

# Research on Localization of Japanese Enterprises in China

## Centered on the Localization of Talents

Huihui Li

School of Foreign Languages  
Baicheng Normal University  
Baicheng, China

**Abstract**—Japan's direct investment in China began in the early stages of China's reform and opening up. In the 1990s, it can be said that the influence of Japanese companies far exceeded that of other Asian companies. However, it is pointed out by some experts that since China joined the World Trade Organization in 2001, especially since the outbreak of the world financial crisis in 2007, Japanese companies in China have long been in the state of recession. The associations in China and Japan and the Japanese companies have also discussed in depth the reasons for this phenomenon. This paper analyzes the previous researches of predecessors and the survey data of foreign-funded enterprises in China to conclude that the lack of localization has become an important reason for Japanese companies to lose competitiveness in China. And among the localization of many aspects the most important one is the localization of talents. This thesis mainly analyzes the localization of talents in the Japanese companies in China, and mainly analyzes the problems existing in the localization of talents of the Japanese companies in China, focuses on the factors that must be considered by companies when they are implementing the talent localization strategy, and proposes suggestions for Japanese companies in China in the localization of talents.

**Keywords**—*Japanese companies; localization of talents; impact factors*

### I. INTRODUCTION

As of now, the domestic employment situation of Japanese majors is still not optimistic. It should be known that many problems faced by the Japanese major are not caused by the tension between China and Japan. The improvement of Sino-Japanese relations does not mean that all the problems can be readily solved. Employment difficulty is an important issue for the Japanese majors. The employees of the Japanese companies in China also understand that the treatment of Japanese majors is not satisfactory. Especially in the manufacturing industry, it is necessary to consider reducing costs. However, China's prices have been rising year after year, making the manufacturing industry hard to operate. It is a consistent practice of the Japanese companies in China to dispatch employees from Japan to undertake the management and leadership work in the companies. In addition to the high

labor costs such as the basic salaries and allowances for these dispatched employees, translators are also required for them to carry out their work. In addition, it takes time for the expatriate staff to adapt to the strange environment of a foreign country. It is impossible for them to work with great facility immediately upon taking office. Therefore, it is more efficient to train Chinese nationals at the Japanese headquarters and then send them to work in China.

### II. PROBLEMS IN THE LOCALIZATION OF JAPANESE COMPANIES

First, the localization of research and development lags behind. The products of the branch in China are mainly developed by the head office of Japan, so there are many cases that the products are not in line with the needs of Chinese consumers. One of the typical cases is the annihilation of all Japanese mobile phone companies. Even if some Japanese companies set up research and development departments in China, the members are basically Japanese, and it is difficult for them to accurately grasp the demand of Chinese market. In recent years, some well-known large Japanese companies have actively set up research and development centers in China.

Second, the localization of purchase of raw materials and components lags behind. There are a lot of Japanese companies in China importing raw materials and components from Japan, which inevitably increases their operating costs. Purchasing raw materials and components locally can not only reduce costs but also save time for Japanese companies. However, it is well known that Japanese companies attach great importance to the quality of their products. Therefore, most of raw materials and components of these companies are imported from Japan or purchased in Japanese companies in China, which causes excessive cost.

Third, the localization of sales lags behind. There are a lot of business contacts between these Japanese companies, but there are very few Japanese companies that directly engage in business cooperation with Chinese companies and Chinese sales outlets.

Fourth, there are many business managers dispatched from Japan, and there are various negative effects when

Japanese people manage Chinese workers. It is not just the difference between their language and values. Japanese managers cannot find a most reasonable and effective management method to better communicate with Chinese staff. For Chinese staff, the Chinese managers can achieve better management results. Moreover, Japanese companies mostly pursue the seniority system, and the promotion space and whether they can get trained in the company are also important factors that local talents take into consideration. In particular, the level of localization of the senior management staff of Japanese companies is low, and many local talents will give up entering the companies because there is a lack of good opportunities in these companies.

Due to the lack of the localization mentioned above, the operating costs of Japanese companies are too high, and the morale of Chinese staff is insufficient, so that it is naturally difficult for these Japanese companies to expand their sales market in China. Among the various management resources, human resources are the most important. Enterprises can achieve no development or growth without human resources. All aspects of the business resources should be localized, and I believe that the localization of talents is at its core.

### III. THE FACTORS AFFECTING THE LOCALIZATION OF TALENTS IN JAPANESE COMPANIES

In foreign-invested enterprises in China, the localization of management personnel in positions below the section manager has reached a high level. However, the localization of the heads of departments, deputy heads, and presidents is still at a low level. In fact, it is also mentioned above that there are few Chinese nationals in the management and senior management of these Japanese companies, which also has a significant impact on the localization of talents in Japanese companies. As mentioned in the abstract, the three major aspects of the importance of the Chinese market, corporate attributes, and human resource management systems have become the influencing factors for the localization of talents of Japanese companies.

#### A. The Importance of the Chinese Market

After the financial crisis, Japanese companies investing in China with the goal of occupying the Chinese market have gradually increased. In order to open up Chinese market, the Japanese companies have implemented a series of talent localization programs. In the same way as sales, the local utilization rate of raw materials and components is also one of the factors that have a deep relationship with the occupation of local market. It can also be said that enterprises with high localization utilization rates of raw materials and components also have a relatively high level of localization of talents. The investment environment in China after the global financial crisis has changed a lot.

#### B. The Enterprise Attributes

The first is to consider the relationship between the industry and the ratio of localization of talents. The non-manufacturing industry has a high dependence on local markets and the localization of talents, and it is more urgent

for the non-manufacturing industry to promote the localization of talents than the manufacturing industry. The second is the relationship between the size of the enterprise and the localization ratio of talents. The scale of the enterprise includes many factors. Large-scale enterprises generally have high technical level and strong economic strength, and their management systems are relatively perfect, so that they can adapt well to the localized market. On the other hand, the corporate culture of these enterprises will have an impact on the advancement of localization, and will bring about changes to the values and culture of local society. However, most of the small-scale enterprises usually take the initiative to adapt to the local society for sustainable operation. This shows that the localization of talents in small-scale enterprises is easier to carry out. The third is the relationship between the number of years in which the companies have entered the Chinese market and the ratio of talent localization. The number of years entering the market is an important factor affecting the localization ratio of talents. Generally speaking, companies that have entered the Chinese market for a longer time are more likely to consider further promoting localization of talents. One of the reasons is that the enterprises that have entered the Chinese market for only a short time has little time to transfer operating resources from the head offices. It is difficult for the head office personnel who are not familiar with the business to conduct business management in China. Furthermore, it takes a long time for local staff to get used to the management model of Japanese companies and become managers in companies. Surprisingly, however, the actual condition of the Japanese companies which have entered the Chinese market is just the opposite. Companies that have entered the Chinese market for less than 10 years are more likely to promote the talent localization strategy than those that have been in the Chinese market for more than 10 years. The reason is that most of the enterprises that have been in the Chinese market for more than 10 years have entered the market during the period when the localization of talents was not attached importance to. At that time of investment, the technical level was low and the production system was old, causing that there is an insurmountable gap between them and China's new economic development model and foreign investment policy. Therefore, there are many companies that have withdrawn from China, and these old companies have not put into action on the localization of talents. On the other hand, companies that have entered the Chinese market for less than ten years have been able to adapt to changes in the Chinese investment environment because of their new production systems. And they have invested in China in an era that the Chinese market is highly valued, so they have promoted the talent localization strategy at the initial stage of investment.

#### C. The Human Resources Management System

The degree of understanding of corporate culture by local employees and the culture of corporate which is promoting the localization of talents have both software and hardware. The hardware mainly refers to the technology, the production system, and various internal systems of the enterprise. The software mainly refers to the business philosophy and the

entrepreneurial spirit. The culture of Japanese companies has been strongly influenced by Japanese social culture, so it is difficult for Chinese employees to deeply understand the culture of Japanese companies. Japanese companies require managers to have a good understanding about the corporate culture. It can be seen that the implementation of talent localization is not simple, and it is necessary to train and cultivate local employees for a long term. Second, many studies indicate that Japanese companies have low transparency in human resource management. Japanese companies usually don't define clear scope of responsibility for employees, and they attach great importance to teamwork for the advancement of work. There are many hidden rules in these companies. In other words, the management of Japanese companies depends much on people themselves. After setting up a branch in China, Japanese companies will apply this type of operation model directly to the Chinese branch. However, because of the different cultures and values, it is difficult for Chinese practitioners to understand and adapt to the flexible and recessive rules of Japanese companies.

#### IV. PROPOSALS FOR THE LOCALIZATION OF TALENTS IN JAPANESE COMPANIES IN CHINA

First, develop a clear strategy for the localization of talents. Most Japanese companies lack the awareness of attaching importance to the Chinese market. They simply pay attention to saving the costs and only treat China as a factory for manufacturing their products. And the strategic transformation of Japanese companies obviously lags behind that of other foreign companies such as Korean companies. Japanese companies are in line with the rhythm of the Japanese head offices in all the business activities including the research and development, production, sales, finance, human affairs and so on, having completely not adapted to the needs and changes of the local market. The Japanese president and deputy director dispatched from the head office usually return to Japan after working in China for only about three years. It can be said that they have not fully understood the actual situation in China. Therefore, while transforming the investment strategy in China, Japanese companies should first consider formulating a clear strategy for talent localization. Since the rights of Japanese companies are concentrated in the head office, the talent localization strategy must be formulated by the head office. The Japanese president of the China branch will return to Japan after working in China for only three years, so it is impossible for him to formulate and implement a long-term talent localization strategy. And the frequent changes of the president are also likely to cause instability in Japanese companies in China. Therefore, the head office must formulate a long-term talent localization strategy, eliminate the frequent replacement of the president, and make the contribution of the president in the localization of talents as an element to evaluate his performance.

Second, it is strategically necessary to attach great importance to the Chinese market and empower the branch in China. In the process of localization, the efforts and contributions of local Chinese staff cannot be ignored, and

the number of localized employees is increasing, and the proportion of outstanding local talents is also rising. If the Japanese companies want to retain talents and let them fully play their strengths and talents, the companies must attach great importance to the branch offices in China, and empower them to allow local staff in China to truly participate in management and improve the sense of ownership and autonomy of work of local employees.

Third, Japanese companies should focus on integrating their corporate culture with local culture. As mentioned above, there are some unconformities or even contradictions between Japanese companies' corporate culture and local culture. This requires Japanese companies to make changes to their corporate culture. The localization of Japanese companies is not only a close to local culture, society, and life, but also the continuation, integration and promotion of the Japanese corporate culture in the local place. With the deepening of localization of Japanese companies in China, more and more Chinese have become employees of Japanese companies. These Chinese employees will bring their unique Chinese culture to Japanese companies, which will have a profound impact on the original culture of the companies. Many Japanese companies in China have neglected the cultural differences between the two countries, resulting in poor management results and employees' dissatisfaction and negative emotions. Therefore, Japanese companies should absorb excellent Chinese local culture, effectively suit their business philosophy and entrepreneurial spirit to local conditions, and integrate themselves into Chinese characteristics, fully demonstrate the cultural awareness of localized employees and make them better integrate into the company's culture and life. At the same time, through the construction of the system, clearly define the responsibilities and rights of local employees and regulate their professional behavior.

Fourth, the localization should include a series of business activities such as the localization of business strategy, localization of business, localization of management mechanism, localization of evaluation system and localization of corporate culture. While promoting the localization of talents, we should balance all aspects of localization. Although the localization of talents is the most important, if the balance in all aspects of localization cannot be achieved, it is difficult for the localization of talents to play its role. Just like the corporate culture mentioned above, it is also an important factor affecting the localization of talents. If the companies cannot integrate Chinese and Japanese corporate culture and build a new corporate culture, the recruitment and protection of local talents is still difficult. And as mentioned above, there is the problem of low level of localization of senior leaders in Japanese companies. In some Japanese companies, there are also cases of hiring Chinese nationals as personnel managers, but the management mechanism also replicates the personnel management system of the Japanese head office. In addition, there are other localization factors related to the localization of talents. Localization is a complex process, and it is crucial to maintain the balance between various localization factors.

## V. CONCLUSION

Based on analyzing the problems existing in the localization of talents in Japanese companies in China, this paper carries out in-depth analysis on the factors affecting the localization of talents from three aspects: “importance of the Chinese market”, “enterprise attributes” and “human resource management system”. And I have elaborated my proposals on the issue of talent localization. In short, the speed of strategic transformation of Japanese companies in order to adapt to the changes in China's investment environment has been slow, and they have been lacking localization, especially the localization of talents. Due to the delay of localization, Japanese companies in China have also presented some unavoidable problems. However, we can't deny that Japanese companies have excellent business ideas, and they also have serious attitudes and strong technical capabilities. However, their thinking is relatively conservative, and their response to environmental changes is relatively slow. And they have no clear strategy for talent localization. The ratio of talent localization of management in Japanese enterprises is low, and the balance between talent localization and other aspects of localization has not been well achieved. This is also one of the fundamental reasons why Japanese companies lose their competitiveness in China. Of course, there are failed Japanese companies in China as well as successful Japanese companies due to their big investment in the localization of talents. If Japanese companies in China can vigorously invest in localization, I believe that Japanese companies will have better and longer-term development in China.

## REFERENCES

- [1] Zheng Zong. Why Japanese Companies Have Been "Frustrated" in the Chinese Market [J]. Business World, 2002, (3). (in Chinese)
- [2] Chen Jing. The Status Quo of Internationalization of Japanese Companies [J]. Chinese and Foreign Corporate Culture, 2007, (8). (in Chinese)
- [3] Wen Jing. Japanese-style Groupism and the Localization of Japanese Companies in China [J]. Japanese Studies, 2007. (in Chinese)
- [4] Tsukami Toshiya. The Three Major Bottlenecks for Japanese Companies to Succeed in China [J]. 21st Century Business Review, 2007, (3). (in Chinese)