctant to seek local partners. This may be due to the relatively small scale of operation in Australia and the focus on products already being developed and produced in Japan (*ibid.*).

According to a survey conducted by the Australia-Japan Economic Institute (1996), the majority of Japanese firms which had Japanese equity greater than 50% had a Japanese chief executive. This figure "suggested that subsidiaries in Australia were strongly influenced by the decisions of their corporate headquarters in Japan", yet a question remains as to whether management is being increasingly localised (*ibid.* 19). A survey by Purcell et al. (1999) shows that management systems and practices used by parent companies in Japan are often applied to Australian subsidiaries of Japanese companies, with some modifications suitable to local conditions. Yet, the degree of modification of management styles in Australian subsidiaries of Japanese firms seems to vary depending upon industry types. For example, Japanese manufacturing firms in Australia generally operate with some modifications. On the other hand, trading firms generally have a high proportion of Japanese employees, of which, about 20-25 percent operate in a Japanese environment without modification. This is because trading firms tend to conduct business with other Japanese firms, rather than with local firms (Drysdale and Farrell, 1999). Thus, it is hypothesised that economic functional differences between the *sogo shosha* and Japanese manufacturing firms affect HRM policies applied to their overseas subsidiaries. The industry types may affect the degree of job satisfaction and commitment of local employees. The next section examines the main characteristics of the *sogo shosha* and

compares them with Japanese manufacturing companies in Australia. The focus of this section is on how the structural differences between the *sogo shosha* and Japanese manufacturing companies affect organisational climates and HRM policies in their Australian subsidiaries.

### *6.3.2 The origin and characteristics of the sogo shosha*

The general trading companies (the *sogo shosha*) have been playing important roles in large business groups (*keiretsu*) by coordinating member companies and building information networks within the group since the 1950s.<sup>6</sup> Moreover, the *sogo shosha* have played leading roles in Japan's international trade by facilitating their clients' international trading activities, investing in new industries, and providing finances (Skeffington, 2000). For example, in the early 1980s, "the six largest *sogo shosha* handled about half of Japan's import and some 40 percent of its exports" (Sheard, 1992, 73).<sup>7</sup>

The *sogo shosha* evolved due to the extraordinarily rapid and large-scale growth of the Japanese economy between 1955 and the early 1970s. At the time, small-scale manufacture importers or exporters did not have the resources and finances to gain access to the type of market information necessary to accurately assess financial risks. A new type of business firm which could act as an agent for newly developed manufacturing firms was required to sustain the rapid economic growth at the time (Yazdani, 1986). In this circumstance, the *sogo shosha* emerged as agents for diversified industries, dealing with a large variety of goods from noodles to missiles, and using their own extensive

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<sup>6</sup> *Keiretsu* is a horizontally linked business group which is characterised by "interlocking ownership pattern with the member companies cross-owning the stocks of others within the group" (Chen, 1995, 170).

networks. Moreover, the *sogo shosha* function as “a risk-buffer” between banks and manufacturers through highly diversified transactions and investment portfolios (Sheard, 1986, 9).

The uniqueness of *sogo shosha* lies in their extensive business activities involving multiple functions at several stages of production. The *sogo shosha* handle the “export of Japanese goods and services; import of goods and services to Japan; off-shore business; and domestic business” (CEDA, 1997, 12). They also engage in commodity-based trading which ranges from raw material extraction or creation to export and/or import of the final products (traditionally, they handle products such as raw industrial materials, energy and food). The functions of the *sogo shosha* encompass “information gathering; market analysis; financial risk analysis and investment; supplier liaison; customer liaison and after sales service; credit; insurance; shipping/freight; warehousing and distribution; quality assurance; and marketing” (CEDA, 1997). By providing these functions, their primary role is coordinating and linking various organisations and incorporating various activities into a coherent system (Yoshino and Lifson, 1986). In addition, Sheard (1992) argued that one of the important functions of the *sogo shosha* which is often neglected in the literature, is their role in acting as a trade-financing intermediaries or “quasi-insurance agency” by supplying trade credit to manufacturing firms in their inter-firm transactions.

Young (1979) argues that human capital is the most important asset of the *sogo shosha* because of their nature of business-coordinating and linking. Therefore, the *sogo shosha* invest money and time in selecting and training Japanese core employees. Yoshino and Lifson (1986) argue that the *sogo shosha* rely on informal interpersonal exchange networks rather than formal bureaucratic structures in order to perform their roles as

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<sup>7</sup> The six largest *sogo shosha* are: Mitsui, Mitsubishi, Sumitomo, Chu-Ito, Marubeni, and Nissho Iwai.

coordinators and agents. They refer to these interpersonal networks as “a primary channel” and “tool of management” of the *sogo shosha* (*ibid.*, 199). The informal interpersonal exchange networks function effectively within the subsystem created in the *sogo shosha*. The subsystem consists of “core employees”, who are carefully selected among Japanese male graduates from prestigious Japanese universities. The core employees are acculturated and trained to be members of the subsystem through extensive social activities and training. Shared experiences and similar social background bind them, and generate an understanding of, and commitment to each other. This suggests that although the informal interpersonal networks are important for the operation of the *sogo shosha*, only Japanese core employees, but not local managers are expected to play significant roles in the networks.

The *sogo shosha* in the late 1990s have adopted new international business strategies which have transformed the primary functions and focus of the *sogo shosha*. The earlier form of trading has shifted from bilateral trade between Japan and host countries to offshore business and domestic business in the host country. The *sogo shosha* are becoming less dependent on commodity-based trading activities for primary revenue and more dependent on service sector activity (CEDA, 1997). The *sogo shosha* will not be able to keep relying on the closed nature of interpersonal networks if this trend continues. Third country businesses and overseas domestic businesses require local knowledge and skills, which need to be accompanied by localisation of human resource policies.<sup>8</sup>

### *6.3.3 Characteristics of Japanese manufacturing companies*

Between the 1950s and 1970s, the competitive advantage of Japanese manufacturing firms was mainly in low-cost manufacturing textiles, steel and ship-building (Chen,

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<sup>8</sup> A third country business is defined as “trade between two foreign countries handled by Japanese firms without direct involvement of Japan as a source of supply or market” (Young, 1979, 9). Overseas

1995). Japanese manufacturing companies began to penetrate world markets in the 1960s and 1970s by providing low-cost and high-quality products such as textiles or simple engineered products (*ibid.*, 210). These firms' success lies in their ability to create and exploit continuously competitive manufacturing advantages and to choose products suitable to foreign markets (Abegglen, Stalk and Kaisha, 1985). Moreover, high levels of investment and automation in Japanese manufacturing firms resulted in higher labour productivity in comparison with Western manufacturing firms. Japanese manufacturing firms have successfully offered low-cost, high-quality products by concentrating on a narrow range of products in small and focused factories, rather than by using cheap labour (*ibid.*). Consequently, the production lines were expanded and unit costs were lowered (Chen, 1995).

As Japanese manufacturing companies began expanding their overseas market shares, the Just-In-Time (JIT) system and Quality Control (QC) circles became well known to the West as factors which contributed to their success. The JIT system (or *kanban*) is the system under which "materials, parts, and components are produced and delivered just before they [are] needed" (Abegglen et al. 1985, 92). This system was originally created by the vice president of Toyota in order to produce varied models of Toyota vehicles in small batches, and was subsequently adopted by many companies in the 1960s and 1970s (Chen, 1995). The system has been employed to reduce material handling and inventory levels, which is expected to enhance the levels of performance and productivity (Abegglen et al. 1985).

QC circles (or *kaizen*) are forms of "employees' participation in self-management", which consist of groups of people working together and meeting voluntarily to discuss production-related problems (Ishihara et al., 1996, 132-133). QC circles are expected to

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domestic business refers to all transaction is made within a host country.

improve levels of production as well as member's motivation and job satisfaction (Ouchi, 1981). This suggests that employee participation in management is an important factor in the success of Japanese manufacturing firms.

Japanese manufacturing companies also continuously developed technology-based advantages. In the early stage of post-war economic recovery, the Japanese made use of massive technological transfers from the United States and Europe for its basis of manufacturing development. Since the early 1980s, Japanese companies have been increasingly investing in research and development (R&D) of key technologies. This resulted in changes in perceptions of Japanese manufacturing firms held by Western counterparts from "being adaptive copiers to innovative creators" (Chen, 1995, 203).

The successful market expansion of Japanese manufacture firms in a short time period has been due to their aggressive corporate financial policies, namely their relatively high dependency on debt financing. This enabled Japanese companies to attain great market share, invest in R&D, and cut product prices irrespective of profits they were making (Chen, 1995). The aggressive corporate financial policies were supported by the *keiretsu* structure in which in-house financial institutions of *keiretsu* groups willingly keep lending money to group members. These aggressive financial policies not only have advantageous effects on the Japanese economy, but also generated some disadvantages. While Japanese manufacturing companies have been gaining large market shares very rapidly, the companies have become less profitable. As Chen states, "the average profitability of the listed manufacturing companies (measured as a ratio of operating profit to sales) has been continually declining over [the last] 30 years" (*ibid.*, 205). The collapse of the bubble economy in the early 1990s was a result of continuous use of aggressive financial policies by manufacturing companies and financial institutions in the

saturated market (ibid.).

Japanese manufacturing firms manufacture technically specific and brand name products, so that the establishment of overseas subsidiaries has various advantages in controlling product quality, product price, after-sales service and maintaining the parent organisation's reputation (Nicholas et al., 1996). Moreover, as Japanese manufacturing firms have been export-driven, it is important for them to meet the demands of local markets and serve local customers. Therefore, it is expected that manufacturing firms tend to encourage local employees to participate in management, make use of their skills, knowledge and language ability to communicate with their customers more so than with the *sogo shosha*. Furthermore, manufacturing firms provide appropriate training for local employees in order to use the systems such as JIT and QC circles effectively. This is likely to enhance local employees' work motivation, because local employees feel that their abilities are recognised by the organisation.

#### *6.3.4 Comparison between the sogo shosha and manufacturing companies in Australia*

The *sogo shosha*'s operation in Australia has been significantly contributed to the economic relationship between Japan and Australia. The Australian turnover of the nine *sogo shosha* was over AUD 22 billion in 1995, or almost 5 percent of Australia's total GDP (Fischer, 1997). One of the *sogo shosha* in Australia, Mitsui & Co. was ranked as the Australia's biggest exporter, and the largest foreign-owned company in terms of its total revenue of AUD 9.1 billion in 1999 (Skeffington, 2000).

The Australian subsidiaries of the *sogo shosha* were established to supply raw material for Japanese industry by the early 1960s. Their initial roles have not changed significantly since then. This means that the shift from bilateral-based operation to the third country

and/or overseas-based operations is yet to happen to the *sogo shosha* in Australia. In comparison with their activities in 1988, the *sogo shosha* in Australia are even more focused on bilateral and commodity based trading, such as mining, energy, wool, and food, and the selling of these products to Japan (CEDA, 1997). In 1995, exports to Japan accounted for 64% of the total volume of the sales of the Australian subsidiaries of the *sogo shosha* collectively (nine *sogo shosha*). Imports from Japan accounted for 10%, third country business for 24%, and domestic (within Australia) for only 2% (*ibid.*, 39). The total direct investment by the *sogo shosha* in Australia has more than doubled between 1988 and 1995 from AUD 1.4 billion to 3.0 billion, with most of that investment being in traditional sectors such as mining, metal and energy (*ibid.*, 44).

These figures clearly indicate that the *sogo shosha*'s main activity is centred at commodity-based exports to Japan. This is also indicated by the main functions of Mitsui & Co. Australia which are to be "exporting minerals and energy to Japan, including coal, liquefied natural gas, iron ore, mean aluminium, woodchips, cooper and oil" (Skeffington, 2000). Thus, the bilateral and commodity-based trading orientation of the *sogo shosha* in Australia suggests that the *sogo shosha* focus on servicing clients in Japan rather than clients in Australia. As a result, the localisation process of human resource policies of the *sogo shosha* might be expected to be slow. This slowness of localisation may be partly explained by cultural differences between Japan and Australia. The employers of the *sogo shosha* are willing to invest in development and training of their core employees. In turn, they expect long-term commitment and loyalty to their organisations from the core employees. Therefore, in the long term, investment in human resources is expected to pay off for the company. However, career profiles in Australia are quite different from those in Japan. Australians who have high qualifications tend to develop their careers by gaining experience from one company and moving to higher positions in another



company, rather than staying in the same company for the remainder of their career. Thus, the *sogo shosha* may feel that investment in local human capital is not cost effective in providing long term benefit. In addition, highly qualified Australians tend to be interested in working for “international firms” rather than the *sogo shosha* (CEDA, 1997).

Australia was a relatively early destination for Japanese manufacturing foreign direct investment (FDI) (Nicholas and Purcell, 1998). The Australian subsidiary of Toyota was established in 1957; and by the 1970s those of Canon, Panasonic, Fujitsu, Sony, and Denso were fully operational. Moreover, many Japanese manufacturing firms in Australia had previous export involvement in Australia through local agents and representative offices before FDI (Nicholas et al., 1996). Drysdale (1995, 15) argues that “[Japanese manufacturing operations in Australia] were designed to produce substitutes for products that were previously imported to Australia from Japan. Japan continues to have a strong comparative advantage in what Japanese affiliates in these sectors are producing in Australia (in automobiles, for example)”. Furthermore, the manufacturing sector which is typically reinvested by established Japanese firms has contributed to the local labour market by providing a large slice of employment despite a relatively small number of firms operating in Australia. In particular, the automobile industry supports a large proportion of both direct and indirect employment (through their suppliers) (Drysdale and Farrell, 1999).

In contrast to the *sogo shosha*, manufacturing companies such as Canon, Panasonic, Hitachi, Fujitsu, Sony, Denso, and Toyota manufacture technically specific and brand name products which require ongoing advertising and follow-up services to customers

(Yazdani, 1986).<sup>9</sup> Toyota and Denso have manufacturing production bases in Australia as well as marketing bases. On the other hand, the main functions of Japanese consumer and industrial electronic firms in Australia is the importation and distribution of their own products into the Australian market, rather than production. Given the sales and service orientation of Japanese manufacturing companies in Australia, their success depends on their ability to accurately read fast-changing consumer demands.

The local market orientation of Japanese manufacturing companies in Australia was portrayed in the 1988 survey conducted by the Japan External Trade Organisation (JETRO). According to the survey, the major motivation for Japanese manufacturers investing in Australia was to service the Australian market, and the majority of these firms only sold their products within Australia (Keizai Doyukai, 1989). A more recent survey by Nicholas et al. (1996) showed similar results. The main motives for Japanese FDI of manufacturing firms were “to supply the Australian market and other countries”, rather than “to service Japanese parent companies’ clients or other Japanese firms in Australia”, in addition to “avoiding high tariffs” (*ibid.* 10). Moreover, the main locational factors for Japanese manufacturing FDI in Australia included “the need to adapt to local customers’ requirements and potential for local market growth” (*ibid.*, 14-15). These results suggest that direct investment by Japanese manufacturing firms in Australia has been initiated mainly for the purpose of expanding local market shares. Therefore, employers of these companies are likely to respect local staff’s opinions, skills and knowledge more than is the case with the *sogo shosha*. This may be reflected in the human resource policies in manufacturing firms. It should be noted that in recent years

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<sup>9</sup> Main products of these companies in Australia are as follows: Canon-photographic and video; Panasonic-consumer audio and video; Fujitsu-computer system; Hitachi-air-conditioning, refrigeration equipment, and computer products; Sony-consumer audio, video, and computer products; Toyota-automobile; Denso-car components (AJEI, 1996).

the automobile firms, such as Toyota and Mitsubishi, have shifted their orientation from servicing the domestic market to exporting to Japan and other countries due to falling tariff assistance and the industry plan (Drysdale and Farrell, 1999). The implications of this change in the automobile industry on their HRM policies are yet to be examined.

A good example of local human resource policies is Toyota's 1991 initiative to carry out an annual survey involving all employees in a Melbourne plant to identify gaps between local employees' expectations and organisational values. Toyota believes that their success depends on employee satisfaction as well as customer satisfaction and cash flow. Moreover, it is important for managers to set not only financial and quality targets, but also to improve communications between themselves and subordinates (Forman, 1995). Through this survey, employees may feel that they are treated fairly and respected by their organisation which may increase their levels of commitment to Toyota. Toyota and Mitsubishi in Australia have invested a considerable amount of money in training local employees in order to develop their skills and knowledge, which has resulted in increased labour productivity and reducing labour turnover (Drysdale, 1999). As Tyler (1999) argues, if members of the organisation perceive that the organisation is treating them fairly, they are willing to follow the rules and help the organisation and remain loyal to the organisation.

Although past research (Dedoussis, 1994; 1995) has indicated that local employees in Japanese subsidiaries of large manufacturing firms in Australia are not considered as core employees, they are expected to be highly regarded in the case of manufacturing firms and more so than local employees in the *sogo shosha*. Purcell et al. (1999) found that Japanese manufacturing firms transferred HRM practices selectively to their subsidiaries in Australia. Japanese manufacturing subsidiaries did not practice lifetime employment,

but they were committed to high levels of job security, and also, on and off-the-job training was institutionalised. Moreover, both the JIT system and QC circles were reported to be widely implemented in Australian subsidiaries. These results suggest that career opportunities and discretion given to local employees working for manufacturing companies seem to be less limited than those working for the *sogo shosha*. In addition, it seems that employee participation in management is more encouraged in manufacturing firms. If so, local employees in manufacturing companies would perceive relatively greater fairness of treatment compared to those in the *sogo shosha*. Furthermore, over 80% of Japanese manufacturing subsidiaries were unionised, whereas over 90% of Japanese firms in the service sector were not unionised (Purcell, et al., 1999). The high level of unionisation in the manufacturing sector may improve working conditions of local employees and hence increase their levels of job satisfaction. Thus, levels of job satisfaction and commitment of local employees in manufacturing firms might be expected to be higher than is the case with the *sogo shosha*.

## 6.4 Micro level factors affecting job satisfaction and commitment

### 6.4.1 Overview

At the micro level, interpersonal factors including communication and liking are analysed in relation to job satisfaction and commitment. Positive interpersonal relationships at work create psychological well-being for employees, and affect their work attitudes. Positive interpersonal relationships can be measured by communication effectiveness and liking of others (supervisors, colleagues, etc). Communication between an expatriate manager and a local manager involves cross-cultural communication as well as superior-subordinate communication. Both aspects of communication have significant impacts upon the dyad relationships, hence, their work attitudes. Watanabe and

Yamaguchi (1995) argue that the quality of interpersonal relationships and the quality of organisational communication are interrelated and that both qualities affect job satisfaction and the performance of employees. In this section, the importance of accuracy and openness of communication in a cross-cultural setting is discussed, along with its effects on the success of an international assignment. Then the focus is turned to the relationship between liking and communication, and the effects of communication and liking on job satisfaction and organisational commitment.

#### *6.4.2 Cross-cultural communication*

According to Hofstede (1997, 5), culture is defined as “the collective programming of the mind which distinguishes the members of one group or category of people from another”. Culture includes systems of values which vary from one culture to another. A set of values derived from culture dictates the communicative behaviour of members of the culture in terms of subject, style, time and method of delivery of communication.

Samovar and Porter (1991) state that communicative behaviour varies according to cultures because people learn how to behave through their cultural experiences. A person expects the other person to behave in a certain manner on the basis of the person’s categorization of the other person. It will be more difficult to make predictions about communicative behaviour when a person encounters people from other cultures than those from the same culture. Communication problems in intercultural relations reflect differences in appropriate communication behaviour and the misinterpretations of such behaviour. This suggests that it is more difficult to communicate openly and accurately for those from different cultures than those from the same culture. An individual from culture X feels uneasy to talk openly to another individual from culture Y, because one individual can not predict how the other will respond to him/her. The risk of

misinterpreting information is high between persons from different cultures and accuracy of information can be easily lost in the process. The problem can be worsened if one lacks language skills to communicate with the other party. Thus, cross-cultural communication involves greater risk of misunderstanding and confusion compared with mono-cultural communication.

Communication difficulties between expatriate managers and local managers will affect their working relationships. Both parties will get frustrated if their intentions are not transferred to and understood accurately by the other. If an expatriate manager does not accurately understand information sent by a local employee, and the local employee does not even realise it, this will hinder both of them in performing their jobs satisfactorily. If they feel uneasy about expressing their opinions or asking advice from each other, they may find it difficult to cooperate with each other. Miscommunication will affect the judgement and assessment of abilities of both communicators. X may perceive Y as inefficient and not very competent if X feels that Y does not understand X's intention accurately. Y may perceive X negatively as well as thinking that X lacks communication skills to express X's intention accurately.

#### *6.4.3 Communication and international assignment*

Communication is an important factor when considering the degree of adjustment necessary for expatriate managers, and hence, the success of their international assignment. Adjustment to a host culture for expatriate managers will be facilitated by their ability to communicate with the host nationals. Intercultural effectiveness consists of cognitive (language and interpersonal skills), affective (cultural empathy), behavioural (social interaction), and psychological predisposition factors (personality traits) (Cui and Awa, 1992). Cui and Awa's study of American expatriate managers in China reveals that

the cognitive dimension (language and interpersonal skills) is particularly important in influencing job performance. Moreover, interaction with host nationals would be expected to facilitate general and interaction adjustment. One study shows that interaction with home nationals was significantly related to work adjustment, while interaction with host nationals was significantly related to interaction adjustment (Black and Gregersen, 1991). Current studies therefore suggest that communication between expatriate managers and local managers affects the degree of adjustment, and the failure or success of their assignment.

#### *6.4.4 Communication and job satisfaction*

There is abundant literature supporting the positive relationships between communication and levels of job satisfaction in mono-cultural settings (Baird and Bradley, 1978; Hatfield and Huseman, 1982; O'Reilly and Anderson, 1980). Supervisor-subordinate communication in particular has been found to be an important determinant for job satisfaction in many studies (Alexander et al., 1989). Wexley et al. (1980) found that the attitudinal congruency between supervisors and subordinates was correlated with job satisfaction of the subordinates. The perceptual congruency between supervisors and subordinates in their nature of communication was also related to high levels of subordinates' job satisfaction (Hatfield and Huseman, 1982).

Callan (1993) examined how perceived communication between subordinates and managers in different sex dyads affects the subordinates' levels of job satisfaction. Communication in the study was examined in terms of frequency and initiation, that is, the quantity of communication, levels of recognition and self-disclosure that is, the quality of communication, and levels of dominance by managers. Results indicated that subordinates' perceptions of communication with their supervisors were significant

predictors of their levels of job satisfaction. Those who had higher levels of job satisfaction believed that they had more opportunities for discussion and self-disclosure, higher levels of recognition, and less dominance by their supervisors in conversations than those who had lower levels of job satisfaction (*ibid.*). This suggests that supervisor is an important predictor for subordinates' job satisfaction, because it links into their self-worth and self-efficacy. Moreover, the more frequent and open the communication between a supervisor and a subordinate is, and the greater the recognition of ability in the subordinate by the supervisor, the subordinate is likely to be satisfied with the job.

Miles et al. (1996) tested the relationship between four dimensions of superior-subordinate communication and levels of job satisfaction of employees at different job levels. Questionnaires were sent to casual employees and first-line supervisors from a medium-sized manufacturing company located in the southeastern United States, and replies from 595 hourly employees and 118 first-line supervisors were included in the analysis. The four dimensions of communication detailed in their study were:

- 1) a positive relationship in communication such that a supervisor seeks suggestions from subordinates;
- 2) an upward openness in communication such that the opportunity exists to question a supervisor's instructions;
- 3) a negative relationship in communication such that a supervisor ridicules subordinates; and
- 4) Relevance in communication such that a supervisor gives useful feedback on performance, and information about rules and policies.

Results indicated that all four dimensions affected levels of job satisfaction for hourly employees, and two dimensions, that is, negative communication and job



relevant-communication affected supervisors' job satisfaction. Miles et al. (1996, 290) argue that job-relevant communication is an important determinant for job satisfaction because "the process of assimilation into an organisation is dependent on the development of knowledge about acceptable behaviours and role expectations". Such knowledge can be developed through communication with supervisors. This indicates that levels of job satisfaction for those who have higher status in the organisation (i.e. supervisors) relate to the amount of information they receive regarding their work. Levels of job satisfaction for those who have lower status in the organisation (i.e. hourly workers) are affected by their perceptions of how their supervisors treat them (supervisor's behaviour and attitudes in communicating with them), as well as the amount of information they receive regarding their tasks. Applying these findings to levels of job satisfaction for Australian managers, we would expect those who have relatively lower status in overseas subsidiaries of Japanese firms to be affected by their perceptions of how Japanese managers treat them as well as the openness of communication.

#### *6.4.5 Communication and commitment*

Putti, Aryee and Phua (1990) examined communication relationship satisfaction and organisational commitment. Communication Relationship Satisfaction (CRS) is defined as the "personal satisfaction inherent in successfully communicating to someone or successfully being communicated with" (Thayer, 1967, 64). Results of the study indicate that communication relationship satisfaction with top management and supervisors strongly relates to organisational commitment. Putti et al. (1990, 50) explain that "this is because satisfaction with information may encourage a sense of belongingness and identification with the values and objectives of the organisation". The relationship between communication and organisational commitment identified by Putti et al. are fully explained by Tyler's study (1999) on employees' cooperative behaviour with the

organisation.

Tyler (1999) shows that employees' cooperative behaviour relates to the role organisations play in defining and maintaining their social identities. Cooperative behaviour is defined as "following organisational rules, acting in ways which help the organisation, and showing loyalty to the organisations" (*ibid*, 2). Tyler argues that employees behave more cooperatively within the organisation when they receive favourable identity-relevant information from other members of the organisation. When employees receive favourable information regarding the status of their organisation relative to other organisations, and/or their status within the organisation, their positive social identity will be created. This motivates members of high status organisations to engage in cooperative behaviour in order to enhance the status of their organisation and the feelings of self-esteem and self-worth of those within it. Status-relevant information often comes from one's immediate work supervisor and co-workers. Thus, effective communication between members of the organisation is expected to increase their commitment to the organisation (*ibid*.)

As noted in Chapter 3, employees' commitment to the organisation is not equivalent to having cooperative behaviour within the organisation. However, it is reasonable to argue that employees' willingness to cooperate with their organisation is derived from their loyalty to the organisation, which is a part of affective commitment to their organisation. Given the theoretical overlap between organisational commitment and cooperative behaviour, it is expected that satisfactory communication relationships with their supervisors and co-workers are likely to enhance levels of organisational commitment.

#### *6.4.6 Liking and commitment*

The CRS measuring instrument developed by the International Communication Association (see Putti et al., 1990) includes a subordinate assessment of his/her supervisor. For example, “I trust my supervisor”, and “my immediate superior is honest with me” can be interpreted as measuring liking for the superior”. “I am free to disagree with my immediate superior”, and “I can tell my immediate superior when things are wrong” can be seen as measuring openness of communication. In this sense, communication with and liking of the immediate supervisor impacts on levels of commitment. As Alexander et al. (1989) noted, increased communication from a supervisor will influence the quality of the relationship between the supervisor and his/her subordinate. One will have positive perceptions of his/her supervisor if one has satisfactory communication with the supervisor, and receives positive information about one’s status-relevant information. This is expected to contribute to higher levels of commitment to the organisation.

#### *6.4.7 Liking and job satisfaction*

Moose (1953) examined the relationship between employees’ perceptions of and attitudes toward their supervisors, and employees’ level of work-related satisfaction such as pay and job status, and job content. His study suggests a positive correlation between employees’ perceptions of their supervisors and their levels of job satisfaction. Winstead et al. (1995) examined the relationship between quality of a friendship at work and job satisfaction of the faculty and staff at two universities. Their measures for the quality of friendship included the degree of voluntary interdependence and the frequency of interaction. Results of the study indicated that a positive relationship at work predicted higher levels of job satisfaction. Write (1990) found that job satisfaction is generally high for both career bank tellers (who expect promotion) and non career-oriented bank tellers (who do not expect promotion) if they perceive the supervisor as being an effective

manager and if they perceive their co-workers in positive ways. This suggests that higher levels of liking for others at work affects levels of job satisfaction.

## 6.5 Hypotheses development

Based on the discussion in the previous section, the relationships between micro level factors (communication and liking) and employee work attitudes are suggested as follows. Empirical studies suggest that effective cross-cultural communication between expatriate managers and local employees in overseas subsidiaries is likely to improve the degree of expatriate adjustment and contribute to successful expatriate assignments. Positive interpersonal relationships at work generate psychological well-being for both expatriate and local managers. Interpersonal relationships between expatriate and local managers can be measured by communication between them and evaluations of each other. The nature of interpersonal relationships has impacts on work attitudes of both managers. It is expected that employees who perceive effective work relations with their “other nation” parties will be more positive in their attitudes to the company regardless of their nationality. Thus, it is hypothesised that:

*H1: Liking of “other nation” managers and perceived communication effectiveness with them are positively correlated with job satisfaction and organisational commitment in the case of both Japanese and Australian managers.*

Functional differences between the *sogo shosha* and Japanese manufacturing companies are likely to affect the localisation process of human resource policies in overseas subsidiaries of these companies. As described earlier in this chapter, the main function of

Australian subsidiaries of Japanese manufacturing firms is a distributor (and an importer) for a local market, which requires local employees' participation in management to meet the demands of local markets. On the other hand, the economic function of Australian subsidiaries of the *sogo shosha* is a finance, service and information provider for Japanese clients, which does not require local participation of management as much as is required by manufacturing firms. Thus, the degree of the localisation of management and the types of HRM policies on the ground will be different between the two industries. As discussed in Chapter 2, HRM policies and the localisation of management affect wages, promotional opportunities, and management autonomy of local managers in overseas subsidiaries. This affects work attitudes of local employees and causes resentment by local managers towards expatriate managers (Hailey, 1996; Wong 1996).

Strong emphasis on informal interpersonal exchange networks among Japanese managers within the *sogo shosha* enhances identification-based trust and commitment to each other, among core members of the organisation, that is, Japanese male university graduates. This group identity encourages members to follow organisational rules, and be loyal to the organisation (Tyler, 1999). It should be emphasised that the acculturation process to create common social identity in the *sogo shosha* involves Japanese managers but not local managers (Yoshino and Lifson, 1986). Therefore this process only helps Japanese managers increase levels of commitment to the organisation. In addition, the functional differences between the *sogo shosha* in Australia and Japanese manufacturing companies in Australia may affect levels of communication required between expatriate managers and local managers. Given the local market orientation of the manufacturing firms, relatively high levels of communication between expatriate managers and local managers is expected. Communication effectiveness between expatriate and local managers is likely to affect perceptions of Japanese expatriate managers held by local employees

(Watanabe and Yamaguchi, 1995). Thus, local managers in manufacturing firms are likely to evaluate Japanese managers more positively than do local managers in the *sogo shosha*.

Local managers in manufacturing firms will be encouraged to give opinions and make use of their knowledge of local markets in order to increase market shares and satisfy local customers' needs. This may make local managers feel that they are treated fairly and respected by the organisation. In this sense, Australian managers are likely to be more satisfied with their jobs and committed to the organisation than Australian managers in the *sogo shosha*. Japanese expatriate managers in this study, on the other hand, regardless of which industries they belong to, are still considered as core employees. The functional differences relate to the localisation process of management policies in subsidiaries. That is, the treatment of peripheral employees rather than the treatment of core employees is at issue, so that Japanese managers' levels of job satisfaction and organisational commitment are unlikely to be affected by functional differences between industries. Thus, it is expected that the type of industry to which managers belong affects work attitudes of Australian managers more so than Japanese managers. From the above discussion, we can pose the following major hypothesis, and eight sub-hypotheses.

The major hypothesis is:

*H2: The way Japanese and Australian managers perceive work relations and their work attitudes will vary depending on both the type of industry to which they belong and on their nationality.*

More specifically, an interaction effect is hypothesised whereby Australian managers in the *sogo shosha* should be least satisfied and committed to their organisation, and perceive least positive work relations with “other nation” managers. To examine this, the following sub-hypotheses are formed:

The sub-hypotheses are:

*H3: There would be a significant difference between Australian managers in manufacturing firms and Australian managers in the sogo shosha in their levels of job satisfaction.*

*H4: There would be a significant difference between Australian managers in manufacturing firms and Australian managers in the sogo shosha in their levels of organisational commitment.*

*H5: There would be a significant difference between Australian managers in manufacturing firms and Australian managers in the sogo shosha in their perceptions of communication efficacy with Japanese managers.*

*H6: There would be a significant difference between Australian managers in manufacturing firms and Australian managers in the sogo shosha in their evaluations of (liking) Japanese managers.*

No such differences in perceived work relations (communication and liking) and work attitudes (job satisfaction and organisational commitment) will be expected for Japanese managers between the two industries, because the functional differences between the two industry types will not significantly affect HRM policies applied to Japanese managers. HRM policies used in the head office is usually applied to expatriate managers assigned

to overseas subsidiaries. The expected interaction between industry and nationality also leads to expected sub-group differences of the following kind.

*H7: There would be a significant difference between Australian managers in the sogo shosha and Japanese managers in the sogo shosha in their levels of job satisfaction.*

*H8: There would be a significant difference between Australian managers in the sogo shosha and Japanese managers in the sogo shosha in their levels of organisational commitment.*

*H9: There would be a significant difference between Australian managers in the sogo shosha and Japanese managers in the sogo shosha in their perceptions of communication efficacy with each other.*

*H10: There would be a significant difference between Australian managers in the sogo shosha and Japanese managers in the sogo shosha in their evaluations of (liking) each other.*

Additionally, there is no reason to expect such differences in work relations and work attitudes between Australian managers and Japanese managers in manufacturing firms, because the economic function of manufacturing firms encourages the localisation of management. Therefore, Australian managers should be as satisfied with their work conditions and environment as Japanese managers.



## 6.6 Measurements

The job satisfaction and organisational commitment scales used in this study have been previously tested and validated in other contexts (see Sections 4.5.3 and 4.5.4 in Chapter 4). The job satisfaction scale was developed by O'Brien, Dowling and Kabanoff (1978) and comprised of 18 items. The scale measured both intrinsic rewards such as personal development and challenge, and extrinsic rewards such as career opportunity, financial incentives, and physical conditions (see Appendix II-2 for items). Scores were averaged and so ranged from 1 to 5. The job satisfaction scale had a mean of 3.57, and a standard deviation of 0.58. The corrected item-total correlations for the 18 items ranged from 0.28 to 0.77. The alpha reliability coefficient for this scale was 0.90.

The Organisational Commitment Scale (OCQ) developed by Porter and his colleagues (1974) comprised 15 items measuring three aspects of commitment to the organisation. These domains are:

- 1) belief in and acceptance of the organisation's goals and values;
- 2) willingness to exert considerable effort on behalf of the organisation; and
- 3) desire to maintain memberships in the organisation.

The scores were averaged ranged from 1 to 5. The corrected item-total correlations for the 15 items ranged from 0.26 to 0.69. The alpha reliability coefficient was 0.88. The scale had a mean of 3.62 with a standard deviation of 0.55 (see Appendix II-3).

Two communication scales were developed by the researcher to represent interpersonal and intergroup situations where openness and accuracy of communication could be assessed (see Appendices II-4 and II-5 for set of full items). These are:

- 1) an interpersonal communication scale measuring perceived accuracy and openness of communication with a specific Australian/ Japanese colleague (score aggregated over

four items) and;

- 2) an intergroup communication scale measuring perceived accuracy and openness of communication with Australian/Japanese colleagues in general (score aggregated over four items).

The interpersonal communication scale had item-total correlations that ranged from 0.55 to 0.69 with an alpha reliability coefficient of 0.80. The score ranged from 1 to 5. The mean of the scale was 3.53 with a standard deviation of 0.82. The intergroup communication scale had item-total correlations that ranged from 0.47 to 0.60, and an alpha reliability coefficient of 0.74. The scale had a mean of 3.12 with a standard deviation of 0.71 (see Appendices II-4 and II-5 for full set of items included in the scales and Section 4.5.5 in Chapter 4 for a detailed description).

Liking scales, each encompassing 8 items, were developed by the researcher to measure a) how positively/negatively a respondent evaluates his/her paired partner (interpersonal liking); and b) how positively/ negatively a respondent evaluates Australian/ Japanese colleagues in general (intergroup liking). Responses made on a five-point scale were aggregated over the 8 items to provide an interpersonal liking scale and an intergroup liking scale score (see Appendices II-6 and II-7 for full set of items).

The interpersonal liking scale had an alpha reliability coefficient of 0.87, and item-total correlations ranging from 0.54 to 0.79 for measuring the liking for a paired partner. The interpersonal liking scale had a mean of 3.27 and a standard deviation of 0.66. The intergroup liking scale had item-total correlations ranging from 0.52 to 0.70 with an alpha reliability coefficient of 0.85. The scale had a mean of 2.88 and a standard deviation of 0.58 (see section 4.5.7 for description).

## 6.7 Analyses and results

### 6.7.1 Hypothesis 1 (Pearson product-moment correlations)

*H1: Liking of “other nation” managers and perceived communication effectiveness with them are positively correlated with job satisfaction and organisational commitment in the case of both Japanese and Australian managers.*

Pearson product-moment correlations were conducted to test correlations between work relation variables (interpersonal liking, intergroup liking, interpersonal communication and intergroup communication) and work attitude variables (job satisfaction and organisational commitment). As results in Table 6.1 show, the work relation variables of communication and liking and work attitude variables of job satisfaction and organisational commitment are significantly and positively correlated. Thus, Hypothesis 1 is supported.

Table 6.1 Pearson product-moment correlations of work relation variables and work attitude variables (N=133)

Variable	Mean	SD	1	2	3	4	5	6
1. Job Satisfaction	3.58	0.57						
2. Organisational Commitment	3.62	0.55	0.545***					
3. Interpersonal Communication	3.52	0.82	0.357***	0.425***				
4. Intergroup Communication	3.12	0.71	0.297***	0.251**	0.497***			
5. Interpersonal Liking	3.28	0.66	0.414***	0.445***	0.752***	0.320***		
6. Intergroup Liking	2.89	0.59	0.291***	0.351***	0.310***	0.535***	0.407***	

\*  $p < .05$ , \*\*  $p < .01$ , \*\*\*  $p < .001$

### 6.7.2 Hypothesis 2 (MANOVA)

*H2: The way Japanese and Australian managers perceive work relations and their work attitudes will vary depending on both the type of industry to which they belong and on their nationality.*

A Multivariate Analysis of Variance (MANOVA) was carried out in order to test Hypothesis 2. Testing the hypothesis within this framework is equivalent to testing for an interaction between nationality and industry. Between subjects variables were: 1) the type of industry to which the managers belonged (the *sogo shosha* and manufacturing); and 2) the nationality of the respondents (Australian and Japanese). The Wilk's Lambda for these data was 0.88, indicating that the interaction is significant ( $F=2.92$ ,  $p < .01$ ). Thus, the overall interaction effect was significant for all six variables: job satisfaction and organisational commitment, interpersonal communication and liking, and intergroup communication and liking. Therefore Hypothesis 2 was supported.

Table 6.2 gives mean and standard deviations for six dependent variables. These are: 1) job satisfaction; 2) organisational commitment; 3) intergroup communication; 4)

intergroup liking; 5) interpersonal communication; and 6) interpersonal liking for Australian and Japanese managers in the trading and manufacturing industries. Some interesting observations were made from results in this table. The mean scores of both Australian and Japanese samples in the two industries regarding job satisfaction were above the mid-point of the scale indicating relatively high job satisfaction for the sample as a whole. It was also the case for organisational commitment, that is, trend to be relatively high commitment to the organisation. Regarding intergroup communication, the mean scores of the Japanese sample in the both industries as well as the mean score of the Australian sample in manufacturing firms were above the mid-point. However, the mean score of the Australian sample in the *sogo shosha* was below the mid-point ( $M=2.69$ ). With regard to intergroup liking, only Australian managers in manufacturing firms among the four groups scored above the mid-point ( $M=3.06$ ). With regard to interpersonal communication and interpersonal liking, the mean scores of both Australian and Japanese samples in the two industries were above the mid-point. Interpretation of the means in Table 6.2 suggests the following: Japanese and Australian managers tend to regard each other negatively at the group level, but once they form a close working relationship, they tend to evaluate each other relatively positively. Moreover, Australian managers in the *sogo shosha* and Australian managers in manufacturing firms seem to differ in their perceptions of work relations with Japanese colleagues at the group level. On the other hand, Japanese managers' perceptions of work relations with Australian colleagues seem to be fairly consistent across the two industries. The following section looks at hypothesised relationships more carefully to find out if the differences are statistically significant.

Table 6.2 Mean and standard deviations of work attitude and work relation variables of Australian and Japanese managers in the *sogo shosha* and manufacturing firms

Variables	Industry	Nationality	Mean	Std.	N
Job Satisfaction	The sogo shosha	Australian	3.42	0.62	36
		Japanese	3.59	0.50	34
		Total	3.50	0.56	70
	manufacture	Australian	3.85	0.53	30
		Japanese	3.48	0.59	31
		Total	3.66	0.58	61
	Total	Australian	3.61	0.61	66
		Japanese	3.54	0.54	65
		Total	3.57	0.58	131
Organisational Commitment	The sogo shosha	Australian	3.40	0.60	36
		Japanese	3.54	0.50	34
		Total	3.47	0.56	70
	manufacture	Australian	3.90	0.45	30
		Japanese	3.67	0.54	31
		Total	3.78	0.51	61
	Total	Australian	3.63	0.59	66
		Japanese	3.61	0.52	65
		Total	3.62	0.55	131
Intergroup Communication	The sogo shosha	Australian	2.69	0.67	36
		Japanese	3.37	0.64	34
		Total	3.02	0.73	70
	manufacture	Australian	3.23	0.71	30
		Japanese	3.26	0.66	31
		Total	3.24	0.68	61
	Total	Australian	2.94	0.73	66
		Japanese	3.32	0.64	65
		Total	3.12	0.71	131
Intergroup Liking	The sogo shosha	Australian	2.66	0.45	36
		Japanese	2.95	0.59	34
		Total	2.80	0.54	70
	manufacture	Australian	3.06	0.54	30
		Japanese	2.89	0.69	31
		Total	2.97	0.62	61
	Total	Australian	2.84	0.53	66
		Japanese	2.92	0.63	65
		Total	2.88	0.58	131
Interpersonal communication	The sogo shosha	Australian	3.13	0.89	36
		Japanese	3.62	0.84	34
		Total	3.37	0.89	70
	manufacture	Australian	3.68	0.77	30
		Japanese	3.75	0.61	31
		Total	3.71	0.69	61
	Total	Australian	3.38	0.87	66
		Japanese	3.68	0.73	65
		Total	3.53	0.82	131
Interpersonal Liking	The sogo shosha	Australian	3.07	0.64	36
		Japanese	3.22	0.72	34
		Total	3.15	0.68	70
	manufacture	Australian	3.36	0.61	30
		Japanese	3.48	0.63	31
		Total	3.42	0.62	61
	Total	Australian	3.20	0.64	66
		Japanese	3.35	0.69	65
		Total	3.27	0.66	131

The interaction between industry and nationality for each variable was subsequently examined. Results presented below in Tables 6.3 to 6.8 give univariate F ratios for each effect on the six dependent variables with significance levels. Figures 6.1 to 6.6 show the estimated cell means under a main effect model for each variable. Solid lines connect scores of Australian managers and scores of Japanese managers in the *sogo shosha*. Dashed lines connect scores of Australian managers and scores of Japanese managers in the manufacturing industry.

As seen in Tables 6.3 to 6.6, significant interactions between industry and nationality were confirmed for: 1) job satisfaction ( $F=7.48, p<.01$ ); 2) organisational commitment ( $F=3.96, p<.05$ ); 3) intergroup communication ( $F=7.50, p<.01$ ); and 4) intergroup liking ( $F=5.21, p<.05$ ). Figures 6.1 to 6.4 illustrate a similar pattern of interaction for these four variables; that is, there are greater differences between the two industries in their scores for the Australian sample, but not significant differences for the Japanese sample. As for the Australian sample, those in the manufacturing firms scored higher on job satisfaction, organisational commitment, intergroup communication and intergroup liking than those in the *sogo shosha*.

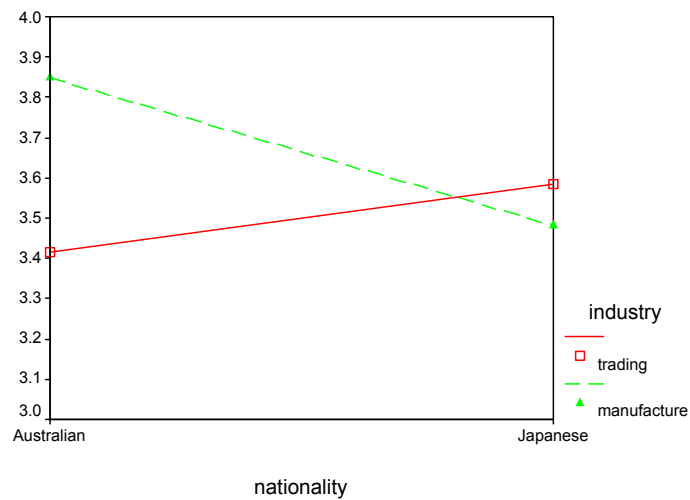
Tables 6.7 and 6.8 indicated that there was no significant interaction effect for: 5) interpersonal communication; and 6) interpersonal liking. The univariate analysis indicates that a main effect model is an adequate description of the data. In these cases, although there is a difference between managers in the *sogo shosha* and manufacturing firms, the effect is the same for Australians as it is for the Japanese with regard to interpersonal communication and interpersonal liking.

## [Job Satisfaction]

Table 6.3 Analysis of variance for job satisfaction

	Mean Square	df	F	Sig.
Intercept	1672.556	1	5345.805	0.000
Industry	0.888	1	2.837	0.095
National	0.314	1	1.002	0.319
Industry* National	2.339	1	7.476	0.007
Error	0.313	127		

Figure 6.1 Job satisfaction



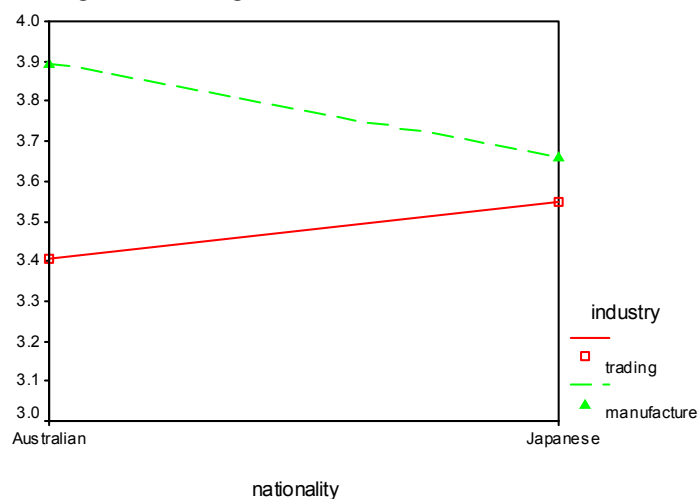

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## [Organisational Commitment]

Table 6.4 Analysis of variance for organisational commitment

	Mean Square	df	F	Sig.
Intercept	1715.976	1	6095.891	0.000
Industry	3.067	1	10.894	0.001
National	5.663E-02	1	0.201	0.655
Industry* National	1.116	1	3.963	0.049
Error	0.281	127		

Figure 6.2 Organisational commitment



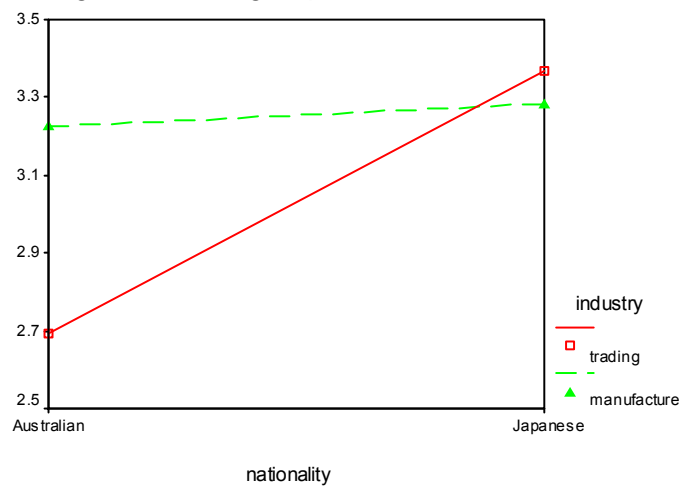


## [Intergroup Communication]

Table 6.5 Analysis of variance for intergroup communication

	Mean Square	df	F	Sig.
Intercept	1281.803	1	2880.072	0.000
Industry	1.443	1	3.243	0.074
National	4.063	1	9.128	0.003
Industry* National	3.337	1	7.499	0.007
Error	0.445	127		

Figure 6.3 Intergroup communication

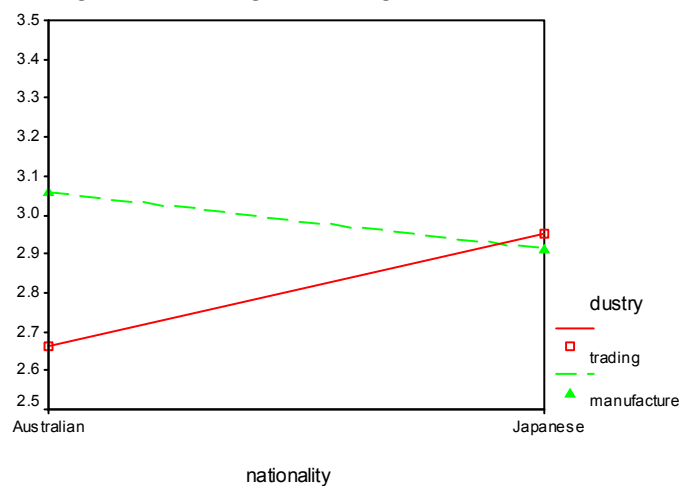


## [Intergroup Liking]

Table 6.6 Analysis of variance for intergroup liking

	Mean Square	df	F	Sig.
Intercept	1089.306	1	3350.419	0.000
Industry	0.909	1	2.796	0.097
National	0.121	1	0.372	0.543
Industry* National	1.695	1	5.214	0.024
Error	0.325	127		

Figure 6:4 Intergroup liking

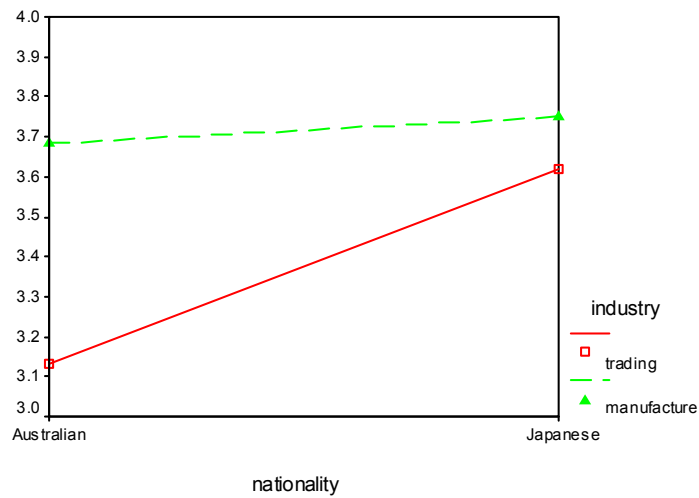


## [Interpersonal Communication]

Table 6.7 Analysis of variance for interpersonal communication

	Mean Square	df	F	Sig.
Intercept	1638.327	1	2647.782	0.000
Industry	3.808	1	6.154	0.014
National	2.485	1	4.016	0.047
Industry* National	1.430	1	2.311	0.131
Error	0.619	127		

Figure 6.5 Interpersonal communication



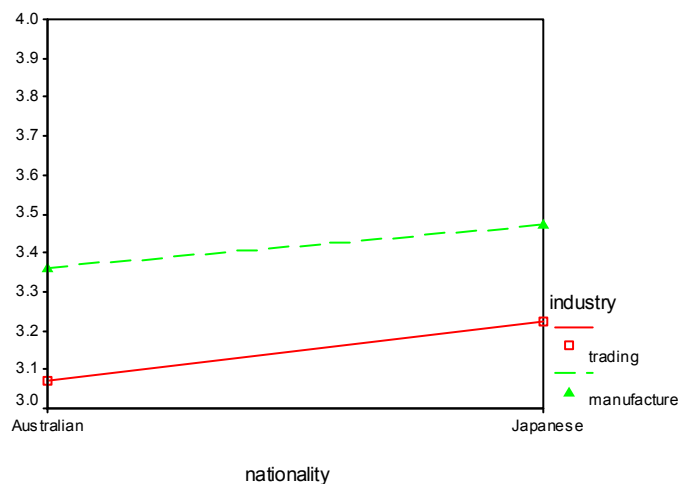

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## [Interpersonal Liking]

Table 6.8 Analysis of variance for interpersonal liking

	Mean Square	df	F	Sig.
Intercept	1406.138	1	3298.247	0.000
Industry	2.421	1	5.678	0.019
National	0.588	1	1.379	0.242
Industry* National	9.420E-03	1	0.022	0.882
Error	0.426	127		

Figure 6.6 Interpersonal liking



### 6.7.3 Hypotheses 3-10 (Independent t-tests)

In order to find out if the interaction effects followed the pattern discussed in the sub-hypotheses, eight independent t-tests were conducted to test Hypotheses 3 to 10.<sup>10</sup> Since no interaction effect (industry x nationality) was found in relation to interpersonal liking and interpersonal communication in the previous analyses, only Hypotheses 5 and 6, and 9 and 10 concerning intergroup aspects of work relations (intergroup communication and intergroup liking) and Hypotheses 3, 4, 7, and 8 are tested further.

*H3: There would be a significant difference between Australian managers in manufacturing firms and Australian managers in the sogo shosha in their levels of job satisfaction.*

*H4: There would be a significant difference between Australian managers in manufacturing firms and Australian managers in the sogo shosha in their levels of organisational commitment.*

*H5: There would be a significant difference between Australian managers in manufacturing firms and Australian managers in the sogo shosha in their perceptions of communication efficacy with Japanese managers.*

*H6: There would be a significant difference between Australian managers in manufacturing firms and Australian managers in the sogo shosha in their evaluations of (liking) Japanese managers.*

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<sup>10</sup> P-value of .05 was divided by the number of t-tests (8 t-tests) conducted in this chapter. Thus, P value of .006 was used.

Results of independent t-tests comparing the mean scores of Australian managers between the two industries (Hypotheses 3 to 6) are shown in Table 6.9. Mean scores on job satisfaction of Australian managers in manufacturing firms were significantly higher than those of Australian manager in the *sogo shosha* ( $t=-3.03$ ,  $p<.006$  for job satisfaction). This was also the case for organisational commitment ( $t=-3.70$ ,  $p<.006$ ). Thus, Hypotheses 3 and 4 were supported. The significant differences in mean scores between the two industries for the Australian sample were also confirmed with regard to intergroup communication ( $t=-3.13$ ,  $p<.006$ ) and intergroup liking ( $t=-3.23$ ,  $p<.006$ ). Thus, Hypotheses 5 and 6 were also supported.

Table 6.9 Means and standard deviations for Australian managers in the *sogo shosha* (N=36) and manufacturing firms (N=30) for work attitudes and work relations variables

Variable	The <i>sogo shosha</i> Mean (SD)		Manufacturing Mean (SD)		t	Sig. (2-tailed)
Job satisfaction	3.42	(0.62)	3.85	(0.53)	-3.03	0.003
Organisational commitment	3.40	(0.60)	3.90	(0.45)	-3.70	0.000
Intergroup communication	2.69	(0.67)	3.23	(0.71)	-3.13	0.003
Intergroup liking	2.66	(0.45)	3.06	(0.54)	-3.23	0.002

$p<.006$

*H7: There would be a significant difference between Australian managers in the sogo shosha and Japanese managers in the sogo shosha in their levels of job satisfaction.*

*H8: There would be a significant difference between Australian managers in the sogo shosha and Japanese managers in the sogo shosha in their levels of organisational commitment.*

*H9: There would be a significant difference between Australian managers in the sogo shosha and Japanese managers in the sogo shosha in their perceptions of communication efficacy with each other.*

*H10: There would be a significant difference between Australian managers in the sogo shosha and Japanese managers in the sogo shosha in their evaluations of (liking) each other.*

Results of independent t-tests comparing the mean scores between Japanese managers and Australian managers in the *sogo shosha* are shown in Table 6.10. Only with regard to intergroup communication were the mean scores between the two groups significantly different ( $t = -4.30, p < .006$ ). Japanese managers had more positive view of intergroup communication than Australian managers. No significant differences in their mean scores with regard to job satisfaction, organisational commitment, and intergroup liking were found. Thus, Hypothesis 9 was supported, but Hypotheses 7, 8, and 10 were not.

Table 6.10 Means and standard deviations for Australian managers in the *sogo shosha* (N=36) and Japanese managers in the *sogo shosha* (N=35) for work attitudes and work relations variables

Variable	Australians Mean (SD)	Japanese Mean (SD)	t	Sig. (2-tailed)
Job satisfaction	3.42 (0.62)	3.59 (0.49)	-1.33	0.189
Organisational commitment	3.40 (0.60)	3.56 (0.50)	-1.18	0.244
Intergroup communication	2.69 (0.67)	3.36 (0.63)	-4.30	0.000
Intergroup liking	2.66 (0.45)	2.98 (0.60)	-2.49	0.015

$p < .006$

The expected pattern of results was further confirmed by some additional post-hoc tests. For the Japanese sample no significant differences between managers in the two industries were found in work attitudes (job satisfaction and organisational commitment)

or perceived work relations with Australian managers (communication and liking). Furthermore, no differences between Japanese and Australian managers in manufacturing firm were found in work attitudes or perceived work relations with each other.

#### *6.7.4 Is there connection between management philosophy and practice in Japanese MNCs?*

These findings of differences between the *sogo shosha* and manufacturing firms raise questions about management philosophy described in Chapter 5. Theoretically, there is no reason to expect differences in management philosophy between the two industries. But the findings of this chapter suggest that some explorative, post-hoc tests may be in order. Analyses of variance (ANOVAs) were conducted to explore links between strategic planning policy and “the ground behaviour”; specifically in relation to integration and five items in the strategic planning component (see Sections 5.5.2 and 5.4.3).

Results of the analyses indicated that there was no interaction effect of nationality and industry on any of these dependent variables. With regard to integration, the main effect for nationality was found ( $F=127.70$ ,  $p<.001$ ), but neither the interaction effect (nationality x industry) nor the main effect for industry was found. This result was consistent with the finding in Chapter 5. With regard to the strategic planning component, a main effect for industry was found on two items; that is, expatriate managers’ sole control over decision-making ( $F=21.78$ ,  $p<.001$ ); and intervention from headquarters in management of its subsidiaries ( $F=11.49$ ,  $p<.001$ ). Results of these analyses are reported in Appendix III. These findings suggest that managers in the *sogo shosha* perceive a stronger influence by the head office over its subsidiary’s operation than do managers in manufacturing firms.

The above findings provide some evidence for different business philosophy held by the two types of industry, and the national groups. However, the measures used in the quantitative analyses do not appear to be sufficient and sensitive to detect links between management philosophy and practice consistently. Alternatively, formal policy and practice may be relatively disconnected in Japanese MNCs. Qualitative data available to the researcher can add support to the proposition that differences in practice do exist. In the course of conducting the research, the researcher had opportunities to have informal conversations with some of the respondents. Some interviews were recorded, others involved the researcher in writing notes after the interviews had taken place. In an informal and conversational setting, managers, in particular Japanese managers, may have been more willing to express ethnocentric attitudes than in a paper and pen questionnaire. In addition, the researcher being Japanese may have contributed to Japanese managers feeling more at liberty to say what they really thought about local managers. The following synopses from the transcribed interviews and the interview notes convey the differences in the strategic planning philosophy between the *sogo shosha* and manufacturing firms.

A Japanese expatriate manager from the *sogo shosha*, for example, was particularly ethnocentric in expressing his views:

We are not concerned about how Australian managers feel about their jobs or environment, or us. There is no point changing the way things are here or giving them more responsibilities, because Australian managers have no loyalty to our company. If they are not happy with the way we operate, they just simply quit the company and move on.

In contrast, a president of one of the manufacturing firms stress values of local work force:

We have to rely on Australian employees. We need their knowledge and language ability in touch with local market to sell our products. The way the *sogo shosha* operates is too old-fashioned and conservative to us.

A Japanese manager of the *sogo shosha* believed that Australian managers held different work values from his values.

I find it more stressful to work in this subsidiary than working in the head office. I work til mid night and weekends, and often miss lunch breaks. I have been here for a year, but have not even had a time to visit the famous opera house, which is around the corner from my office! The amount of work I am doing now used to be shared by 2 or 3 expatriates. But since the Japanese economy has been deteriorated, the head office started cutting down the number of expatriate managers. Although I had to work long hours when I was in Japan, so did everyone else. But here, I cannot expect Australians to do so. I feel alone because local peers do not understand what I have to go through every day.

Similarly, a Japanese manager in the *sogo shosha* expressed distrust between Australian and Japanese managers.

We (Japanese expatriate managers) often work till late, partly due to having meetings after work hours involving only us. We feel that it is easier and more efficient if we discuss in Japanese on certain matters among ourselves (Japanese expatriates). It takes too much time if we explain things in detail to locals or things get too complicated if we involve locals. If we have a meeting among us while local employees are still at work, they may suspect that we are talking about them behind their back, or are even engaging in some kinds of conspiracy. Thus, we just have to wait until they all disappear from the office to have substantial discussion among ourselves and communicate freely in Japanese.



Japanese managers in manufacturing firms tend to criticise international human resource management policies adopted by the *sogo shosha* as being ethnocentric, and emphasise the need to adopt localised human resource management policies in the manufacturing industry. The following statements by a former Japanese CEO of a manufacturing firm demonstrate differences in business function between the *sogo shosha* and manufacturing firms in relation to human resource management policies.

The major business function of the *sogo shosha* is to assist Japanese manufacturing firms in seeking overseas buyers who purchase Japanese manufacturing products. The *sogo shosha* can operate simply with the capital investment to establish a small representative office and sending a few expatriates to a foreign country. Their profits depend on the amount of transactions between their Japanese and overseas clients, and the percentage of commission derived from the transactions. The *sogo shosha* do not lose much money if they decide to cease the operation in the country, since the initial investment costs are small. On the other hand, if we, manufacturers, decide to operate in a foreign country, we are required to make a huge amount of plant investment to establish a factory, purchase equipment, and employ large numbers of local staff working for line operations. It is hard for us to close the operation in the country, because the large amount of initial operational costs can be wasted. Therefore, we cannot afford to make a loss for a long term. We need to stay in the country and make profits. Thus, we encourage local employees to take initiatives and contribute their knowledge and skills to the operation of the subsidiary.

A Japanese manager of a manufacturing company also emphasised the importance of localisation of management.

Manufacturers in general have clear mission statements or visions when they make direct overseas investment. Once a subsidiary is set up, business strategies are formed which are based upon local

rules and practices. We feel that it is important for us to reduce the number of Japanese expatriates and increase the number of local staff over time. Expatriates should be used as mediators between the head office and local staff, while local staff should be given job discretion and decision-making power. It seems that local staff only play supplemental roles to Japanese expatriate managers in the *sogo shosha*, while expatriates (based on the directives from the head office) manage the subsidiary. I was surprised to meet the number of expatriate managers working for the *sogo shosha* who are not interested in local managers' opinion or some do not even speak English enough to have a conversation with locals!

Qualitative evidence also suggests that the localisation of manufacturing firms has a positive effect on job satisfaction of local employees. A Japanese manager of manufacturing firm expressed his view on local managers' treatment in the organisation.

I will be surprised if Australian managers in our company say they want to quit, or they are not treated well in the organisation. They have financial incentives to stay with our company and are treated well. Sometimes I feel that our management regards too highly the "knowledge and skills" that local managers can offer. They are paid a bit too much.

The following comments from Australian managers in the *sogo shosha* and manufacturing firms demonstrate differences in levels of their satisfaction with the organisation.

An Australian manager in the *sogo shosha* said:

I feel it is unfair the way we are treated in our firm. I do not see myself staying in this firm much longer, cause I won't be able to get a senior position in this firm. Why? Because I am not Japanese.

Similarly, another Australian manager in the *sogo shosha* stated that:

I thought the *sogo shosha* would have a more global perspective. But our management team operates as if they were in Japan. We (Japanese and Australians) do not communicate each other so well. I don't think Japanese managers care about us or value our opinion.

On the contrary, an Australian manager from a manufacturing firm stated:

I chose this company because I wanted to get a job dealing with computers in a company with a good reputation, not because I was particularly interested in Japanese organisations or Japanese cultures. I happen to work for a Japanese owned firm. I am pretty happy with the type of work I am doing, the salary I receive, and the job autonomy I have.

Thus, the qualitative data suggest that there are links between management philosophy and practices derived from functions of industry types, which affect international human resource management strategies.

## 6.8 Discussion

This chapter examined the differences in work relations and work attitudes of Australian and Japanese managers between the two industries (the *sogho shosha* and manufacturing firms). Results showed that perceived work relations and work attitudes of employees in Japanese subsidiaries in Australia varied depending on the type of industry (i.e. the *sogo shosha* and manufacturing) in which they work, and on their nationality (i.e. Japanese expatriate managers or Australian local managers). When comparisons were made according to the respondent's nationality, significant differences in Australian managers' levels of job satisfaction and organisational commitment between the *sogo shosha* and manufacturing firms were found. Significant differences were also found between Australian managers in manufacturing firms and those in the *sogo shosha* in the way they perceived work relations with Japanese managers in general. Such differences were not found between the two industries for Japanese managers. In other words, work attitudes of Japanese managers were not dependent upon the type of industry to which they belonged. In addition, there was no significant difference between the *sogo shosha* and manufacturing industry in the way Japanese managers perceived their work relations with Australian managers in general.

In comparison to Australian managers in the *sogo shosha*, Australian managers in manufacturing firms perceived that they communicated with Japanese managers more openly and accurately at intergroup levels. Moreover, Australian managers in manufacturing firms perceived Japanese managers, as a group, more positively than did Australian managers in the *sogo shosha*. These results suggest that in comparison to the *sogo shosha*, manufacturing firms probably provide a more harmonious work environment and fairer treatment to local managers, so that local managers in

manufacturing firms tend to feel that their work relations with Japanese managers are relatively positive and effective. We argue that the function of Australian subsidiaries of Japanese manufacturing firms in Australia require knowledge and skills which are closely related to the local market and customers, and hence may affect performance of local subsidiaries. On the contrary, the function of Australian subsidiaries of the *sogo shosha* tends to limit opportunities to participate decision-making process or promotion for Australian managers. This coincides with the greater presence of expatriate managers and less modification of Japanese management styles employed in Japanese trading firms in Australia (Drysdale and Farrell, 1999).

Attitudinal differences of Australian managers between trading and manufacturing industries found in this study is consistent with the above argument. Less positive evaluation of Japanese managers held by Australian managers in the *sogo shosha* suggests that Australian managers may be frustrated with, or hold resentment for Japanese managers. This frustration would not be surprising if Japanese managers are not willing to share certain information (e.g. that which is received from the headquarters) with local managers, and if they are unwilling to grant autonomy to local managers so that they can perform their jobs as indicated by literature (Yasumuro, 1981; Thome and McAuley, 1992; Ishida, 1992).

In sum, it was argued that the structure of the firms affects international human resource management strategies, and hence, the firms' treatment of local employees. Findings of this chapter add the point that economic functions of industry have a significant impact upon work attitudes of local managers, and their perceptions of work environment. This further suggests that economic functions of industry directly relate to international human resource management policies adopted by MNCs. Furthermore, the findings raise the

possibility of ethnocentric attitudes held by Japanese managers in the *sogo shosha* which may create obstacles for the process of localisation of management and induce ethnocentric HRM policies. While these points are difficult to analyse quantitatively, the informal interviews undertaken by the researcher in the data collection process gave support for this argument. The links between management philosophy and practice should be further examined in the future study by using more refined measurement.

This chapter has attempted to identify macro and micro factors which may be associated with work attitudes of Australian managers and Japanese expatriate managers in Australian subsidiaries of Japanese multinational companies. Overall, findings in this chapter suggest that Australian managers' levels of job satisfaction and commitment are affected by the work environment through their work relations with Japanese managers. The economic functions of industry provide a certain work environment which may be favourable or unfavourable to local employees. The qualitative data are consistent with these findings and further suggest that the *sogo shosha* lag behind manufacturing firms in the integration of local managers into the organisation, and hence in the process of localisation of management. Furthermore it is suggested that Japanese managers in the *sogo shosha* tend to hold ethnocentric attitudes which hinder local managers' involvement in the decision-making process.

Further research is needed to incorporate other variables into micro (communication and liking) and macro factors (the type of industry) necessary for predicting levels of job satisfaction and commitment of Japanese and Australian managers. The findings of this chapter raise some questions worthy of further exploration. These are: 1) what other factors are associated with job satisfaction and commitment, for both Japanese and Australian managers?; and 2) are there any factors which influence job satisfaction and

commitment for Japanese managers, but not Australian managers? This topic is addressed in the next chapter with particular focus on organisational commitment.

## Chapter 7

# Determinants of Organisational Commitment of Japanese and Australian Managers in Japanese subsidiaries in Australia

### 7.1 Introduction

In the previous chapter, we compared Japanese expatriate managers and Australian managers in terms of their work attitudes (i.e. job satisfaction and organisational commitment) and perceived work relations (i.e. communication and liking) in the *sogo shosha* and manufacturing firms. It was found that managers' work attitudes and their perceptions of work relations with other national groups were dependent upon the industry to which managers belong and the nationality of managers. As hypothesised, Australian managers' work attitudes and their perceptions of work relations with Japanese managers significantly differed between the two industries assessed (i.e. trading and manufacturing). In contrast, Japanese managers' work attitudes and their perceptions of work relations with fellow Australian colleagues were fairly similar across the two industries. These findings raise the question: what are the common and/or unique factors that affect organisational commitment of Japanese and Australian managers working for Australian subsidiaries of Japanese MNCs? This chapter explores this question by testing the organisational commitment model developed in Chapter 3.

As described in Chapter 3, it is important for employers to understand the determinants of employees' organisational commitment, because organisational commitment is associated with employees' withdrawal behaviour, and hence the operational effectiveness of the firms. Thus, identifying the determinants of organisational



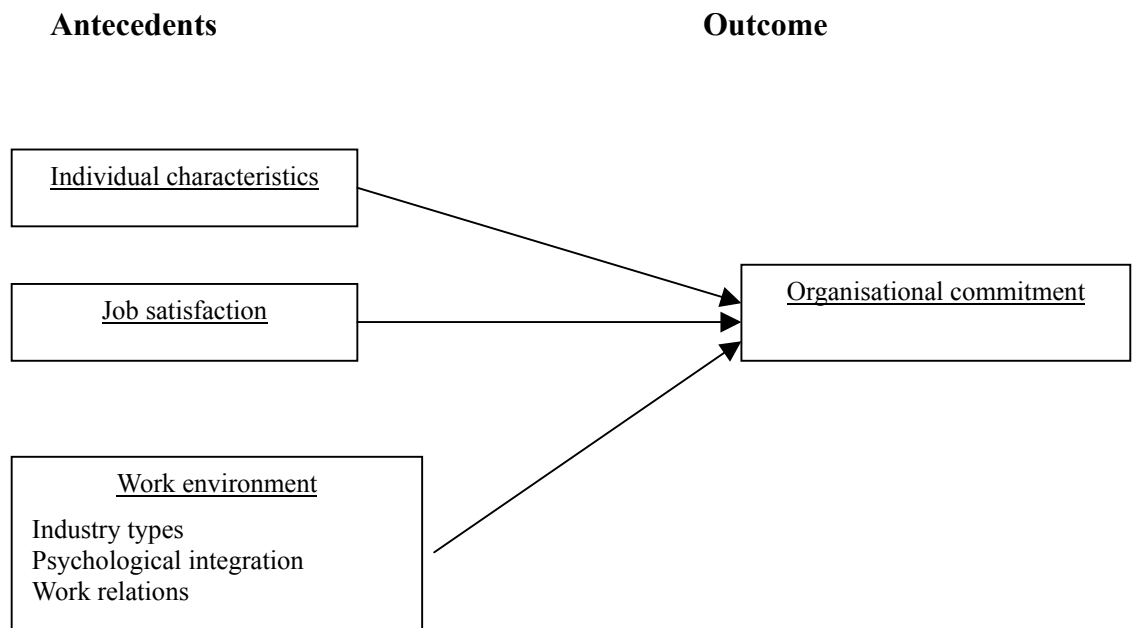
commitment of expatriate and local managers can help MNCs adopt effective human resource strategies, and hence operate successfully in international domains.

The organisational commitment model in this thesis was developed from a close examination of the domestic and expatriate turnover literature. Variables included in the model are: individual characteristics; job satisfaction; industry; integration; and work relations. Because of the small sample size, which causes a low subject to variable ratio in the regression analyses, a set of screening analyses are used to identify a subset of key variables that appear to be important in explaining organisational commitment. The important explanatory variables appearing in each regression analysis are taken forward to further analysis. In the final regression model, different kinds of predictors (individual, job satisfaction, work environment) can be compared with each other. This strategy minimises the number of predictors in the final regression equation, thereby preserving the degrees of freedom.<sup>11</sup> The theoretical relationships in the organisational model are illustrated below in Figure 7.1.

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<sup>11</sup> The strategy was used in the past studies (Braithwaite, 1990; Ahmed, Harris, Braithwaite and Braithwaite, forthcoming).

**Figure 7.1 Organisational commitment in multinational corporations**



The validity of the model is tested empirically by employing ordinary least square regression analysis, and is then followed by a discussion of the results and implications of the analyses. Measurement instruments are described in the next section.

## 7.2 Measurement instruments

### *7.2.1 Dependent variable (Organisational commitment)*

The organisational commitment scale developed by Porter and his associates (1974) comprised 15 items to measure three aspects of organisational commitment. The three aspects are: 1) belief and acceptance of the organisation's goals and values; 2) willingness to exert considerable effort on behalf of the organisation; and 3) desire to maintain

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membership in the organisation. The mean of the scale was 3.62 with a standard deviation of 0.55. The scale had an alpha reliability coefficient of 0.88, and the corrected item-total correlations ranged from 0.26 and 0.69 (see Section 4.5.4 in Chapter 4 for description, and Appendix II-3 for full set of items).

## *7.2.2 Independent variables*

### Individual characteristics

Individual characteristics variables to be examined are: 1) demographic variables including age, education and tenure; and 2) international variables including cross-cultural training, cultural exposure and language efficacy.

Age and educational qualifications were coded according to the following categorisation scheme: Age (1= under 30 years old, 2= 30-39, 3= 40-49, 4= 50-59, and 5= 60 and over); and Education (1= completed secondary school, 2= some or completed tertiary education /diploma, 3= some or completed tertiary education/ degree, and 4= some or completed postgraduate education). Tenure was measured in months. For the Japanese sample, tenure in the organisation and the length of time they had spent in the Australian subsidiary were both measured.

With regards to cross-cultural training, respondents were asked whether or not they had received any level of cross-cultural training for the present assignment. Responses were coded as 1=Yes and 2=No. Cultural exposure scales were constructed for the Japanese and Australian samples. The cultural exposure scale comprised three items that measured the degree of Japanese managers' familiarity with the Australian business culture, and the degree of Australian managers' familiarity with the Japanese business culture. For example, Australian respondents were asked whether or not they had visited Japan on

business purposes prior to the present assignment (see Appendix II-9 for full set of items). The mean of the scale for the Australian sample was 1.74, with a standard deviation of 0.36. The alpha reliability coefficient of the scale was 0.78, and the corrected item-correlations ranged between 0.55 and 0.77. As for the Japanese sample, the mean of the scale was 1.70, with a standard deviation of 0.32. The alpha reliability coefficient of the scale was 0.60, and the corrected item-correlations ranged from 0.28 to 0.53.

The language efficacy scale consisted of three items that measured the degree of Japanese language efficacy of Australian managers (see Appendix II-10 full set of items). They were asked whether or not they understood spoken Japanese well, had studied Japanese before or had studied in Japan. For the Japanese sample, a single item was used to check their efficacy with the English language. The question asked of them was, “have you ever used English for business purposes before the present assignment?”. Different questions were used for the Japanese and Australian samples because it was assumed that all Japanese managers in the sample had studied English before. The English language is a compulsory subject in secondary schools in Japan, whereas this is not the case with the Japanese language in Australian high schools. The language efficacy scale for the Australian sample had a mean of 1.85 and a standard deviation of 0.32. The scale had an alpha reliability coefficient of 0.90. The corrected item-total correlations ranged from 0.72 to 0.85.

#### Job satisfaction scale

The job satisfaction scale developed by O’Brien, Dowling and Kabanoff (1978) was employed in this study. The job satisfaction scale was comprised of 18 items which represent various facets of the job. The mean of the scale was 3.57 with a standard deviation of 0.58. The scale had an alpha reliability coefficient of 0.90, and the corrected

item-total correlations ranged from 0.28 and 0.77. Details of this scale were described in Section 4.5.3 in Chapter 4 and a full set of items was listed in Appendix II-2.

#### Industry variable

The companies used for this study were categorised into two industry types based on the industry classifications. These are trading (the *sogo shosha*) and manufacturing. Of the 12 firms surveyed, five firms were the *sogo shosha*, and the remaining seven firms were manufacturing firms. The *sogo shosha* was coded as 1, and manufacturing firms were coded as 2.

#### Integration scale

The integration scale features the degree of psychological integration of local employees into Japanese organisations. This scale was used in Chapter 5 to examine perceptual gaps between Japanese and Australian managers with regards to the issue of the inclusion of Australian managers into core culture. The following items comprised the integration scale: 1) The average Australian employee seeks responsibility and is capable of exercising self-control with respect to that responsibility; 2) Australians employed by MNCs with branches in Australia have just as much loyalty to the corporation as their colleagues from head office; and 3) Australian employees are generally more motivated to work well as result of an atmosphere of group harmony and cooperation than as a result of generous financial incentives.

From the Australian managers' point of view, this scale measures Australians' willingness "to be integrated" into the organisation. However, from the Japanese managers' point of view, the scale measures their willingness "to integrate" Australian managers into the organisation as legitimate corporate members (see Appendix II-1 for full items). The

scale had a mean of 2.55, with a standard deviation of 0.63. The alpha reliability coefficient of the scale was 0.70, and the corrected item total correlations ranged from 0.46 to 0.58.

#### Work relations scale

The work relations scale measures the quality of the instrumental relationships between Japanese expatriate and Australian managers. The scale was constructed by combining the intergroup communication and intergroup liking scales employed in the previous chapter, since the liking and communication scales were highly correlated ( $r=0.53$ ,  $p<.001$ ). It was revealed in previous chapter that the intergroup aspect of work relations was more important than the interpersonal aspect of work relations to the effectiveness of cross-cultural interactions within the organisation. Combining two scales to form a high order scale was preferred for use in a regression analysis. In this way, the possibility of multi-collinearity problem in the regression analysis is reduced. The work relations scales therefore comprised 12 items measuring aspects of communication and liking between the two national groups. Scores were aggregated and averaged, thereby ranged from 1 to 5. The mean of the scale was 2.97 with a standard deviation of 0.55. The scale had an alpha reliability coefficient of 0.86, and the corrected item-total correlations ranged from 0.45 to 0.69. Items are listed in Appendix II-8.

### 7.3 Analysis (1) Examination of individual characteristics variables and commitment

As mentioned earlier, background variables were examined separately to identify those that were and were not important in explaining commitment. Individual characteristics variables to be examined are demographic variables including age, education and tenure (in the Australian subsidiary and a MNC for the Japanese sample) as well as international variables which include cross-cultural training, language efficacy, and cultural exposure. Based on the findings in the domestic turnover literature, it is expected that age and tenure would be correlated, and both age and tenure would be positively related to organisational commitment. Education is expected to be negatively related to organisational commitment. Based on the expatriate turnover literature which was reviewed in Chapter 2, it is expected that managers who receive cross-cultural training, have good language skills and are familiar with the culture of an assigned country, would express high commitment to the organisation, while remaining in their overseas posting.

The analytical strategy was as follows. Firstly, Pearson product-moment correlations between individual variables (i.e. cultural exposure, language efficacy, cross-cultural training, age, education and tenure in a subsidiary and in an organisation) and organisational commitment were examined for the Japanese and Australian samples respectively. Secondly, organisational commitment was regressed on the six individual variables to find out which variables were most useful in explaining the outcome variable.

Results of the correlation analyses between the individual variables and organisational commitment for the Australian and Japanese samples are shown in Tables 7.1 and 7.2 respectively. For the Australian sample, the results indicate that education is the only background variable which is significantly negatively correlated with organisational

commitment ( $r = -0.28, p < .05$ ) (Table 7.1). This suggests that Australian employees with higher educational qualifications tend to have lower levels of commitment to the organisation than Australian employees with lower educational qualifications. In the Japanese sample, cross-cultural training and tenure in the Australian subsidiary were negatively related to commitment ( $r = -0.26, p < .05$  and  $r = -0.32, p < .01$  respectively). Since training was coded 1=Yes and 2=No, this suggests that Japanese managers who receive cross-cultural training tend to have higher levels of organisational commitment than Japanese managers who do not receive such training. Moreover, the longer Japanese managers work for the Australian subsidiary, the less they are committed to the organisation.

Some additional observations can be made from the correlation analyses. In the Australian sample, cultural exposure and language efficacy were significantly and positively correlated ( $r = 0.54, p < .001$ ). This suggests that Australians who have frequent business contacts with or trips to Japan tend to develop their language skills, or alternatively, Australians who are good at the Japanese language tend to choose the kinds of work dealing with Japan. Language efficacy was positively correlated with age ( $r = 0.34, p < .01$ ). Tenure was negatively correlated with cross-cultural training ( $r = -0.31, p < .01$ ). Consistent with past research, age and tenure were positively correlated ( $r = 0.31, p < .01$ ).

In the Japanese sample, tenure in the organisation and age were significantly positively correlated ( $r = 0.85, p < .001$ ). This result is expected, since the companies in this survey generally practice life-long employment for Japanese core-employees. Cultural exposure was negatively correlated with tenure in the Australian subsidiary ( $r = -0.37, p < .01$ ) and age ( $r = -0.30, p < .05$ ). Educational level was significantly negatively correlated with tenure ( $r = -0.27, p < .05$ ). This may be because having a university degree became a



prerequisite for employees in Japanese MNCs in recent years, but this was not the case a few decades ago.

Table 7.1 Pearson product-moment correlations between individual variables and organisational commitment of the Australian sample (N =66)

Variable	Mean	SD	1	2	3	4	5	6	7
1.Organisational commitment	3.63	0.59							
2.Cultural exposure	1.74	0.36	0.183						
3.Language efficacy	1.85	0.32	0.069	0.543***					
4.Cross-cultural training	1.55	0.50	0.067	-0.018	0.028				
5. Age	2.83	0.76	0.027	-0.012	0.335**	0.000			
6. Education	2.78	0.92	-0.284*	-0.104	-0.106	0.172	-0.121		
7. Tenure	123.80	87.12	0.204	0.001	0.074	-0.314**	0.311**	-0.144	-

\* $p < .05$ , \*\* $p < .01$ , \*\*\* $p < .001$

Table 7.2 Pearson product-moment correlations between individual variables and organisational commitment of the Japanese sample (N=67)

Variable	Mean	SD	1	2	3	4	5	6	7	8
1.Organisational commitment	3.61	0.52								
2.Cultural exposure	1.70	0.32	-0.094							
3.Language efficacy	1.13	0.34	-0.076	0.102						
4.Cross-cultural training	1.57	0.50	-0.255*	0.179	-0.186					
5. Age	2.76	0.75	-0.011	-0.300*	0.130	0.092				
6. Education	2.99	0.41	0.044	0.199	-0.094	-0.107	-0.062			
7.Tenure (Australia)	31.62	23.44	-0.321**	0.047	-0.103	0.052	0.020	0.139		
8. Tenure (HQ)	231.17	86.26	-0.010	-0.373**	-0.080	0.121	0.852***	-0.269*	0.082	

\* $p < .05$ , \*\* $p < .01$ , \*\*\* $p < .001$

Organisational commitment was regressed on the set of individual variables to find out which variables were most able to explain organisational commitment. Age was excluded from the regression model because age and tenure were highly correlated in both the

Australian and Japanese samples ( $r=0.31$ ,  $p<.01$  and  $r=0.85$ ,  $p<.001$  respectively). Results of the regression analysis confirmed the association between educational level and commitment for the Australian sample ( $Beta=-0.27$ ,  $p<.05$ ). For the Japanese sample, negative associations between tenure in the subsidiary and commitment ( $Beta =-0.34$ ,  $p<.01$ ), and cross-cultural training and commitment ( $Beta = -0.26$ ,  $p<.05$ ) dominated in regression equation, which was consistent with the previous analysis. The results are shown in Tables 7.3 and 7.4 below.

Table 7.3 Regression results of organisational commitment on individual variables for the Australian sample (N= 63)

Variables entered	Standardised Beta	T-statistic	Sig.
Cultural exposure	0.210	1.469	0.147
Language	-0.097	-0.673	0.504
Cross-cultural training	0.193	1.512	0.136
Education	-0.272	-2.216	0.031
Tenure (subsidiary)	0.232	1.820	0.074
Tenure (HQ)	-		
R square	0.169		
Adjusted R square	0.098		
F statistic	2.365		
Sig.	0.051		

Table 7.4 Regression results of organisational commitment on individual variables for the Japanese sample (N= 63)

Variables entered	Standardised Beta	T-statistic	Sig.
Cultural exposure	-0.010	-0.073	0.942
Language	-0.148	-1.192	0.238
Cross-cultural training	-0.262	-2.054	0.045
Education	0.064	0.502	0.618
Tenure (subsidiary)	-0.335	-2.745	0.008
Tenure (HQ)	0.051	0.375	0.709
R square	0.189		
Adjusted R square	0.104		
F statistic	2.216		
Sig.	0.054		

Based on the above results, three variables representing individual characteristics of managers, (i.e. education, tenure in the Australian subsidiary and cross-cultural training) are taken forward for further analysis. Overall, it should be recognised that individual variables all together accounted for only a small proportion of the variance in organisational commitment (9.8% and 10.4% for the Australian and Japanese samples respectively).

## 7.4 Analysis (2) Testing the commitment model

### 7.4.1 Overview

Previous analyses showed that education was significantly related to commitment of Australian managers, while tenure in the subsidiary and cross-cultural training were significantly related to commitment of Japanese managers. These three individual variables are taken forward into the regression model for predicting factors affecting organisational commitment of Australian and Japanese managers. The organisational commitment model therefore includes the following seven variables: 1) education; 2)

tenure; 3) cross-cultural training, 4) job satisfaction; 5) industry; 6) integration; and 7) work relations. The regression model is described as follows:

$$OC = a + b_1 (E) + b_2 (T) + b_3 (CCT) + b_4 (JS) + b_5 (I) + b_6 (IN) + b_7 (WR) + e$$

Where

<i>OC</i>	=	Organisational Commitment
<i>E</i>	=	Education
<i>T</i>	=	Tenure
<i>CCT</i>	=	Cross-Cultural Training
<i>JS</i>	=	Job Satisfaction
<i>I</i>	=	Industry
<i>IN</i>	=	Integration
<i>WR</i>	=	Work Relations

As discussed in Chapter 3, job satisfaction is expected to be positively related to organisational commitment of both Australian and Japanese managers. Managers who are satisfied with various work domains would have a positive outlook on the organisation and develop an affective response to the organisation. In the previous chapter, significant differences in work attitudes of Australian managers between the *sogo shosha* and manufacturing firms were found, while no differences in the work attitudes of Japanese managers between trading and manufacturing industries were found. Thus, the hypothesised associations between the three variables (i.e. industry, integration, and work relations) which possibly shape a work environment, and organisational commitment are as follows: Industry is expected to be positively related to organisational commitment of Australian managers, but not of Japanese managers. Psychological integration of local managers is expected to be positively related to organisational commitment of Australian managers, but not of Japanese managers. For the Japanese managers, the acceptance of local managers is expected to be unrelated to their corporate memberships in the organisation, thus does not relate to organisational commitment. The work relations variable is expected to have a positive association with organisational

commitment of both Japanese and Australian managers.

Before testing the organisational commitment model, Pearson product-moment correlation analyses for both Australian and Japanese samples were conducted to examine correlations between independent variables and organisational commitment. Results are shown in Tables 7.5 and 7.6.

Table 7.5 Pearson product-moment correlations of independent variables and organisational commitment of the Australian sample (N=66)

Variable	Mean	SD	1	2	3	4	5	6	7	8
1.Organisational commitment	3.63	0.59								
2. Education	2.77	0.92	-0.284*							
3. Tenure	123.80	87.12	0.204	-0.144						
4. Cross-cultural training	1.55	0.50	0.067	0.172	-0.314**					
5.Job satisfaction	3.61	0.61	0.569***	-0.175	-0.120	0.221				
6. Industry	1.45	0.50	0.419***	-0.006	0.099	0.222	0.355**			
7. Integration	2.99	0.45	0.027	0.008	-0.139	0.278*	0.119	0.067		
8.Work relations	2.87	0.53	0.484***	-0.033	0.079	0.031	0.426***	0.415***	-0.204	

\* $p < .05$ , \*\* $p < .01$ , \*\*\* $p < .001$

Table 7.6 Pearson product-moment correlations of the independent variables and organisational commitment of the Japanese sample (N=67)

Variable	Mean	SD	1	2	3	4	5	6	7	8
1.Organisational commitment	3.61	0.52								
2. Education	2.99	0.41	0.044							
3. Tenure	31.62	23.44	-0.321**	0.139						
4. Cross-cultural training	1.57	0.50	-0.255*	-0.107	0.052					
5.Job satisfaction	3.54	0.54	0.514***	0.038	0.005	-0.068				
6. Industry	1.46	0.50	0.107	-0.040	-0.161	-0.337**	-0.102			
7. Integration	2.11	0.43	0.215	-0.165	-0.156	-0.143	0.150	0.175		
8.Work relations	3.06	0.56	0.246*	-0.205	-0.120	-0.132	0.267*	-0.043	0.353**	

\* $p < .05$ , \*\* $p < .01$ , \*\*\* $p < .001$

Significant correlations found in the above analyses between individual variables and organisational commitment were in the hypothesised direction. For the Australian sample, job satisfaction, industry and work relations were significantly positively correlated with

organisational commitment at .001 level ( $r=0.57$ ;  $r=0.42$ ;  $r=0.48$  respectively). Education was significantly negatively correlated with organisational commitment ( $r=-0.28$ ,  $p<.05$ ). Results of correlation analysis suggest that Australian managers who are satisfied with their jobs, who work for manufacturing firms, and perceive positive work relations with Japanese colleagues are likely to commit to the organisation. Moreover, Australian managers who are more educated are likely to express lower commitment to the organisation than those who are less educated.

As for the Japanese sample, job satisfaction and work relations were found to be positively correlated with organisational commitment ( $r=0.51$ ,  $p<.001$ ,  $r=0.25$ ,  $p<.05$  respectively). Tenure in the subsidiary and cross-cultural training was negatively correlated with organisational commitment ( $r=-0.32$ ,  $p<.01$ ;  $r=-0.26$ ,  $p<.05$ ). Results suggest that the longer Japanese managers spend in an overseas subsidiary, the less they become committed to the organisation. Among Japanese managers, those who are satisfied with their jobs, and perceive positive work relations with Australian managers and receive cross-cultural training are more likely to committed to the organisation. In the next section, these relationships are further examined.

#### *7.4.2 Australian sample*

An ordinary least squares regression analysis testing the commitment model for the Australian sample produced the standardised beta coefficients presented in Table 7.7. As expected, job satisfaction and work relations were significantly positively related to organisational commitment ( $Beta=0.40$ ,  $p<.001$  and  $Beta=0.24$ ,  $p<.05$  respectively). A positive association between tenure and organisational commitment also emerged ( $Beta=0.20$ ,  $p<.05$ ). No significant associations between integration and commitment, or between industry and commitment were found. The adjusted r-squared value was 0.438.

Thus, the predictors explained about 44% of the variation in organisational commitment among Australian managers. The overall F statistic for the regression model was 8.02 ( $p<.001$ ), indicating that the predictors, collectively, were significantly related to Australian managers' organisational commitment.

Table 7.7 Regression results for the Organisational Commitment Model for the Australian sample (N= 63)

Variables entered	Standardised Beta	T-statistic	Sig.
Education	-0.181	-1.820	0.074
Tenure	0.204	1.981	0.052
Cross-cultural training	0.022	0.200	0.842
Job satisfaction	0.398	3.477	0.001
Industry	0.151	1.362	0.179
Integration	0.042	0.404	0.688
Work relations	0.238	2.056	0.044
R square	0.501		
Adjusted R square	0.438		
F statistic	8.020		
Sig.	0.000		

#### 7.4.3 Japanese sample

The results of the ordinary least square regression analysis testing the commitment model for the Japanese sample are presented in Table 7.8. Tenure and job satisfaction were found to be significant predictors of organisational commitment. As hypothesised, job satisfaction was positively related to organisational commitment ( $Beta=0.48$ ,  $p<.001$ ). Tenure in the subsidiary was negatively related to organisational commitment ( $Beta=-0.3$ ,  $p<.01$ ). As expected, neither industry nor integration appeared to be significant predictors of the organisational commitment of Japanese managers. In addition, work relations was not found to be a significant predictor. The adjusted R-square was 0.348, which accounted for about 35% of the variation in the organisational commitment in the Japanese sample. The overall F statistic for the model was 5.73 and was significant

( $p < .001$ ).

Table 7.8 Regression results for the Organisational Commitment Model for the Japanese sample (N= 62)

Variables entered	Standardised Beta	T-statistic	Sig.
Education	0.072	0.670	0.506
Tenure	-0.302	-2.852	0.006
Cross-cultural training	-0.168	-1.497	0.140
Job satisfaction	0.483	4.470	0.000
Industry	0.047	0.411	0.683
Integration	0.055	0.489	0.627
Work relations	0.056	0.477	0.635
R square	0.422		
Adjusted R square	0.348		
F statistic	5.726		
Sig.	0.000		

#### 7.4.4 Testing mediation

As mentioned earlier, organisational commitment of the Australian sample was significantly and positively correlated with job satisfaction ( $r=0.57$ ,  $p < .001$ ), industry ( $r=0.42$ ,  $p < .001$ ), and work relations ( $r=0.48$ ,  $p < .001$ ), while negatively correlated with education ( $r=-0.28$ ,  $p < .05$ ). Organisational commitment of Japanese managers was positively correlated with job satisfaction ( $r=0.51$ ,  $p < .001$ ) and work relations ( $r=0.25$ ,  $p < .05$ ), while negatively correlated with tenure in the Australian subsidiaries ( $r=-0.32$ ,  $p < .01$ ) and cross-cultural training ( $r=-0.26$ ,  $p < .05$ ).

In addition, significant and positive correlations were found among the independent variables for the Australian sample: between industry and work relations ( $r=0.42$ ,  $p < .001$ ), job satisfaction and industry ( $r=0.36$ ,  $p < .01$ ), and job satisfaction and work relations ( $r=0.43$ ,  $p < .001$ ). As for the Japanese sample, significant positive correlations were also found between some of the independent variables. Work relations was



positively correlated with job satisfaction ( $r=0.27, p<.05$ ) and with integration ( $r=0.35, p<.01$ ). Industry was negatively correlated with training ( $r=-0.34, p<.01$ ).

The presence of such correlations, in particular between job satisfaction and work relations, in both samples raises interest in determining whether or not job satisfaction mediates the effect of the work relations variable on organisational commitment. This section examines whether or not the job satisfaction variable functions as a mediator of the link between the work relations variable and organisational commitment. Three regression analyses were performed for the Australian and Japanese samples respectively to examine any mediating effect the job satisfaction variable might have. In the first regression equation, job satisfaction was regressed on education, tenure, cross-cultural training, industry, integration and work relations. In the second regression equation, organisational commitment was regressed on education, tenure, cross-cultural training, industry, integration, and work relations. Finally, organisational commitment was regressed on education, tenure, cross-cultural training, industry, integration, work relations and job satisfaction in the third equation. These three regression models are described as follows:

Model 1:

$$JS = a + b_1 (E) + b_2 (T) + b_3 (CCT) + b_4 (I) + b_5 (IN) + b_6 (WR) + e$$

Model 2:

$$OC = a + b_1 (E) + b_2 (T) + b_3 (CCT) + b_4 (I) + b_5 (IN) + b_6 (WR) + e$$

Model 3:

$$OC = a + b_1 (E) + b_2 (T) + b_3 (CCT) + b_4 (JS) + b_5 (I) + b_6 (IN) + b_7 (WR) + e$$

Where

*OC* = Organisational Commitment  
*E* = Education  
*T* = Tenure  
*JS* = Job Satisfaction  
*I* = Industry  
*IN* = Integration  
*WR* = Work Relations

To establish mediation, the following three types of relationships must be observed in each regression equation (Baron and Kenny, 1986). Firstly, the independent variable (work relations) must have a significant effect on the mediator (job satisfaction) in Model 1. Secondly, the independent variable (work relations) must be significantly related to the dependent variable (organisational commitment) in Model 2. Thirdly, the mediator (job satisfaction) must be significantly associated with the dependent variable (organisational commitment) in Model 3. Finally, if these conditions are satisfied, the standardised beta coefficient of the work relations variable must decrease when job satisfaction is included in the regression model.

Table 7.9 shows the results of the three regression analyses for the Australian sample. It was found that: 1) the work relations variable was a significant predictor on job satisfaction ( $Beta=0.38, p<.01$ ) in Model 1; 2) work relations variable was significantly and positively related to organisational commitment ( $Bet =0.39, p<.01$ ) in Model 2; 3) job satisfaction was significantly positively related to organisational commitment ( $Beta=0.40, p<.001$ ) in Model 3, and 4) the standardised beta coefficient of the work relations variable decreased when job satisfaction was entered in regression model from 0.39 ( $p<.01$ ) in Model 2 to 0.24 ( $p<.05$ ) in Model 3. Thus, the relationship between work relations and organisational commitment for the Australian sample was partially mediated by job satisfaction. The work relations variable alone predicts organisational commitment as well as having an indirect effect on organisational commitment mediated by job

satisfaction. In contrast, no mediating effect of job satisfaction was found in the Japanese sample.

Table 7.9 Regression results for testing a mediating effect of job satisfaction in the organisational commitment model for the Australian sample (N= 63)

	<u>Model 1</u> Predicting Job Satisfaction	<u>Model 2</u> Predicting Organisational commitment	<u>Model 3</u> Predicting Organisational Commitment
Variables entered	Standardised Beta	Standardised Beta	Standardised Beta
Education	-0.203	-0.262*	-0.181
Tenure	-0.139	0.149	0.204*
Cross-cultural training	0.125	0.072	0.022
Industry	0.172	0.219	0.151
Integration	0.133	0.094	0.042
Work relations	0.382**	0.390**	0.238*
Job satisfaction	-	-	0.398***
R square	0.319	0.393	0.501
Adjusted R square	0.247	0.329	0.438
F statistics	4.450	6.147	8.020
Sig.	0.001	0.000	0.000

\* $p < .05$ , \*\* $p < .01$ , \*\*\* $p < .001$

Table 7.10 Regression results for testing a mediating effect of job satisfaction in the organisational commitment model for the Japanese sample (N=62)

	<u>Model 1</u> Predicting Job Satisfaction	<u>Model 2</u> Predicting Organisational commitment	<u>Model 3</u> Predicting Organisational Commitment
Variables entered	Standardised Beta	Standardised Beta	Standardised Beta
Education	0.090	0.116	0.072
Tenure	0.020	-0.292*	-0.302**
Cross-cultural training	-0.054	-0.194	-0.168
Industry	-0.119	-0.011	0.047
Integration	0.095	0.102	0.055
Work relations	0.242	0.173	0.056
Job satisfaction	-	-	0.483***
R square	0.098	0.211	0.422
Adjusted R square	0.002	0.127	0.348
F statistics	1.018	2.052	5.726
Sig.	0.423	0.032	0.000

\* $p < .05$ , \*\* $p < .01$ , \*\*\* $p < .001$

## 7.5 Discussion

This chapter examined empirically seven variables (i.e. education, tenure, cross-cultural training, industry, integration, work relations and job satisfaction) as potential predictors of organisational commitment of Australian and Japanese managers respectively. It focuses on individual experiences, work experiences and work environments within the organisation. Results of the regression analyses show that the development of commitment to the organisation of Australian managers was largely a function of job satisfaction and work relations. Education was also a factor in predicting lower commitment. The effect of integration on commitment was not significant. Industry type did not appear to be a significant predictor of organisational commitment. In the case of Japanese managers, the development of commitment to the organisation was largely a function of job satisfaction. In addition, tenure in the Australian subsidiary had a significant negative effect on commitment. None of the three variables which may shape work environments (i.e. industry, integration and work relations) had a significant effect on organisational commitment. Thus, these results suggest that Australian managers tend to feel committed to the organisation as a result of positive work experiences both through the job they are engaged in, as well as their relationships with fellow Japanese managers. Japanese managers, however, tend to develop their affective response to the organisation as a result of increased positive work experiences, but not through their relationships with Australian managers.

Past studies on organisational commitment in the international context have paid little attention to the relationship between expatriate and local managers. Results of this study have identified work relations as an important direct and indirect predictor of commitment of Australian managers. The results suggest that positive work relations

with Japanese expatriate managers increase levels of job satisfaction, resulting in enhanced organisational commitment of Australian managers. As for Japanese managers, positive work relations with local managers do not affect their levels of commitment to the organisation.

The differences in results between Japanese and Australian managers may be partially explained by the theory of cooperation in groups developed by Tyler (1999) and Tyler and Blader (2000). As discussed in Chapter 6, voluntary cooperative behaviour of organisational members is shaped by: 1) the judgements of the status of their organisation, relative to other organisations; and 2) the assessments of their status within the organisation. The former, according to Tyler (1999), is categorised as pride and the latter as respect. As suggested previously, Japanese managers are likely to identify themselves with the parent firm. As a result, Japanese managers' respect may reflect their assessment of how the parent firm treat them rather than how Australian managers treat them. Japanese managers may evaluate their treatment by the parent company through various job domains. If Japanese managers are satisfied with their jobs in terms of wages, job autonomy and job challenge they may perceive the headquarters as being fair to them and treating them with respect and pride. Thus, the perceived work relations with members of the other group within the organisation may not affect Japanese managers' willingness to engage in voluntary cooperative behaviours to help the organisation.

By contrast, the social identities of Australian managers within Japanese organisations with regard to respect, are largely determined by their assessments about their status within the organisation. Thus, their perceptions of how others, such as Japanese managers evaluate them influences the extent to which they engage in cooperative behaviour. Their perceptions of their status are gained through interactions with Japanese managers in the

subsidiary. This means positive interactions with Japanese managers are likely to lead to Australian managers having a favourable perception of their status. Thus, positive work relations with Japanese managers at the group level may enhance Australian managers' commitment to the organisation. At the same time, positive work relations contribute to creating positive work experiences for Australian managers by increasing levels of job satisfaction, and hence develop organisational commitment through work experiences. The positive relationship between work relations and work attitudes for the Australian managers suggests that improved intercultural communication skills may enhance local managers' work attitudes. Although cross-cultural training did not appear as a predictor of commitment of Australian managers in this study, the effective use of this training may indirectly increase organisational commitment.

The integration variable used in this study measured the degree of psychological integration of local employees into Japanese organisations. As expected, the integration variable had little impact upon commitment of Japanese managers. The most likely explanation for this result is that Japanese managers become legitimate corporate members through acculturation by the head office (as discussed in Chapter 5). Thereby, their status within the organisation, and hence their psychological attachment to the organisation are not related to their perceptions of the status of Australian managers. Further research is needed, however, to test these hypotheses directly.

In the case of Australian managers, the integration variable was expected to have a positive impact upon the development of their commitment to the organisation. This was because their social identities were influenced by their judgements of how Japanese managers evaluated them. However, no significant association emerged between integration and commitment.

Contrary to expectation, industry did not appear as a significant predictor for the commitment of Australian managers. However, the significant and positive correlations between industry and work relations suggest that the economic function of industry may influence Australian managers' judgements of their status within the organisation. Findings in the previous chapter show that Australian managers in manufacturing firms have more positive work attitudes and perceive work relations with Japanese managers more positively than Australian managers in the *sogo shosha*. Manufacturing firms may create a work environment where the status relevant information of Australian managers is more positively communicated by Japanese managers, compared with the environment created by the function of *the sogo shosha*. Thus, the functional differences in industries and their relevance to work relations and work attitudes needs to be further explored in future studies. The trading or manufacturing distinction was not a predictor of commitment for Japanese managers, nor was it correlated with any other variable included in the commitment model. This suggests that the functional differences in the two industries do not influence the way Japanese managers perceive themselves and Australian managers, or their affective responses to their job and the organisation.

Gregersen and Black (1992) argue that the more an employee perceives an organisation as supportive and dependable, the greater his/her levels of commitment to the organisation. Tenure in the Australian subsidiary was negatively associated with commitment of Japanese managers. This may be because the longer Japanese managers' international assignments become, the more they may feel that they are being gradually excluded from the career ladder and corporate membership. Japanese managers may regard this as unfair treatment by the parent firm, and they perceive that their status within the organisation is lowered. As a result, the trusting relationship between the organisation

and Japanese managers may be placed under strain, and thereby decrease commitment to the organisation. This result suggests that the head office should clearly inform expatriate managers about the duration of the assignment, prospects of repatriation, and the status of their overseas experiences. With regards to Australian managers, tenure appeared as a significant predictor of organisational commitment. As described in Chapter 3, this may be due to tenure being related to differences in job status and quality.

In sum, the findings from this chapter contribute to our understanding of organisational commitment in international settings, and provide useful insights to researchers and practitioners. In particular, it has been found that cross-cultural relationships play a significant role in shaping Australian managers' commitment to the organisation. Implications of findings in this chapter are further discussed in the following concluding chapter.



## **Chapter 8**

### **Conclusion**

#### 8.1 Overview

Studies of expatriate adjustment offer a theoretical basis for constructing a conceptual model for organisational commitment in an international setting. In addition, these studies have identified work and non-work factors associated with intercultural relationships in MNCs. Examination of expatriate studies indicates, however, that very few attempts have been made to examine the social dynamics between expatriate and local managers or the effect of their relationships upon their work attitudes. To fill these gaps, this research has developed an organisational commitment model which provides a structure that assists in predicting organisational commitment of expatriate and local managers in cross-cultural settings. This organisational commitment model was built on previous research and utilised insights from several disciplines and theoretical perspectives. The model demonstrates a new way to relate social dynamics and economic function to work attitudes of managers within multinational organisations. A theoretical framework developed in this research explaining organisational commitment of expatriate and local managers in MNCs contributes toward a deeper understanding of the organisational commitment constructs in international settings.

International business studies indicate that the structure of Japanese MNCs may be a cause of conflict between expatriates and local employees in Japanese MNCs (Wong, 1996; Thome and McAuley, 1992). However, these studies have not specified which structure may have a negative impact upon intercultural interactions in Japanese MNCs. This thesis has focused on the head office-subsiidiary relationship characterised by the

strategic planning management style and the economic functions of the *sogo shosha* and manufacturing industry. The former was examined in relation to differences in business values and beliefs between Australian and Japanese managers, and the latter with respect to the cross-cultural work relationship (i.e. communication and liking) and work attitudes of Australian and Japanese managers (i.e. job satisfaction and organisational commitment).

The major findings of this research are that:

- 1) psychological barriers as well as structural barriers hinder integration of local managers into Japanese MNCs;
- 2) differences in economic functions between the two industries (the *sogo shosha* and manufacturing firms) affect the cross-cultural work relationship between expatriate and local managers;
- 3) these economic functions affect work attitudes of local managers; and
- 4) the positive cross-cultural work relationship between Japanese expatriate and local managers has positive impacts upon organisational commitment of local managers.

The importance and implications of each major finding will be discussed in detail below.

## 8.2 Structural and psychological barriers to integration of local managers into Japanese MNCs

The integration of local managers into organisations is necessary for healthy organisational growth and for the localisation of human resource policies as operations of MNCs rapidly expand across national boundaries. Tolich, Kenney and Biggart (1999, 587) argue that “integrating native-born managers into an organisation is a crucial step in

ensuring the operational continuity of a multinational enterprise. Indigenous managers, in order to be effective, must become personally and professionally integrated into an alien authority structure". In empirically examining differences in business attitude between Japanese expatriates and Australian managers, it was found that psychological barriers as well as structural barriers hinder integration of local managers into Japanese MNCs. The results suggest that structural and psychological barriers are mutually reinforcing.

It has been shown in Chapter 5 that the strategic planning style of management which is characterised by strong head office control is often used in Japanese MNCs. This management style induces ethnocentric staffing policies, which limits the autonomy of overseas subsidiaries, and leads to the structural exclusion of local employees in relation to operational decisions and promotional opportunities. This exclusion may become a source of distrust and conflict between expatriate managers and local managers, causing local managers to become frustrated by their limited opportunities and managerial power. These research findings showed that neither Japanese nor Australian managers fully supported the strategic planning style of management. Both Australian and Japanese managers agreed with the retention of the upper management function and with the practice of reserving certain key positions in a subsidiary for expatriates, while they did not agree with giving sole authority to individual Japanese expatriate managers. These findings suggest that although both Japanese and Australian managers recognise that they have differing roles, they do not agree with structurally depriving local managers of managerial opportunities. The lowering of structural barriers to integration of local managers could be achieved without difficulties should the parent firm take the initiative to do so.

In terms of corporate membership, a significant difference in perception between Australian and Japanese managers was found in this research. Australian managers

showed their willingness to make efforts to become integral parts of Japanese organisations. However, Japanese managers did not recognise Australian managers' ability and willingness to do so. What is apparent from these findings is that the practice of exclusion of local managers currently embedded in the management structure of Japanese MNCs is derived from Japanese managers' distrust of Australian managers. Psychological barriers to integration of local managers may be more difficult to overcome than structural barriers, because the change can only be made at an individual rather than an organisational level. Expatriate managers have to learn to trust local managers individually. Structural changes alone may result in "shadow management" in overseas subsidiaries. Thus, structural changes need to be accompanied by psychological changes in the mind-set of individual managers in order to achieve real integration of local managers.

As mentioned in Chapter 2, with a few exceptions, most studies focused on the implications of localisation from organisational perspectives rather than employees' perspectives. Even the studies which took employees' perspectives into account heavily focused on expatriate managers, but neglected local employees. This thesis includes perspectives from both expatriates and local employees. It is suggested that the social dynamics in the organisation need to be taken into account in the process of localisation. The research findings indicate that psychological barriers as well as structural barriers hinder integration of local managers into Japanese MNCs. These findings provide a broader perspective for understanding how organisations can implement localisation of management and integrate local managers into the organisations.

### 8.3 The effects of economic function on cross-cultural relationships and work attitudes

The findings of this thesis show that cross-cultural work relationships and work attitudes of managers are dependent upon the industry to which they belong, and the nationality of the managers. Australian managers working for manufacturing firms perceived more effective communication with Japanese colleagues and evaluated them more positively than Australian managers working for the *sogo shosha*. Moreover, Australian managers in manufacturing firms were more satisfied and committed to their organisations than those in the *sogo shosha*. However, as for Japanese managers, no significant differences were found between the two industries in terms of the managers' levels of job satisfaction, organisational commitment or work relations with Australian managers.

Why then does the type of industry have a significant effect on perceptions and work attitudes of Australian managers, but not on those of Japanese managers? This difference in attitude may be explained by status differences held by Japanese and Australian managers in Japanese organisations and by what defines their social identities. The economic functions of manufacturing firms may create a more positive work environment for Australian managers and give fairer treatment to Australian managers. Australian managers in manufacturing firms may feel more satisfied with their jobs than those in the *sogo shosha* because they experience more opportunities to become involved in management. Moreover, the functions of manufacturing firms may enable Japanese managers to accept more easily integration of local managers into the organisation than is the case with the *sogo shosha*. Australian managers in manufacturing firms may feel a sense of belongingness to the organisation more so than those in the *sogo shosha*. Thus, the type of industry affects work attitudes of local managers more so than that of Japanese expatriate managers. In addition, the findings in this thesis raise the possibility of ethnocentric attitudes held by Japanese managers in the *sogo shosha* which may create an

obstacle for organisations internationalising their operations.

The qualitative evidence supported the above arguments. In the interviews, Japanese managers in the *sogo shosha* showed ethnocentrism and distrust of Australian managers, whereas Japanese managers in manufacturing firms emphasised the importance of the localisation of management and valued respecting local managers' knowledge and skills. Australian managers in the *sogo shosha* perceived ethnocentric HRM policies used in their organisations and expressed dissatisfaction with their job and/or the organisation. On the other hand, Australian managers in manufacturing firms perceived fair treatment by the organisation and showed satisfaction with their work environment.

The findings in this research provide new perspectives in the fields of international business, organisational behaviour and social psychology by showing that economic functions related to particular industries have significant effects on cross-cultural interactions and work attitudes of managers in particular, local managers. The significant role of work relations in understanding organisational commitment of Australian managers affirms the value of incorporating these variables into future research of employees' work attitudes. The findings suggest that the *sogo shosha* lag behind manufacturing firms in the integration of local managers into the organisation, and hence in the process of localisation of management. The *sogo shosha* may need to review the way they operate in an effort to obtain better intercultural relations among employees in their subsidiaries.

#### 8.4 The limitations of this thesis

The current findings provide strong support for the importance of a positive cross-cultural

relationship at work on shaping organisational commitment of local managers in Japanese MNCs. However, this study is not without its drawbacks.

As an initial step in understanding the relationship between organisational structures, cross-cultural relationships and organisational commitment in MNCs, focus has been placed upon the patterns of current association between predictor variables and the outcome. A longitudinal design would provide an understanding of whether or not work values and beliefs of expatriate and local managers and their perceptions of each other change over time, and may enrich the interpretations of results. Future research in this field, therefore, may need to adopt a longitudinal design.

Replacing cross-sectional studies by longitudinal studies will not solve the problems of confounded measures or constructs. Progress in understanding organisational commitment in the international setting requires greater attention to the conceptual and measurement issues as well as to the processes linking other potential variables to organisational commitment, such as the head office-expatriate relation, trust and procedural/distributive justice.

This study demonstrates the link between the type of industries and work attitudes of local managers. Further investigation is needed to include industries other than trading and manufacturing firms. Moreover, variables which specify economic functions of each industry should be included.

This study used the self-reporting survey method. The method has both strengths and weaknesses that arise from the subjective nature of the data it produces. One of the main aims of this study was to demonstrate the importance of subjective data such as

perceptions and cross-cultural interactions in understanding organisational commitment. By the same token, researchers have raised concerns about the dangers of method variance when both independent and dependent variables come from the same person and are collected at the same point of time. Mood state or a desire to create a certain impression can result in artificially high conditions between independent and dependent variables (Williams and Brown, 1994). It would be interesting, therefore, to obtain behavioural data such as actual turnover and absenteeism from the organisation files, and examine the effect of employees' attitudes on their behaviour. On the other side, the qualitative insights suggested that there may be value in unstructured face to face interviewing in the future to tap the more subtle aspects of ethnocentrism at work. The more general point is that ideally scientific conditions are based on data collected using different methods where these different methods reveal relationships between independent and dependent variables that substantially similar.

The major drawback related to research method in this thesis is the small sample size. In particular, the small sample size raises questions concerning statistical power and generalisability. There would be considerable difficulties in increasing the numbers of the matching sample (expatriate-local pair) in Australia, because of the small numbers of Japanese expatriate managers in total in Australian subsidiaries. An obvious limitation for the generalisability of the results derives from the fact that the sample consisted of only two nationality groups, Japanese and Australian employees. Future studies may extend samples from American, Asian, or European subsidiaries of the MNCs used in this study, and compare work attitudes of expatriate and local employees across countries.

In addition, although the commitment model developed in this study provided a better understanding of organisational commitment of expatriate and local managers, other



factors affecting organisational commitment of both managers need to be further explored. This research did not measure some of the variables being regarded as important predictors of the adjustment of expatriate managers in the expatriate literature. Including these variables such as spouse and family adjustment, personality traits, role conflict and role ambiguity might help us explain organisational commitment of Japanese expatriate managers.

## 8.5 For the successful operation of MNCs

One of the major findings of this research is that positive cross-cultural relationships have significant direct and indirect impacts upon organisational commitment of local managers. More specifically, favourable work relations with Japanese expatriates, together with job satisfaction, have a significant impact upon the organisational commitment of Australian managers. The importance of positive cross-cultural interactions and their effect on well-being and compliance behaviour of Australian managers is understood in this thesis in terms of the individual's need for a positive social identity. For Australians, having a high social status in the work place may be determined by their relations with Japanese managers. It is argued in Chapter 7 that Australian managers hold relatively lower status positions than their Japanese counterparts within Japanese organisations. Although the Australian and Japanese samples were matched based on their job titles (i.e. formal status), there were significant psychological differences between Australian and Japanese managers in their perceived status in the organisation. This chapter also highlights that the social status of Australian managers is identified by the way they are treated by higher status members of the group, that is, Japanese expatriates managers in the subsidiary.

What then affects the Japanese managers' loyalty to the organisation if their identity in the

organisation is not shaped by their varying perceptions of Australian managers? The findings of this study indicate that tenure and job satisfaction are significantly associated with the organisational commitment of Japanese managers, but industry, integration and work relations with Australian colleagues are not significant predictors. It is argued that the willingness of the Japanese managers to engage in cooperative behaviour to assist the organisation is affected by a stronger regulator in the system, that is, the headquarters. Consequently, the level of organisational commitment of Japanese managers is not affected by their perceptions of how Australian colleagues generally treat them, but their satisfaction with the various job domains. Through positive work experiences they gain from different aspects of the job, they may feel that the organisation treats them fairly and increases their desires to stay with the organisation. The negative association between tenure in the Australian subsidiary and organisational commitment suggests that Japanese managers may feel that they have become outcasts of corporate memberships after a long duration overseas. Continuing research on the head office- expatriate relations in multinational organisations should be encouraged in order to have a better understanding of the organisational commitment of Japanese expatriate managers.

Three separate fields of research; that is, expatriate adjustment; organisational commitment; and intercultural studies have yielded important findings. By linking these three fields of research study, this thesis has addressed some of the shortcomings in each of the literatures and given future guidance to overcome these shortcomings.

Research on expatriate adjustment indicates that effective communication with host nationals is positively related to expatriate adjustment. Cross-cultural interaction, however, has been examined only from the expatriate perspective, not from the local perspective. For achieving effective cross-cultural interaction, both expatriate and local

perspectives should be taken into account.

Research on organisational commitment in international settings emphasises the importance of non-work factors in predicting the organisational commitment of expatriate managers in international settings (Naumann, 1993; Gregersen and Black, 1992; Birdseye and Hill, 1995). In general, however, antecedents of organisational commitment of local managers in MNCs have not been investigated fully and the effect of the relationship between expatriate and local managers on organisational commitment has been overlooked.<sup>12</sup> For the successful operation of MNCs, future studies should examine factors affecting organisational commitment of both expatriates and local employees.

In the field of intercultural studies, cross-cultural interaction has been examined from both expatriates' and local managers' perspectives. Dyadic data has been often used with a focus on intercultural perceptions and stereotypes between the two groups (Omens et al., 1987; Everett et al., 1981). Yet these studies fail to indicate the association between intercultural perceptions and managers' work attitudes. This association, this thesis, warrants further attention.

This thesis has demonstrated that before an organisation can implement a plan of localisation of management and integrating local managers into the organisation, a great deal of work is necessary in training and education to change the mind-set of expatriate managers. But changes at the individual level may not be enough. In some cases, structural changes within management may need to be implemented in order to improve

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<sup>12</sup> One study emphasised the perceived benefits in terms of overall satisfaction and economic performance of the relationship between Japanese and local partners in international joint ventures as a

cross-cultural relationships within the organisation. Willingness to change may be difficult given the overarching economic function of the firm. This study shows that the economic function of the firm and the psychology of the individual are both formidable forces in shaping workplace relations.