Toyota’s Overseas Management

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Preface

Many Japanese being assigned to work in the subsidiaries in the South Eastern countries may worry about lack of potentiality of local staff by ordering them to work in the factory or office, and think that that’s it. They may believe that after all Japanese typed management is the best, and are engaged in their own jobs without looking after the local staff with eagerness.

Local managers, on the other hand, look perplexed at such Japanese behavior and worry with disappointment about what points they are wrong and in extreme occasion, rebel against Japanese way of thinking, finally bringing about the big problem internally. As a result, it is impossible to attain at the target in the most effective oversea business management. This kind of happening exists in the company daily.

Not only multinational companies, but also small and middle sized enterprises are apt to cause these problems. So in this book, I am picking up various questions by each phenomenon and consider what to do about oversea business management including micro phaces.

In 1960’s through synchronization of both Asian countries’ mind to develop their domestic industry development and Japanese multinational intention to enlarge their new market,
a number of Japanese companies flooded to South Eastern countries. As for as I have observed the situation in general, after some change of local politics and economy in the long run so far, I can see relatively positive achievements in some companies, and on the other side, negative accomplishment as the fact. There are many kinds of reasons about the successful or unsuccessful result.

Getting into the local sources of working, we can be aware of the mutual relation between Japanese and local people to be good or not, assimilation or non-assimilation in the local society which are easily found as obstacles in the local business management in many cases.

Especially I feel that local staff in the Japanese companies paid special attention to the know-how of what to do work before, and so they saw diligent Japanese with generosity without any interest in enterprise’s fundamental and policies and vision. At present, however, local people are independent about their own work without any assistance from Japanese, that is, they can produce high quality wise merchandises by themselves.

They, therefore, are interested in their company vision such as Thainization (localized management), sales and production in
the longer term, profit forecast as corporate accountability. They are not satisfied with non-accountability from the company now. Japanese companies are required to behave according to local needs as the above. In a word, for more effective local management to be expected, more innovative and diversified way of thinking are needed in the company.

In this book, differently from manufacturing are sales to be seem in figures, administration matters to be necessary in knowing the subtleties of human nature are subscribed from the cross culture point of view through case study of Toyota Motor Thailand Co.,Ltd. (TMT). Different thinking of Japanese and Thai is focussed with problems and its solution to be as hints for readers including businessman and student.

Further, my last service in Toyota was in TMT in the year of 1987-1999 as the forth time, and I happened to be assigned to be in charge of administration especially in the field of Human Resources, Training, Labor Relation and Public Relation. I challenged against the administration fully with thinking to be so important as manufacturing and sales or more. I think it to be so even success or failure of company in newly developed countries including Thailand. After my service termination, I tried to come to Thailand to renew my information as latest
by contact with TMT executives for exchange of opinion, Japanese chamber of commerce, Thai VIPs, for whom I appreciate to much extent. My description in this book is not by Toyota but by myself who expressed my own idea, that is, my own arbitrary decision and prejudice.

I much be responsible for the mistake for the fact if any. In publishing the book I was greatly given valuable advices by Mr. Akio Toyoda, Executive Director of Toyota Motor Corporation, (TMC), Mr. Yoshiaki Muramatsu, Auditor of TMC, Mr. Ryoichi Sasaki, President of Toyota Motor Thailand Co., Ltd., Prof. Dr. Kenichi Iida and Prof. Dr. Naotsugu Suzuki, Senshu University. I was much helped in details of publishing by Mr. Katsumi Akiya of Dobunkan Publishing Co., Ltd., too. I thank all these people concerned so much from the bottom of my heart.

Imai Hiroshi
February 21, 2003
Notes and acknowledgements upon the publication of the English version

Several years have passed since the original Japanese version of “Toyota no Kaigai Keiei” (Toyota’s Overseas Management) was published. Over those years, I have been struck by some new facts through my conversations not only with officials of Toyota Motor Thailand (TMT), which this book takes up as the main case study subject, but also with officials of other Japanese companies operating in Thailand, researchers and media people.

First, there is growing interest in the administration side of the business, which, unlike the sales and production sides, is usually hidden away from the public eye. Second, even with the Thai economy having achieved quicker economic recovery and higher growth than the economies of Japan, the United States and Europe as well as its neighboring Asian countries, a shortage of competent personnel is growing and efforts are under way to resolve problems related to the delicate task of developing human resources in an unfamiliar culture.

Since half a century ago, when many Japanese companies, mainly manufacturers, started to operate in Thailand, substantial progress has been made in the transfer of technologies for manufacturing goods to Thailand from Japan, which has enabled both countries to benefit from each other’s strengths.
In a sense, it is a welcome development to see Thailand manufacture products of quality similar to or better than those made in Japan.

However, with regard to business management in an unfamiliar culture, the transfer of knowhow and systems related to human resource development has been lagging behind compared with the transfer of technologies for manufacturing goods. In light of the Japanese approach to business management that regards human resource development as the most basic element of manufacturing, the workplace situation outside Japan seems to be off-base.

I have had first-hand experience of a case in which a Japanese company succeeded in improving product quality by first enhancing its own understanding of and trust in the local personnel’s values and thereby enabling them to better communicate in the process of technology transfer.

I believe that pursuing improvement in manufacturing capability and progress in human resource development, on which that capability is based, simultaneously, will be more effective than putting priority on manufacturing capability alone in creating high quality products based on advanced technology.
In writing this book, I have tried to provide clues in this respect which I hope readers will find useful.

Last but not least, I would like to express my thanks to Dr. Amano Tomofumi, associate professor at the University of Tokyo, Graduate School of Economics, for his dedication to the supervision of the English translation as well as the overall supervision and editing of the book and all of the other people involved in translation-related work.

Imai Hiroshi
October 10, 2010
Notes on the supervision of the English translation

It was in the autumn of 2007 that I first met with Mr. Imai Hiroshi, the author of this book. During my conversation with him, I was deeply impressed by his management philosophy related to the management of local operations by foreign companies, which he has developed through his many years of experience at Toyota Motor Thailand (TMT). Consequently, I asked him to allow me to interview him to learn about his job in Thailand and TMT and he kindly granted me several interviews in 2007 and 2008. At that time, he told me about the original Japanese version of this book, “Toyota no Kaigai Keiei” (Toyota’s Overseas Management).

Since he was assigned to Toyota’s Bangkok branch in 1960, he has divided his business activities between his duties at TMT and the broader cause of contributing to the Japanese and Thai economies. From 1993 through 1995, he served as executive vice president of TMT. After retiring from Toyota upon reaching the mandatory retirement age, he served as an advisor to TMT and also has been involved in work related to the relationship between Japan and Thailand at universities and public organizations in both countries, thereby dedicating himself to the building of favorable bilateral relationships in a broad range of fields.
When we consider the future course that Japanese companies should take in the Asian economy, we cannot in any way ignore the importance of Thailand. If Japanese companies are to consider expanding their business in the ASEAN region or extending their reach to India, Thailand will also be an essential element of their business strategy. However, this book shows that we can think of Thailand that way now because of the efforts that Thai and Japanese people have made over many years. We must always keep in mind the importance of the relationship of trust based on the efforts of both sides.

Compared with other Asian countries, Thailand has apparently made significant progress in the development of human resources capable of managing and administering the local operations of foreign companies. That was also the impression I had when I visited TMT last year. I presume that the efforts of Toyota and other companies to transfer the task of management and administration to local staff laid the foundation for the successful human resource development. Such localization of management and administration is synonymous with the training of local personnel to develop a managerial perspective and administrative and leadership skills. While the Thai economy has undergone great change over the past years, Toyota has maintained a consistent approach to the training of local per-
sonnel. The company has contributed to the promotion of the auto industry and the economic development of Thailand, and at the same, it has strived to modernize the management of TMT and train personnel capable of playing the central role in the management and administration of local operations. In the end, the depth and quality of its human resources has proved to be the decisive factor for Toyota’s prosperity as a company.

I feel greatly honored to have been entrusted with the responsibility of supervising the English translation of this book. I hope that my contributions to this book will be helpful to readers.

Amano Tomofumi
October 10, 2010
1. Corporate Philosophy of the Japanese Headquarters

Since its establishment in the year 1937 until 2001, Toyota Motor Corporation of Japan, the center of Toyota Motor worldwide, had not provided any corporate philosophy. Of course, it does not mean that they had no philosophy. First, the president of Toyota, Fujio Cho, stated some of this in the pamphlet “Toyota Way 2001” published by Global Personnel Division of Toyota in April 2001. Cho said “We, Toyota Motor Corporation, have kept our business philosophy on contributing to society through the pursuit of better production all the time since the establishment. Throughout history, Toyota has shaped its own conviction and sense of value in business, and has also created the skills on business management and job practices. Toyota has carried these properties as its source of high competitiveness from generation to generation. In addition, Cho referred to something which was under our consciousness but not stipulated clearly which had been transcended as tacit knowledge, but it became necessary for global Toyota from now on to make it explicit in order to share it among all parties, resulting in the birth of the “Toyota Way”.

Chapter 1 Corporate Slogan
Moreover, in the part of "What is Toyota Way 2001?" on page 4 of the brochure above, it is said "Toyota Way 2001 shows how to carry out our key principles on how we, employees working in Toyota, provide our value to stakeholders worldwide, such as customers, employees, business partners, local communities, and stockholders". It is based on two pillars, "Knowledge and Improvement" and "Respect for People". The former includes three key principles: CHALLENGE, KAIZEN, GENCHI GENBUTSU, and the latter includes two key principles: RESPECT and TEAMWORK. In this part I do not explain these key principles in detail, but the "Toyota Way" seems very meaningful in respect of codifying the "tacit consent".

By the way, some people seriously argue that expansion of Japanese companies cannot contribute to economic growth of the country but make the people unhappier than before, because they are forced to work harder at low wages, and environmental pollution such as industrial discharge and air contamination gets more severe, like in the case of Toyota Thailand which was established in 1962. In my observation, Toyota expands to a country where the market has needs to some extent, but a low labor wage is not enough reason for expansion. Like other multi-national companies, Toyota regards production costs as important factors in the short-term view in considering overseas expansion. However, cost still seems a less important factor, compared with infrastructure, the national character and qualifications of the workers. Adding to it, nothing is more important for Toyota than productivity and marketability in those countries in order to build a firm advantage over rival manufacturers in the long-term view.

Regarding production costs, Thai Toyota should immediately stop operations and move the assembly line to China in a hurry, because the average labor wage in China is only a twentieth of that in Japan. In some areas in China, it would even be a fortieth. In consideration of the average labor wage in Thailand,
it is still high, about a fifth of that in Japan. But this relocation would never come true. Toyota starts its business whether in Thailand or in China, if it can find the advantage as explained above. Every country which has a low labor wage like Thailand and China has its own process of “the stabilization of the wage standard” which means that the wage rises as the quality of the industries becomes higher. Needless to say the wage standard is rising given the development of technology and the quality of products in Thailand. Japanese corporations generally contribute not only to increasing the income of people in a society through raising the wage standard as above, but also to environment conservation. They have a high reputation in local societies in the aspect of settlement of plant drainage equipment and activities such as campaigns for regular checks of gas emission, prior to other enterprises. Furthermore, the governments of the host countries are definitely expecting from Japan further investment and ensuring employment by its companies. Therefore, at least in my personal opinion, what some argue as the bad reputation regarding the expansion of Japanese companies especially in Southeast Asian countries is just a misunderstanding.

2. About “Thai Toyota”

Firstly I refer to the history of Thai Toyota, an overseas affiliate company of Toyota Motor Corporation, before explaining its slogans. The very first overseas market for Toyota was Thailand, followed by Toyota USA and Toyota Brazil. The Bangkok branch office of Toyota Motor Sales Corporation was established in 1957. The office started with 70 local staff and seven Japanese representatives. They imported only 892 vehicles from Japan that year, although it is not recorded how many of these were sold. I guess that the term “sales” was not defined clearly, thus it was hard to count the specific “number of sales” from various complicated processes, such as delivered units from branch office to stores, payments for deliveries which are called “invoice
issuances”, and repairing service booklets sent back to office. Of course, Toyota branch offices overseas only did the sale of automobiles imported from Japan at that time, not yet ready to start production in host countries.

Afterward, Thai Toyota, which has production units, was established in 1962 with the adoption of the national law to encourage investments. With its capital of approximately 11 million baht, Toyota founded its second own plant outside of Japan (the first plant is in Brazil). Following the record of sum total number in the achieved products from assembling, 10,000 units were produced in 1971. And then the record shows 20,000 units in 1973, 50,000 units in 1977, 100,000 units in 1980, 300,000 units in 1988, and 500,000 units in 1992. In 1996, the number finally reached 1,000,000.

During this period, Thai Toyota recorded many achievements with its expansion. First, it built centers for delivery of service, automobile units, and components. It organized a stable system of export for Taiwan, Portugal, and other countries, along with the recruitment of local staff and employees. Productive equipment such as coloring process in the plant were modernized.

Thai Toyota became gradually rooted in Thai society with various contributions. It created harmony with local communities on issues such as transportation. It boosted technical cooperation with the human resources both of the Japanese and Thai people, leading to the production of the Thai domestic vehicle Soluna. Moreover, Thai Toyota built rice mills by taking advice from the King.

The present capital fund of Thai Toyota is 7.52 billion baht, and the numbers of Thai employees and Japanese loan employees are about 4,000 and 50 respectively. Moreover, it has run eight affiliate companies in total, including Siam Cement Public Company Limited. The economic and financial crisis
stemmed from Thailand in 1997, and the crisis had an effect on various parts of Asia. Toyota was no exception. However, the company has subsequently been in the process of getting out of that rough ride through the headquarters’ appropriate support, and the market is recovering gradually along with other parts of the industry. It is expected that the company will rise above the management angst due to the economic and financial crisis as soon as possible and the lively atmosphere will be regained. It goes without saying that the Thai government needs to get through the economic and financial crisis and stimulate the economy, because those activities are quite important along with other political and social issues which the government is facing; furthermore, stimulation of economic activity is meaningful as well as the necessity of a social action program which aims at the establishment of the unconventional and further extended democratic political system, and elimination of poverty.

About the board members, the total number is 15, based on the articles of incorporation; full-time employment: 10 people, and part-time position: five people. Full-time employment members consist of six Thai people, including Chairperson, Vice Deputy Chairperson, Executive Vice President, and Vice President, and four Japanese, including President, Executive Vice President, and Director. Although it will be mentioned later, there are about 300 line administrative positions from Head of Department to Subsection Chief under this board, and they all are Thai people. Japanese assume the role of coordinator, detached from the lines. These are the corporate developments of Thai Toyota and the overall condition of the company as of January 2002.
3. Corporate Philosophy of Thai Toyota

(1) Generation of Corporate Slogans

When I took my post in the then Bangkok branch of Toyota auto sales (present: Thai Toyota) for the first time in February 1960, I remember that I heard about no slogan at all, and few Japanese resident agents devoted themselves feverishly to tasks such as the import of completed cars, domestic sales, services, car parts, recruitment of Thai staff, and finance, in order to improve those systems and bring about better results than other companies. Japanese eagerly tried to apply the work know-how, which they had experienced in Japan, to the practices in Thailand. With regard to the Thais, they were fretting about how to accomplish the mission effectively in a subservient role.

As mentioned at the beginning, it is only recently that the headquarters of Toyota Motor Corporation, Japan, which has passed down its technology from sheer exposure for a long time, put its corporation philosophy in statutory form. However, was it necessary for Thai Toyota, the first overseas branch, to introduce slogans as corporate philosophy to their local employees just after its opening while they were struggling with daily troubles? It was the first foray overseas and employees strived with the uncustomed burden during the initial phase of management; however, how to absorb the work routine from Japanese was the burning issue for Thai people; at the same time, how to teach them the work quickly and precisely was the greatest concern for Japanese.

Thereafter, however, after the birth in 1962 of the local corporation with the ‘Thai Toyota’ production system, when I went off to Thailand in 1987 as the fourth time personnel transfer, I figured out that the environment and the management awareness for Thai Toyota, dealers, and affiliate companies changed qualitatively compared to before. Moreover, I could not help
but be surprised by the fact that the management of general affairs, personnel affairs, education, and external affairs had improved proactively.

First of all, I figured out that Thai employees’ awareness had changed. Overall, their stance on the job has improved, because the number of college-educated employees increased and some people joined the company after overseas study. Secondly, especially those who work as supervisory employees have taken on some degree of awareness as administrators. In other words, I felt their ethos that they had a bead on call, although it was insufficient. In addition, it was the fact that I acquired confidence and a stout heart because I thought that it was something that would turn out well.

To my surprise, in 1987 Thai Toyota had already had their slogans, in spite of the fact that even the headquarters in Japan did not have it. Additionally, the slogans had been known outside the company more than within the company. Public offices such as the Commerce Department and Ministry of Technology, educational institutions like colleges, and media including newspaper and magazines, with which the company establishes contact frequently, have also known about it; therefore, it has been propagated among Thai people. I can interpret the growing of Thai people’s awareness on business as meaning that they have come to consider not only the growing necessity of effective business management and traditional approach to teaching how to work with speed, but also what kind of philosophy or ideology their own company had in management and what the company expected of them; moreover, the consciousness that those ideas are equivalent to or more important than job know-how has emerged for them.
(2) Corporate slogans of Thai Toyota

Thai Toyota has five large slogans, “High technology and high quality”, “Best CS (customer satisfaction measurement)”, “Thainization (management localization)”, and “Social contribution activities” that existed before 1987 and “Teamwork” added in 1994.

A good production implies high technology and high quality

The first slogan “High technology and high quality” represents Thai Toyota ensuring the offer of their products with high technology and high quality to fill customer needs. The products to the customer should show Thai Toyota’s most basic posture in which they pursue a way of production that require cars from the producer’s standpoint and as products for customers. Everyone wants a car with high technology and high quality. A new plant with the latest modern machinery equipment is constructed in Gateway after the Samrong plant in 1996, and it gives impetus to Thai Toyota’s production. It is evidence of their high technology production in Thailand also.

The demand for commercial cars is more active than passenger cars, especially pickup trucks known as a product line-up of Hilux which has 1-ton load capacity and is the most favorable in Thailand. For instance, the pickup truck market share in 2001 was around 57% and those were mostly specially-equipped cars and van-type passenger cars. The Hilux’s quality of performance in Thailand is the world No.1 in the evaluation of the Toyota in-house quality examination committee, exceeding that of the United States and Japan. The boast and confidence that can not be substituted easily for anything demonstrate a full effect in the morale uplift of the dealers and the parts manufacturers, not to mention the in-house employees. Needless to say, the customers’ sense of security for driving cars is at a high level. Regardless of whether willing or unwilling, all stakeholders
such as employees, dealers, and parts manufacturers witness Toyota slogans delivered through newspapers or television. They must be ever vigilant. Presenting the company’s slogans to the public enhances how the company should make an effort with its own slogans. Further motivation is given to the staff, and it rebounds as an effective organizational behavior if this is considered from a managerial standpoint.

**Provision of the best customer satisfaction**

The second slogan is “Best CS”. Over the long term, the sellers’ market had continued in Thailand. In fact, posture of appearing and selling other commodities such as excellent textile goods, home appliances, and seasonings, etc in a Thai market that enchanted Thais very much, especially around 1960, were on the sellers’ side. As for the car, the market’s trend was unexceptional. Liberal market competition caused by exposure to maintain the high level of such commodities with the common sense inborn in the Thais emerged with the changing times. Winning the sales competition of the market by responding to customer requirement is inevitable. While Japanese cars are improving their share now and have conquest of the Thai market, each major car company in Europe and the United States with its prosperous market share has gradually shrunk and is almost disappearing.

Greater prominence of Japanese cars in the Thai market might be a political consideration compared with a Chinese market of each company in Europe and the United States. One of the main reasons why Japanese cars can penetrate the Thai market rather than cars of European and United States’ companies could be a consideration of the “CS”. That is, the importance of “CS” might not be an exaggeration in saying it is top priority when thinking of the person related to car sales maintaining and holding a dominant share of the market.
In fact, thinking about the following case, it is clear. One day, a car made in Europe had broken down, having been driven by a Thai to a remote prefecture at the border with Laos. Not surprisingly, the car owner ran into the sales agency of the European car nearby, and requested his car be repaired. However, there were no parts in the agency, and nobody was able to repair it. How awful did the car owner feel? The problem was that the car manufacturer did not provide parts or services covering such remote areas.

Cars are different from consumer general goods because it is in the consumers’ possession for years. Careful consideration is necessary for maintaining the cars by all means. The car owner who had such a bitter experience in the remote area would hesitate in purchasing from the same manufacturer for sure. There is no chance for retention of customers from the view of the sellers’ standpoint. It is necessary to equip fully the whole Thai market including remote areas with a system of parts service being a basic achievement to enhance the system as car dealers.

As for “CS”, it is necessary to demonstrate the spirit by not only the sales departments but also inside and outside the company. It is always necessary to maintain efficient in-house communications well. “Hou-Ren-Sou” (reporting, informing, and consulting) between related departments is necessary by all means. For instance, the sales department develops the sales plan and the manufacturing department will produce cars on the basis of the sales plan. However, the market is changing moment to moment and to increase and decrease the number of the plan is necessary for the adjustment. It would be next to impossible to meet customer satisfaction if the number of production is not appropriate for the market trend. At this time, the actual degree of Hou-Ren-Sou is tremendously effective. Actually, the frequent change of the expected sales number of cars often happens. The initial assumption of 100 cars might
change to 200 or 50 cars at any time with the market trend. An important fact to a company is to predict the trend promptly and take spontaneous action of the supply and demand adjustment through giving periodical updates that reflect the realities in such a market to a related department (from the sales department to the manufacturing department). The in-house supply and demand projection would be inappropriate when the sales and manufacturing departments lack coordination with each other and finally, needless to say, the supply and demand imbalance puts a big burden on dealers and customers. Only 100 cars being supplied when the market demands 200 cars, or producing as many as 100 cars when the market may demand only 50 cars can cause the inappropriate production; impact all the people involved; and distort the relationships. Therefore, the daily effort on good coordinated operations between related departments is always significant. That is, the spirit of Hou-Ren-Sou is “CS”. The true consideration to others always requires understanding the work process of other departments and maintaining efficient peer communications with others. Always working to put oneself in the position of others is important. Thus, the spirit of “CS” encompasses putting oneself in others’ standpoint.

**Leaving the management to Thai employees**

The third slogan is “Thainization”. Almost every time I meet government VIPs in Thailand, I am asked about the localization. “Does your company appoint Thai employees to high positions?”, “To what extent is it?”, and “Is it functioning well?” are frequently asked questions. “How many Thai managers are there in your company?” is an example of more concrete questions.

Thainization is one of the things which Thai Toyota has been working on for a long time. The base of this concept is to leave the management to local employees, even if the company relies
on investment from Japan. There used to be no Thai manager 30 years ago, but now all of the managers are Thai, and Japanese loan employees are working as coordinators besides the main line, as mentioned before.

It might sound exaggerated, but Thai Toyota is run by Thai employees. Nothing can be achieved only by Japanese. It is not possible for only Japanese to produce or sell cars, and other activities such as general affairs, personnel management, and public relations. They can communicate well with the Japanese side, but they cannot do it better than Thai people with the Thai side, including the government, dealers, suppliers, customers, stockholders, and local communities. Most of the jobs are done by Thai employees. Therefore, the business should be done effectively by both Thai and Japanese employees. However, it is quite difficult to achieve it in reality. There still remain the roles which should be played by Japanese employees on loan, Thai employees, and Japanese parent companies. This problem of localization of business management is very important for many Japanese companies in Thailand, and will be explained in a later chapter.

**Japanese company as a "good corporate citizen"**

The reason why I hold up “Corporate Social Responsibility” as the fourth slogan is to try to be a good corporate citizen in Thailand. Japanese companies need to pay attention to communication with local communities as well as the good relationship with Thai employees, in order to operate a smooth management. It is likely that the first social activity of Thai Toyota is a visit to an orphans’ home by wives of Japanese employees, which is a kind of volunteer work. They never kept CSR in mind. I assume that no Japanese companies recognized well the importance of this social activity at that time.
That Thai Toyota started CSR prior to Japan and showed its attitude explicitly in the form of slogans inside and outside of the company surely gave society the best image that shows the clear positive attempt of a Japanese company toward society and encourages the employees to work with confidence and dignity. Considering the historical philanthropic activities, we must agree that Japanese companies had a tendency to undervalue the importance or necessity as well as material aid of social activities, while CSR of European companies was highly evaluated by the local society.

Originally, CSR of European companies began with construction of hospitals and schools, and even now their activities and methods are different from Japanese. But it is certain that limited social activities of Japanese companies exert a positive influence on the local society. The local society’s view of Japanese companies and their products is gradually changing and, as a result, the image, popularity, and evaluation toward Japanese products are remarkably better than before. It is a fact, however, that they have not surpassed the ones of European products.

**Better results by teamwork**

The fifth slogan, “Teamwork”, is for the purpose of the improvement of efficiency by working with horizontal orientation among departments and employees; in other words, smooth mutual communication. Moreover, Thai Toyota has a belief that it can be applied to labor-management relations, and establishing teamwork with a labor-management committee based on dialogue and keeping a mutual trust relationship contribute to the development of the company.

There are three things necessary for Japanese companies abroad to be thorough about. The most important is to let Japanese employees communicate with each other constantly. Next thing is collaboration of Japanese and local employees. And the last
thing is communication among local employees. About the first, if a company lacks communication among Japanese employees, a difference in the quantity and quality of information occurs, which causes decision-making disorder. Of course, it affects the trust and morale of local employees. About the second, if Japanese and local employees have a problem with smooth mutual business communication, it makes a potential risk to bring about racial relationships between those two.

About the last, even people who have the least understanding of the history of Thai people and their point of view might recognize it is one of the hardest things. But Thai Toyota, an overseas office of Toyota which operates typical Japanese management, generally makes a decision not by a top-down approach but by a bottom-up approach which emphasizes the horizontal communication. In this case, wherever a difficulty lies, all participants need to handle and solve it with all their power. Therefore, “Teamwork” is an important slogan.

(3) How to practise corporate slogans in Thailand

Owners of private companies were once Westerners and Chinese. Ordinary Thai citizens engaged in agriculture and it was difficult for them to become an owner of a private company or a middle manager. Therefore, to confidently deal with their own jobs, especially with newly challenging jobs, Thai employees need job training appropriate for the task and certain days for it, which will be mentioned later. In the next chapter, I want to mention the concrete ways to conduct some slogans such as “High Quality” of “High Technology, High Quality” and “The Best CS (Customer Satisfaction)”.

How to practise slogans (1)

Desire for a good quality and high quality for things is a fundamental factor for both the makers and users. From a techni-
cal perspective, people in Toyota’s car production consider that the most effective way to maintain good quality is to inspect the precision and wrong/missing part in the course of its manufacturing process and assembling process. This is because, once a product is finished, it is considerably difficult to get back to the process and cope with the quality problem. People in Toyota’s car sales, as a matter of course, would like to confidently provide their customers with good-merchandise-quality cars that have been checked enough in the production process. From the customers’ standpoint, they demand a high quality car that is competitive in style, engine performance, coating painting and all the other aspects. Considering those things, it is quite natural that emergence of a high quality car is desired company-wide.

In the context of the situation above, implementation of the slogans starts with incentive of the company’s board to upgrade the quality of products within the company. The board sets up some sort of enhancement period for a year or several months and lets the various quarters of the company know the setup in well-defined ways as a special policy to achieve the goal. In addition, they organize an executive committee comprised of a chairperson chaired by the chief executive, a vice chairperson of whom a Thai director of the production personnel takes charge, five or six Thai persons who are responsible for the production sector, and two or three Japanese coordinators from the production division as advisers. This lineup will work on how to proceed with the policy including the project for the promotion. At the stage when how to proceed with the policy has been fixed, the committee convenes a kickoff ceremony in the company by getting all the Thai administrators together, intended to release the content of the implementation plan. This ceremony is very important because this is where the company shows their direction for all the people within the company. That is to say, the people in the ceremony will find out what to do to be highly evaluated in the company.
After the kickoff ceremony, the committee delivers the concrete plan to the divisions under the board to deploy the promotion. Posters and hanging curtains expressing “No.1 quality” are displayed throughout the company for quality improvement. In the meeting of each department, the department manager who received messages from the committee explains the essential point of the implementation to motivate the employees. Meanwhile, outside of the company, the persons in charge of the production promote cooperation from the parts suppliers by explaining the project. They report this project to the Ministry of Technology and the Board of Investment (BoI), and depending on circumstances, concerned government ministries such as the Ministry of Commerce and Ministry of Finance. Also, the company launches PR activities through the mass media to notify what Thai Toyota is going to do for the Thai general public. After all these promotions both inside and outside, people in the company cannot just relax; regardless of willing or unwilling, they are urged to take a stance for working on the quality improvement. The PR activities bring about various questions from mass media and government offices. Social interest for Japanese management increasingly grows, and this initiates related bilateral dialogue. I consider the fact that Thai people are interested in the Japanese style of corporate management and eager to know about it has great significance, regardless of whether Japanese-style management or American-style management is good or bad.

By the same token, there is quite a lot of advantage inside of the company in the immediate morale elevation led by the company-organized committee by means of clearly showing the goal which is to produce “No.1 quality”. These ceremonies are highly appreciated on site, and have a certain beneficial effect in the execution phase. Therefore, setting up such a “place” as some sort of ceremony is, if anything, generalized in promoting the company’s important objectives, not only to the production. These opportunities set up by the company’s
board lead Thai employees to get inspired, and cultivate sincere efforts for their work. Above all things, it can be said that utilizing these opportunities in the practical business field based on proper consideration of the national character is the very practical foreign management. It is true that the company-wide campaign towards No.1 quality of that time in 1993 produced good results through boosting morale of the Thai people.

**How to practise slogans (2)**

For the “CS”, I have actually experienced the “CS” campaign three times in the past. The duration of one campaign is about six months. The way of development appeared to be much more conspicuous, but it does not mean that the campaign expended more budgets. Everyone had an understanding of the effective implementation that exercises their ingenuity than using money. Smiles of female employees were depicted in campaign signboards and they were put up outside of the company from place to place, without regard for the headquarters and its factories. For inside of the company as well, posters that were planned to motivate the employees were put up on the windows and walls. The “CS” committee continuously sent circular letters in direct mail format to all the employees to keep in mind the purpose of the campaign.

The projected atmosphere resulted in those activities being filled as if the enthusiasm of the car sales division had achieved the sales goals spread throughout the company. The committee developed a campaign for outside of the company, such as the sales office and parts suppliers, in the same manner as the inside. As a result, the employees started proactively communicating with each other and inter-department information flow became smooth and efficient. In the sales office, employee’s attitudes for customers changed drastically, and some customers made a compliment due to the favorable change of the support in the showroom. Mass media played up the idea of “the best
CS” campaign as a practical management. It is important to repeat these successful campaigns.

Since those campaigns drew attention throughout the country, even employees who had little sense of belonging to the company could not sustain their own manner. They had no choice but to take action along with the atmosphere. The involved parties’ morale both inside and outside of the company was raised, and this led to a good result in the numbers of car sales. In the conduct of corporate slogans, it would be a necessary condition to coordinate the Thai people’s preference for ceremonies with the progress and effect in work. If there is a successful example on the spot, it is worth trying this way as a practice management, even if it expects only a short-time effect. Even if it is a transient effect on Thais, it is hard for the transferred employees from Japan to foresee how it works in the context of the local culture. Therefore, if given a little chance for better improvement, such attempts should be carried into effect without hesitation.

(Translator: Samantha Kaluarachchi, Lecturer, Faculty of Management and Finance, University of Colombo)
Chapter 2
Human Resource Development

1. Situation in Thailand and the need for human resource development

Even though the economic situation in Thailand is gradually improving, most of the industry sector did not recover completely from the 1997 financial crisis. It cannot be denied that past actions which led to this situation were mainly excess investments in parts of the non-productive sector, as well as relatively high wages. Some experts suggested taking advantage of the falling value of the Thai baht to expand exports but the solution regarding the economic situation is not that simple. The main problem is whether Thailand is actually capable of competing successfully with neighboring countries in terms of price and quality in industrial fields like agriculture, Thailand’s specialty, or manufacturing into which all Asian countries have been pouring their energy recently. In such a competitive environment losing even slightly in terms of cost or quality equals a defeat, and expecting too much from or relying on exports as a relief measure is a mistake.

While acknowledging the fact that boosting internal demand is important in truly revitalizing the economy, it is also necessary to understand Thailand’s present situation, in which a policy of export promotion combined with promotion of foreign invest-
ments in the structural sectors of the industry might actually be a desirable way to rescue the country.

Recently, Thailand had to admit that high wages proved to be a handicap causing its labor-intensive industrial products to be less price competitive than products from Vietnam, China or Indonesia. Can this handicap be turned into an advantage? We must not forget that all countries in Southeast Asia remain in highly competitive reciprocal relationships. The only way to achieve a dominant position in this competition is to manufacture excellent products using superior skills. But what is needed to achieve that?

In my opinion, achieving the finished product supported by superior skills is only possible through possessing excellent human resources. Good quality products tend to attract clients regardless of location, so also in foreign export markets they will prove their value and consequently create a steady demand. I want to stress once again that the source of this technological and product superiority are excellent human resources. That is why I believe that human resource training is a decisive factor for success or failure of Thailand’s future development.

2. Human Resource Development in Thailand

There are many relevant theories of human resource development in the context of foreign management but of course their focus is not on Japanese but on local people, in other words, on foreigners. Meanwhile irrespective of country in every foreign subsidiary there are Japanese expatriates sent out by the Head Office, who are either permanent or temporary transferred employees and who, no doubt, had previous practical experience of working in the Japanese Head Office. Although main responsibility of those residents is collecting field data and conducting analysis, often in local subsidiaries they are involved in frontline business operations either through directly related
departments like sales and production or through indirectly related departments like administration or personnel affairs. Even though this book refers to the kind of local subsidiaries described above, it is obvious that the subject of human resource development will always be local people, which in this case means Thai.

In Toyota Motor Thailand promoting development of human resources has been supported by a company policy called “localization of management”, an idea that I think will remain relevant also in the future. The concept relies on Thai employees achieving excellence in their skills and good manufacturing practice, who will pass their knowledge to the next generation. For this particular reason the question of how to develop abilities and how to improve effective, practical skills of Thai employees becomes the main issue. There have been many disagreements between Japanese and Thai in respect to what Human Resource Management system is desired and which one is actually required. In the course of those disputes lots of time has been wasted due to lack of mutual understanding. We came to a certain level of agreement but we cannot possibly say that there are no more problems.

Hereafter, illustrating each subject with some case studies, I would like to present some personal impressions about the problems and about their practical solutions that have been adopted. The outcomes of each case varied. Nevertheless from now on, I would like to rely upon the judgments of people directly involved, who made decisions and introduced improvements in accordance with the situation at the time.

(1) Shaping organization

*Business management climate in Thailand*

When the Bangkok branch of Toyota Motor Corporation was set
up in 1957, and even later in 1962 when the local subsidiary of Toyota Motor Thailand Co., Ltd. was established, the common prejudiced attitude toward foreign companies was that if you are going to work in one it had better be a Western company. The opinion that people joining Japanese companies are second-rate or even third-rate was therefore quite common. Most Japanese companies were aware of those local sentiments and somehow managed to work with them every day.

Japanese companies setting up operations in Thailand at the beginning had the single purpose of securing market share, and since fear of being left behind by other companies provided additional momentum, I recall they were struggling really hard within the difficult environment they were in and were paying no attention to local opinions about Japan, Japanese or Japanese products. Western companies offered both higher wages and better welfare services. Consequently most of the excellent human resources, including people who studied abroad, first sought to join Western companies, then generally banks, insurance or trading companies run by Chinese emigrants, and finally the remaining ones settled in Japanese manufacturing and trading companies.

Work, in foreign companies which moved to Thailand, was of course centered around people from investor countries. The core of management in the case of Western companies were Americans and Europeans, in the case of Chinese companies of course Chinese, and in the case of Japanese companies Japanese, and in all the above cases Thai employees were in no position to express their own opinions. The first European entrepreneurs came to Thailand in the beginning of the 20th century, setting up companies like The Anglo-Siam Corp. (British), The Borneo Company (British), East-Asiatic Co., Ltd. (Dutch) which focused on transportation, insurance and agriculture business, and while they paid attention to local customs, they applied management techniques from their home countries.
Starting from 1960 many Japanese companies had advanced into Asia, and I think at the beginning these companies were implementing original Japanese management methods. Toyota was no exception. All managers were Japanese and Thais performed only assistant functions. They were working according to directions received from the Japanese. Even if there were ideas of replacing Japanese with previously trained Thai employees or delegating authority and awarding them with management positions, at the time, I guess, it couldn’t be afforded.

Although it is possible to say that former Western business management methods were quite unique, a typical organizational structure at the time consisted of Chinese immigrants performing jobs of business intermediaries, European and American expatriates holding top functions and local people working as their subordinates. Main work was mostly performed by Westerners themselves or through Chinese intermediaries. Moreover, I suppose, there was no permanent employment or training after joining the company. Toyota and other Japanese companies came to Thailand more than 100 years later than Western business and since they were still unfamiliar with the region and were not able to decide which management method would be the best, they had no other choice but to adopt the ways of the Japanese Head Office. I must agree that it was the only choice and the safest way to manage a local subsidiary in the transitional phase when it is still too early to have a proper outlook on the situation.

Shaping organization of Toyota Motor Thailand Co., Ltd.

In Toyota Motor Thailand Co., Ltd. every year, since 1987, October the 1st has been the day of official announcement and a starting date for implementation of personnel changes and new salary policies (since 1999 changes have been introduced not necessarily in October but sometimes in January or occasionally in April). In 2002 we will be facing the 40th anniversary
of the establishment of Toyota Motor Thailand Co., Ltd. and if we were to chronologically describe mutual relationships that have developed between Japanese and Thai while they were working together, we could distinguish three periods.

Looking from the perspective of Thai-oriented organization, the first period of 10 years, counting since the establishment of a local subsidiary in 1962, or 15 years, counting from the set up of Toyota Motor Corporation branch, can be called “the formation period” or “the dawn”. It started with a smooth set up of organizational base in Thailand followed by management shaping period of constant changes and mutual conflicts between Japanese and Thais. Back then Japanese were working hard, disregarding such matters as creating good relationships with Thais and Thais were simply following directions given by the Japanese, learning through observation and helping as much as they could. It was obvious, however, that Thai employees were generally concealing their lack of trust.

Next 15 years since 1972 represent the second period, when for the first time both sides attempted to seek integration in their work. But even then, the trend towards promoting Thai employees actively and systematically was still far from satisfactory and only a few most promising local employees were promoted above the General Manager to the post of Consultant.

In the third period, 1987 to the present (2002), we have reached a stage when Japanese and Thai employees complement one another. The company had reached a consensus that it is impossible for Japanese to manage all employees and run the business by themselves and that the organization was originally meant for Thais. Therefore, from an organizational point of view, we came a long way from “an organization excluding Thais” through “an organization valuing Thais”, to a “Thai-oriented organization”.

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The process leading to the creation of “Thai-oriented organization” was not easy; on the contrary, it was a period of continuous trial and error. First we examined and reconsidered the reasons for the existence of each department while introducing necessary modifications. Then we promoted the most apt employees to fill in posts in parts of organization and structures that were indispensable. An external recruitment was also performed. Of course, all promoted employees were Thai and not Japanese.

As far as business administration is concerned, a really significant moment in shaping the new organization was the sudden replacement of Japanese managers with Thai. As a result, all Japanese withdrawn from managerial posts became coordinators and the organization itself became 100% dependent on Thai managers. Even though there were some suggestions from the Japanese head office urging us to reconsider the Japanese coordinators system, which was not working very efficiently in the Toyota Motor Sales U.S.A. Inc., we decided to go ahead with the implementation. News that Japanese will be withdrawn from line operation and Thais will come to the front of the organization spread like wildfire and other Japanese manufacturers, banks and trading companies bombarded us with questions like “are you really going to do it?”.

Of course, we were considering issues like do Thai employees really possess the necessary abilities to expand the organization, what about their determination, will they be able to exert their authority correctly or will the abusive use of authority lead to despotism, and finally, will they be able to fulfill their responsibilities as managers. But simply thinking about something will not get the work done. So once we decided to entrust the organization to Thais, there was no other way than to implement our decision with courage and determination. As the first step, middle-level managers were supposed to delegate main share of their authority and responsibilities.
The overall idea of the organization was to form three big divisions under the supervision of the President, and so departments like Corporate Affairs, Human Resource and Finance became part of the Administration Division, car sales, parts supply and services became the responsibility of the Marketing Division and finally a separate Technical & Manufacturing Division was set up. In addition, Audit Office, Corporate Planning Office and Public Affairs Office were established and placed under the President’s direct supervision. General managers in charge of these three offices reported their situation and activities directly to the President without going to directors or the Vice President. Finally, two manufacturing plants in Samrong and in Gateway were put under the jurisdiction of the Technical & Manufacturing Division. Organizational units of each division are displayed in Table 1.

In order to facilitate the smooth operation of each division of the company and to provide support for the Marketing and Technical & Manufacturing divisions, administrative departments like Corporate Affairs, Human Resource and Finance were required to maintain horizontal communication at all times. Then, once organization has been determined, next thing was to allocate the personnel putting the right people in the right positions. Sometimes, however, we weren’t able to act exactly as we planned since there has been a strong influence from external factors including the economic situation or sales environment. For example, there were some general managers concurrently holding posts in more than one department within the scope of organization displayed in Table 1. And even though it would be better to solve this dual responsibility or for example reshuffle managers of Corporate Affair Department and Sales Planning Department, there were many cases in which it could not be done right away and had to be postponed. The main reason for that was the company’s situation between 1987 and 1993 when we faced quick market recovery forcing us to rapidly raise both production and sales and to put off systematic structural
Table 1:
Organization of Toyota Motor Thailand (as of January 2002)
Key points in creating Thai-oriented organization

In Toyota Motor Thailand a review of the company’s structure and organization is performed systematically every year. Indispensability of each department and division is considered, redundant parts of the organization are dissolved and new ones are added in anticipation of functions needed in the future. Simultaneously necessary staff transfers are made to support new functions with suitable human resources. Of course there are some cases when Thai managers, including newly appointed ones, misuse their authority or neglect their responsibilities but resolving these kinds of problems whenever they arise is part of the routine work of Japanese coordinators. The most important thing in every department, be it production or sales, is efficiency.

As far as managing Thai-oriented organization is concerned, the following points summarize problems which are most likely to occur.

(a) unreliable exercise of authority  
(b) insufficient delegation of authority  
(c) communication gaps  
(d) cultural differences

The first issue, (a) unreliable exercise of authority, very often appears as one of Japanese concerns towards Thai managers. It is certainly easy to imagine that Thai employees who haven’t been entrusted with authority until recently can become confused when suddenly put in the position of exercising power and directing work of others. Therefore there will be managers who, not knowing what to do, will simply leave the work to their subordinates. There will be also others who, when en-
trusted with authority, will almost certainly become despotic. Concerns about those kinds of risks can often be seen among Japanese as well as some Thai employees.

The second issue, (b) insufficient delegation of authority, is often raised by the Thai side. This problem is the exact opposite of (a) unreliable exercise of authority pointed out by the Japanese. This matter has been especially often raised at the beginning of the authority delegation process but it sometimes reappears. It is a serious issue that, in extreme cases, can influence mutual trust, and as such it must be given thorough consideration. The source of the problem are Japanese who are reluctant to let go of duties and authority they should have delegated and who continue to perform them by themselves, justifying that it will take time or that Thais don’t get the hang of it.

Third issue, (c) communication gaps, refers to trivial problems occurring every day. It would be rather strange if problems do not appear when people from different countries work together. I think the most important thing is to cope with them the moment they arise and carry on with one’s work. Specific situations and examples of communication gaps will be described later.

Finally, (d) cultural differences refer to things one constantly experiences in the course of everyday life. For example, the fact that Japanese are impatient whereas Thais are more relaxed. These kinds of differences originate from history and culture and as long as both sides remain mutually unaware of them, they can cause frictions in various fields of work. Neither differences can be ignored, nor can attitudes resulting from them be simply judged as right or wrong. An expression describing Japan as “the land of golden ears of rice” existed since ancient times. Similarly in Thailand people proud of their country’s beauty and abundant natural resources described it, since ancient times, as a true “land of milk and honey”. And even currently
Thailand’s food self-sufficiency ratio clearly by far exceeds the one of Japan. So as we can see the way people perceive their countries as well as their culture and attitudes remain a relative matter. To give a simple example of what mutual misunderstandings might arise when two sides working together remain unaware of one another’s cultural and historical backgrounds, let us consider the following case. If there is a deadline for work Japanese will do everything they can to meet it. On the other hand, Thais, lacking this kind of strict attitude toward time, every once in a while miss some deadline. These discrepancies in approach to rules and regulations might appear in any kind of situation. The culture gap might be eventually mended through education and training within the limited societal scope of the firm, but particularly in the beginning these problems can become a source of mutual aversion. Very often they are also a lingering cause of later troubles.

Now, relying on my previous experience, I would like to present some suggestions about how these kinds of problems can be practically resolved.

**Solution of (a) issue**

Many Japanese think that it is better to delegate authority to Thais but at the same time they worry whether Thais will exercise authority in a correct manner. In this situation the first thing to do is to sort out the contents of the job and perform a process analysis. For example, how much time does it take for Japanese to perform a certain task and how many hours are needed to perform it correctly? Then the same analysis should be performed for Thai employees. The next important thing is to confirm the division of responsibilities between the two sides. It should be made clear which parts of authority are being delegated. Of course it would be best to hand it over all at once, but if there is a concern that it might be too much, then a clearly defined half or one third of responsibility should be
transferred. The side partially entrusted with authority can feel somewhat dissatisfied but it cannot be helped. This dissatisfaction should be later reduced by some mutual concessions.

In many cases lingering lack of trust felt by the side delegating authority is caused by doubts about determination, abilities and qualities of the side to which power is entrusted. Existence of these doubts, however, is no reason to prevent the eventual transfer of authority. Problems with worker’s job motivation, abilities and qualities exist everywhere and we may use on-the-job training or in-house education and training to deal with them. It is also a mistake to think that the process of delegating authority resembles the production process and when it is complete those entrusted with responsibility are similar to a flawless finished product that needs no further attention. It is better to keep an eye on them afterwards as well.

**Solution of (b) issue**

Cases in which the side granted authority feels that it did not receive enough power occur more often than one would expect. And in fact in some situations this feeling is justified. In the worst two types of cases, even though authority delegation should be progressing, things go the opposite way. The first case is when the responsibilities have not been fully delegated from the start, while in the second case even though they have been formally handed over, Japanese continue to perform most of the important work duties, so Thai managers at the decision-making level later on are not able to make appropriate decisions.

In the first case, even though some duties are entrusted, Japanese staff are not able to entrust all of them and end up performing the work by themselves because they assume that Thais lack skills, make mistakes or are not working fast enough. Once something like this happens it is most likely to become a reappearing pattern in the future. Even though according to
the company official system authority should be entrusted to Thais, Japanese who are caught in distress between pressing deadlines set in Japan and the easy-going attitude of Thais, prefer to do the work themselves even if it means opposing company rules. There are many cases which end up in a “we cannot leave it to the Thais” manner. Naturally this kind of dualism between the official system of Thai-oriented organization and acts violating the authority delegation rule calls for top management attention.

In the second case less important tasks are delegated but important ones are performed by the Japanese. Japanese are obviously in a privileged position as far as the amount of information about production plans, pricing and personnel matters is concerned. It is partly because they have more opportunities to exchange information with the Head Office but also because they can communicate more easily. As a result, information they present during meetings is more reliable. It is therefore not surprising that on a product planning meeting the Japanese who possess information of sufficient amount and quality take over the initiative. And it goes without saying that this leadership is also demonstrated in their influence on the decision-making process. This kind of situation happens very often in the course of everyday operations. The main question here is why do Japanese contact the Japanese Head Office directly instead of making Thais do it. This issue is often overlooked. After all, there are some departments in which Thai managers develop positive relations with Japanese precisely through maintaining communication. As I said earlier, cases of insufficient authority delegation are a fact, so instead of blaming Thai managers for being diffident and hesitant, top management should do everything they can to put company rules into full force and perform a thorough correction of the company’s stance.
Solution of (c) issue

The way to overcome (c) communication gaps is simply to tear down the language barrier. There is therefore a tendency to think that the problem could be solved if Japanese would simply start using some Thai or at least English in the workplace, and Thais would learn some Japanese or English. In reality however it is not so simple because without understanding someone’s intentions even while understanding all the words, strictly speaking, does not guarantee fluency of communication. Very often one is unable to make himself understood even when both parties are speaking English with the best intentions of reaching a mutual understanding. What could be done in this case? Simply speaking, when words are useless one should make an effort to be understood without them on the grounds of shared values. At the same time, of course, training for Thai employees, and particularly Thai managers, in respect to fundamental ideas of the company and ways of thinking about work is essential. Sometimes it is even necessary to break down long-established customs and conventionalities. But I think that company internal and external education and management and managerial duties training can produce the desired effects.

On the other hand it is important for Japanese to understand Thailand. And until they do, it is necessary to make an impression that they want to learn about it. One Japanese working directly under my supervision spent four years in Thailand voluntarily learning the Thai language 1-2 times a week and trying to personally get to know Thai workers when he was inspecting a factory. At the time the heartwarming attitude of Thai workers created a cheerful atmosphere in the company. The attitude of that Japanese manager was truly admirable and I’m sure he had no trouble overcoming the communication gap.
Solution of (d) issue

Finally there is a problem of dealing with cultural differences. As I have mentioned earlier, cultural differences are natural and nobody should arbitrarily judge them in any way. Japan is often struck by natural disasters and its land is not as rich as that of the United States or Thailand. That is why Japan is always so competitive. Thailand, on the other hand, enjoys an environment of rich soil and abundance of food, so anyone can support himself without relying on others. Consequently there is no need for competition. Extending this line of thinking to labor issues it becomes obvious why Japanese are so impatient and Thais so relaxed. The geographical factor I present is a simple example of one of the sources of cultural differences. Then if we consider history, religion, education, language, society structure and values, the distinctiveness of cultural differences will become even more obvious.

I think that overcoming cultural differences might be initiated by achieving mutual awareness that these differences exist. American business presence in Thailand is declining, while many Japanese multinational companies known for their typically Japanese style of management actively promote their operations. Many senators and journalists in the United States who became aware of that have come to Thailand to investigate the situation. In the 1993 November 1st issue of “Fortune” magazine there was an article based on an interview with the Vice President of one of the top Thai companies. In this article we read: “The reason why Japanese companies are achieving real success in Thailand is because they are fitting in. Thai people are similar to Japanese, they dislike conflicts and depend heavily on relationships with other people. Americans, on the other hand, attach too much value to the rule-of-law, and so they lack flexibility”.

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(2) The promotion system

Promotion system in Thailand

As I have mentioned before, in Toyota Motor Thailand Co., Ltd. an official announcement of personnel changes is made every year on October the 1st (presently it’s January or occasionally April), and promotions raging from General Managers up to Assistant Managers are introduced immediately. Every year around this time there is a prevailing atmosphere of mixture of feelings but after one month or so the excitement cools down and the business is back to normal. Those who were promoted wear a smile on their faces and are motivated to work even harder, while those who didn’t manage to get a promotion either reluctantly face their old desks again or leave the company in search of new opportunities.

Promotion relies on evaluation by a superior in which, apart from performance which is easy to measure, the most difficult part is evaluating employees’ abilities by a superior who, no matter how skilled he might be, is still only human. Often taken into consideration are abilities like creativity, ability to work with others, personality etc., but there is no reason to think that superior surpasses his subordinates as a human in any of these aspects. This is simply because according to company rules the superior has to evaluate his subordinates. So every year in the period of personnel changes every manager who has his own subordinates has a real headache. Making a decision on which employee is better will always be difficult.

In Toyota Motor Thailand Co., Ltd. Japanese were in charge of every department until the first half of 1987. The Japanese Head Office provided us with standards for human resource management and promotion system and we basically adopted them as they were. I think that other Japanese companies did the same thing. Among all Japanese chambers of commerce in main
cities of the world the biggest one, exceeding 1,000 member companies, is the Japanese Chamber of Commerce in Bangkok, in which there is a Committee for Human Resource Development performing regular exchange of information concerning human resource management and offering a chance to refer to examples of other companies. Similarly in the past, especially during the initial period of business set-up, differences between Japanese companies in respect to human resource management were minimal mainly because companies either used some platform for information exchange or adopted standards from their Japanese Head Offices.

The first thing that a Japanese company has to do when setting up a new business is to establish a company’s structure but since it takes place in Thailand employing local workers represents an important part of the whole process. When employment matters are more or less settled, shaping the company’s internal organization may begin by distinguishing the most useful functions of the organization while learning and improving quality of work. All things, ranging from the way foreign operations are managed to deciding which organization suits Japanese and Thai, have to be decided on the basis of company ideology and previous experiences of performing business. As I mentioned earlier, when Toyota Motor Thailand Co., Ltd. was founded most of the organization consisted of Japanese but as they faced many problems and conflicts with Thai employees, presently Thais have become its main constituent.

When quality and quantity of work expand, sometimes it is necessary to approach work differently than before and it might happen that customer needs will not be met or desired results will not be achieved. Nevertheless if there were people who improved their performance and made an effort to rise up to company expectations, it is vital to award them with higher compensation or position therefore providing them with future motivation. In this book, the method of awarding employees
by upgrading their qualification, position or authority will be called promotion, its framework will be called promotion system and its main focus will be managers. Of course also here Thai employees are the main subject.

*The process of shaping promotion system in Toyota Motor Thailand Co., Ltd.*

Let us start from the fact, that at the very beginning in Toyota Motor Thailand Co., Ltd. it was virtually impossible for a Thai employee to get promoted. At the time there was no need for promotions since Japanese occupied all main posts in the organization, from general managers up to section chiefs. Even though Thai workers were waiting on Japanese managers “hand and foot” and performed supporting activities at their best, they were never put in a position of planning the work or negotiating with other managers to accomplish it on their own.

The system was based on logic that since Thais do not possess information necessary for performing the work it will be enough if they simply follow directions given by the Japanese. Consequently there was no reason for promoting Thai employees. Those were the circumstances at the time. Actually in the 50s and 60s, during the initial phase of setting up business, there was no substantial difference in the promotion system management, not only between Toyota and other Japanese companies but also between Toyota and Western companies which started operations around 100 years earlier.

As the role of private companies in this country’s development grew with time and competition with neighboring countries became more intense a big socio-economic change took place and suddenly traditional ways of management used by Chinese and other foreigners began to be perceived as causing limitations to development of local society. In the face of these circumstances the change was unavoidable.
Even though at the time the word “global” was hardly ever used, I must say that there was strong support for the idea of making management more modern, be it the American or the Japanese way. Toyota Motor Thailand Co., Ltd. came to the same conclusion a little later in the 70s, and we immediately started to implement some concrete actions realizing that company management by Japanese has reached its limits. The climate for promoting Thai employees was gradually improving and even though it was not yet systematic, in some departments the first Thai candidates for General Managers and Assistant Managers were selected. In 1986 for the first time a Thai employee was promoted to the post of Consultant.

Promotions of excelling Thai employees was supported by a strong conviction that adjusting to local conditions is important and that the company should possess an extensive knowledge of local society in order to achieve business prosperity and efficiency in management. The extent to which Japanese as foreigners could achieve it, however, was quite limited and so it would have to largely depend on Thai employees’ talents and flexibility.

We can say that presently we have reached a stage where in none of the various departments of the company Japanese are the only ones to run the business. It largely owes to the fact that since the amount of work has increased greatly and its nature became extremely diversified, also the necessity for Thai work participation and its possibilities had increased significantly when compared with the past.

As opportunities for Thai employees’ promotions gradually developed, it became obvious that we have to make preparations for the creation of a promotion system. We addressed this issue and put plans into practice for the first time around 1990. The promotion system was actually designed to suit the state of business at the time but even though it was later modified
many times the basic outline remained unchanged.

The final decision is made by the Board of Directors including the President of the company, but until then the main screening role is played by the Promotion Committee. In Thailand, the Promotion Committee is a unique institution used only by Toyota Motors Thailand Co., Ltd. The structure of the committee consists of the Human Resource Department General Manager, who is in charge of the committee, and five other senior General Managers, who have sufficient working experience, possess knowledge about content of work not only in their own division but also other divisions, understand the policies of the Head Office, and on top of that, are popular among their subordinates. Of course all committee members are Thai. A Japanese Vice President, responsible for personnel matters may act as an adviser to the committee but he only provides advice on company policy and does not interfere in the promotional screening process. The screening process focuses on Managers, Assistant Managers or Vice Managers and excludes General Managers. The committee has been created to achieve promotional decisions that could be accepted by the widest possible number of employees and to completely rule out personal preferences while attaching great importance to impartiality.

Nevertheless, in the beginning committee members had problem adjusting to the new situation, focusing, as usual, on promoting people in their own departments and presenting few suggestions constructive for the company as a whole. Every time the screening process came to a deadlock, a Japanese adviser offered to act as supervisor and oversee the process of fair and broad screening. After being thoroughly inspected the candidacy is submitted to the Board of Directors for approval. In most cases it is accepted automatically but if there are amendments the opinion of committee members is always taken into consideration. Lately, as I heard, managers residing in the com-
mittee put too much emphasis on promoting employees from their own department and as the screening process reaches a deadlock, sometimes unfortunately it is necessary to make a decision by majority vote. Nevertheless I think that the biggest success is that Thais have gained managerial consciousness of running a company by themselves and began to perceive impartially not only everyday work but also personnel matters.

I think that the existence of the Promotion Committee, apart from clearly following the lines of Thainization policy, had an important effect on human resource development in Toyota Motor Thailand Co., Ltd. Not only have Thai General Managers acting as Promotion Commissioners developed a constructive way of looking from the company’s point of view but also Thai managers chosen by Thai members of the Promotion Committee possess excellent abilities and are “widely accepted”.

The creation of a Promotion Committee caused some sensation outside the company and the impact could be compared with the time when authority was delegated from Japanese to Thai managers. I think there were doubts and anxiety about the fact that a foreign capital company is being managed by local people. There was also latent concern whether Thai managers will really be able to manage as adeptly as Japanese. I think however that, since the Promotion Committee has eliminated prejudices of Japanese managers and has also brought out Thais’ latent abilities, it will remain basically unchanged; the good management practice of Toyota Motor Thailand Co. Ltd. is clearly supported by everyone starting from employees up to top management.

However if we want to achieve real progress in human resource management, we cannot be satisfied only with a Promotion Committee. The personnel performance evaluation, which I have discussed, deserves much more consideration. Normally it is performed in a top-down manner but in order to raise the
level of human resource management or to achieve greater validity of performance evaluation, managers should be subjected to periodical evaluation of results and goals based on self assessment; this however is not yet achieved. Strictly speaking, since a self-assessment system is not yet established, personnel evaluation is not performed as it should be. Self-assessment that I mention is a system, in which the person who will be evaluated sets his own target through consultations with his superior and after a certain period of time evaluates his own performance.

Right now this system applies only to managers but it was originally designed to be extended and applied also to general office workers when put into action. The significance of a self-assessment system lies in the fact that it is widening the scope of evaluation and making the operations of a Promotion Committee even more effective rather than simply adding new elements to the traditional top-down approach. It goes without saying, however, that the main issues evaluated during managers’ self-assessment or performance appraisal includes things like negotiating abilities, leadership, decision making and work results and therefore have to be treated differently from issues evaluated in the case of regular employees which include amount and level of work, diligence and ability to work with others.

**Main features of promotion system designed for Thais**

Based on what I have said so far about circumstances of human resource development, I would like to turn now to the issues pointed out as main problems of foreign management. If we consider a perspective of Thai extensive promotions, we might come up with the following problems:
First thing I have mentioned was (a) managers have to be aware of their role and be committed. It seems obvious. But in reality if these obvious values were inherent in everyone there would be no problems when managing abroad. According to what a vice president of one Japanese company said about the present state of managers’ attitude, people who fulfill all requirements are very few and that is exactly why much more effort should be put into training. There are many managers who do not fulfill this requirement even though they passed the Promotion Committee screening and were promoted. Indeed there are some General Managers in name only, who are unaware that as superiors they have to guide their subordinates. Even if they don’t comprehend something they follow detailed instructions, but they lack the commitment necessary to lead a department in the future. They also don’t understand company ideology, don’t know what General Manager responsibilities are and how to exert leadership towards the department and subordinates. Since on the part of subordinates there is a tendency to accept that kind of person as their boss and treat his actions as obvious, as a result their work ethic declines. These subordinates will certainly feel inferior when, during a meeting, they will have to negotiate with employees of other departments.

In the past, when we were transferring authority to Thais, we performed intensive training concerning the managerial roles.
I think that during training managers achieve some results but once they got back to work for some reason they did not behave in the way they have learned. Problems concerning managerial consciousness, role and commitment are strongly related with so-called sense of values that is inherent in Thais and deeply rooted in every person’s heart.

There is a story related to this subject. Thais love to study abroad. Maybe more than actual fancy, since for 100 years so-called high class people had to do it in order to maintain good relations with foreign countries. Nevertheless, I think that Japan is probably no match for Thailand in the ratio of foreign students going to the United States, Great Britain, France or Germany. Those who come back from studies in the West, in many cases, take up positions in government or public administration. But from the stories I heard, even if the head of a department came back from the United States and understands rationalism and American thinking patterns, when it comes to decision making, he suddenly returns to typically Thai values of traditional village society.

The second point, \(b\) are managers talented and skilled enough, is another factor causing anxiety mainly among Japanese who are in a position of delegating authority. Until not so long ago, the only talent and skills necessary were ones needed for flawless performance of work given by the Japanese, but the situation is different when one’s position is suddenly changed to manager. People who are promoted should of course be talented and possess proper managerial skills. The latest globalization fad is an example of excessive use of broad terms and ideas, while it would be enough to make simple distinctions, like Japanese and American style of management. After all, in the end, the content of work is the main issue. Japanese of course follow this way of thinking, but Thais, who joined the group of industrialized societies a little late, demonstrate simple father-like consideration for their subordinates, who on the
other hand, tend to be satisfied with this kind of authority and responsibility based on paternalism and hierarchical relations. Therefore the main problem here is not Thai willingness to accept promotions on the ground of abilities but rather the impossibility of eliminating situations in which they will act according to their long established conventions.

Issue (c) do managers assume responsibility and exercise authority in a correct manner refers to a particularly apparent problem. Individualism is pointed out as one of Thailand’s national traits but when this extreme individualism is emphasized in the workplace, it certainly will immediately turn into despotism. Furthermore, Thais are a people with a strong sense of personal pride and self-respect and resent being criticized for their mistakes. Making one step in the wrong direction can therefore lead to a situation in which they will abuse their power and refuse to take responsibility for it. One of the worst possible patterns is a manager who acts exactly like a military dictator. Paying meticulous attention to this aspect is especially important during the promotion process. Even now there are regrettable situations in which subordinates are distressed because of their supervisors.

Issue (d) employees rejecting managerial promotion, is a rarely heard story. An employee, who was unofficially notified that his promotion has been decided, replied that he doesn’t want to become a manager. He claimed that he will lose his present overtime allowance if he becomes manager and that he cannot assume responsibility for new work duties because the burden of authority over new people and duties is too much for him. What is more, he insisted that authority and responsibility should be assumed by Japanese, as it previously was, and that it is too early to transfer it to the Thai employees, including himself, because they lack the ability and competency to act as managers. He also said that Japanese are more reliable because they look at things globally and more impartially but
present Thai managers, who have a narrow perspective, can easily become absorbed with their own subordinates while remaining unconcerned about others and so are unreliable. Judging from my experience, there is a grain of truth and a thread of logic in the above reasoning but if we take these claims seriously they would lead us in the opposite direction of the promotion policy of Toyota Motor Thailand Co., Ltd. Even if this employee approved the status quo of the promotion policy, he certainly wanted to severely criticize the way of business that Thais, the main constituents of the system, were following. I suppose, that during system transitions there has to be an initial phase of instability and it cannot be either avoided or quickly passed through. But in order to move ahead with the promotion system it is necessary to find some universal cure for all kinds of problems.

I would, therefore, like to present some useful solutions to the above-mentioned problems.

Solution of (a) issue

First of all in case of issue (a) managers have to be aware of their role and be committed we have to remember that prior to being managers we are Japanese, and therefore we inherently possess values like commitment and a sense of one’s role. As for Thais, they have been one day suddenly awarded a manager’s licence. So there is no reason why they should be able to act like one right away. Qualities like managerial consciousness or awareness of one’s role develop only after one becomes a manager, and besides it is now unthinkable that we could go back to the situation from the past when Thai skills and talents were neglected and when they only worked under Japanese guidance without any chance of promotion. The same goes for commitment, one can experience this feeling only when one becomes a manager. However if Japanese top managers in the company maintain that present Thai managers are not yet
committed to their work then there might be something to it.

But if we reflect on the history of Thailand and Toyota Motor Thailand Co., Ltd. it will become obvious that the current attitude was unavoidable. There is no way Thais could possess managerial consciousness since business management itself appeared in Thailand much later than in Japan, the United States or Europe. This simple fact made me understand that there is no point in blaming them and so instead I would now like to focus on how to foster commitment and awareness of a manager’s role.

First of all we should realize the fact that, even though they are not so many, there are some people among Thai managers who truly possess a sense of one’s role. On that basis, considerate but at the same time rigorous theoretical training and on-the-job training of newly promoted managers should be conducted. It should be centered around fundamental issues starting from the Toyota ideology, responsibilities of the person in charge and management of subordinates. Then it is necessary to perform managerial training concerning points like leadership, guidance, negotiating abilities and controlling subordinates but once it is done a manager should be left alone to act on his own. In this manner we gradually achieve progress. One important thing, however, is to perform training on a regular basis since abilities have a tendency to regress when left unattended.

**Solution of (b) issue**

In respect to *(b) are managers talented and skilled enough,* a solution similar to the one above might be appropriate. The typical dilemma here is that even though people with the right talent and skills should be promoted there are situations in which it does not happen. Talent and abilities are not inherited and especially in case of business they rely heavily on company internal education and training. Surely, even now in Thailand’s
society there are visible tendencies to rely more on one’s personal and marriage relations or influential friends than on one’s actual skills, but allowing this pattern of behavior to penetrate the company could easily affect internal modernization.

For this reason, Toyota Motor Thailand Co., Ltd. has struggled not to be drawn in that direction, and instead actively eliminated barriers and from the very beginning aimed at a comprehensive and highly transparent way of management. But patterns of behavior rooted in different history and customs are difficult to change in one day, and if, by any chance, Japanese expatriates or Japanese headquarters mistakenly assume that they are in a unilateral “position to teach”, then I must say the solution of the problem has never been further away.

Japanese expatriates and Japanese companies while assuming a “position to teach” at the same time have to place themselves accordingly in a “position to learn” all unique manners and customs and above all, distinctive characteristics of the country which reside in its people’s sense of values. If they don’t, there is absolutely no possibility that they can fully utilize a skill based promotion system or abolish customs of hierarchical relationships, marital or personal relations which were established hundreds of years ago and are deeply ingrained in the nature of every individual. The most important thing is to combine teaching and transfer of technological knowledge with simultaneous learning and gathering Thai opinions and impressions about ways to improve work. Getting to know the partner combined with education and training should at least partly solve the problem of managerial talent and skills.

**Solution of (c) issue**

Let us now consider a solution for issue (c) *do managers assume responsibility and exercise authority in a correct manner.* In Toyota Motor Thailand Co., Ltd. all the rules are clearly specified in the
Authorization Manual. As long as everyone follows it, matters of responsibility are automatically resolved. The Authorization Manual makes provisions about the scope of authority and responsibilities of each person, starting with the President, through the Vice President, Board of Directors, General Managers and Managers. Items exceeding the President’s authority lie within the authority of the Board of Directors. Items beyond that require approval by a Vice President or Director in charge from the Japanese Head Office. When compared with the past, introduction of the Authorization Manual was beneficial in the sense that it facilitated smooth execution of everyday duties. Nevertheless, constant attention has to be still paid to areas of routine work not covered by the manual, which are more likely to cause problems with authority and responsibility. It always depends on people, of course, but generally newly promoted managers tend to cause anxiety among their subordinates by immoderately emphasizing their position. This behavior can have serious consequences, for example, ostentatiously bragging about information concerning newly developed products may cause this information to leak outside the company. Another effect is that even though company policies and top management urges all employees to openly express their opinions during internal meetings, in reality often they cannot do it freely because they were ordered not to talk about certain things by their direct supervisor. Also if somebody lacks ambition and has no will to improve then he will remain silent and indifferent even when important decisions are taken. These issues are strongly related to personal relationships with coworkers. After working in Thailand for a certain period of time anyone can sense them almost immediately and even though they cannot be compared with commonly occurring problems of abusive exercise of managerial authority, they certainly can cause trouble.

Even when a company has strict internal regulations sometimes certain habits of some managers may turn into improper be-
behavior and then it is necessary to strictly reprimand the person responsible, especially if the situation might have a harmful effect on the company. In cases when misconduct was caused by one of the company’s main managers it is absolutely vital for the top management person to be in charge of the reprimanding. The main problem is whether this kind of information reaches the top or not. If the information is being interrupted, individuals responsible might think that since nobody resisted them they can do whatever they like. It is important to prove them otherwise.

Solution of (d) issue

Finally, there is the question of how to solve a problem of (d) employees rejecting managerial promotion. I think that true motives for rejecting the promotion have nothing to do with losing the right to receive an overtime allowance after becoming a manager, and rather that they are related to the status quo and actual conditions which support it. As I have mentioned before, improper behavior or assuming an authoritarian position in relations with subordinates, and generally things involving abusive use of authority vested in managers as superiors, sometimes do happen. When confronted with these unpleasant situations people who possess a strong sense of justice experience disgust and feel that it will be difficult for them to truly devote themselves to work as a manager in that kind of business environment. That employee may have thought that it is better to work comfortably instead of assuming a position where one has to look after troublesome subordinates and face difficult problems. He may have also simply given up, assuming that he cannot cope with complicated issues and that he is no match for the Japanese manager that he worked with before.

This unofficial announcement and the whole situation took place just before a company-wide official announcement, so the company side was quite anxious. Everyone wanted to somehow
convince the resisting employee and proceed according to the plan. Finally, being determined to once again thoroughly talk things over and try to reach an agreement, I decided to step forward and meet with the employee in question. I was aware that the simple reasons he gave were not a problem and that in fact he was in a complex state of mind where his real intentions and things that he had experienced were all intertwined in a complicated manner.

I explained that his promotion and accepting managerial qualifications is, from the point of view of our company, inseparably linked with achieving future goals like achieving sustainable growth of production and sales, intensifying education and training for manager candidates in the unstable, initial phase and realizing perspectives for management localization. After that he finally agreed to be promoted in accordance with the company’s unofficial decision. He then achieved even further promotions and presently is leading his subordinates with confidence while eagerly and impartially performing his managerial responsibilities. When I look back, it makes me realize just how much information about our company’s future was important to the Thai employee and even though at the time I considered it to be a little troublesome, I am sure that in the future making employees understand the business situation will become an essential responsibility.

(3) Rotation

The importance of rotation

Rotation refers to transferring an employee from a post where he is currently performing work to another. It may either mean transferring somebody from the Human Resources Department to the Accounting Department or from the Sales Planning Department to the Production Control Department or refer to employees delegated from the Head Office or stationed
in a foreign subsidiary. Toyota Motor Thailand Co., Ltd. also performs rotations and this annual personnel reshuffle has already become an established custom. Rotation can bring various merits, from the viewpoint of the company it revitalizes business and from the viewpoint of employees it enables an individual to experience different functions. Similarly to changes in organization or number of promotions, it has to take into account contents of business and annual numerical variations in sales and production activities influenced by the economic environment. For example, in a period of prosperity raising both production and sales is necessary and therefore performing rotation on a scale which exceeds common sense simply for policy reasons or for the sake of employees is a complete contradiction of company goals and can never happen.

In times when production and sales push is necessary there might be a shortage of employees in production or sales department and sustaining a level of customer satisfaction usually becomes difficult. In a situation when ensuring sufficient human resources and quality of work becomes impossible, rotation does not necessarily bring positive effects. On the contrary, when in such times personnel is transferred to other departments both the quantity and quality of performed work will decrease. Also in some departments which possess specialized fields very often the actual transfer is impossible no matter how it would contribute to human resource development. Apart from the situation mentioned above, even if rotation is restricted to similar duties there are still cases in which exchange between departments cannot be carried out as planned because General Managers resist depriving their department of subordinates who are highly valued or who they consider to be excellent.

In Toyota Motor Thailand Co., Ltd. employees who work more than five years in one department become a subject of rotation. When the period of performing rotation is near a list of candidates is created. In its original form the list contains informa-
tion on who is going to be transferred to which department. As objectivity is regarded as important, the key role is played by the Human Resource Department in charge of personnel which starts its work by presenting each General Manager with a list of people preselected for rotation who worked for five years in the same department and then having discussions with departments involved. In the cases I mentioned before, when General Managers defend their subordinates from transfers to other departments, the Human Resource Department performs the role of intermediary.

Until the rotation and its role in development of human resource of Toyota Motor Thailand Co., Ltd. has been clearly outlined, many people have been expressing their frank opinions and doubts about its functions. There were countless cases like that of the engineer who studied mechanical engineering in the United States, inquiring why he was transferred from the Production Department to the Human Resource Department, the system engineer asking why is he being awarded the post of financial manager or the sales manager asking what is the purpose of moving him to the Production Department. Later however, the manager who studied mechanical engineering was promoted to the post of Human Resource Department General Manager and he has completed his service superbly. It turned out that he indeed had a talent for managing personnel and he represented the company’s stance splendidly when dealing with labor unions. In the same manner, persons who were generally considered only to know how to sell grew up to become veteran production managers. Apparently general opinion is not something to rely on. And the reason is because human potential can greatly exceed expectations. It is also true, in a sense, that if an individual does not make an effort or is not forced to make it, some potential abilities would never be discovered. Finally, the additional advantage of developing one’s abilities within the framework of the company and experiencing work in numerous departments is that through this
process the individual develops relationships based on trust with departments he or she had contact with.

I would now like to approach the subject of rotation from the human resource development perspective. Firstly I would like to take up the advantage of activating a company’s human resources. When employees tend to stay in one department for a long time it can be expected, that during negotiations with other departments an “us against them” pattern of thinking will appear and also that the eagerness to improve will inevitably be reduced. Company activation is related to avoidance of these risks. It is also important for the development of employees’ abilities.

Transfer to a new department changes the employee’s mental attitude in the sense that he can start his company life once again and make it an even bigger challenge. I suppose that an individual may sometimes be completely unfamiliar with the new field, but it can also be treated as precious possibility to demonstrate one’s ability once more in a new position.

People who possess outstanding abilities are even more likely to be transferred, so as a result in many cases they may end up being promoted in the new field. It can also be observed how people who face transfer actively and work hard in new departments have a positive effect of improving morale. In the face of these circumstances, we may venture to say that from now on even more people possessing potential will be a subject of rotation and in the future the possibility of promotion from General Manager to Board of Directors or even higher positions will become a distinctive feature of Toyota Motor Thailand Co., Ltd.

**Main features of rotation system designed for Thais**

First of all, I would like to clarify that even if from other com-
pany’s viewpoint our rotation system may look like a full success, there are still some basic problematic issues that exist continuously until now. These are the following:

- Rotation is perceived as a demotion
- Thai do not like changes

Problem (a) “Rotation is perceived as a demotion” is a serious issue, deeply rooted in Thai minds which appeared immediately when rotation was performed for the first time. There is a longstanding, general opinion according to which Thais interpret rotation as a demotion. Immediate transfer to a different department may mean, for example, that his superior personally did not like some subordinate or the subordinate was considered to be lacking skills. In the worst case he might have been laid off. This way of thinking exists everywhere in Thailand and it may cause problems, no matter whether the business is American, Chinese or Japanese. We might say that it is a complete denial of the fact that rotation is an attempt to discover an employee’s abilities. It treats employee’s self-development of skills as obvious but fails to acknowledge existence of a systematic corporate policy. The phenomenon of transfer used as a demotion is not only limited to private business but also quite commonly occurs in Thailand’s government offices. Incidents when a head of government office or public agency sends his subordinates away to sinecures in other departments according to their own liking is a subject often discussed in media.

Apart from the issue mentioned above, many Thai managers resist the idea that they can achieve better efficiency in their own work through guiding their subordinates. The reason for this is a tendency for subordinates to first acquire know-how owned by managers to then take over the job itself. It might be also caused by the fact that teaching subordinates things that a manager knows may be difficult to accept within the social
order of Thai hierarchical society.

For all these reasons, when employees are told about transfers they look reluctant not because they are concerned about the new assignment but because they worry about other people judging them wrongly. For example, that a General Manager they will be working with from now on will think that they have graduated later than him and consequently have a lower position, or that they suddenly have to manage a department they have been working with in the past, or that even though they have a Masters degree their new boss has only a Bachelor degree and finally how will they be treated at home. There are many similar cases in which factors influencing opinion are related to a hierarchy clearly following the old feudalistic system. I must say that this is the one local condition that affects Japanese business the most and in the present circumstances modernization of Thailand as a country and of foreign companies including Toyota Motor Thailand Co., Ltd., is still far away.

The next problematic issue is (b) “Thai do not like changes”, which may make it necessary to consider situations when Thai employees resist leaving their comfortable posts, to which they got used to over a long time, to move to a new post they don’t know much about. Among things that Japanese managers often point out is that in many cases Thai lack creativity and ability to make plans. It is true that a nation which traditionally inhabited a fertile land and had never experienced a food shortage, radically speaking, can enjoy well-being without much effort. Social order, in this situation, might have been disturbed rather by some superfluous actions. I recall that some time ago historians and foreign studies specialists often referred to Thailand as a lucky country which might be poor but definitely not hungry. Does it mean however that we should accept Thailand as a country not making an effort and acknowledge that maintaining the status quo is the best thing we can do? Certainly this is not the case, in fact we should try
to separate the issue and perceive it as a category different from business, similarly to separating previously mentioned issues of rotation and demotion. I think that even though looking from the cultural perspective this feature of Thai national character is absolutely true, it is safe to say that in Thailand’s business world there are almost no people who think this way. Knowing that employees deep inside possess certain patterns of thinking not related to business activity may often prove to be useful in the course of actual work but this fact certainly should not be overrated.

**Solutions of (a) and (b) issues**

I think that rotation should be performed as it is right now, pursued actively, without stepping back in the face of obstacles. Additionally, as I have mentioned before, I feel that it should more strongly encourage employees to regain their self-confidence and build relationships of trust with the company. We also cannot limit ourselves to the scope of rotation that exists presently. I think that it is crucial to pay attention to what Thai executives have to say, in the same manner as we pay attention to opinions of the Japanese Head Office and Japanese top managers. It is because these opinions are related to the actual improvement of company actions. It is desirable to continuously advocate in company policy that rotation is a “must” in order to achieve company activation and develop personal abilities of employees and if it is still not understood, then it is necessary to repeat it making rotation a symbol of company prestige and presenting evident examples of its advantages.

Both in case of promotion and rotation, it is essential to follow the correct order of always putting first the people who served in the company from the beginning and then, only if they can’t be found, making use of external human resources. If this point is neglected and instead of taking into account people working in the company for a long time, excellent human resources are
pursued externally, then it is almost as neglecting the whole history of the company’s excellent economic performance achieved by true Toyota-men comprising nearly all employees. It will cause uncertainties in the minds of all employees, including executives, and in the end it might have a negative effect on the overall future management of the company as the consensus might become impossible to attain.

I think that, as long as the means and ends remain intact, external appointments should be introduced without hesitation. It should neither be treated lightly, in a manner that hiring people from any other company will do, nor should company’s choice be regulated by some policy. The reason is that there are many companies whose profile and policies suit those of Toyota. In short, human resources should be broadly evaluated in terms of their judgment, insight, negotiating, and leadership abilities, as well as capability to work as a team, and if they are sufficiently endowed with these abilities they should be recruited and included in promotion and transfer frameworks. If external hiring might help resolve some pending problems and positively influence the spirit of the whole company, then it is the right thing to do.

However certain issues have to be taken into consideration. At first it may look as if people who worked in the company for a long time and people hired from outside accept each other and are willing to cooperate but actually they are only keeping up appearances. The reality is that they constantly fight for power. In order to achieve a substantial improvement in the effectiveness of business, instead of simply keeping up appearances, it is necessary to sit down with people and departments involved and in advance settle issues of company’s measures, future changes in the way of doing business and the whole context of external recruitment. If we would compare it to a term presently in fashion, we might say it’s like company accountability. Also, as content of the work is becoming more complex, much more
importance will have to be attached to this issue. Otherwise, problems will remain hidden under the surface and eventually they will cause chaos in the decision making.

There is one more important issue. It involves informing executives directly after promotion or transfer about their managerial work goals and how their results will be evaluated after a certain time has elapsed. It means clarifying that when a work goal is set, a manager should be guaranteed conditions of salary and position comparable to other first class companies and when after a certain time he achieves progress his working condition will be sustained or upgraded; however if there is no progress his allowance may be reduced or sometimes he may have to resign. It is essential for company management to establish courage and determination in the hearts of Thai employees as there is a risk that promotions and transfers in name only may be perceived by employees as mere makeshift policies. There is also the issue of progressive aging in Toyota Motor Thailand Co., Ltd. and compared with the past people who fall into this category are becoming more and more difficult to transfer to related companies. I think the time to consider this problem has finally come.

Finally, I would like to add that alongside production and sales it is very important to encourage local employees to become executive vice presidents of so-called managing departments important for Asia like the General Affairs Department, Personnel Affairs Department or Labor Department.

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