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慶應義塾大学大学院経営管理研究科修士課程

学位論文（ 2017 年度）

論文題名

Exploring the Challenges for Japanese Companies  
in Hiring and Retaining Local Talents in Singapore

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## 論文要旨

所属ゼミ	浅川研究会	氏名	浅田紀子
(論文題名)			
Exploring the Challenges for Japanese Companies in Hiring and Retaining Local Talents in Singapore			
(内容の要旨)			
<p>It is so important for any companies operating in any country to be able to hire and retain highly-competitive local talents to maintain their business competitiveness in the market. In recent years, many Japanese companies enter the growing Asian market to look for opportunities to further expand their business.</p> <p>Singapore is one of the most preferred business destinations for them as well as foreign global companies due to many of its advantages. Many Japanese companies have been conducting business in Singapore and have plenty of business and management experiences over decades. However, it has recently become so obvious that many Japanese companies face more difficulties in hiring and retaining highly-competitive local talents in the country.</p> <p>One of the evidences are the results of a survey conducted by a German company (trendence) at over 7,500 students across Singapore. The survey results show that Japanese companies have been so unpopular among new graduates in Singapore, while European and US companies and local government and companies are so popular and occupy about 50% of the top 100 most popular employers for the last nine years. In addition, the recent tightening of the work visa regulations by the government has made the situation more difficult for Japanese companies.</p> <p>In fact, there is much writing on this topic, however, most seems to be general and not specific to the current situation in Singapore where the business environment has been rapidly changing.</p> <p>In this thesis, findings from my research with 24 interviewees in Singapore as well as in Japan identify issues of Japanese companies in Singapore, rather from the perspective of local talents. I suggest specific advice that Japanese companies should implement for their future management to attract more local talents in Singapore.</p> <p>However, these are still considered as secondary factors. From my perspective, the most important factor is still “the people (colleagues, bosses, etc.).” I end the thesis with two important advice which are intended especially for Japanese who will be working overseas in the near future.</p> <p>I hope that this thesis would be able to provide some hints for Japanese companies to make changes to become a globally competitive company where local talents will feel motivated to work with passion.</p>			

## **Acknowledgements**

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## 1. Introduction

### (1) Issue

It is so important for any companies operating in any country to be able to hire and retain highly-competitive local talents to maintain their business competitiveness in the market. In recent years, many Japanese companies have been entering the growing Asian market to look for opportunities to further expand their business. Especially, Singapore is one of the most preferred business destinations due to many of its advantages. In fact, many Japanese companies have already been conducting business in Singapore since about 50 years ago and have lots of business and management experiences over decades. However, nowadays it is becoming so obvious that they face more and more difficulties in hiring and retaining highly-competitive local talents in this ever-developing country.

The results of a survey conducted by a German company (trendence) clearly reveals the situation.

The survey has been carried out every year since 2010 at over 7,500 students across all of Singapore's major universities, asking them about their favorite employers. The survey results show that Japanese companies are not popular at all among new university graduates in Singapore, while European and US companies and Local government and companies are so popular and occupy about 50% of the top 100 most popular employers. Even so, among Japanese companies operating in Singapore, there is still one company ranked among the top 100 employers, which is Sony (the 75th in 2014, the 66th in 2015, and the 59th in 2016). The same tendency that Japanese companies are not popular among new university graduates in Singapore has been observed in the past seven years (between 2010 and 2016) since the start of the study<sup>[1]</sup>.

Singapore is just a tiny country located off the southern tip of the Malay Peninsula. However, it has made a tremendous development over the past 50 years. It has no natural resources but has well-established strategies. It is a both politically and socially stable tax-heaven country and has always been ranked among the top 3 business-friendly countries in the past 10 years. As

such, foreign companies see Singapore as an important gateway to the growing ASEAN market. In fact, more and more highly-competitive companies with advanced technologies (especially in medical science, IT, etc.) from all over the globe are entering the market to enjoy the benefits, such as subsidies and favorable business conditions that Singapore can offer.

However, on the other hand, the Singapore government has been tightening the regulations on Employment Pass (EP) and Work Permit in the past few years <sup>[2]</sup>.

Considering these situations (more intensified competition among companies in hiring local talents due to the tightening of Employment Pass by the Singapore government, etc.), if Japanese companies do not realize it as an issue that they are not attractive to local talents in Singapore and also if they cannot make changes sooner, they will simply lose competitiveness in the Singapore market, and then subsequently in the global market too, because Singapore is a key global business and financial hub in Asia.

Japanese companies should make fundamental changes within their organization so that they can become a globally competitive company where local talents will be motivated to work.

## **(2) Importance of the issue**

The Singapore government has further tightened the EP application criteria as of January 2017. The intent of the government in making this change is clear as shown in Fig.1. presented by the Straits Times <sup>[3]</sup>.

The message from the Singapore government is that; Only those companies who are committed to hire and develop our Singaporean local talents will be able to run a business in our country.

In other words, any companies, who want to do a business in Singapore, are obliged to pay attention to both the development of local talents as well as their business, technology, etc.

Figure 1: Intent of the Change in the Employment Pass regulation



This new regulation will clearly identify companies who can make changes immediately to adapt to the rules and those who cannot make changes immediately and need to withdraw from the market.

Singapore is well known as a “rule-based” country and this new EP rule has already taken effect as of January 1, 2017. This is an issue which requires urgency.

In fact, when I interviewed several Japanese companies in Singapore, all of them agreed with my concern on Japanese companies. They even admitted the fact that they themselves have been facing difficulties in hiring and retaining Singaporean local talents and recognized it as one of their major issues to be tackled urgently.

Therefore, it is so important to figure out the reasons why Japanese companies are so unpopular among local talents in Singapore and solve the issues so that they can hire and retain highly-competitive local talents for their future development in Singapore.



The aim of this study is to identify and discuss on the specific reasons of the issues of Japanese companies and provide hints for them to consider their business management in Singapore, and eventually in the global market.

### **(3) Research gaps**

The issues of cross cultural leadership and of poor management by Japanese employees at overseas affiliated organizations are nothing new and have been discussed since a long time ago. There are many researches and studies done so far in this field and there is much writing on the topic. However, most seems to be either general advice or not applicable to the current rapidly-changing business environment in Singapore.

For example, well known amongst them are the books written by Chie Nakane, such as “Japanese Society,”<sup>[4]</sup> “The Conditions of Adaptation”<sup>[5]</sup> and “The Dynamism of Japanese Society”<sup>[6]</sup>. Nakane is an anthropologist and explains the nature (thought and behavior) of Japanese people through analysis of its culture and historical social structure of Japanese society, etc. She says that the culture constraint on Japanese people is very strong and the tendency of Japanese people to cling to their own culture becomes even more intense when they work overseas. She also states that Japanese people and companies apply their Japanese style of systems in other countries without customizing them to fit to the local context. Hence, it turns out to be often against the system in the host countries and subsequently creates difficulties for both parties.

Although her books were written more than 50 years ago, her words hold true even now and help us have a better understanding of the mindset of Japanese people and the nature of Japanese companies and societies. However, these books provide very generous advice, such as “the mainstay of a company, which stipulates international business policies, should include many professional employees experienced with overseas assignments,” but do not provide specific solutions for Japanese companies operating in a certain country, such as Singapore.

Likewise, Hofstede<sup>[7]</sup> and the Global Leadership and Organizational Behavior Effectiveness (GLOBE) research program<sup>[8]</sup> present specific information about key cultural differences among nations based on cultural dimensions and show how these differences influence leadership.

Hofstede is a Dutch social psychologist and is well known for his pioneering research on cross-cultural groups and organizations<sup>[7]</sup>. His most notable work has been in developing cultural dimensions theory. He describes national cultures with six dimensions: i.e., Power Distance, Individualism, Uncertainty avoidance, Masculinity, Long Term Orientation, and Indulgence vs. Restraint. He developed a systematic framework for assessing and differentiating national cultures and organizational cultures. His studies demonstrated that there are national and regional cultural groups that influence the behavior of societies and organizations.

However, the work of Hofstede was written about 35 years ago in 1983 and may not exactly apply to the current situation in ever-developing Singapore which has vigorously accepted foreigners during recent decades and become a melting-pot in Asia.

On the other hand, Project GLOBE<sup>[8]</sup> is a recent international study (in 2006) of the relationships among societal culture, leadership and organizational practices, involving the 170 researchers for ten years, collecting and analyzing data on cultural values and practices and leadership attributes from more than 17,000 managers in 62 societal cultures. This study aims to present specific information about key cultural differences among nations and connects the “dots“ on how these differences influence leadership.

However, an issue in this study is that Singapore and Japan are categorized into the same Confusion Asia group and that the differences between each nation in the same group are not mentioned because this study is conducted on such a large scale involving 62 different cultures.

Another example of research is the literature written by Mitsuhide Shiraki<sup>[9]</sup>. He points out the fact that many Japanese companies still heavily depend on Japanese employees, incl. expatriates, (Parent-Country Nations: PCNs) to take charge of important roles at their overseas subsidiaries, rather than

utilize their employees of Host-Country Nationals (HCNs) and Third-Country Nationals (TCNs). Especially, TCNs are usually not included as options for expatriates to be dispatched from Japanese HQ to overseas subsidiaries.

His studies detailed the issues of Japanese companies operating in ASEAN region, however, there no specific issues pointed out about the business situation of Japanese companies in Singapore.

These researches and studies give insights, suggestions and hints on how Japanese companies should work in the globalized business environment. Yet, there has been no detailed and focused research done about current issues which Japanese companies face in the ever-changing business environment in Singapore.

#### **(4) Research questions**

Research questions in this thesis are as follows:

- 1) Why are Japanese companies not popular in Singapore?
- 2) How can Japanese companies be more attractive to local talents and motivate them to work with passion?

## 2. Background: Singapore and its labor market

### 2.1 Overview of Singapore

#### (1) Business-friendly country

As shown in Figure 2, Singapore is a tiny country located on the tip of the Malaysian peninsula, with a land area that is almost the same in size as 23 wards in Tokyo. Although it has no natural resources but limited land and labor both of which are in very tight supply, it has undergone a rapid development with its well-established strategies in recent years <sup>[10]</sup> <sup>[11]</sup>. As of April 2017, Singapore achieved a higher GDP per capita than Japan.

Figure 2: Overview of Singapore



<Source> JETRO Singapore, The overview of Singapore and the Trend of Japanese companies (March 2017)  
IMF data as of April 2017

World Bank Group publishes the ease of doing business ranking of countries in the world (*Doing Business* presents quantitative indicators on business regulations and the protection of property rights, etc.) every year since 2004 and Table 1 shows the latest ranking published in October 2017.

Table 1: Ease of Doing Business Ranking

Ranking (2018)	Country Name	Score (2018)
1	New Zealand	86.55
2	Singapore	84.57
3	Denmark	84.06
4	Korea, Rep.	83.92
5	Hong Kong	83.44
6	United States	82.54
7	United Kingdom	82.22
8	Norway	82.16
9	Georgia	82.04
10	Sweden	81.27
:	:	:
34	Japan	75.68

<Source> World Bank Group "Doing Business 2018" published on Oct. 31, 2017

Singapore has always been ranked among the top three business-friendly countries in the past 10 years<sup>[12]</sup>.

Besides clear and stable regulation setting, the following advantages are the main reasons why Singapore has been among the highest ranked business-friendly countries<sup>[11]</sup>.

- 1) It is a both politically and socially stable country.
- 2) English is their official language
- 3) Various infrastructures, such as distribution channels, and living environment are well established
- 4) Tax and financial incentive schemes are available (Low corporate tax rate)
- 5) The geographical location allows easy access to the continuously growing markets in Asia
- 6) Enriched in highly-educated human resources

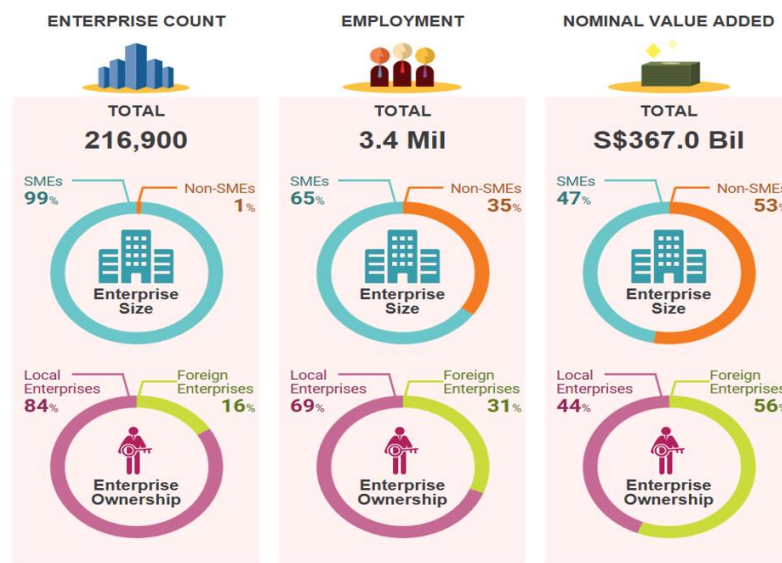
- 7) Easy access to wide-range of information (such as TradeNet: Singapore's National Single Window for trade declaration, which allows various parties from the public and private sectors to exchange trade information electronically.)
- 8) Easy funding
- 9) Deregulated and transparent market
- 10) Development of Industrial Clusters: financial, energy (oil, gas, electronics, biomedical sciences, etc.), high-value added electronics, medical and pharmaceutical, and aviation industries, etc.
- 11) Wide range of trade, investment and economic cooperation networks

## **(2) Increasing number of global companies in Singapore**

Because of many advantages including those above-mentioned, foreign companies see Singapore as an attractive business destination and an important gateway to the growing ASEAN market. In fact, more and more high-technology companies (especially in medical science, IT, etc.) from all over the globe are entering the market to enjoy the benefits, such as subsidies and favorable business conditions that Singapore can offer<sup>[13]</sup>.

Figure 3 shows the number of enterprises, employment and nominal value added in Singapore. The data shows that about 34,700 foreign companies are operating in a very small island country as of November 2017.

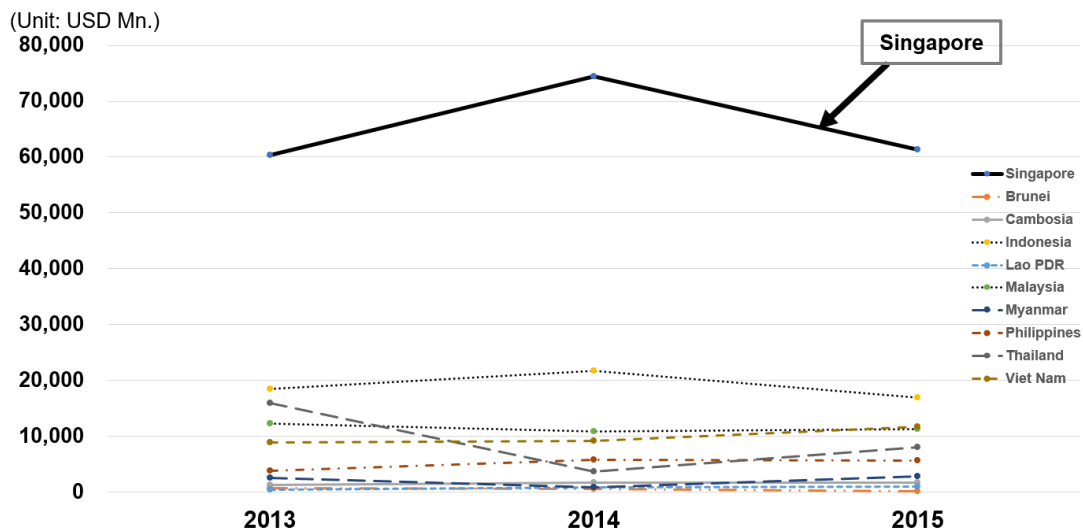
Figure 3: Foreign Companies operating in Singapore



<Source> Department of Statistics Singapore: <http://www.singstat.gov.sg/statistics/visualising-data/infographics/economy> (as of Nov. 2017)

The following chart shows the trend of flow of foreign direct investment into the ASEAN region countries. Even compared to other countries within the region, Singapore has been receiving the highest foreign direct investment from around the world [14].

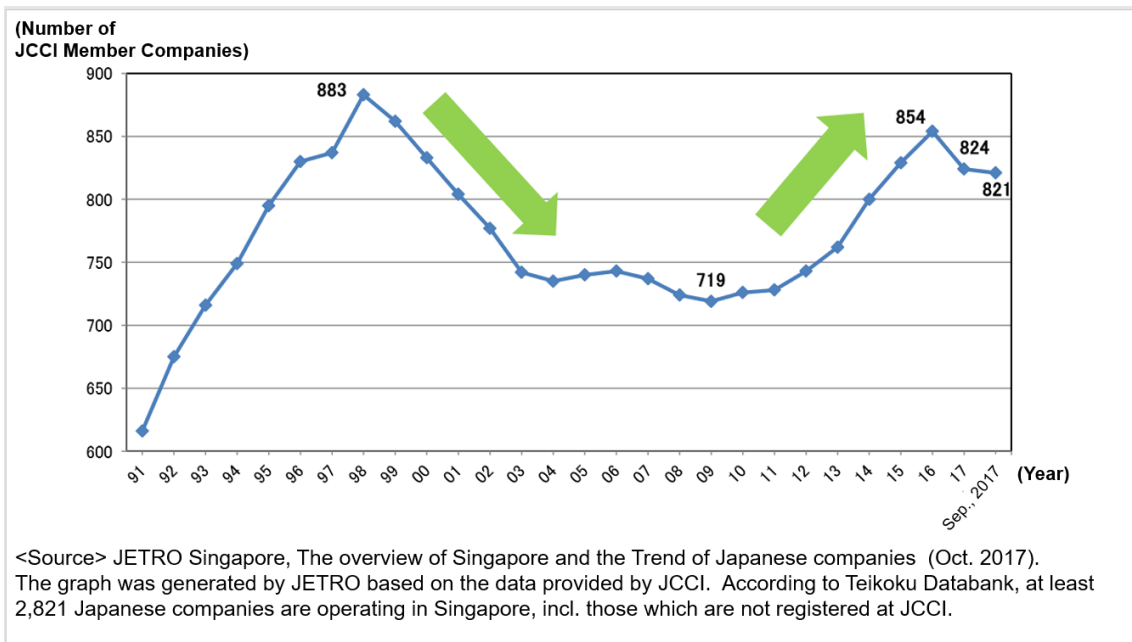
Figure 4: Trend of Flow of Foreign Direct Investment into ASEAN



<Source> ASEAN Foreign Direct Investment Statistics Database as of Oct. 5, 2016

Although the number of Japanese companies operating in Singapore decreased in the great recession during the 1990's, it has started picking up since 2009 after the failure of Lehman Brothers <sup>[11]</sup>.

Figure 5: Trend of the Number of Japanese Companies in Singapore



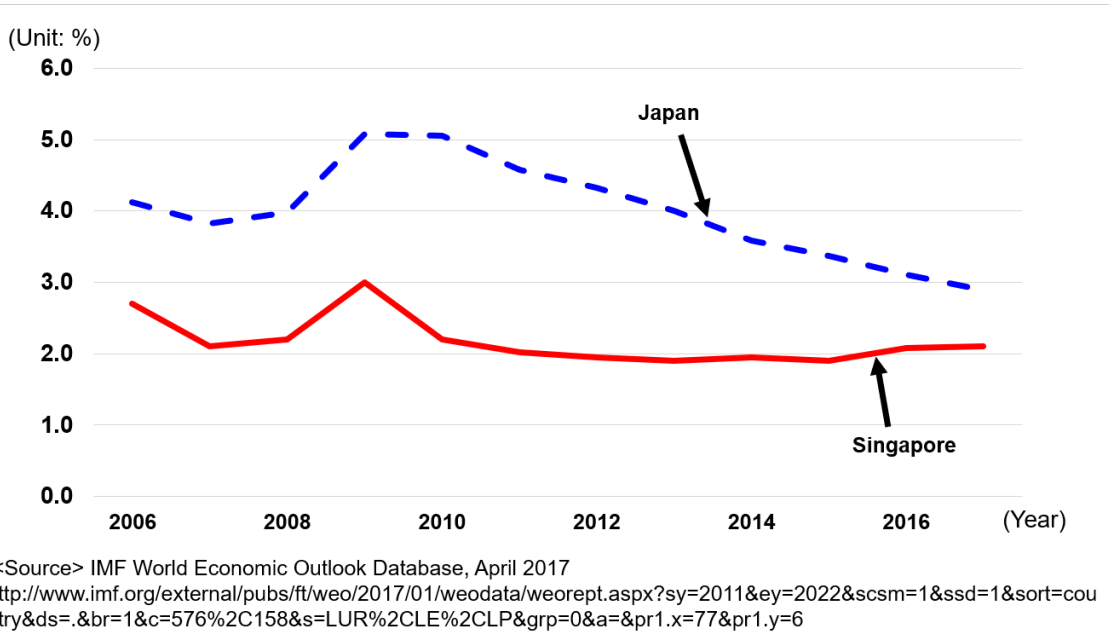
These data show that more and more global companies as well as Japanese companies see Singapore as a promising market in the growing Asian market.

### (3) Competition between companies in hiring and retaining local talents

The labor market in Singapore has been quite tight as shown in Figure 6. Especially for the last six years between 2010 and 2016, as the number of companies operating in Singapore has increased, the population of foreigners (mostly foreign employees) has also grown <sup>[15]</sup>. Subsequently, the unemployment rate in Singapore has been maintained at around 2.0%, which is much lower than that of Japan <sup>[16]</sup>.



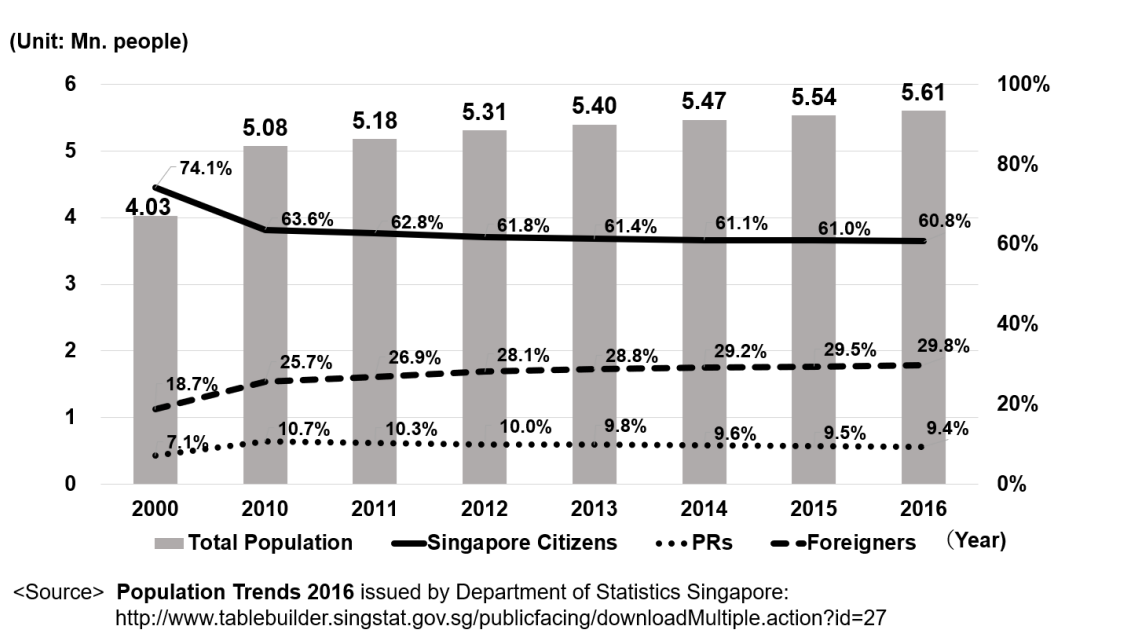
Figure 6: Trend of Unemployment Rate in Singapore and Japan



Based on the government’s strategy to make up for the shortage of labor force, Singapore has continuously been accepting immigrants since 1980s when it became industrialized.

There are two categories of people according to the permanency of their stay: i.e., residents and non-residents. Citizens (including naturalized citizens) and permanent residents are referred to as “residents,” while immigrants who are in Singapore temporarily (such as students and certain workers) are considered “non-residents.” Permanent residents (PRs), while typically immigrants as well, have been granted the right to reside permanently in Singapore and are entitled to most of the rights and duties of citizens, including eligibility for government-sponsored housing and mandatory military service for young adult men, though not the right to vote in general elections [17].

Figure 7: Trend of the Composition of the Singapore Population



#### (4) Change in the Singapore’s visa regulation

On the other hand, the Singapore government has tightened the Employment Pass and Work Permit regulations several times in the past few years [18]. For example, as shown in Figure 8, there was an announcement from Ministry of Manpower on July 26, 2016 that would further tighten the eligibility requirements for Employment Pass.

Figure 8: Recent Change in the Employment Pass Regulation in Singapore

**Update to Employment Pass Salary Criteria by Ministry of Manpower on 26 July 2016**

1. From 1 January 2017, **the qualifying salary for Employment Pass (EP) applications will be raised from \$3,300 to \$3,600**. This change is part of the Ministry of Manpower's (MOM) regular updating of the EP qualifying salary to keep pace with rising local wages, maintain the quality of our foreign workforce and enhance their complementarity to the local workforce.
2. MOM's manpower policy framework is designed to meet the manpower needs of the economy, so that businesses can stay competitive and grow, and ultimately create more and better jobs in Singapore. **The previous minimum EP qualifying salary update was in Jan 2014, from \$3,000 to \$3,300.**
3. With effect from 1 January 2017, only new EP applicants who can command a monthly salary of \$3,600 or more, subject to meeting other criteria on qualifications and experience, will be considered. Those with more years of experience are also required to command higher salaries commensurate with their work experience and skill sets, as per current practice.
4. We will provide lead time for businesses to make adjustments. Existing EP holders whose passes expire:
  - a. Before 1 January 2017: Will be able to renew, for a duration of up to three years, based on existing EP criteria.
  - b. Between 1 January 2017 and 30 June 2017 (both dates inclusive): Will be able to renew, for a duration of one year, based on the existing EP criteria.
  - c. 1 July 2017 onwards: Will have to meet the new criteria for renewal, for a duration of up to three years.
5. Employers are encouraged to use the Self-Assessment Tool (SAT) on the MOM website to assess if their EP candidates will meet the new salary criteria. The SAT will be updated by Nov 2016.

<Source> Ministry of Manpower  
URL: <http://www.mom.gov.sg/newsroom/press-releases/2016/0726-update-to-ep-salary-criteria>

As of January 1, 2017, the government has increased the qualifying salary for Employment Pass (EP) from SGD 3,300 to SGD 3,600. When the new regulation was announced by the government a few months before its enforcement, many local recruitment companies started to check the impact of the upcoming changes with the “Self-Assessment Tool for Employment Pass and S Pass” on the website of Ministry of Manpower.

Table 2 below shows the details of the impact by the new regulation. The criteria table was created by one of the Japanese recruitment companies operating in Singapore after their having spent a few days in entering a wide range of salary amounts and names of Japanese universities in the “Self-Assessment Tool.” Some Japanese companies I interviewed with said that the government keeps on changing the criteria and that the EP regulation change as of January 1, 2017, applies to other foreign talents as well as Japanese talents.

Table 2: Details of Impact on Employment Pass Qualifying Criteria

カテゴリー の要件定義	Category 1			Category 2			Category 3			Category 4		
	旧基準	新基準	上昇額	旧基準	新基準	上昇額	旧基準	新基準	上昇額	旧基準	新基準	上昇額
カテゴリー の要件定義	<ul style="list-style-type: none"> <li>東大・京大・旧帝大、有名地方国立大学</li> <li>有名私大（早慶、関関同立、日東駒専、産近甲龍など）</li> </ul>			<ul style="list-style-type: none"> <li>準有名地方国立大学</li> <li>準有名私立大学</li> </ul>			<ul style="list-style-type: none"> <li>国公立・私立の女子大、単科大学、短期大学など</li> <li>新設総合大学</li> </ul>			<ul style="list-style-type: none"> <li>高校、専門学校</li> </ul>		
年齢	旧基準	新基準	上昇額	旧基準	新基準	上昇額	旧基準	新基準	上昇額	旧基準	新基準	上昇額
22 (新卒)	3,300	3,600	+300	3,800	4,100	+300	4,100	4,800	+700	6,000	6,500	+500
25	3,500	4,100	+600	4,000	4,600	+600	4,400	5,100	+600	6,000	6,500	+500
30	4,000	4,800	+800	4,300	5,300	+1,000	4,800	5,800	+1,000	6,000	6,500	+500
35	4,300	5,600	+1,300	4,300	6,100	+1,800	4,800	6,600	+1,800	6,000	7,000	+1,000
40	4,300	5,900	+1,600	4,300	6,400	+2,100	4,800	6,900	+2,100	6,000	7,300	+1,300
50	4,300	5,900	+1,600	4,300	6,400	+2,100	4,800	6,900	+2,100	6,000	7,300	+1,300

<Source> RGF HR Agent (Singapore), URL: <http://www.asiax.biz/biz/42679/>  
The above table was created by the author based on the simulation results of RGF HR Agent (Singapore) on the MOM's Self-Assessment System

This regulation change gives us a clear message that the Singapore government encourages all the companies operating in Singapore to hire and develop more local talents, and if these companies need to hire foreign talents, they must pay higher salary than before to acquire an approval for their Employment Passes.

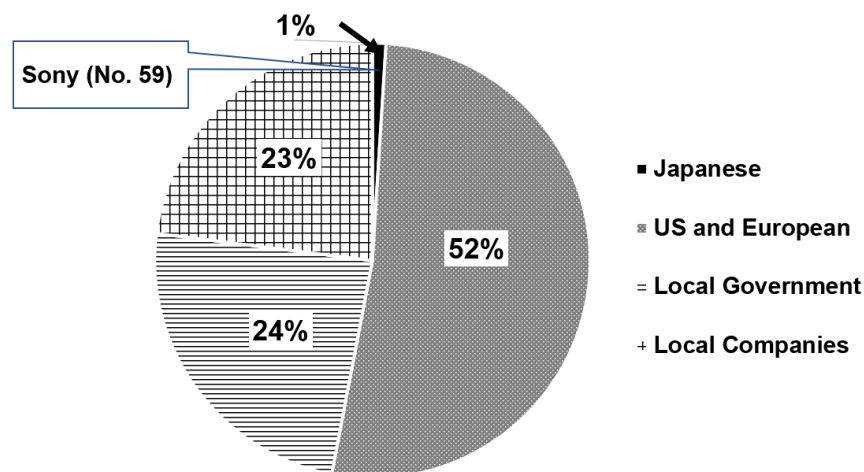
In addition, by setting lower salary criteria for those graduates from prestigious universities, the Singapore government present a clear direction in their immigration policy that they will preferentially accept highly-competitive foreign talents <sup>[19]</sup>.

Under the current situation in Singapore, where while the number of both local and foreign companies increase, the job market is getting tighter, but the Employment Pass regulation gets stricter, the success of a company will largely depend on whether one will be able to hire and retain highly-competitive local talents in the market.

## 2.2 Challenges for Japanese companies in hiring and retaining local talents in Singapore

Figure 9 shows the results from a survey conducted by a German company (trendence) in 2016 asking 7,500 local new graduates for their dream employers <sup>[1]</sup>. It manifests that Japanese companies are not popular at all among new graduates in Singapore with only one Japanese company ranked in top 100 most popular employers. On the other hand, US and European companies are so popular which occupy more than 50% of the top 100, followed by local government and companies which account for more than 20% respectively.

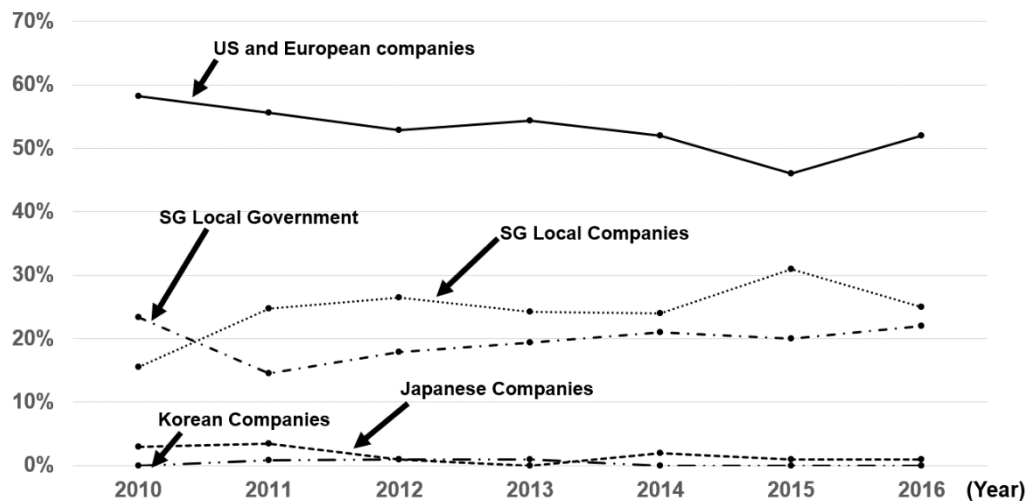
Figure 9: trendence's Survey at 7,500 Local New Graduates in 2016



<Source> trendence, URL: <http://singapores100.com/RankingView.aspx?ID=31>  
The above pie chart was created by the author based on the survey results (between 2010 and 2016) of trendence

As shown in Figure 10, the similar tendency has been observed in the past seven years since the survey was started in 2010 <sup>[1]</sup>.

Figure 10: Trend of the Companies Popular among Local Talents (New Grads) in Singapore (Year 2010 to 2016)



<Source> trendence, URL: <http://singapores100.com/RankingView.aspx?ID=31>  
 The above graph was created by the author based on the survey results (between 2010 and 2016) of trendence

Based on the results of trendence’s survey, I have conducted preliminary interviews with several Japanese recruitment consultants, who are currently working or used to work in Singapore and asked them whether Japanese companies are popular among local talents in Singapore. All of them responded unanimously, saying: “Japanese companies are not popular at all among local talents in Singapore and the situation is getting tougher.”

Besides this, even though my own experiences of having worked for Japanese company in Singapore for almost five years, I came to notice and learn from my local colleagues that local employees no longer find it attractive to work for Japanese companies.

### 3. Theoretical background

There are many researches and studies done so far in this field and there is much writing on the topic.

Nakane points out, as the characteristics of Japanese people and society, that cultural constraints on Japanese people is so strong that they are not able to adapt themselves to different cultures in other countries. Specifically, when facing difficulties in adapting themselves to other cultures, they rather become more introverted, which direct them to be more cling to their own culture. In addition, Japanese people simply try to apply their Japanese style or system in other countries even without customizing them to fit the local context.

As a result, it is only when both parties face more problems later that Japanese people realize their style or system do work out in different cultural setting.

Nakane also states that many of Japanese people force their own ideas on other people, whether foreigner or Japanese. This is because Japanese people are poor in recognizing and accepting something or someone that is essentially different from them.

Especially about South Asian countries, Nakane claims that Japanese people set up a basic premise in their mind that these countries lag much behind Japan and that they try to understand everything based on this premise in their favor.

On the other hand, Shiraki <sup>[9]</sup> points out that a same tendency is clearly observed among Japanese companies that they prefer their Japanese employees (Parent-Country Nationals: PCNs) take charge of important functions at overseas subsidiaries, such as corporate management, coordination, technological transfer and human resources development, etc. Japanese companies have a “special filter” to preferably assign its employees of Japanese nationality to important functions. Although most of Japanese employees have disadvantage of communicating in foreign language, they heavily depend on Japanese expatriates, instead of utilizing their employees

of HCNs (Host-Country Nationals) or TCN (Third-Country Nationals) at their overseas subsidiaries.

These studies explain the characteristics of Japanese people or companies and show that Japanese are neither adaptable to accept nor well-trained to manage local employees who are quite different from them in many aspects, including in terms of languages, cultures, way of thinking, etc.

Therefore, it is natural that Japanese companies, where majority of employees are Japanese who tend to be introverted in nature and are not yet globalized, face difficulties in management and operation at overseas subsidiaries.

Listed below are the commonly known factors on why Japanese companies are not popular among local talents<sup>[20]</sup>, which were found through my literature review.

[Commonly-known reasons]

1) Glass ceiling:

At Japanese companies, very few opportunities are given to local employees to be promoted to higher positions, such as Business Division Director, Vice President, President, etc., because most of such high positions are usually reserved for Japanese expatriates.

Furthermore, as is often the case that even local employees at high positions are not assigned to important jobs.

2) Unfair working conditions between Japanese expatriates and local employees:

Japanese expatriates are well treated with extremely high salary and benefit.



3) Salary:

Compared to US or European companies, Japanese companies offer lower salaries<sup>[21]</sup> to local employees.

4) HR Development System:

Japanese companies do not have an established human development system for local employees although they have ones for Japanese employees at their HQ in Japan.

5) Language Barrier:

Japanese bosses or expatriates expect local staff to communicate in or learn Japanese language, instead of their learning local languages or English.

6) Difficult to build a relationship with Japanese expatriates:

It is difficult to build a relationship with Japanese bosses and expatriates (employees) mainly because of a language barrier and/or an overseas limited-term assignment.

7) Working style:

Japanese companies expect employees to work long hours.

These issues have been discussed long among Japanese manufacturing companies operating in the ASEAN region since 1960's. Yet even now, we continue to see many of Japanese companies have been struggling with the same issues at overseas subsidiaries, especially in Singapore.

This might be because Japanese companies have neither seen them as critical issues at earlier stage nor found specific effective solutions, or because they might not have succeeded in implementing the solutions though they have found them.

When the world was not so developed as now, the Japanese traditional style of management was well accepted and worked very well, and, thanks to that, Japan has continued to achieve success in both economic and technological developments for decades.

However, as the business environment rapidly changes, it has become more obvious that the Japanese traditional style of business management is no longer effective in the ever-changing global market. This explains why we see now that the current business situation is much tougher for them as more problems arise at their overseas subsidiaries, including in Singapore.

I see, especially in Singapore, solving these issues is becoming increasingly more important as the situation is becoming less favorable for Japanese companies.

During my preliminary interviews, several consultants from recruitment companies said that some Japanese companies have come to realize these issues only recently.

Based on both my preliminary research and my own experiences, I came up with one hypothesis that there might be other more deep-rooted reasons than the commonly-known reasons on why Japanese companies are not popular among local talents in Singapore. To figure out the unclear but other more in-depth reasons, I have decided to conduct face-to-face interviews with local and Japanese interviewees to hear their firsthand opinions.

#### 4. Data and method

Throughout the research, I have collected primary data and made analysis based on them.

[Primary data]

Shown in the matrix in Figure 11 are the target companies of my interview. These companies are divided into 4 different categories based on the classification of Japanese or non-Japanese companies and on being successful or not successful in hiring and retaining local talents in Singapore. The turnover rate (3% is a criterion value), as well as the tredence's most popular 100 employers ranking, is referred to as an index to determine whether the company is successful or not.

Based on this setup, I have conducted face-to-face open-ended interviews of about 30 minutes to 2 hours with 24 people both in Japan and Singapore for eight months from April 2017 through November 2017. These include employees of recruitment companies (5 persons), current or former employees of Japanese local companies (5 persons), employee of JETRO Singapore (1 person), employees of Singapore government agencies (2 persons), former employee of a Singaporean subsidiary of Western company (1 person), employee of a Singaporean subsidiary of Korean company (1 person), employee of Singaporean company (1 person), employees of Korean companies in Korea and in China (4 persons), former employee of a Taiwanese company in Taiwan (1 person), employee of a Japanese company in Japan (1 person), career advisor at a local university (1 person), a postgraduate student at a local university (1 person). Table 3 presents a list of 24 interviewees.

Among them, there are two interviewees who were originally not included in as the target of my research, that are a local student and a career advisor at a local school. However, during the research I found that their insights are very valuable and useful for Japanese companies to understand the existing local job market in Singapore and to consider their future hiring strategies. Thus, I have included these two as my interviewees.

Figure 11: Targets for my Interview in Singapore

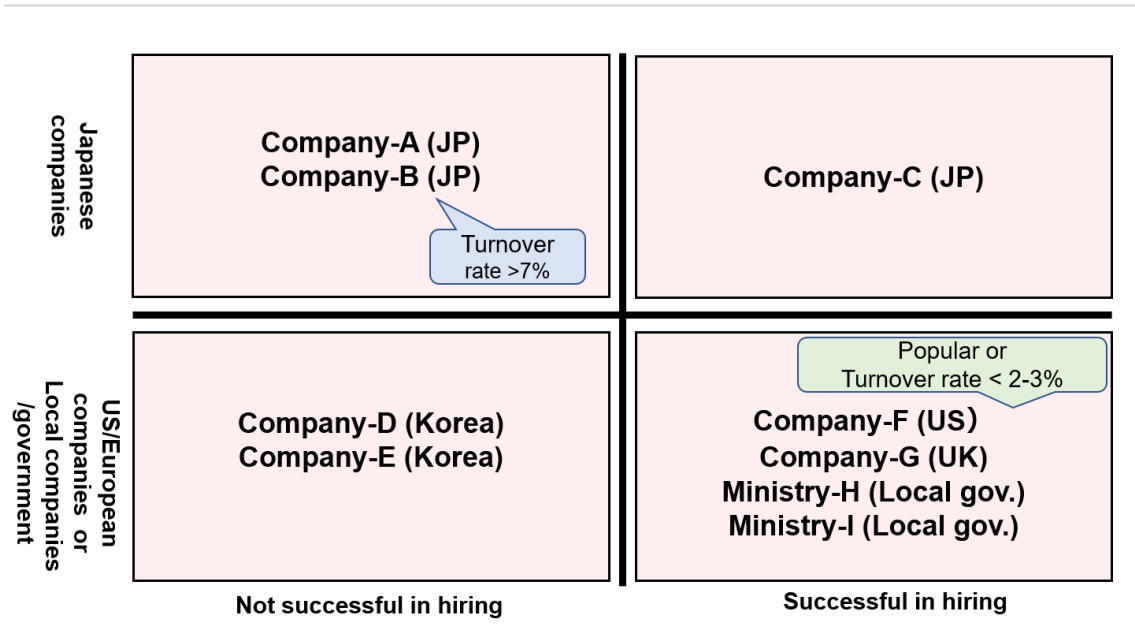


Table 3: Details of Target Interviewees

	Nationality	Sex	Age	Length of service (yrs.)	Job function	Location of subsidiary	Location of parent company or organiz.	Industry
A	Singaporean	F	40s	11	Finance Director	Singapore	Japan (A)*	Mfg.
B	Singaporean	F	20s	1	Marketing staff	Singapore	Japan (B)*	Mfg.
C	Thai	F	20s	3	Legal staff (Lawyer)	Singapore	Japan (C)*	Mfg.
D	Taiwanese	F	30s	3	Sales admin.	Singapore	Japan (A)*	Mfg.
E	Korean	F	30s	13	HR Mgr.	Singapore	Korea (D)*	Mfg.
F	Korean	M	30s	8	Mgr. of R&D Center	Korea	Korea (D)*	Mfg.
G	Korean	F	30s	13	Mgr. of R&D Center	Korea	Korea (D)*	Mfg.
H	Korean	F	30s	5	Team leader, Digital Market. Dept.	China	Korea (D)*	Mfg.
I	Korean	M	40s	16	Senior Mgr. of Global Biz. Dept.	Singapore	Korea (E)*	Bank
J	Singaporean	M	30s	3	Staff of Customer Service Cent.	Singapore	Singapore (H)*	Gov.
K	Singaporean	M	30s	5	Director	Singapore	Singapore (I)*	Gov.
L	Japanese	F	50s	5	VP of Business Development	Singapore	Singapore (J)*	Bank
M	Singaporean	M	50s	3	Senior Mgr. of Engineer. Dept.	Singapore	US (F)*	Mfg.
N	Singaporean	M	30s	5	Senior Mgr.	Singapore	US (G)*	Consult.
O	Japanese	F	60s	20	Mgr. of Global Recruitment Support Biz.	Singapore	Japan	Recruit.
P	Japanese	F	30s	6	Team leader	Singapore	Japan	Recruit.
Q	Indian	F	40s	5	Senior Recruiter	Singapore	Japan	Recruit.
R	Japanese	F	50s	20	Director	Malaysia	Singapore	Recruit.
S	Japanese	M	50s	26	GM	Singapore	Singapore	Recruit.
T	Taiwanese	F	30s	4	Product Mgr. of Marketing	Taiwan	Taiwan	Mfg.
U	Japanese	M	50s	3.5	Director	Japan	Japan	Mfg.
V	Japanese	M	40s	2	Senior Advisor	Singapore	Japan	Gov.
W	Singaporean	F	20s	0	Postgrad. student	-	-	-
X	Singaporean	F	30s	2	Career Advisor	Singapore	Singapore	Univ.
Total		24 persons						

[NOTE] \* A capital letter shown in brackets in the column of “Location of parent company or organization” in Table 3 correspond to the alphabet of the companies or organizations in Figure 11.

## 5. Findings

My key findings from the interviews conducted in Japan and Singapore can be categorized into three levels, i.e., (1) organization, (2) decision-making, empowerment and HR, and (3) expatriates' capability, commitment and mindset levels. Based on this categorization, I analyzed the reasons of the issues of each level as follows.

For the issues on the organization level, Japanese companies do not understand the global situation outside of Japan (or outside of their Japanese companies' community) because their focus is mainly paid on the Japan domestic market. They should compare themselves with others on a global market, without limiting on the Japanese market or society.

For the issues on the decision-making, empowerment and HR level, Japanese local companies usually tend to blindly obey what their Japan HQ (Japan HQ comes first) say, which prevent them from realizing a full-fledged localization and establishing a local HR development system in Singapore.

For the issues on the expatriates' capability, commitment and mindset level, Japanese HQ often dispatch Japanese employees who are neither competitive nor passionate enough to foster employees or further grow business at overseas subsidiaries. This is because they need to secure ace-level of employees at the home headquarters to keep their business running stable and strong on the Japanese market.

Unfortunately, as is often the case, these Japanese expatriates are not equipped with global mindset, let alone high English language proficiency. due to their limited overseas experiences.

Below shown are the details of my findings on each category with firsthand comments from interviewees.

[Organization level]

- 1) Misconception of Japanese companies that "Japan is still superior and No.1 in the world."

As Ms. D (in her 30s, Taiwanese, Former sales administrator of Japanese local manufacturer) explained:

"We sometimes felt that the Japan HQ employees look down on us local employees in Asia. They still see working at the Japan HQ as a brand or higher status even though the golden era of Japanese companies was already over a long time ago. They neither know that the life in Singapore is much more comfortable and less stressful than in Japan nor we receive almost the same salary as or higher salary than they do in Japan."

In addition, Japanese companies have not noticed how fast the development of Asian countries has been proceeding. As Ms. B (in her 20s, Singaporean, Marketing staff of Japanese local company) commented:

"We do not understand why our Japanese company brings only basic/low-end products/solutions to the Singapore market though they have a wide range of products from high-end to low-end in Japan.

Our local competitors also have such products and sell in Singapore; thus, we lose the competition here."

- 2) Japanese "Galápagos-thinking" based on a mono-racial, isolated and closed society.

As Ms. O (in her 60s, Japanese, Manager of a UK local recruitment company), who has worked in Singapore for about 10 years, commented:



“The most critical problem of Japanese companies is that they are ‘frogs at the bottom of the well.’ For example, in deciding an annual salary raise for local employees in Singapore, they do not compare the amount of the raise with foreign or local companies in Singapore but only with the member companies of JCCI (Japanese Chamber of Commerce & Industry) Singapore. Thus, they cannot compete with foreign or local companies in Singapore, most of which usually offer much higher salary increases.”

This same issue applies to the salary of internship students, too.

As Ms. X (in her 30s, Singaporean, Career advisor of a local university) commented:

“Japanese companies offer much lower stipends than foreign and local companies. Even local SME companies, which are financially in more disadvantageous position, offer higher stipend and the 70% of their stipend are covered by our government (SPRING Singapore) in the form of a subsidy. Under this tight labor market, I wonder how Japanese companies can hire high-competitive local talents with offering such low stipends.”

Japanese companies should be aware that their competition is not only in the small society of Japanese local companies, but in a much larger scale of Singapore and global markets.

[Decision-making and empowerment level]

- 3) Their heavy dependence on its strong centralized hierarchy system slows down their decision making.

As Mr. M (in his 50s, Singaporean, Senior Manager of a Singaporean subsidiary company of a US company who used to work for a Japanese company for 25 years) commented:

“The Japanese company lags behind the competitors because they are too slow in decision making. They do hold many meetings to discuss issues, but nobody dares to take responsibilities locally in making decision. These meetings often end up with no conclusion and we often agree to wait for advices or directions from our Japan HQ. Then, we receive answers from Japan HQ in a few days, if we are lucky, but mostly in a week, a month or a year. In the worst case, we receive no answer from them. The results of this are that “we (local company)” lose many business opportunities because our words and actions are no longer synchronized at the time when we take actions locally after having received directions from our Japan HQ. It is too late.

In contrast, our current US employer can make decision very quickly and are always three steps ahead of competitors. They take action duly according to the decision made by the HQ.”

Japanese companies need to get an approval in stages along their corporate hierarchy to minimize errors as well as to bring consistency at all levels. This clearly symbolizes the characteristics of Japanese society that they tend to “avoid uncertainty <sup>[22]</sup>.”

This hierarchy system worked when the business speed was much slower than now. However, as the business is dealt with at increasingly higher speed than before with the development and progress of technologies such as information technologies, this time-taking procedure will no longer work out. In addition, Singapore is a fast-growing countries and local people are becoming more and more highly educated and aware of the importance of a speed in business. As such, losing business opportunities will damage their motivation, especially because Singaporeans care about “Pashu (Hokkien, which means “afraid to lose out” or “try to get ahead in one way or another”)” very much.

Japanese companies need to abolish unnecessary procedures to avoid losing more business opportunities in the future.

Furthermore, the slow decision-making by Japanese companies is even observed in hiring local talents in Singapore and all the consultants from local recruitment companies (Ms. O, Ms. P, Ms. Q, Ms. R and Mr. S) uniformly pointed it out as a major issue of Japanese companies. As Ms. P (in her 30s, Japanese, Recruitment consultant of a Japanese recruitment company) commented.

“Japanese local companies in Singapore take too much of time in deciding to hire even a single local talent because they are not even authorized to decide a local hiring and need to ask for an official approval from their HQ in Japan. As a result, they often miss to hire highly-competitive local talents. I wonder if they notice the labor market in Singapore is tight.”

As Ms. R (in her 50s, Japanese, Director of a Japanese local recruitment company) commented:

“Even to hire local talents, Japanese local companies need to receive an approval from their Japan HQ. Then, what is the function of the president of a local office?”

- 4) Their strong centralized hierarchy system widens a gap between different levels of employees.

Many Japanese companies have expanded into overseas markets over the years, yet even now many of Japanese expatriates or employees do not seem to know how to manage and interact with their local employees.

As Ms. B commented:

“At our Japanese company, Japanese employees and local employees communicate with each other less. Japanese expatriates tend to work only with Japanese employees. They even do not invite local employees to a meeting when making decisions.

We feel there is a big divide between local employees and Japanese expatriates though we are working under the same company.

Singapore is a multi-racial country and since we are a child, we are taught to interact with people of different races and ages and it is very normal for us to do so. Therefore, the attitude of Japanese expatriates seems very strange to us.”

In contrast, the attitude of employees at the Singapore Ministries is totally different from that of employees at Japanese companies. Communication frequently takes place across levels within the flat organization at the ministries, which makes employees feel that there is no big power distance between levels even in the public organizations. Furthermore, once they accept talents as their employees, whether internship students or permanent employees, they try to teach and develop the talents.

Ms. W (in her 20s, Singaporean, Postgraduate student at a local university) shared with me her experience during internship programs at two of the local ministries.

As she explained:

“I worked at the Ministries for three to six months on an internship program. I loved the working atmosphere in their super-flat organizations. Every staff was so friendly. High ranked Directors of the ministries even care about internship students like me and they offered us to have lunch meetings with them. They asked me what I like or dislike, what I am interested in, what my strong areas are, what my

future ambitions are, etc., at the face-to-face meetings. Then, they assigned me to the job which I am interested in.”

“Furthermore, the most exciting part of the internships was that they allow us to attend some very confidential meetings to let us experience an actual working situation. Thus, I was able to understand the real feeling of how it looks like to work at the ministry.”

5) Disciplined but not flexible.

Japanese companies have a good reputation as Ms. T (in her 30s, Taiwanese, Product manager of Taiwanese company) commented:

“Japanese companies are well disciplined and, so we can trust the companies and employees in dealing a business.”

Yet, many local talents in Singapore prefer to work for European or US companies because, as Mr. K (in his 30s, Singaporean, Director of a local government agency) commented:

“Singaporeans prefer freedom and flexibility and to express their own opinions frankly.”

European and US companies are “super flexible” and evaluate their employees on a performance basis.

For example, many European and US companies, such as Deroitte and Accenture, do not expect you to necessarily be at the office every day but allow you to work at home, if you can complete assignments by the due dates. On the other hand, Japanese bosses of Japanese companies rather expect you to be present at the office every day. As Ms. B commented:

“Japanese bosses more focus on disciplines while local companies or bosses are more results-driven and flexible. For example, local bosses will not complain as long as I fulfill my responsibilities even though I am not in the office. However, Japanese bosses expect me to be in the office every day. I wonder whether I am still regarded as a good employee when I do not fulfill my responsibilities but as long as I am in the office?”

This is an issue at employee level and is closely related with the issue of decision-making and empowerment because the assignment of authority and responsibility will largely impact on the motivation, commitment and engagement of employees.

[Expatriates' capability, mindset and commitment level]

- 6) Quality and guts of Japanese expatriates. Are they qualified enough and fully committed to work for overseas subsidiaries in Singapore?

As Ms. D commented:

“Japanese companies often dispatch Japanese employees who are not needed at Japan HQ to our Singapore office.”

As Ms. B commented:

“My Japanese boss neither tries to interact with local employees nor tries his best to explain to us in English when we ask him questions. He always says 'Never mind. It's ok.' Thus, we cannot have in-depth communication and understanding.”

As Mr. M commented:

“While working for both a Japanese company and a US company, I noticed that the Japanese company interact less with the Singapore government than the US company does. Thus, they were not able to negotiate the best deal with the government.

They should optimize the Singapore government by more actively interacting with them to penetrate and negotiate the best deal. However, to make it happen, they need highly-capable Japanese expatriates at our overseas subsidiaries.”

As Mr. V (in his 40s, Japanese, Senior Advisor of a Japanese semi-government organization in Singapore) commented:

“Many Japanese companies come here (to our office) to ask for our advice on how they can operate their business better in Singapore. They have similar problems of human resource management.

Then, I keep on telling them ‘If you see Singapore as a key hub for your business and are eager to build a strong business foundation here, you should dispatch ace-level of employees with guts from your Japan HQ to Singapore, not second or third class of employees. Otherwise, you won’t be successful.’”

Japanese local companies should seek to receive highly-capable Japanese expatriates who has a global mindset to manage and foster the human resources and expand the business locally.

7) Japanese companies care about external characteristics of employees. Especially, the age of female employees matters “a lot” for them.

As Ms. Q (in her 40s, Indian, Senior Recruitment Consultant at Japanese local recruitment company) commented:

“I have worked for two Japanese recruitment companies for 6.5 years. Through my experience of attending to many Japanese client companies in Singapore, I found out that local HR staff of Japanese companies usually request us to look for young female candidates, the most ideally, of 28 years old, when there is a vacant position for female candidate. They also clearly say to us ‘Please do not recommend us female candidates who are over 35 years old, because our Japanese bosses will not be happy with old female candidates.’”

According to her, there is an implicit understanding about Japanese local companies that female employees over 35 years old are not welcome. The most ideal female candidates are at 27 or 28 years old.

As Ms. D explained:

“In general, foreign companies care about the personality of their employees but Japanese expatriates and employees of Japanese companies care more about the nationality or employment status (contract, permanent or part-time) of their employees.”

Both the new in-depth issues which I found through my interviews in Singapore and Japan, and the commonly-known issues that have been found since a long time ago can be roughly categorized into 3 levels, i.e., organization, decision-making, empowerment and HR, and expatriates’ capability, mindset and commitment levels, as shown in Table 4.



Table 4: Classification of newly found issues and commonly-known issues

Level of issues	Reasons	New issues found from my survey	Commonly-known issues
Organization	<ul style="list-style-type: none"> <li>➤ Do not understand the global situation outside of Japan (Japanese companies).</li> </ul>	<p>8) Misconception of Japanese companies that "Japan is still superior and No.1 in the world."</p> <p>9) Japanese "Galápagos-thinking" based on a mono-racial, isolated and closed society.</p>	<p>3) Lower salary than foreign/local companies.</p> <p>6) Difficult to build a relationship with Japanese employees (incl. bosses and expatriates)</p>
Decision-making, Empowerment and HR	<p>[Decision-making &amp; Empowerment]</p> <ul style="list-style-type: none"> <li>➤ Japan HQ comes the first.</li> <li>➤ Localization is not fully implemented.</li> </ul>	<p>10) The heavy dependence of Japanese employees on strong centralized hierarchy system slows down their decision making.</p> <p>11) Their strong centralized hierarchy system widens a gap between different levels of employees.</p>	<p>1) Glass ceiling</p>
	<p>[HR]</p> <ul style="list-style-type: none"> <li>➤ Local HR development system is not well established.</li> </ul>	<p>12) Disciplined but not flexible</p>	<p>2) Unfair working conditions between Japanese expatriates and local employees</p> <p>4) HR Development System</p> <p>7) Working style</p>
Expatriates' capability, commitment and mindset	<ul style="list-style-type: none"> <li>➤ Expatriates neither highly-competitive nor committed</li> </ul>	<p>13) Quality and guts of Japanese expatriates: Are they qualified enough and fully committed to work for overseas subsidiaries in Singapore?</p>	<p>5) Language Barrier</p>
	<ul style="list-style-type: none"> <li>➤ Non-globalized mindset</li> </ul>	<p>14) Japanese companies care about external characteristics of employees. Especially, the age of female employees matters "a lot" for them.</p>	

## 6. Discussion

### 6.1 Solutions for issues drawn from my research

I suggest solutions for issues at each level, as shown in Table 5.

Table 5: My suggestion for solutions for the issues

Level of Issues	Reasons	Solutions	Issues found from my survey	Commonly-known Issues
Organization	<ul style="list-style-type: none"> <li>➤ Do not understand the global situation outside of Japan or Japanese companies.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Understand the actual situation by comparing on a global scale.</li> </ul>	<p>8) Misconception of Japanese companies that "Japan is still superior and No.1 in the world."</p> <p>9) Japanese "Galápagos-thinking" based on a mono-racial, isolated and closed society.</p>	<p>3) Lower salary than foreign/local companies.</p> <p>6) Difficult to build a relationship with Japanese employees (incl. bosses and expatriates).</p>
Decision-Making, Empowerment and HR	<p>[Decision-making &amp; Empowerment]</p> <ul style="list-style-type: none"> <li>➤ Japan HQ comes the first.</li> <li>➤ Localization is not fully implemented.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Localization (delegate authority to local company)</li> <li>➤ Flat organization</li> </ul>	<p>10) The heavy dependence of Japanese employees on their strong centralized hierarchy system slows down their decision making.</p> <p>11) Their strong centralized hierarchy system widens a gap between different levels of employees.</p>	<p>1) Glass ceiling</p>

Level of Issues	Reasons	Solutions	Issues found from my survey	Commonly-known Issues
	[HR] ➤ Local HR development system is not well established.	➤ Introduce a merit system and a global HR development system  ➤ Utilize an internship program	12) Disciplined but not flexible	2) Unfair working conditions between Japanese expatriates and local employees  4) HR Development System  7) Working style
Expatriates' capability, commitment and mindset	➤ Expatriates neither highly-competitive nor committed	➤ Dispatch ace-level of Japanese expatriates	13) Quality and guts of Japanese expatriates: Are they qualified enough and fully committed to work for overseas subsidiaries in Singapore?	5) Language Barrier
	➤ Non-globalized mindset	➤ Educate Japanese expatriates to have a global mindset.	14) Japanese companies care about external characteristics of employees. Especially, the age of female employees matters "a lot" for them.	

The solutions should be implemented in the following priority order:

1. the issues of Organization level,
2. the issues of decision-making, empowerment and HR level, and
3. the issues of expatriates.

The priority order is defined based on a degree of impact on a company over all and on the length of time required to see the benefit from their implementation (i.e., short term-implementation tasks and long-term implementation tasks).

Below explained are the concrete solutions to be adopted by Japanese companies for each level of issues.

(1) Organization level

***A frog should swim out of the old small pond to a big ocean.***

Japanese companies enjoyed the prosperity of their business in the golden era of 1980's and 1990's, with receiving overwhelmed reputations for their high quality and advanced technologies and products from the world. However, in the recent years the situation has totally changed and many of Japanese companies have been losing momentum because more and more new global companies are coming up in the market. Now their competitors cover global companies, are not limited to Japanese companies. Therefore, both Japanese HQ employees and expatriates who are dispatched to their subsidiary companies in Singapore should get rid of a Japanese-centric perspective and shift towards more globalized perspective. They should try to understand the actual situation in Singapore so that they can compete with all the companies, whether Japanese, foreign or local companies.

(2) Decision-making, empowerment and HR level

Japanese companies should clarify a company policy on their subsidiary company in Singapore based on their business model and set up and implement a clear-cut strategy for their organization and human resource development.

1) Decision-making and empowerment

***Localization:***

As the recent tightening of the EP regulation clearly shows, there is no leeway left for Japanese companies to avoid "Localization." The government regulation will lead Japanese companies to carry out localization by legally forcing them to hire more local talents and to more heavily depend on them to run a business in Singapore.

***Flat-organization:***

Just as Company-D practices, Japanese companies should start to shift from its bureaucratic organization system to a flat organization system because high hierarchy system will slow down decision makings and can result in losing competition in a local market.

For example, Company-D (a Korean local company) takes a clear-cut strategy. For them, Singapore is just a key gate for their business expansion into the global market and thus they locate an Asia Pacific headquarter consisting of indirect departments only, without having any manufacturing site, in Singapore. They hire local talents according to their HR strategy. They do hire and promote local talents. However, they set up a distinctive classification of important and less-important tasks and assign important tasks to Korean expatriates and less-important tasks to local talents respectively.

It was designed in this way with considering a high local turnover rate, a language barrier, and difficulties in having local employees understand the concept of its HQ in Korea, etc.

Nonetheless, considering the rapidly-changing business circumstances, Company-D introduced “a new global in-house policy” in 2007 which encourages all their employees in the global market to call their bosses by first name. The objective of this policy is to gradually and indirectly get rid of its deep-rooted power distance sentiment at the company which was built up in the long period at their hierarchy organization and to realize a flat organization.

Japanese companies should adopt a similar approach at their company sooner because it takes long time to get rid of such a longtime hierarchy system and establish a completely new flat organization.

## 2) HR System

### ***Shift to a merit system:***

Japanese companies should speedily and completely shift from a seniority system to a merit system to properly evaluate the performance of local talents and reflect the results into their salary.

Specifically, hard-working and target-fulfilling employees should be rewarded with both financial reward (salary, bonus and welfare, etc.) and non-financial reward (flexible working conditions, career progression, corporate culture, etc.) so that Japanese companies can keep highly capable local talents motivated and retain them for a long period.

In addition, Japanese companies should introduce a global HR development system. This will help local talents know the entire picture of their future career progression plan.

### ***Fully make use of an internship program:***

Japanese companies should fully utilize an internship program because increasing focus is being paid on internship programs which can lead to a win-win situation for both companies and young talents in Singapore.

As Ms. X (in her 30s, Singaporean, Career advisor at a local university) commented:

“Most universities in Singapore encourage their students to participate in internships. For example, some faculties set it as compulsory for students to participate in internships. In addition, internships can be converted as a credit, too.

After students (about 60 to 70% of our university students) completing internships, about 40 to 60% of them convert from an internship to a full-time employee.”

However, she also explained:

“Japanese companies also offer an internship program to our students; but they account for only 10%, which is much smaller than that of European and US companies which account for 90%.”

Japanese companies should offer internship programs to accept an increased number of young highly-competitive local talents at earlier stage. At the same time, they should redesign their current HR development program to train and develop young talents from a longer-term perspective.

### (3) Expatriates' capability, commitment and mindset level

#### ***Dispatch ace-level of expatriates:***

Japanese companies should first identify the positioning of their Singapore subsidiary in their future business plan with reference to their business model. If they regard Singapore as a key gateway for their future business expansion in global market, as Mr. V (in his 40s, Japanese, Senior Advisor of a Japanese semi-government organization in Singapore) advised, they should dispatch ace-level of Japanese employees from Japan HQ to Singapore, instead of second or third level of Japanese employees.

These ace-level of Japanese expatriates should be highly capable as well as have strong guts in establishing a strong foundation in Singapore for the future growth of their global business while developing the local talents. It is also compulsory that such ace-level of Japanese expatriates should be equipped with a strong communication skill in both Japanese and English at least.

Singapore is basically a high context culture as Japan <sup>[23]</sup>. However, as many foreign immigrants has been flowing into from other countries since over the past 50 years, your colleagues working at subsidiaries in Singapore may not necessarily be original Singaporeans. Thus, the

importance of communication has become more heightened in the country.

When Japanese companies exploit the global market, Japanese expatriates can no longer use their poor foreign language skills as an excuse to avoid face-to-face communication with global colleagues and business partners.

***Japanese expatriates should have a global-mindset:***

Japanese expatriates must understand that Singapore is a multi-racial country which is totally different from Japan of a mono-racial country. Under the situation in Singapore where a rapidly ageing society is one of the country's major issues and the regulation of the Employment Pass has been tightened, Japanese companies must know how to hire and manage local employees based on a global mindset.

As Mr. S (in his 50s, Japanese, General Manager of own local recruitment company) explained:

“The Singapore government confidentially creates a black-list of the companies which do not maintain an adequate number of local Singaporean employees and sends a warning to such black-listed companies. If they cannot make improvement, the worst case is that the government will stop the issuance of Work Permits or Employment Passes for foreign employees working for these companies. This will eventually lead to a suspension of their business in Singapore.”

Japanese companies should realize that their companies no longer have a high brand image as in the past and should make fundamental changes within their organization now, as suggested above. Otherwise, they will lose competitiveness in the Singapore market, and subsequently in the global market because the competitions among companies in hiring local talents are likely to be more intensified and



retaining them be more difficult as the regulation on Employment Pass become more tightened in the future.

In fact, during my survey in Singapore I heard from recruiting companies that many Japanese companies are already seeing the impact of the recent employment regulation change and facing more difficulties in hiring and retaining local talents than before.

The future success of global companies will largely depend on whether a company is not only financially strong but also whether it can attract highly-competitive local talents for a long run.

## **6.2 My personal insight based on own experiences of having lived and worked in South East Asian countries**

In the previous sections, I have discussed that Japanese companies should make fundamental changes in their organizations, etc. to attract more local talents in Singapore. However, I have noticed that all these factors may be merely secondary reasons on why local talents are not willing to work for Japanese companies.

In this section I would like to discuss the issues in general but actual context by sharing my personal insight based on my experiences of having worked for global companies in Europe and South East Asian countries for more than ten years.

During and after writing this thesis, I asked to myself two questions repeatedly, “What are the important factors in choosing my employer?” “What company do I feel happier to work for?”

As human beings, I think that there is no much difference among us of any nationalities on what we expect from our company. I think the most important is “Who do we work with?” In other words, our boss and colleagues.

Listed below are two important messages I would like to send to Japanese employees who will be working overseas in the near future. Based on my working experience, I think these are the most important factors to attract any local talents. Regrettably, these are the factors which I find missing in many Japanese employees.

(1) “Once you step in any overseas subsidiaries of your company, you should work for the subsidiary with full commitment; try to understand and penetrate the local organization as one of their colleagues and cooperate with them for your common targets.”

(2) Be more sensitive with your five senses at overseas companies. Carefully listen to and communicate with your local colleagues with respect. Both of you will be able to learn from each other.

(1) Work with full commitment and penetrate the local organization as one of their colleagues.

To give you a clear picture, I should show you my own experience.

While I worked at a subsidiary of a Japanese company in Singapore, I met many Japanese employees. Among them, there is one Japanese expatriate I remember and admire as my role model of an ideal Japanese expatriate.

He is a Japanese executive of our subsidiary and had been stationed in Singapore for totally ten years on two different assignments. He was totally different from other Japanese expatriates in his mindset towards work and his colleagues.

He was the first to come to the office in the morning and the last to leave the company at night or often early in the morning. Being a company executive, he was given many privileges such as travelling on business class, but he never took advantage of it. Instead, he used to travel on economy class of LCCs (low cost carriers), such as Air Asia, for cost reduction. He even often took lunch at our modest company canteen together with his local employees, while most of our Japanese expatriates usually drove out of the office by their company car during lunch time to have luxury lunch with a group of their Japanese expatriate colleagues.

In a word, he tried to behave as a local employee. It seems easy but not so, especially when you are abroad.

There is one thing which made me surprised about him, which is his English level. Although he had been stationed overseas including Singapore and UK for more than 15 years, his English was not so fluent, and I and other Japanese employees were often confused with what he said in English.

However, what made me most shocked is that, even though he delivered a speech in his poor English at monthly General Assemblies where all local and Japanese employees gather, most of our local employees seem to understand what he was trying to convey in his English. He has never asked anyone, who is more proficient at both English and Japanese, to interpret for him in delivering a speech to local employees because he believes that direct communication with local employees is most important.

It was at his last General Assembly before returning to Japan that a farewell message from a local executive director made me realize the difference in nationalities is nothing in the global business situation and what is important to work as Japanese employee at overseas subsidiaries. What local employees expect from Japanese expatriates is neither high English proficiency nor a promise of higher salary, etc., but is our full commitment to try to understand and penetrate the local organization as one of their colleagues and cooperate with them for common targets.

This Japanese executive had practiced it in his daily work and communication with locals, and most of the locals have seen it and gradually come to understand him. Therefore, there was a mutual trust built up between them.

At his farewell General Assembly, as the local executive director delivered a farewell speech to him in front of all the employees:

“Having worked with you for such a long time as 10 years, we have argued a lot on our business and company. We sometimes hated each other and did not talk to each other for a few weeks. However, we know it was all for both our employees and company. Honestly speaking, we do not want to let you go. We do not want you to return to the Japan HQ. However, there is no choice for us but to release you because this is an order from the Japan HQ. If I have the authority, I will never let you go. We want to work together with you here until our retirement.”

These words touched our hearts. I will never forget this Japanese executive who had penetrated the hearts of our local employees and gained trust from them. I am sure that they did not see any boundary between them. They worked together as colleagues under the same one company for common targets.

Here is another example of his remarkable achievement. It is that one of his direct subordinates was promoted to the head of finance department. This may sound nothing new to you, however, it was his “female local employee.” It is so rare at a traditional Japanese company that a “female local employee” is promoted to the head of “finance department” because it is usually dominated by “male Japanese expatriates” at most of the overseas subsidiaries. Can you imagine how difficult it was? Both he and the female local employee had to overcome many tasks and hardships to make this great achievement. He has trained the female local employee to gradually carry out “localization” and to be cost-effective for the long-term benefit of the subsidiary.

If Japanese employees and expatriates make efforts and full commitment to penetrate the local subsidiary as one of their local colleagues, we will be able to see a different reaction from local employees and a different relationship between us.

- (2) Be more sensitive with your five senses at overseas companies. Carefully listen to and communicate with your local colleagues with respect.

You should be well aware that the human development in Singapore has been advancing much faster than we think. The country has no natural resources but only a limited number of human resources and thus the government has placed high priority on education of its citizens since a long time ago. Their citizens have been educated in very strategic manners since they are young and now they start seeing the fruits of the government's long-time efforts.

I think that one of the capabilities that Singaporeans are far ahead of Japanese is their "interpersonal communication capability." Because they are exposed to ethnic and cultural diversity since they are young, they are naturally well trained to be good at communicating with people of different backgrounds and of different ages. This significantly affects the way how they look at things and think.

For example, Singaporean youngsters do not hesitate to talk to senior people and foreigners. I was often astonished and struck by the way how they talk to me as well as by their frank opinions or ideas. I have never felt any nationality or generation gap when talking with them. They discuss in logical manner. They often introduced to me new and great ideas which we Japanese people never thought of but only local people who do understand the people and the market very well can think of. Having worked with them for five years, I have learnt that they are well trained to look at and think things from more practical perspective than we Japanese do. Therefore, the idea that once you work for a Japanese company, you should listen to your Japanese boss is already outdated.

Considering the speed of the human resource development of local people in Singapore and the tightening of the visa regulations and so on, it will not be long before the gaps in experiences, salaries, etc. between locals and foreign expatriates disappears. Most subsidiaries of global companies in Singapore may be run by Singaporean locals with only a few foreign expatriates being stationed there soon.

In fact, many western companies have already shifted to almost full-scale of localization by giving management positions to Singaporean locals. This is exactly the primary direction that the Singapore government aims as well.

Being aware that more and more Japanese employees will be working overseas, including Singapore, in the future, you should keep in mind the two key messages because they are applicable to any overseas business situation.

## 7. Conclusion and contribution

Why are Japanese companies so unpopular among local talents in Singapore? This question has been in my mind since I worked in Singapore and this was the very starting point of my writing this thesis. I left Singapore early 2016 and I returned to Singapore to do this research in the summer of 2017. The time interval was only a year and a half; however, I was able to recognize more clearly that the recruiting situation has been getting much tougher for Japanese companies there. This is a matter of urgency for those of us working in Japan as well as for the Japanese companies.

To identify more concrete and in-depth reasons on why Japanese companies are not popular among local talents in Singapore, from the perspective of local talents, I have interviewed 24 people both in Japan and Singapore based on a framework. I have categorized newly-found issues (the results from my on-site research) together with commonly-known issues drawn from literature reviews and others into three levels. They are, namely, (1) organization, (2) decision-making, empowerment and HR, and (3) expatriates' capability, commitment and mindset levels. For issues of each level, I have suggested specific solutions. I suggest that Japanese companies make fundamental changes in their organizations, etc. to attract more local talents in Singapore based on the solutions.

Yet, I have also noticed that all these factors may be merely secondary reasons on why local talents are not willing to work for Japanese companies. From my own experiences of having worked for global companies in Europe and South East Asian countries, I think there is no much difference among us of any nationalities on what we expect from our company. I think the most important factor is still "the people", such as bosses and colleagues. This means that each one of Japanese employees has to be attractive and respectable enough to motivate people of other nationalities to work with local talents in Singapore. Good working conditions, higher salaries and others are just secondary. It must be started from each one of us. This is a grassroots activity. However, if you can show your passion and full commitment to your

colleagues at your subsidiary in Singapore, you will be able to see the response from them which is worth the effort you have made.

Considering the situation that the Singapore government has lately been more selective in accepting foreign companies and talents to attain a higher level of development as a country, Japanese employees and companies need to tackle this issue as soon as possible. The employees and companies, who can see the issue as critical, completely review their own global organization and take concrete actions sooner, will succeed in Singapore, and subsequently in the global market.

Meanwhile, it is recognized that there are some limitations in this thesis. The limitations are as follows.

- (1) The on-site research was done based on a limited scope and number of interviewees, which limits the generalizability of the conclusions that may be drawn.
- (2) Further research into the relationship between a turnover rate and the financial results of Japanese local companies and other multinational companies in Singapore will be required to establish what kind of global management style can attract and motivate more highly-competitive local talents and favorably influence companies' operations.

Initially, I intended to write this thesis to provide some hints for Japanese companies in Singapore to make changes to become a globally competitive company where Singapore local talents will feel motivated to work with passion. However, the thesis turned out to be intended for Japanese employees, including current and future Japanese expatriates to be dispatched to their overseas companies, as well as for Japanese companies.

I found out that my fundamental concept in this thesis can be summarized into that well-known concept of Konosuke Matsushita "A company is its people." Now no matter how sophisticated technology your company may have, no matter how well known your company may be, no matter how well paid you



may be, if each company employee, including you, cannot think and act globally, both you and your company will not be successful in the global market.

This thesis is an important message intended for both Japanese employees and companies to raise their awareness, once again, to think and act as a global talent and a global company in this fast-moving global business environment. Your success largely depends on how well you can collaborate with your global and local talents across countries in the long run.

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