The Role of Japanese Expatriates when Japanese Companies Transfer Kaizen Principles to their Overseas Affiliates

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Abstract

This paper examines the challenges faced by Japanese manufacturers during the process of transferring kaizen to overseas subsidiaries. Case study research was conducted among 15 Japanese manufacturers in the Netherlands. The first-level analysis confirms the conclusions from the literature that the major issues during the process of kaizen implementation abroad are low managerial commitment, communication difficulties, and high labour turnover. However, a second-level analysis reveals that the use of Japanese expatriates itself turns out to be the root cause of these major problems. This study suggests that an effective approach for successful kaizen transfer involves installing a local managing director who is committed to kaizen implementation.

Keywords: 
International kaizen transfer; MNC; Japanese manufacturing companies; Netherlands; expatriates

INTRODUCTION

Today's market is complex, and the changes faced by business firms are dramatic. Given this situation, quick responses and adjustments to the customers' needs are critical for companies to survive. Continuous improvement (CI), which involves small incremental improvements with small investments, is becoming more and more significant.

CI is defined as a "planned, organised and systematic process of ongoing, incremental and company-wide change of existing work practices aimed at improving company performance" (Boer, Berger, Chapman, & Gertsen, 2000, p. 1). The concept was originally developed in the USA and transferred to Japan after the Second World War (Bhuivian & Baghel, 2005). It was adapted and further improved by Japanese companies, which even gave it a Japanese name: kaizen (Kenney & Florida, 1993; Oliver & Wilkinson, 1992). The concept was crystallised at Toyota (Fujimoto, 1999; Ohno, 1988) and spread among other Japanese manufacturers once Toyota became famous for high-quality products in the international market. As other companies also improved their performance, it has been viewed as one of the sources of competitiveness of Japanese manufacturers (Fujimoto, 1999; Imai, 1986; Kenney & Florida, 1993; Oliver & Wilkinson, 1992).

The implementation of kaizen in a manufacturing setting has been extensively discussed in the literature (Bessant, 2003; Boer, et al., 2000; Imai, 1986). Imai (1986) described the relationship of kaizen implementation to the use of methods and tools such as quality control circles, suggestion systems, and total quality control. He ascertained that those methods are closely related to kaizen but not identical. Imai mentioned that kaizen is a philosophy that encompasses those methods. Fujimoto (1999) indicated that kaizen activities in the Toyota-style production system emphasize several aspects: revealing production problems on the spot, quick problem-solving at all levels of the plant, standardisation of problem-solving tools,
quick experimentation and implementation, reutilised retention through knowledge-manual interactions. Liker (2004) states that kaizen is a process of enhancing the individual skills such as working effectively with teams, solving problems, documenting and improving processes, collecting and analysing data, and self-managing within a peer group. The ongoing research project on the international CiNet (Continuous Innovation Network) survey not only adds generalizability to the existing findings but also allows us to compare the results with different industries and countries. In brief, the literature on the implementation of kaizen in Japan frequently discusses it in terms of the development of employees’ capabilities together with the use of systems, methods and tools.

In recent decades, Japanese manufacturers operating in global markets have faced increasing pressures to internationalise their manufacturing. Many companies transfer the Japanese philosophy, methods and tools to their overseas subsidiaries (Abo, 1994; Aoki, 2008; Kumon & Abo, 2004; Lillrank, 1995). It is known that many Japanese manufacturers work with kaizen in their daily lives, and thus their staff are more experienced and committed to it (Imai, 1986). It is assumed that it is easier for Japanese companies to transfer kaizen to their overseas subsidiaries than for non-Japanese companies to adopt the concept. However, recent research has shown that although transferring kaizen abroad is critical for their international operations, Japanese companies are facing problems with this transfer due to the difficulties adjusting their systems in different environments (Yokozawa, Steenhuis, & de Bruijn, 2010).

This paper explores the major challenges involved in transferring kaizen to overseas subsidiaries. The paper is structured as follows. First, the literature on the international transfer of kaizen is reviewed. Second, the methodology is described. Third, the findings and analysis are presented. Fourth, the discussion section emphasizes how the findings fill the gap in the literature of international kaizen transfer, and finally, conclusions are presented.

INTERNATIONAL TRANSFER OF KAIZEN

Studies with respect to the international transfer of management systems were initiated in the USA when managerial know-how was recognised as a critical ingredient for economic growth in the 1960s (Gonzalez & McMillan, 1961; Koontz, 1969; Negandhi & Estafen, 1965; Oberg, 1963). In those studies, the national context, organisational settings, and management philosophy were discussed as the major factors that affect the management transfer process. In the 1980s, this research stream was succeeded by studies on the international transfer of Japanese management systems (e.g. philosophy, TQM, JIT, kaizen, etc.) (Fukuda, 1988; Kono, 1982; Ouchi, 1981; White & Trevor, 1983). These systems were studied mainly because of the high performance attained by Japanese manufacturers.

Some authors employed a best practice approach or universal management approach to the studies on the international transfer of Japanese management systems (Chen, 1995; Fukuda, 1988; Kono, 1982; Ouchi & Jaeger, 1978; White & Trevor, 1983). These studies were mainly concerned with a universality of management systems which asserts that particular management systems (often associated with the terms ‘best practice’) are applicable across all nations (Kono, 1992; Koontz, 1969; Ouchi & Jaeger, 1978). They broadly separate the science component (practices developed based on the rationale) and the artistic component (practices rooted in the culture) of management and stress that the science part of management is universally applicable. Most of the authors employed a comparative study approach which is to compare the management systems used among well-managed companies and find the similarities. When they found similar management systems used in multiple countries, they asserted that these systems were transferable across nations.

Other authors employed a hybridisation approach (Abo, 1994; Itagaki, 1997; Kumon & Abo, 2004; Ueki, 1987) to investigate the transfer of management systems abroad. They asserted that management systems are neither rejected nor accepted but hybridised with locally used management systems. They used the ‘Hybrid evaluation model’ to evaluate the degree to which Japanese management systems have been adapted to locally used management systems. For instance, Itagaki (Itagaki, 1997) mentioned that “In general, the aspects of ‘Functional core’ tends to be more smoothly adapted abroad compared to the
aspects of 'Human/organisational core'" (151). He mentioned that 'Human/organisational core' is more difficult to transfer to foreign countries, where traditional institutions, high mobility of labor between companies, low degree of information sharing and sense of unity derived from the difference social conditions are different from Japan. The general conclusion of the hybridisation theorists is that transferred management systems are hybridised with the locally practiced management systems and the degree of hybridisation is determined by the situational factors during the transfer process.

There are also authors looking into the international transfer of Japanese management systems from a contingency theory perspective (Beechler & Zhuang Yang, 1994; Purcell, Nicholas, Merrett, & Whitwell, 1999). This indicates that there are multiple factors affecting the process of international management systems transfer and that the successful transfer of management systems depends on the situation. The central theme of contingency theory is that a 'good fit' between strategy, policy, practices, and context will ultimately lead to good performance. Purcell, Nicholas, and Whitwell (1998) determined the transferability of Japanese human resource management to non-Japanese settings by presenting the data on a survey obtained from 69 Japanese subsidiaries established in Australia. With regard to the production related systems i.e., quality control (QC) circles, kaizen, JIT, and formal OJT, these were transferable to the Australian settings. Especially the QC circles and the OJT were highly adopted. In terms of the human resource management practices, recruitment practices and company union, this was almost the same as at the Japanese parent company. Although life-time employment was not used in their subsidiaries, employees were highly secured compared to the Australian local companies. For the wage system, the survey result shows that both manufacturer and service sectors emphasize not the length of service but the skills and experiences to determine the wage levels. Seniority-based payment was not identified in the Japanese subsidiaries in Australia.

Lastly, authors such as Taylor (1999), Delbridge (1992), Oliver and Wilkinson (1992) and Turnbull (1986) investigated the transfer of Japanese management practices from a perspective of institution theory. In the 1980s, an organisational shift occurred from Fordism to Japanese organisations-based methods, i.e. used by many large Japanese corporations and especially by Toyota. They refer to this major institutional shift from Fordism to Toyotaism as 'Japanisation'. For instance, Oliver and Wilkinson (1992) researched the Japanisation of local British companies and Japanese subsidiaries in the UK. Based on survey data obtained in 1987 and 1991 they confirm that the transfer of Japanese manufacturing and personnel practices that were used in Japan had occurred and were successfully applied in the UK (227). When comparing Japanese companies in the UK with local British companies that are trying to emulate the Japanese practices, it was found that Japanese subsidiaries are more successful in transferring their practices, especially for the personnel and working practices.

Most of these studies found that the international transfer of kaizen is not easily accomplished. Table 1 summarises the overview of challenges that Japanese companies faced or may face during the process of transferring kaizen abroad.

The above-mentioned literature helps to understand the challenges of kaizen transfer. However, further research is needed because despite a number of studies focusing on the challenges of domestic implementation of kaizen, research on the issues with kaizen transfer across nations is limited. Research is required to elaborate on kaizen implementation in companies outside of Japan, i.e. working in a different culture. Second, much of the literature deals with the transfer of practices that are used in Japanese companies. However, studies specifically looking at the process of kaizen transfer are still limited.

The goal of this research is to provide insight into the fundamental problems that Japanese companies face when transferring kaizen abroad and what measures organisations need to take to strengthen and institutionalise kaizen in their organisational setting. Accordingly, the research question for this paper was formulated as: what challenges do Japanese manufacturers face when they transfer kaizen to overseas subsidiaries?
TABLE 1 Overview of Challenges During the Kaizen Transfer Process

| Lack of commitment from managers | (Bessant, 2003; Boer et al., 2000; Imai, 1986) |
| Communication problems | (Bessant, 2003; Jain & Tucker, 1995; Ueki, 1987) |
| High labour turnover | (Beechler & Yang, 1994; Kenney & Florida, 1993; Young, 1992) |
| Existence of labour union | (Beechler & Yang, 1994; Choy & Jain, 1987; Kenney & Florida, 1993; Shimada, 1990) |
| Low labour quality | (Humphrey, 1995; Kaplinsky, 1995) |
| Legal/economic considerations | (Humphrey, 1995; Jain & Tucker, 1995; Shimada, 1990) |
| Consistency problem | (Bessant, 2003; Boer et al., 2000) |
| National culture: High uncertainty avoidance | (Smeds, Olivari, & Corso, 2001) |
| Lack of time and space | (Bessant, 2003) |
| Lack of awareness | (Bessant, 2003) |
| Lack of skills/knowledge | (Bessant, 2003; Boer et al., 2000) |
| Lack of system for handling ideas | (Bessant, 2003; Imai, 1986) |
| Lack of or inappropriate reward/recognition system | (Bessant, 2003; Boer et al., 2000; Imai, 1986) |
| Lack of structured approach for finding and solving problems | (Bessant, 2003) |
| Lack of suitable vehicles for driving forward | (Bessant, 2003) |
| Lack of suitable tools | (Bessant, 2003; Boer et al., 2000) |

METHODS

The goal of this study is to explore the main challenges and the underlying issues faced by Japanese companies when transferring kaizen to overseas subsidiaries. An appropriate research methodology for an exploratory study is a case design (Yin, 1994). Since an inductive approach is in line with the goals of exploration. The case study approach developed by Eisenhardt (1989) was adopted as it has more emphasis on inductive elements compared to Yin (1994). Two main issues for this type of case study methodology are the sampling strategy and how data is analysed and collected.

Sampling strategy

Ohmae (1985) argued that for business, there are three important regions in the world, i.e. the triad, which consists of Japan, the USA and Europe. In this study, the focus is on kaizen transfer to Europe. Within Europe a further distinction was made based on where Japanese companies invest. Data from the Japan External Trade Organisation (JETRO) shows that for six of the last seven years (2003 - 2009), the Netherlands was the largest recipient of Japanese investments in Europe (http://www.jetro.go.jp/en/reports/statistics/). Therefore, a choice was made to focus on Japanese manufacturers in the Netherlands. Another advantage of doing research in the Netherlands is that the Dutch have the highest proficiency in English among the non-native speakers in the EU. Eighty-seven percent of Dutch people can speak English well enough to have a conversation with a native speaker (European Commission, 2006).

A list of Japanese manufacturers in the Netherlands was obtained from the website of the Netherlands Foreign Investment Agency (NFIA) and from JETRO. The two lists were combined to develop one list of 52 companies. This list of 52 companies provided the target population for the study. Since this number was relatively small, it was decided to contact all of the companies for participation in the study rather than take a sample. Initial contact with the companies was made by phone. Five companies had either recently closed or transferred their operations to other countries; this reduced the target population to 47 companies with manufacturing activities in the Netherlands. Of these, 32 companies declined to cooperate. This left 15 companies which participated in the research project. The general characteristics of these companies are shown in TABLE 2.
In each company, between one and five respondents were interviewed. All of the interviews were recorded and transcribed. Respondents were selected from the three levels of the organisational hierarchy; shopfloor operators, middle and top managers. They included both Japanese and Dutch citizens, eliminating a potential bias from a specific national group.

**Data collection and analysis**

Case study research has some drawbacks and poses significant challenges. Those are:

- Case studies are exposed to issues of generalizability,
- Due to the observer’s perceptual and cognitive limitations, there is a probability of overseeing some key issues and this constitutes a risk to the case study,
- The accuracy of some inference can be undermined by the dependence on subjective interpretation of a researcher.

To address these challenges and formulate a research design of high validity and reliability, this research followed practical guidelines and steps discussed in the qualitative methodology literature see e.g. (Swanborn, 2010; Miles & Huberman, 1994; Yin, 1994). The current research relied on the extensive use of triangulation and a research protocol.

Yin (1994) and Swanborn (2010) recommend the use of triangulation, that is the use of several methods of collecting data, to improve the validity of case study research. As a result, the assurance of validity is accomplished through the use of multiple sources of evidence, e.g. open-ended interviews, focused interviews, structured interviews and surveys, observations, documents, and archival records (Swanborn, 2010). In this research, multiple sources of evidence such as semi-structured interviews with several respondents for each company, documents, direct observations, as well as secondary material (such as media material, presentation materials and annual reports) were used.

Another issue with case study research is concerns about the reliability (Yin, 1994). The use of a case study protocol is recommended for increasing the reliability (Yin, 1994). Therefore, a case study protocol was developed which contained a set of questions to guide research in the field and which were applied for each case. The main method for data collection was semi-structured interviews with initial questions emphasising challenges and subsequent questions delving deeper into underlying issues.

Qualitative case study research also is less straight forward with regard to data analysis and reaching conclusions compared to quantitative research. To improve this part of the research process established procedures for qualitative data analysis (Miles & Huberman, 1994) were used. Miles and Huberman (1994) suggest starting with within-site analysis. This

<table>
<thead>
<tr>
<th>Companies</th>
<th>Date established (headquarters)</th>
<th>Employees (consolidated)</th>
<th>Kaizen started in</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Construction machinery</td>
<td>2001 (1951)</td>
<td>between 100 and 500 (16,117)</td>
<td>2001</td>
</tr>
<tr>
<td>2. Slide fasteners</td>
<td>1964 (1945)</td>
<td>fewer than 100 (38,399)</td>
<td>1964</td>
</tr>
<tr>
<td>4. Photosensitive materials</td>
<td>1994 (1911)</td>
<td>more than 500 (76,358)</td>
<td>1986</td>
</tr>
<tr>
<td>5. Welding materials</td>
<td>1982 (1934)</td>
<td>fewer than 100 (34,459)</td>
<td>1990</td>
</tr>
<tr>
<td>6. Electrodes</td>
<td>1990 (1949)</td>
<td>fewer than 100 (120)</td>
<td>2004</td>
</tr>
<tr>
<td>7. Safe instrumentation systems</td>
<td>1982 (1920)</td>
<td>more than 500</td>
<td>1995</td>
</tr>
<tr>
<td>8. Beverage</td>
<td>1994 (1955)</td>
<td>fewer than 100 (15,822)</td>
<td>2003</td>
</tr>
<tr>
<td>10. Molded articles of pvcelan</td>
<td>2008 (1954)</td>
<td>fewer than 100 (1,372)</td>
<td>2008</td>
</tr>
<tr>
<td>11. Safety glass</td>
<td>1996 (1947)</td>
<td>between 100 and 500 (19,742)</td>
<td>1999</td>
</tr>
<tr>
<td>13. Polyolefin foams</td>
<td>1973 (1947)</td>
<td>between 100 and 500 (19,742)</td>
<td>2008</td>
</tr>
<tr>
<td>14. Attaching shrink labels</td>
<td>1993 (1958)</td>
<td>fewer than 100 (2,368)</td>
<td>2004</td>
</tr>
<tr>
<td>15. Thin steel sheets</td>
<td>1992 (1949)</td>
<td>fewer than 100 (4,607)</td>
<td>2008</td>
</tr>
</tbody>
</table>
FINDINGS AND ANALYSIS

First-level analysis

The cross-site analysis revealed that the findings could be grouped into three categories. The Japanese subsidiaries in the Netherlands faced challenges with low managerial commitment (TABLE 3), communication problems (TABLE 4), and a high labour turnover rate (TABLE 5).

These findings confirm earlier studies where these three challenges had already been identified (see Table 1).

**TABLE 3 Commitment Challenge**

<table>
<thead>
<tr>
<th>Company</th>
<th>Case description</th>
<th>Exemplary quotes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heavy construction machinery</td>
<td>When the company was established in 2003, a production manager who was not experienced and committed to kaizen lead production. In 2008, a new production manager was sent from the Japanese plant who has been working with kaizen for 15 years. Kaizen now works more effectively than before. However, it may fade away if the current production manager is replaced by another person who is not committed to kaizen.</td>
<td>“Now we have a current production manager who is professionalised in kaizen. The kaizen is running very well now because the managers are involved. Operators are enjoying it. I think it is working very well but just at the surface level. If the top management is replaced let’s say by the previous production manager who had no interest in kaizen, it will disappear immediately.” (Project manager)</td>
</tr>
<tr>
<td>Slide fastener</td>
<td>5S and kaizen tools were intensively used since the company was established. However, the top managers changed every two to three years, which led to inconsistency in strategy and support for kaizen. This negatively affected the employees’ motivation.</td>
<td>“Level of kaizen activities depends on MD. We had many changes of MD. Every four years. Mr. A (current MD) was here since August last year. Before that Mr. B was here for two and a half years. MD before that was Mr. D. This is not a good strategy.” (Production manager)</td>
</tr>
<tr>
<td>Sensors</td>
<td>Kaizen started when the company was established in 1988. The kaizen philosophy and methods were introduced and supported by the management. However, the level of those activities decreased after a new management was installed which was not committed to kaizen.</td>
<td>“Kaizen started when the company was established, which means from the start. At that time the company was set up and was led by Japanese managers. Kaizen mentality was quite supported during the first 5 years. Then another management took over. These activities faded away.” (MD)</td>
</tr>
<tr>
<td>Welding material</td>
<td>MDs change every 5 years. It is affecting negatively the kaizen implementation due to the inconsistency in the strategy and commitment to kaizen. This negatively affects kaizen implementation.</td>
<td>“Our MD is changing every 5 years. Current MD is here for more than a year. Every MD is doing totally different things. So kaizen totally depends on MD. If the MD keeps changing, it is not so nice.” (Production manager)</td>
</tr>
<tr>
<td>Company</td>
<td>Case description</td>
<td>Exemplary quotes</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Heavy construction machinery</td>
<td>Japanese staff members had difficulties conveying message and sense of urgency to the employees due to the language problem. The company bought a book about the Toyota production systems and asked operators to study it individually. However, the progress of kaizen was found to be too slow.</td>
<td>&quot;Operators didn’t understand what I said with my poor English. They don’t come to ask me any questions, so I wasn’t sure whether they really understood.&quot; (Production manager)</td>
</tr>
<tr>
<td>Slide fastener</td>
<td>Communication was not going well between Japanese and Dutch employees. Japanese staff members were continually telling them to implement kaizen, but they did not explicitly mention the benefits of doing so. Dutch operators felt that they were forced to be involved in kaizen activities.</td>
<td>&quot;Communication was not so good between Japanese staff and our staff at that time. So it [kaizen] was quite low. Japanese manager kept saying SSSS! SS! no waste! No this, no that!&quot; (Production manager)</td>
</tr>
<tr>
<td>Sensor</td>
<td>The communication issues were found when the initial Japanese were managing the factory. Although they were committed to kaizen, they could not convey the benefit of doing kaizen to Dutch employees sufficiently due to their insufficient communication skills.</td>
<td>&quot;If they can explain an advantage of kaizen in good English, and what you gain from it, you get believers. But if you cannot convince me, I will never believe you. I think it is not only a communication but also a cultural problem. When two cultures clash, communication will not go well. You have the feeling that you are not being understood.&quot; (Shopfloor operator)</td>
</tr>
<tr>
<td>Welding material</td>
<td>Communication issues exist when the production manager tries to explain complicated technical details. It was found that due to an accumulation of small misunderstandings between Japanese and Dutch staff, it is difficult to develop a good relationship.</td>
<td>&quot;I cannot give detailed explanations due to my poor English. When Dutch operators face a problem, I want to give only a hint to themselves can think about the solutions, but this is not possible so I just give them solutions directly.&quot; (Production advisor)</td>
</tr>
<tr>
<td>Electrodes</td>
<td>They have issues conveying the benefit of doing kaizen mainly due to insufficient language skills of Japanese staff members. As a result, it is difficult to build trust between the Dutch and Japanese employees.</td>
<td>&quot;There is an issue with language. I feel a distance from the Dutch employees because I cannot participate in their conversation. I cannot develop something like trust if I cannot communicate well. Kaizen is difficult without teamwork feeling.&quot; (Production advisor)</td>
</tr>
<tr>
<td>Beverage</td>
<td>Some Japanese staff members had insufficient English speaking skills, and it affected the daily communication. As a result, they did not develop a good relationship with Dutch operators. As they know that they will face resistance without the development of trust, they are reluctant to introduce kaizen.</td>
<td>&quot;The language issue. It affects the daily communication. Accumulation of small misunderstandings results in difficulties developing a good relationship with Dutch operators. We know that without trust, we will face resistance. So we are reluctant to introduce kaizen&quot; (Production manager)</td>
</tr>
<tr>
<td>Plastic building material</td>
<td>Language issue was found to hinder the team-building climate of the company. This negatively affected the transfer of kaizen.</td>
<td>&quot;There is a climate for kaizen. People think about suggestions or improving performance when there is such a climate. You have to tell employees why we have to do kaizen and how kaizen eases the hard labour. I believe that is easier if you understand the Dutch culture and the language.&quot; (MD)</td>
</tr>
</tbody>
</table>
### TABLE 5  High labour Turnover Rate Challenge

<table>
<thead>
<tr>
<th>Company</th>
<th>Case description</th>
<th>Exemplary quotes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heavy construction machinery</td>
<td>An issue regarding the higher labour turnover rate was found. It influenced the employees’ commitment. It also hindered the accumulation of knowledge in the company.</td>
<td>“People don’t root here. Even if we spend a lot of time teaching the basics of kaizen concepts, people leave the company very frequently.” (Project manager)</td>
</tr>
<tr>
<td>Welding material</td>
<td>Japanese respondents mentioned that the Netherlands is not suitable for kaizen development due to the higher labour turnover rate. In Japan, where long-term employment is widespread, the knowledge transfer took place between experienced operators and the newly hired operator. In the Netherlands, this type of training is difficult.</td>
<td>“There is the problem of the high labour turnover rate. Now we have two Japanese technicians working here, but the operators whom they trained 2 years ago have already left the company [... ] the current situation is like training newly hired employees.” (Production advisor)</td>
</tr>
<tr>
<td>Electrodes</td>
<td>Issues exist regarding the high mobility rate. The company is thinking to formalize the process to prepare for the situation when people leave the company.</td>
<td>“Kaizen mentality or loyalty towards the company is relatively easy to develop where there is lifetime employment. For those people who do not expect to work in the same company for a long period, it is difficult to develop this mentality.” (MD)</td>
</tr>
<tr>
<td>Beverage</td>
<td>Japanese managers think that it is very difficult to implement kaizen in the Netherlands due to the shorter-term employment systems and lower commitment to company.</td>
<td>“The current situation is like people don’t want to do anything actively until serious problems happen. Although the top management creates the system, let’s say SGA or kaizen, they don’t follow because the lifetime employment is very weak in the Netherlands.” (Director production)</td>
</tr>
<tr>
<td>Forklifts</td>
<td>In the Japanese factory where lifetime employment is widespread, knowledge transfer from person to person is common. In the Netherlands, where the employment systems is based on shorter-term contracts, it was found that this is not possible.</td>
<td>“With lifetime employment, we can transfer know-how from person to person. With a contract-based short-term employment system in the Netherlands, the labour turnover rate is higher. This is difficult.” (Executive Senior Production Engineer)</td>
</tr>
<tr>
<td>Safety glass</td>
<td>The OJT systems that are commonly used in the Japanese factory are difficult to implement in the Netherlands because the labour turnover rate is higher, and there are fewer experienced operators.</td>
<td>“In Japan, there are experienced senior operators who teach newly hired operators how to operate or maintain machines. In Japan, when a new operator is hired, someone trains him. I cannot find that kind of thing here. It is like you should do it on your own.” (Vice president)</td>
</tr>
<tr>
<td>Plastic building materials</td>
<td>In Japanese companies, most of the kaizen activities take place after work. It was difficult to practise this because people are not willing to work overtime to be involved in the kaizen activities.</td>
<td>“In Japan, the kaizen activities took place after work. In the Netherlands, this is not possible because people are reluctant to work overtime. Japanese tend to stay after work for kaizen or willing to work…or work without complaining.” (Production manager)</td>
</tr>
</tbody>
</table>

### Second-level analysis

In the next step of the research, a more in-depth analysis was conducted to look for underlying issues with the three identified challenges. This led to the identification of the use of Japanese expatriates as a common element. The following discussion focuses on four aspects of the use of expatriates: the desire for Japanese expatriates, turnover rate of expatriates, language skills of Japanese managers and the need for Dutch management involvement, and mismatch between the expatriate’s experiences with lifelong employment and the Dutch labour turnover rate.

**The desire for Japanese expatriates.** There are two reasons why Japanese companies prefer to use Japanese expatriates to manage their Dutch subsidiaries: control and communication ability. Japanese companies feel that this provides headquarters with a high degree of control over the subsidiary abroad. For example, in one of the cases, initially the managing
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director was Dutch. However, the Japanese headquarters recognised that it was losing control and sent a Japanese expatriate to take over the top management position. Related to this is the ability to communicate with the subsidiary. The Japanese culture is a high context culture where communication involves a greater focus on how things are said rather than what is said. People who grow up in Japan are trained to understand the implicit message, but outsiders may have difficulty understanding the communication. A Japanese board member in Company F mentioned:

"We hesitate to place a non-Japanese managing director at the overseas subsidiaries because of the language issues. We are concerned that problems may occur in important situations; others might not understand the context that the Japanese language has. Also, all of the board meetings are held in Japanese because many of the members cannot speak sufficient English. This also discourages the use of a non-Japanese MD in overseas subsidiaries."

FIGURE 1 illustrates how Japanese HQ desire for control of the subsidiary and Japanese HQ desire for cultural rooted high context communication are leading to the use of Japanese expatriates

Turnover rate of expatriates. Japanese use socialising and networking functions intensively in the business setting. Not keeping closely in touch with their network, for example by going abroad, negatively af-

flicts career development. Many Japanese managers are therefore not eager to be assigned to an overseas subsidiary. The MD in Company D said:

"I was very surprised that many Japanese, even young ones, in a MNC do not want to go abroad. I expected that they would like to go abroad for a few years when they start their career, but it's not true. I told them that it should be good for them because they can get experience, but they said to me clearly. 'No, it is not good for my career.'"

Thus, when they are assigned, the duration of the posting is usually limited. In the fifteen cases, the Japanese expatriates stayed for two- to five-year periods. That is why many of them do not seek major changes during their tenure but tend to maintain the status quo. In addition, while they are stationed in the Netherlands, they return to the Japanese headquarters frequently to keep in touch with their network and maintain strong communication ties. While some Japanese managers are eager to make changes, by the time they learn to manage in the Dutch context, their tenure is over, and they return to Japan. Then a new Japanese manager has to start the whole process all over again. The high turnover of Japanese expatriates results in low managerial commitment to kaizen implementation. FIGURE 2 shows how the high turnover of Japanese expatriates leads to a commitment problem.

Culture differences and the need for Dutch management involvement. There are two reasons why Japanese expatriates alone are insufficient to manage the subsidiary, which creates a need for Dutch top management involvement: cultural misunderstandings and language issues.
Both Dutch and Japanese respondents indicated that there are many small understandings on a day-to-day basis due to differences between Japan and the Netherlands, e.g. education, social status, beliefs, and language. From the Dutch perspective, even though they appreciate the humbleness and politeness of the Japanese, the Dutch perceive the Japanese indirectness as confusing. Moreover, there were indications that important decisions were made by the Japanese managers alone, while the Dutch managers were not included. From the Japanese perspective, they perceived the Dutch employee as too direct, even towards their Dutch boss, and interpreted this as a lack of respect. The accumulation of these small misunderstandings caused by cultural differences undermines the development of good relationships among employees. Involvement of Dutch managers at the top level mitigates this problem as the Dutch managers and Dutch employees have the same cultural background.

Another issue is language. In top management positions, managers must have skills to motivate employees and to develop the kaizen culture. The lack of Japanese top-management fluency in English or Dutch was identified in the cases as an issue. Japanese managers were having difficulties conveying a sense of urgency and the benefits of adopting kaizen. Involvement of Dutch managers at the top level mitigates this problem as they have the same language context as the employees.

Both problems were exacerbated by the high turnover rate of Japanese expatriates. FIGURE 3 illustrates how the culture and language difference together with expatriates' turnover leads to a need for a
Dutch managing director.

**Mismatch between Japanese lifelong employment and Dutch labour turnover rate.** Even after having many years of experience with transferring kaizen, the Japanese expatriates were continuously implementing practices that do not fit in the Dutch context. For instance, in the Netherlands, where labour mobility is higher than in Japan, formalisation of information (codifying) is practised, such as the use of a standard operating procedure or a trouble-shooting procedure. Thus, when employees leave the company, the knowledge remains in the company, and new employees can learn it relatively quickly. The Japanese expatriates continue to utilise the system they are familiar with from Japan, which is based on tacit knowledge transfer. In Japanese factories, as the individuals stay in the factory for a long time, knowledge such as on kaizen methods and tools remains tacitly in the factory. Knowledge is transferred by tacit methods such as on the job training. The case data indicates that Japanese expatriates are having difficulties letting go of the mind-set of long-term employment systems since that is the context in which they were trained and educated for many years. This problem was exacerbated by the high turnover of expatriates. FIGURE 4 illustrates how the difference in employment system between Japan and the Netherlands is leading to a need for Dutch management.

**FIGURE 4  Employment Differences Leading to Need for Dutch Management**

**Conclusion.** The findings and analysis show that the use of Japanese expatriates has a fundamental connection to the three main problems associated with transferring kaizen to overseas subsidiaries, i.e. commitment issues, communication problems, and a high turnover rate.

On the one hand, Japanese headquarters are trying to maintain control over the Dutch subsidiary by placing Japanese expatriates in top management positions. This also facilitates the possibility of communication between headquarters and subsidiaries in the high-context format that the Japanese language is based on. However, due to the extensive networking and socialising context in Japan, the expatriate positions are at best medium-term ones, and the turnover rate of expatriates at Dutch subsidiaries is relatively high.

On the other hand, cultural differences between the Japanese and the Dutch environment, language issues and a difference in labour practices lead to the necessity to use Dutch managers. This is further influenced by the high turnover rate of Japanese expatriates.

Several cases showed improvements in kaizen activities after Dutch managers, who were experienced and committed to kaizen, took over a top management position. For instance in Company A, a Japanese production manager was initially facilitating kaizen. He found that the progress was slow due to the consistency and communication issues. Then the company decided to hire a Dutch kaizen consultant.
Subsequently, the level of kaizen improved significantly. This suggests that one of the most effective ways for successful kaizen transfer would be to place a Dutch manager (with experience and commitment to kaizen) in the subsidiary’s top management position. Even though this may reduce headquarters’ control, it leads to management that is more effective.

It was indicated by several participating Dutch managers that the real challenge for Japanese companies is the internationalisation of Japanese headquarters. A Dutch MD who had experience in working with several Japanese companies made the following statement.

"Japanese companies are everywhere. They have a huge economy, they have sold their products everywhere, but they are not acting as international or multinational companies. For me the critical part is how Japanese companies can really change that. I have seen only a very few Japanese companies, I mean really MNC, which are really acting different than most Japanese companies. Our company is a huge multinational. It has 35,000 people all around the world, and more than half are outside Japan. But still they act as a Japanese company. For instance in communication, top management only speaks Japanese."

To be more successful in transferring kaizen abroad, the Japanese have to realise the uniqueness of the high-context communication among Japanese and the fact that it is causing many issues for overseas management. They should gradually adopt the low-context communication style. One possible approach to achieve this is to accept more non-Japanese at the headquarters.

**DISCUSSION**

In this research, it was found that the major challenges during the international kaizen transfer process (i.e. managerial commitment, communication, and high labour turnover rate) were mainly caused by the use of Japanese expatriates. In the broad sweep of MNC management literature has discussed the issues with Japanese expatriates in Japanese overseas affiliates.

For example, Abo (1994) investigated the local American employees’ overall perception regarding 1) working in Japanese companies and 2) the relationships between local and Japanese communities around the factory. They organised group discussions among American employees in seven Japanese subsidiaries in the USA. During the discussions, they unexpectedly discovered issues with Japanese expatriates. Major issues include communication and work ethic differences between American workers and Japanese staff. Communication problems include Japanese expatriates’ insufficient level of English skills and a difference in high context and low context communication style (e.g. Japanese do not understand the jokes and slang used by the local employees). Issues in difference of working styles involves working hours (American workers perceived that Japanese are working too many hours), Japanese are not involving American managers for important decision making procedures (Japanese insider and outsider mentality), and decision making style (ringi system and nemawashi). Abo (1994) indicated that these problems related to the use of Japanese expatriates leads frustration to both Japanese and American staff which resulted in low employee motivation.

In addition, Byun and Ybema (2005) demonstrated the ethnic boundaries in the Japanese company in the Netherlands. They used the ethnography approach to describe the interaction between Dutch and Japanese in a Japanese company in the Netherlands. The study provides important insight into the issues in the cultural interfaces between the Netherlands and Japan. For instance, they found that the attitude toward work is different between Japan and the Netherlands. Dutch employee observed that the ‘The Japanese live to work and do not work to live’ and for them it is difficult to understand this hard working attitude of the Japanese in general. In contrast, from the Japanese perspective, Japanese did not appreciate the ‘nine to five-mentality’, and that the Dutch value their private time. Additionally, the issue caused by the difference in the superior-subordinate relationship was found. It is basic etiquette in Japanese culture to show respect for seniors and superiors. However, Dutch employees see this as the submissive attitude of Japanese managers toward superiors and have difficulties under-
standing it. Often Japanese bosses act like ‘a boss’, which is not accepted in the Dutch society where the egalitarian attitude is more common. Furthermore, similar to the research conducted by Abo (1994), difference in decision making style and communication style were also found as issues. Those differences frequently result in misunderstandings which give rise to conflicts between Dutch and Japanese.

These studies describe the cultural conflicts between two parties (Japanese and non-Japanese employee) within MNCs. However, these studies do not discuss these issues in the specific realm of international kaizen transfer as it was shown in Table 1. This research provided an explanation based on the in-depth case study that the use of Japanese expatriates has a negative influence on the kaizen transfer outcomes.

Moreover, this study suggests, based on the evidence obtained from in-depth case studies, that one of the possible solutions to ease the transfer of kaizen is to use a local managing director (who is experienced and committed to implementation of kaizen). Yoshiwara (2003) indicated that the relationship between the Japanese headquarters and their overseas subsidiaries is characterised by Japanese centre “one-way approach” in terms of transfer of technology, know-how, information, and human resources that those were transferred only from Japan to overseas subsidiaries. Yoshiwara (2003) asserts that this one-way approach is obstructing development of the overseas subsidiaries capabilities e.g. new product development. He asserts the importance of placing the local managing director at overseas subsidiary to maximise the capabilities of local employees and adjust the one-way approach. However, the disadvantages for hiring a local managing director that are mentioned by Japanese MNCs include; i) they do not comply with policies and strategies given by Japanese headquarters, ii) they create conflicts with Japanese expatriates, and iii) they generate conflict with Japanese headquarters. Yoshiwara (2003) suggests that in order to avoid these issues, it is important to select a specific local managing director who has sufficient management skills and has a positive feeling about Japan (i.e. people, culture and management styles).

From the perspective of international kaizen transfer, the findings aligned with Yoshiwara (2003) that Japanese overseas subsidiaries are recommended to use local managing directors. However, the reasoning of a need for using a local managing director at overseas subsidiaries is different from that of Yoshiwara (2003). On the one hand, Yoshiwara (2003) asserts that a local managing director is required to maximise the capabilities of overseas subsidiaries in order to facilitate the two-way approach. On the other hand, our research found that for successful kaizen transfer, it is critical that a managing director has to be committed to kaizen and communicate explicitly the reasons and benefit of using kaizen to local employees. At most of the 15 Japanese manufacturers that were included in the study, Japanese expatriates were having problems with this. This led to low motivation of local employees toward kaizen. This is the major reason why a local managing director is required in the overseas subsidiary. This research, therefore, adds one more critical reason to Yoshiwara’s (2003) assertion that Japanese MNC should use local managing directors at their overseas subsidiary.

CONCLUSIONS

This paper examined the challenges faced by Japanese manufacturers when they transfer kaizen to overseas subsidiaries. Through 15 cases in the Netherlands, the use of Japanese expatriates in combination with a high turnover was found to be a key problem. This problem led to other problems such as low management commitment, communication difficulties, and issues with adjusting to the mind-set of a Dutch environment. Japanese expatriates are in charge of the Dutch subsidiary for two to five years. During this time, they are not planning to make major changes. Due to their insufficient English skills, Japanese expatriates cannot effectively convey the messages of kaizen to Dutch employees, which results in a slow transfer of kaizen. Finally, Japanese expatriates have difficulty adjusting their mind-set from one of long-term employment to one of high employee turnover. They continue to implement practices that have a mismatch with the Dutch environment. This study suggests that a more effective approach for successful kaizen transfer to Dutch subsidiaries is to place an experienced Dutch manager with a commitment to kaizen in the subsidiary’s top management position.
These findings were not previously discussed in the literature on international transfer of kaizen. Moreover, the reason for using a local managing director added new insight to the existing theories. This study is exploratory research where findings resulted from a limited population in a specific national context. In order to improve the generalizability, the findings need to be tested with larger populations and also in different national contexts.

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