The Science of Japanese Personnel Management
- Rethinking employment systems in the era of globalization

Handout

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Global Talent Management for Japanese Companies in Developed and Emerging Markets

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Overview

1. Importance of organizational architecture and heritage
2. Global organizational / Japanese model strengths and weaknesses
3. Benefits of moving toward more of a multinational / transnational model
4. Potential changes to improve global talent management for Japanese companies
The systems approach to solving organization design and talent challenges ...
Org Design Model: Galbraith Star (1970s)
Importance of organizational architecture and heritage:

Bartlett and Ghoshal’s transnational organization
Global market factors & issues

- **Success in international markets**
  - Depends a lot on societal architecture of business & commerce

- **Cultural differences in consumer preferences**

- **Stages of development** and demand for higher value added products (growing middle class)

- **Historical legacy**: local supply chain & retail / distribution networks differences across markets
Administrative heritage and organizational types
Multinational Mentality
• Management regards overseas operations as a portfolio of independent businesses

Decentralized Federation
• Many key assets, responsibilities, and decisions decentralized

Personal Control
• Informal HQ-sub relationships overlaid with simple financial controls

Administrative heritage/org types:
• European companies that expanded abroad before World War II
• Decentralized federation
International Mentality
• Management regards overseas operations as appendages to a central domestic corporation

Administrative Control
• Formal management planning and control systems allow tighter HQ-sub linkage

Coordinated Federation
• Many assets, resources, responsibilities, and decisions still decentralized, but controlled from HQ

Administrative heritage/org types:
• Form that emerged post-World War II
• Coordinated federation
Global Mentality
• Management treats overseas operations as delivery pipelines to a unified global market

Centralized Hub
• Most strategic assets, resources, responsibilities, and decisions centralized

Operational Control
• Tight central control of decisions, resources, and information

Administrative heritage/org types:
• Classic model: Ford; Rockefeller; Japanese model
• Centralized hub
## Transnational Organization Model

<table>
<thead>
<tr>
<th>Organizational characteristics</th>
<th>Multinational</th>
<th>Global</th>
<th>International</th>
<th>Transnational</th>
</tr>
</thead>
<tbody>
<tr>
<td>Configuration of assets and capabilities</td>
<td>Decentralized and nationally self-sufficient</td>
<td>Centralized and globally scaled</td>
<td>Sources of core competencies centralized, others decentralized</td>
<td>Dispersed, interdependent, and specialized</td>
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<tr>
<td>Role of overseas operations</td>
<td>Sensing and exploiting local opportunities</td>
<td>Implementing parent company strategies</td>
<td>Adapting and leveraging parent company competencies</td>
<td>Differentiated contributions by national units to integrated worldwide operations</td>
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<tr>
<td>Development and diffusion of knowledge</td>
<td>Knowledge developed and retained within each unit</td>
<td>Knowledge developed and retained at the center</td>
<td>Knowledge developed at the center and transferred to overseas units</td>
<td>Knowledge developed jointly and shared worldwide</td>
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Global model strengths and weaknesses

- Global model has been used by Japanese companies to great success
  - Benefits includes rigorous processes enforced globally

- But big weakness in responsiveness to local market conditions and characteristics
  - Too heavy reliance on expat Japanese managers
  - Not enough development and promotion of local talent
  - This creates issue of managing local workforce
    - Even bigger potential threat in not understanding key market signals if the right talent local talent cannot be hired & retained
Counter examples: Multinational model

- **Unilever: Consumer products**
  - Heritage of independent operations in different countries
    - Partly a historical “accident” due to WWII
  - Dominant player in many emerging markets because have been there for a century and use virtually all local talent

- **PwC: Professional services**
  - Almost all talent is local: critical for service offerings
  - Relatively heavy use of global mobility assignments
    - Local talent with global mindset to work with global clients
  - **Global Millennial study: Center for Effective Organizations**
    - Perceptions that the new generation is fundamentally different than previous generations, but mostly not true
    - What matters most is good talent management practices
Leveraging diversity to increase strategic advantage in mature markets

- How can Japanese and similar MNCs make talent strategies and processes robust for foreign mature markets?
  - Expanded competency models for lower level jobs to include global strategy & foreign market insights
  - Evaluate ex pat managers on their ability to develop local talent that gets promoted and retained
  - Explicit career pathing / development planning for high potential locals that includes coming to Japan
    - Include both cross-functional and cross-BU experience
Leveraging diversity to increase strategic advantage in emerging markets

- How can Japanese and similar MNCs make talent strategies and processes robust for emerging market success?
  
  - Do everything recommended for mature markets AND …
  
  - Build local pipelines with redundancy to account for high(er) turnover in those markets
For additional information

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