RELATIONSHIP BETWEEN THE PRINCIPLES OF ORGANIZATION AND REQUIREMENTS OF GLOBAL LEADERS

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Abstract

With progress of globalization in economics and rise of protectionism recently, the importance of global leaders is increasing and the circumstances for global leaders are getting more difficult in international management. In academic, global leader has been discussed mainly in the United States and it seems to be believed universally as so-called “global standard” practice in Japan. However, my prediction is hard to believe it straight away, especially for Japanese companies because there are wide ranges of different situation between for global leaders in United States companies and for the Japanese companies. So, we conduct quantitative research on Japanese companies to see the situation for global leaders and I treated principle of organization as the circumstances for global leaders. The result is to show the other situation precedent for global leaders in Japanese companies against previous research. It suggests the possibility of another type of global leader against universal type of global leader studies mainly in United States.

Keywords: Global Leader, Principle Of Organization, Contingency Approach, Japanese Companies, Globalization

1. Introduction

We discuss the global leaders in Japanese companies who lead the global operation on site, and their circumstances where they are facing now on this paper. In particular, we treat the principles of organization on both headquarters site and overseas sites as the circumstances for global leaders. Through this research, it is found that there are varieties of principles of organization in Japanese companies and it suggests the necessity of global leader selection according with the principles of organization.

As economic globalization has progressed, Japanese companies have increasingly diversified their global management personnel, including the management of overseas-based subsidiaries. Despite this action, response to globalization tops the list of critical management issues for Japanese companies for a long period (Keizai Doyukai, 2012). It is said that the necessity to respond to globalization has long been recognized in Japanese firms, but despite efforts to improve diversity, the response thus far appears to be inadequate.

Furthermore, the U.S. and U.K., which have been driving forces behind globalization, have witnessed the rise of anti-globalization movements. In the current environment, it is more difficult than ever to assess how best to manage issues that arise in the context of globalization.
The employment environment in the sluggish economy after the collapse of the economic bubble in Japan can be characterized by labor market features such as restructuring and increasing numbers of temporary workers. The discussion of global talent and global leaders has been advanced during this period, but a unified view of what global talent or global leaders are is not seen in practical and educational circles. The academic community is similarly unable to shed sufficient light on these matters.

Global leader research is currently being conducted, especially in the U.S., but there may be concerns that U.S.-based research might not be easily applicable to Japanese companies. If there are some global leader characteristics present in Japanese companies, clarifying and sharing this information will allow us to discuss a global leader style that would otherwise remain unaddressed.

2. Literature Review

2.1. Definition of Global Leader

The global leader research is started around 1990. To the best of our knowledge, the first author to describe “global leader” is Tichy (1988). After that, global leader is studied by various scholars by various ways (e.g. Bartlett and Ghoshal, 1992; Triandis, 1993) even they do not directly call them “global leader”. On the other hand, the construct “global leader” is also defined various way same as “leader” which Stogdill (1974) mentions. According to Mendenhall et al. (2012), global leader is always defined as combination of some factors in order to explain global leader more in detail.

In this paper, we define the global leader as “an individual who brings significant and positive change to an organization composed of members of multiple countries and regions” Mendenhall et al. (2012). There initially appears to be no difference between a global leader in the U.S. or in a Japanese company. However, it is a mistake to consider the two to be identical. This point will be discussed further in the present study.

2.2. The Birth of Global Leader Research

The main objective of global leader research is the quest to determine the competencies that global leaders share (Shimada, 2016). Lobel (1990) is one of the pioneers in the field of global leader research, who states that the requirements for global leaders are not only technical competence, but also relational skills, such as flexibility, curiosity, openness toward other ways of living and speaking, and nonjudgmental acceptance of cultural differences. Since Lobel’s (1990) pioneering work, the inquiry of competency has become the main stream of global leader research.

2.3. Competencies in Experimental Research

Considerable research has been conducted for approximately 25 years since the birth of this field of research. Osland (2013) has noted that various studies have attempted to answer the question: What capabilities do global leaders need to acquire in order to be effective? We can find from the experimental research to date that the answer seems to be that they need to acquire not only knowledge or skill, but also personality traits. Some of these traits are flexibility, openness, respect for others, sensitivity, trust, psychological maturity, respect for and acceptance of diverse cultures, and willingness to learn. These traits commonly appear in a number of research studies (Osland, 2013), but the total number of listed competencies is enormous, and the categorization of those items has not been completed.

2.4. Utilization of Competencies

Discussions on the vast number of competency items have emerged as to whether importance differs for each culture. Regarding the regional differences in the degree of utilization of the competency items, there is research that has looked at Japan in comparison with other cultures,
as well as studies conducted within Japan. Although it is difficult to compare them, there is a common thread in that there are regional differences in the degree of utilization of competencies. However, the subject of discussion in this paper is the situations whereby a global leader must interact with company members from several countries, regions, and cultures at the same time. It seems unrealistic to expect leaders to change their communication style for each culture that they find themselves interacting with at the same time.

2.5. Discussion against Previous Global Leader Research: Limitations and Issues for Competency Approach

Global leadership research so far has overtaken leadership research, and has sought to uncover new findings about the worldview and mindset of global leaders. In other words, the pursuit of global leaders’ competency is the central issue. On the other hand, another issue emerges since most of the global leadership research so far has focused on clarifying the competencies of global leaders.

First, there is no distinction between essential and non-essential items for each competency. The competency approach is also unable to answer difficult questions, such as how a global leader can be successful even if he or she has weak points. Global leaders have several important competency combinations and may be effective even if they do not have all the competencies mentioned in the prior research. However, the author is not aware of any research that proves or disproves this hypothesis, and it appears that no such research has been conducted to date. There is an argument that the requirements for leadership vary according to hierarchy, culture, and circumstances, so a unified competency list cannot be applied (Conger and Ready, 2004). In other words, there is the possibility that there may be both pan-cultural and culture-specific competencies. Various studies accumulate research from this viewpoint (Den Hartog et al. 1999; House et al. 2004; 2014; Chhokar et al. 2007). They rely on implicit leadership theory, which involves clarifying the leadership style that is implicitly required for each culture, and discussing how global leaders adapt to each culture.

The competencies of global leaders are being studied in academic research, mainly in the U.S. Is it appropriate, however, to apply the findings of this research to Japanese companies and those based in other countries? Competency research requires an understanding of the partner country, but does not focus on the leader’s own country. If there is global leadership behavior inherent to each country and if these behaviors are accepted globally, we should clarify them.

Due to the emphasis on static competencies in prior research, we cannot yet elaborate on the process through which global leaders utilize their competencies and the process of identifying what influences their behavior in their specific context. In other words, the utilization process of the competency is seldom studied, and further research on this issue is required.

At present, most of the research focuses on what global leaders are, and there are few studies on what global leaders actually do in practice. We need to pay attention to what they do in order to clarify the process by which global leadership is demonstrated beyond the list of competencies.

We attempt an exploratory analysis in this paper, taking the quantitative study of a Japanese company, paying attention to the context in which global leaders solve problems. We would like to discuss the challenges global leaders of Japanese companies face, which necessitates an understanding of the context in which global leaders in Japanese companies operate.

2.6. Challenges faced by Global Leaders in Japanese Companies

The context in which the global leaders in Japanese companies operate presented in this paper is the differences between the principles of organization and the way of thinking about job duties in Japanese companies. This section focuses on the characteristics of principles of organization in Japanese companies in considering issues unique to global leaders in Japanese companies.
Ishida (1982; 1999) has categorized the Japanese type as a J-type way of thinking about job duties and principles of organization model in correspondence with the non-Japanese way of thinking about job duties and principle of organization model as F (foreign) type. Hayashi (1994) categorized the principle of organization as an O (Organic) type organization of Japan against the foreign M (Mechanistic) type organization. Figure 1 shows a schematic representation of these concepts.

An M type organization is a Western-style principle of organization that involves logically designing each job in terms of its interrelationships and duties (Hayashi, 1994). This requires a clear job description in which roles and responsibilities are specifically determined (on the surface) (Clark, 1979). The circle represents a position, and the routine part and the technically specialized part of the duties are included in the circle in other type O organization. The shaded portion is a strategic shared area in which members consult with each other, and this principle of organization is seen almost exclusively in Japan (Hayashi, 1994). This indicates that roles and responsibilities are dispersed on the surface and are not clear (Clark, 1979).

The shared area is described as the “green area: a place where strategic consensus is formed under one purpose and identity” in an O type organization (Hayashi, 1994, pp. 58). Ishida (1982, pp. 17) also stated that “it is considered desirable to take spontaneous and resiliently complementary behavior when it seems that gaps occur in the interdependence area,” and mutually complementary role behaviors are expected. “This kind of flexible job function is a remarkable feature of Japanese organizations that are rarely seen in foreign countries and the key to supporting the efficiency of Japanese organizations and its adaptability to environmental change.” (Ishida, 1999, p. 69)

According to Hayashi (1994), “green area” in this O type organization seems to be only an ambiguous “gray area” from the viewpoint of people with affinity for M type organization. Leadership that is accepted as O type organization—the Japanese way of leadership—does not work the same way overseas since the principle of organization of the overseas subsidiary is M type organization (Hayashi, 1994). The Japanese said that “it feels like overseas staff are sluggish, only do what they are told to do, and are not self-starters” (Ishida, 1982, p. 17), and overseas employees cannot understand what Japanese employees are doing and asking of them because the green area cannot exist for non-Japanese people who are familiar with M type organization. This means there are discrepancies among them.

Japanese overseas assignees have low evaluations for overseas staff as a result of such discrepancies (Shiraki, 2014). Japanese style workplaceism is particularly active in the green area (Yui, 2004), which is considered to be due to the fact that overseas employees do not understand this process. This point is a problem in and of itself, but as a matter of course, there should be some Japanese overseas assignees who are highly evaluated by overseas staff. What is going on with successful leaders? What is the ingenuity or key factor to success? How do they act “carefully” and “pragmatically” (Yoshihara, 1997)? This point should be clarified, but remains unaddressed in the academic research.

The issue facing global leaders is defined as how global leaders in Japanese companies affiliated with O type organizations fulfill their roles regarding members of overseas subsidiaries of M type organizations. It is thought that there might be a way to bridge the gap between the two principles organization and that it is necessary to investigate the white-collar-workers who are particularly needed nowadays.
3. Variables of Analysis

What are the requirements for global leaders? How global leaders are selected? If the requirements are fit with their circumstances, may global leader be sufficient in a global firm? In order to confirm above concerns, concrete analysis agenda is set up as follows; ‘What kinds of principles of organization is existing as the circumstances for global leaders in Japanese companies?’ The differences of principles of organization may require the different type of global leadership. It leads to the different requirements for global leaders depending on the principles of organization. Under such condition, here is the assumption on this study that the firms which select global leaders according to their principles of organization have sufficient global leaders in their firms.

Based on above concerns, the questionnaire is prepared and delivered to the general managers of personnel department in Japanese companies and analyze the global leader’s circumstances from companies view point, not from global leader him/herself view point.


In Japan, the insufficient global leaders and the development of global leaders are one of the key management issues for some decades. When we see the global management environment compared with domestic management environment, the principles of organization can be said one of the huge differences among them. The principles of organization can be divided into two types: M type organization and O type organization based on whether roles and responsibilities are clearly defined or not, and whether members are tended to and recommended to behave that they stray their roles and responsibilities or not (Ishiada, 1982; 1985; 1994; 1999; Hayashi, 1994).

According to Ishida (1982; 1985; 1994; 1999) and Hayashi (1994), traditional Japanese companies are O type organization. However, due to globalization, Japanese companies may be changed into M type organization in headquarters site. On the other hand, overseas sites may be O type organization due to the result of ‘localization’ effort from Japanese headquarters for a long period of time, even they are originally M type organization. As such, it could be said the principles of organization in Japanese companies have some varieties in current globalization days.

From above, the questionnaire needs to prepare in order to confirm whether the roles and responsibilities are clearly defined or not, whether the members are tended to stray their roles and responsibilities or not, and whether the organization evaluates such behavior or not of both headquarters site and overseas sites. The actual questions are as follows;

Q1. Roles and responsibilities for each member are clearly defined.
Q2. Members are encouraged to stray one class higher roles and responsibilities. (reversed item)
Q3. The behavior to stray their roles and responsibilities are evaluated. (reversed item)
Q4. Members do not tend to stray their roles and responsibilities.

Each question should be selected from 5: definitely to 1: not applicable for both of Japan’s headquarters site and their overseas sites. Higher score for Q1 and Q4 can be said M type organization and higher score for Q2 and Q3 can be said O type organization. Hence we treat Q2 and Q3 as reversed items and higher score makes M type organization and lower score makes O type organization.

Exploratory factor analysis result for Japanese headquarters organization shows 1 factor from Q2(R), Q3(R) and Q4, and Cronbach α is 0.587. Higher score of this factor means M type organization, so this factor names ‘Japan HQ M degree’. Q1 requires rules or institution in the organization, on the other hand, this ‘Japan HQ M degree’ must show the actual situation and it does not rely on the rules or institution. Based on this research concern, we judge this factor is useful even Cronbach α is relatively low.

Same as above, overseas sites organization shows 1 factor from Q2(R), Q3(R) and Q4, and this is named ‘overseas M degree’. Cronbach α is 0.623.
3.2. Dependent Variables and Control Variables

What is the expected outcome if there are sufficient global leaders in a global firm? According to previous research, the role of global leader is stated as follows: to take up the international transfer of management resources, to achieve a balance between integration and adaptation, and to collaborate beyond borders (Yoshihara, 2013; Shiraki, 2013; Furusawa; 2008). From firm view point, these should be promoted efficiently and it means human resources to take up global operation acquire enough by both quantity base and quality base at a same time. From here, we treat the sufficiency of global leaders as the dependent variable in this study. In order to confirm above, the question is prepared as follows:

Q1. The amounts of global leaders are sufficient compared with target level.
Q2. The performances of global leaders are sufficient compared with target level.

Each question should be selected from 5: definitely to 1: not applicable. We sum up Q1 score and Q2 score and divided by two. It means we create synthetic variable. The result of confidence analysis of this variable shows quite enough measurable for ‘global leaders sufficient level’ (Cronbach α is 0.815).

Regarding control variables, questions about globalization ratio are set up. The reason is to predict there are many global leaders if the globalization of the firm progressed. From this view point, the actual questions are as follows:

Q1. Local managing director ratio in overseas sites
Q2. Foreigner ratio in headquarters board members
Q3. Overseas experienced ratio of Japanese board members
Q4. Local staff ratio of middle manager or above in overseas sites

In addition to above, public-listed dummy and EBITA is used as control variables because when a firm size is bigger, the amounts of employees are enough and global leader may be sufficient.

4. Results
4.1. Current Situation of Principles of Organization

The numbers of the combination of Japan’s principles of organization and overseas principles of organization are as follows (Table 1). Higher than average of Japan HQ M degree is counted as Japan HQ M type and lower than average is counted as Japan HQ O type. Same as Japan HQ, higher than average of Overseas M degree is counted as Overseas M type and lower than average is counted as Overseas O type.

Table 1. Numbers of combinations of principles of organization

<table>
<thead>
<tr>
<th>Japan HQ</th>
<th>Overseas O type</th>
<th>Overseas M type</th>
</tr>
</thead>
<tbody>
<tr>
<td>O type</td>
<td>21</td>
<td>12</td>
</tr>
<tr>
<td>M type</td>
<td>9</td>
<td>21</td>
</tr>
</tbody>
</table>

Source: Author’s own preparation

There are no significant differences found in Japan HQ that total of O type is 33 and M type is 30. Although O type is a kind of typical Japanese principle of organization (Ishida, 1982; 1985; 1994; 1999), the result may indicate that Japanese companies transfer their principle of organization to M type organization due to the progress of globalization. From this result, the principles of organization in Japanese companies should be considered that they have more varieties than previous research.

Moreover, previous research indicates that main combination of Japanese companies is ‘Japan HQ O type and Overseas M type’. However, the result shows only 19% is this combination. It is hard to say this combination is main combination anymore. Overseas O type is 21 companies, that is 64% among 33 companies in Japan HQ O type. It suggests that the tendency of overseas O-type if Japan HQ is O type. This may cause the results of the behavior or effort of global leaders to transfer their management resources from Japan HQ to overseas sites. On the other hand, in
case of Japan HQ M type, overseas O type is 9 companies. It is the least combination and it may the collateral evidence that overseas O type is formed by the results of the behavior or effort of global leaders in Japanese companies.

To summarize above, the facing circumstances for global leaders in Japanese companies, that is the principles of organization, indicate more varieties and more complicate than previous research from this result.

4.2. Relationship between Principles of Organization and Sufficiency of Global Leaders

Regression analysis is usually estimated as linear regression, that is, regression formula is designed by linear function. For example, more Japan HQ M type, more sufficient global leader, relationship between independent variable and dependent variable have a linear relation. However, linear relationship is not found in this research.

Hence, it is necessary to reconsider the characteristic feature of principles of organization variable. This variable is represented the M type organization when the score is higher. On the other hand, it represents not only 'not M type' organization but also O type organization at the same time. When it is considered the linear relationship, ‘not M type’ organization means just ‘not M type’ organization. However, in this research, this means O type organization as well.

When we put this variable into X axis, like right side and also left side may have the same tendency about the efficiency of global leaders: Y axis. This relation can be stated as a quadratic function, but it is not found if we estimate as linear regression. For above reason, this study implements quadratic items and conducts a non-linear regression analysis.

Table 2. Multiple linear regression analysis results for the sufficiency of global leaders

<table>
<thead>
<tr>
<th>Independent variables</th>
<th>The sufficiency of global leaders</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Control variables</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public-listed dummy</td>
<td>0.009</td>
<td>-0.101</td>
<td>-0.297</td>
<td></td>
</tr>
<tr>
<td>EBITA</td>
<td>-0.050</td>
<td>0.051</td>
<td>0.074</td>
<td></td>
</tr>
<tr>
<td>Local managing director ratio in overseas sites</td>
<td>-0.201</td>
<td>-0.130</td>
<td>-0.005</td>
<td></td>
</tr>
<tr>
<td>Foreigner ratio in headquarters board members</td>
<td>0.008</td>
<td>-0.003</td>
<td>-0.049</td>
<td></td>
</tr>
<tr>
<td>Overseas experienced ratio of Japanese board members</td>
<td>0.373**</td>
<td>0.298</td>
<td>0.380**</td>
<td></td>
</tr>
<tr>
<td>Local staff ratio of middle manager or above in overseas sites</td>
<td>0.089</td>
<td>0.065</td>
<td>-0.077</td>
<td></td>
</tr>
<tr>
<td>Independent variables</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Japan HQ M type</td>
<td>0.320†</td>
<td>0.445**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overseas M type</td>
<td>-0.006</td>
<td>-0.006</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overseas M type(^2)</td>
<td>0.423**</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R(^2)</td>
<td>0.130</td>
<td>0.207</td>
<td>0.344</td>
<td></td>
</tr>
<tr>
<td>Adjusted R(^2)</td>
<td>-0.011</td>
<td>0.053</td>
<td>0.171</td>
<td></td>
</tr>
<tr>
<td>Observations</td>
<td>69</td>
<td>69</td>
<td>69</td>
<td></td>
</tr>
</tbody>
</table>

Note: * , ** and *** represent 10%, 5% and 1% significant level respectively. Standard errors are given in the parantheses.
As a result, exploratory analysis is conducted implementing quadratic items of overseas M type and Japan HQ M type which is centred. As a result, statistically significant found in case of below independent variables and the sufficiency of global leaders (Table 2).

![Figure 2. The relationship between principles of organization and the sufficiency of global leaders](image)

In summary, O type organization is still the majority than M type organization at Japan HQ. On the other hand, M type organization is the slight majority at overseas sites in Japanese companies. In addition to that, it was found the tendency that overseas sites are O type organization when Japan HQ is O type organization. When Japan HQ is M type organization, there are some cases that overseas sites are to the contrary O type organization.

Through the non-linear regression analysis, Japan HQ M degree and overseas M degree quadratic item are statistically significant found to the sufficiency of global leaders. Overseas M degree quadratic item is statistically significant means O type organization or M type organization in overseas sites is prevailed for global leader’s sufficiency in Japanese companies.

5. Conclusion

Above results are to be discussed against the concrete analysis agenda on this paper which we discussed in section 3; “What kinds of principles of organization are existing as the circumstances for global leaders in Japanese companies?”

The current situation of principles of organization in Japan HQ and overseas sites shows different situation from what previous studies suppose. The previous studies suggest the majority of Japan HQ’s principle of organization is an O type organization and overseas sites are M type organization. However, this is not the majority on this research. The results suggest the environment where global leaders in Japanese companies are facing is more complicated and more varieties than previous research suggests.

The combination of Japan HQ O type and overseas M type is not the majority, but it is seen in huge portion, and it can be explained as previous research states as it is. On the other hand, the combination of Japan HQ O type and overseas O type is the majority and it can be explained that the results of global leaders in Japanese companies until now contribute to transfer Japanese management way, and as a result, principle of organization is to be O type organization through localization on overseas sites. O type organization is typical Japanese organization, and it is hard to see other than in Japan (Ishida, 1982; 1985; 1994; 1999; Hayashi, 1994), but O type organization in overseas sites are found. This is caused by encouragement by Japan HQ, and global leaders are contributed in this encouragement somehow. From here, it can be said that the existence of O type organization in overseas sites is one of the outcomes from the behavior of global leaders in Japanese companies.

How can the combination of Japan HQ M type and overseas O type be stated? One possibility is that O type organization’s Japan HQ have transferred the Japanese way of
management to overseas sites and it makes them O type organization. However, the progress of globalization makes the principle of organization of Japan HQ may be transferred from O type organization to M type organization at a certain point. But this is hard to explain clearly so far, this point should be a further issue.

Next, we would like to touch upon the sufficiency of global leaders in Japanese companies. According to non-linear regression analysis results, it is found that Japan HQ M degree and Overseas M degree quadratic item have statistically significant for sufficiency of global leaders in Japanese companies. The result that Japan HQ M degree has statistically significant for sufficiency of global leaders indicates roles and responsibilities for global leader should be clearly defined. In fact, defining global leader clearly could make possible to judgement if global leader in a firm is sufficient or not. This point indicates the necessity to make clear global leaders roles and responsibilities in Japanese companies even if it is not clearly required the clear roles and responsibilities in Japan HQ where both leaders and members share the attitude to collaborate together in ambiguous roles and responsibilities are familiar with each understanding. The current situation for Japanese companies to be delay against globalization for a long time of period could be led by the ambiguous requirement for global leaders in Japanese companies and it may make the impression that global leaders are not sufficient.

Moreover, overseas M degree quadratic item has statistically significant for sufficient of global leaders means M type organization or O type organization is prevailed. It is possible to restate that the hybrid type of M type and O type of organization or ambiguous type of organization is not prevailed. It indicates that clear direction for overseas sites either O type or M type organization as a firm should be defined clearly.

Such above varieties of circumstances, that is the differences of the combination of the principles of organization may lead the requirements of different global leadership. The requirements for global leaders and the selection criteria of global leaders based on the differences of the principles of organization is to be analyzed in the future.

References


