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**“Global” Diversity Management: The Case of Automobile Manufacturing Companies in Japan**

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**Abstract**

*Diversity management has been extensively studied in domestic settings. However, domestic diversity management research is inadequate for understanding diversity management concerns of global firms at the level of their strategic decision-making and cross-national coordination activities. The aim of this paper is to examine Japanese global firms in the automotive industry with a view to reveal their reasons for adoption, diffusion and implementation of global diversity management activities. The field research assumes a multi-party, multi-layered approach, incorporating interviews with decision leaders in key institutional actors, including diversity managers, trade union and employers' association representatives and, subject specialist scholars. The research also involves a case study of global diversity management in the Japanese automobile industry from a multi-stakeholder perspective. Despite their global outlook, the automotive companies still retain multinational rather than global approaches to diversity management, proposals of some remedies for overcoming current tensions in effective implementation of global diversity management activities.*

**Keywords:** diversity management, global, automobile industry, Japanese companies.

**1. Global effects: Incipient associations**

The expansion of the legal protections to wider range of categories of workers and the divergence of diversity concerns across national borders calls for coordination of equal opportunities activities in global firms which do not only employ home and host country nationals but also have by definition third country workers. Therefore, while the individual differences are exacerbated in this international setting, also the complexity of legal provision requires that the management approach is indeed more proactive and overarching that it can accommodate current law as well as foreseen changes. Diversity management discourse with its promise to recognize and value individual difference came at the right time in North America and Western Europe when these legal changes were taking place. Japanese global firms present a different picture altogether. The

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reasons for this are manifold: Whilst Japan hosts the head quarters of a large proportion of world's global firms, Japanese labor law has remained largely unaffected by expansion of anti-discrimination legislation in the last three decades. Three key pieces of legislation were enacted in Japan during this period. Equal Employment Opportunity Law of 1985 was introduced to eliminate direct discrimination, the Employment Stability Law for Older Workers of 1986 to ensure stability of work for older workers and the amendment of the Labour Standards Law in 1987 to attempt at curbing the long working hours in Japan. However, the impact of these pieces of legislation is questionable. Whilst an Equal Employment Opportunity Law was introduced in Japan in 1985, this came little too late and with little impact and scope. The law only tackles sex equality and had provision for only direct forms of sex discrimination, where indirect form of sex discrimination are not considered unlawful. This point was raised by Rengo in their efforts to lobby the government for a change of law to incorporate indirect discrimination. Whilst direct discrimination may tackle overt forms of discrimination, subtle forms of discrimination, by which a single rule has a disproportionate impact only on one gender. For example, the long hours of work culture in Japan effectively keeps career opportunities away from women who are expected to carry out disproportionate share of domestic duties in corporations that value face time and presentation culture. Among other factors, the weakness of the law meant that the Japanese labor market has retained a strongly sex segregated profile in comparison to other industrialized countries. In response to the law, Japanese firms sought to provide dual career paths for women who wish to take up careers and women who wish to stay in the temporary workforce. However, Wakisaka (1997) argues that this was not a completely positive development as it still hinders women's chances of career moves between temporary and career track work, after they take up their first post. Furthermore, Japanese global firms have retained a homogenous workforce in head quarters in Japan. The core workers in Japanese international firms are predominantly male and overwhelmingly Japanese nationals (Arimura 2001, 2004). This model presents a contrast to increased heterogeneity in other global firms in Europe and North America. Furthermore, Japanese business and management schools have not broken the mould to offer courses in equality and diversity management; as such skills were not required explicitly by the recruiting companies. Whilst the globalization of Japanese firms have not engendered diversification of their managerial workforces, the Japanese society, customs, and labor market dynamics have altered to entertain greater levels of diversity. For example, the proportions of women who enter the labor market and women who wish to have careers have increased (JILPT 2005). Furthermore, women's accession to career tracks is underway (Wakisaka 1997). Family sizes have decreased and Japan has been receiving migrant labor particularly from South American countries (descendents of earlier Japanese migrants there) and other foreign nationals that arrived for

work. Increased concerns over management of diversity and some high profile cases abroad, such as the discrimination law suits against the Mitsubishi Motor Corporation (see Box 1), as well as the changes in the internal labor market has encouraged global firms in Japan to consider diversity issues with some degree of resolve.

This study also uncovered that personal commitment to diversity by individual diversity officers, senior executives and other individuals with a diversity cause to champion, has been a significant influence on the way diversity management approaches are shaped. The executive director of the case study company as well as by consecutive directors of Nippon Keidanren has fostered diversity management initiatives in these organizations. The campaign in Rengo had a more diffuse ownership. Interviews suggested that powerful individuals with clout in organizations can elevate the status of diversity management and support programs and initiatives. The individual support afforded by senior executives is essential in the recognition of diversity as a key institutional prerogative and a strategic concern for the organization. Diversity officers may face a number of obstacles to realize their aims, develop themselves professionally and find solutions to their diversity related concerns: One of the issues that my interviews have reviewed is the fact that there is little collaborative networking in the field of equality and diversity across sectors, firms, and different constituent actors. This is radically different to the case of USA and the UK where such networking between diversity management officers of companies, some of which are rivals in the sector. These networks provide essential means by which practices and view points on diversity management are exchanged and some common and unique cases are discussed with a view to find solutions. The interviews in the case study company, Rengo and the Nippon Keidanren revealed that indeed such networking is not possible in Japan, where the members of competing firms do not get together on issues of diversity. Lack of networks may have an isolating impact of diversity officers who may experience professional difficulties in overcoming their Contributing to the isolation of diversity officers is also the unavailability of diversity management training in Japan. As explained earlier, diversity management does not even constitute a minority interest in management curriculum Japanese universities. In response to a question regarding diversity management training one of the participants was able to refer to a doctoral thesis that she was able to locate in a university library and another participant mentioned a professor who has done research on the field. Other than individual attempts at professional development, the Japanese education system does not yet cater for professionalization of diversity officers. Furthermore, the situation of diversity managers as agents of change and influences on diversity management strategy is the least studied subjects in the Japanese context. Diversity management officer posts are relatively new posts in Japan, furthermore the academic attention has been devoted to institutional policy making and

implementation efforts in the field of diversity management, rather than the significance of the individual actors. Considering that these constraints are evident at the head quarter country of the Japanese automotive companies, deems the recruitment, selection, training and professional development of ‘global’ diversity managers even more complex. If the Japanese companies are to recognize the value that diversity management one day and decide to move from multi-domestic to global diversity management approaches, there needs to be several changes in the current education system in Japan to capture the need for training diversity professionals.

The case of individual commitment to and leadership for diversity management does not appear to be as strong in Japan as it is in other countries in North America and Western Europe. This may be due to the fact that in this current political and social climate, talking about diversity or championing the cause of diversity may be viewed as swimming against the tide. On the same token, diversity may be associated with certain ‘unpleasant’ concepts such as discrimination and inequality by sex and race. The wall of silence that these two overtly critical issues receive in the mainstream of Japanese scholarship in economics and management may also be responsible for the shortage of champions in different causes of diversity. However, the literature suggests (Sako 1997) that heterogeneity in the Japanese labor market is unlikely become less. Therefore, if the social discourses surrounding diversity can break the mould of silence, it may be possible to see more leadership in diversity management.

## **2. Discussions and conclusions**

Who are the key actors that inform the global diversity management perspectives of Japanese car manufacturing firms? Why and how do Japanese automotive firms develop their ‘global’ diversity management approaches? What are the key influences and drivers in adoption and diffusion of diversity management approaches in Japanese global firms?

The layered approach that the study has taken allows for identification of a range of actors at each level of influence. At the global level, the alliances, strong and weak economic, social and labor ties between Japan and other industrialized countries has fostered the development of the current legal framework for equality in Japan. The same actors are now in operation, as the rest of the industrialized world has been moving from equal opportunities laws that are limited to gender and ethnicity to laws which offer protection against discrimination on the basis of a wider range of differences and diversity. International Labour Organization (ILO) also plays a role in pushing for international labor standards. International institutions of significance are the ICFTU and its Asian and Pacific counterpart for the trade unions. Furthermore, transfer of knowledge through best practices in global firms as well as universities allows for public and management opinion to

be shaped. However, the global actors that shape the global diversity management approach that the Japanese car manufacturing companies take are still rather weak in terms of their relevance to global diversity management concerns. At the national level, the state, corporations, trade unions and employers' associations are the key actors. However, in the Japanese context, the impact of these national actors remains at the level of domestic diversity management. There is no provision or encouragement for global firms to adopt global diversity management approaches or to make these public for that matter. Furthermore, the weak and almost negligible political and social support for causes of equality and diversity means that there is little concern over global diversity. Indeed, attention has almost exclusively been on growing heterogeneity in the domestic labor markets. Nevertheless, in recent years, due to changes in the composition of labor supply, the national level actors have started debating equality issues, particularly in relation to women and older workers. Furthermore, there are company based efforts due to an increased awareness of the business case for equality and diversity. These initiatives and programs should not be discounted altogether, because there is little union or other actor involvements.

At the organizational level, the actors are both external and internal. External actors are the national level actors, outlined above. The internal level actors diversity management offices, or other functional areas that take up diversity management roles as well as individuals that partake in diversity management decision making in a spectrum of roles ranging from championing diversity to displaying backlash behavior against it. The organizational level actors in this study were the ones carrying much of the burden of interpreting the conflicting pressures of the labor market supply and demand, competitive pressures of the market, and global, regional and national trends. Despite the burden these individuals bare in balancing these competing pressures, they are often the ones who are afforded the lowest level of resources in terms of training and professional development opportunities.

Why and how do Japanese automotive firms develop their 'global' diversity management approaches? This question was formulated with the hope that Japanese firms in the automotive sector would assume global diversity management activities. The interviews have revealed that indeed the Japanese automotive firms have diffused rather than coordinated management of their diversity management activities in their global branch networks. This model is more akin to the multinational firm model, where practices are localized without overarching global management. The automotive firms in Japan find the multinational model more appropriate possibly for two reasons. Their headquarter workers and senior managers in their branch networks are still drawn from homogenous pools of Japanese men, only very few women and even fewer minority ethnic workers or third country staff are employed in these posts. Sole use of Japanese language in head quarters of Japanese firms presents a natural

barrier to employment of foreign nationals. The homogeneity of the workforce is also coupled with an inherent belief in Japanese ways of work and their superior over other forms of organization. This belief contradicts the very principles of diversity, which is about allowing difference. Japanese global firms' management approach does not yet allow for 'global' diversity offices to be set up. However, international talent pool is small and global firms have to compete for recruiting best staff. In these times of change, the clash between the old ways and the new ones is likely to swing for the benefit of the new. Global firms in the Japanese automotive sector are under pressure to increase their productivity. International research suggests that there are performance improvements in effective management of global diversity. It is unlikely that the Japanese firms will ignore the substantial empirical evidence that comes from North America and Western Europe.

Finally, the likelihood of adoption of domestic and global diversity management is contingent upon the speed of various transformations at multiple levels of engagement. Despite the bleak picture that the current evaluation presents of the present status of global diversity management efforts of Japanese firms, the winds of change are certainly blowing from the right direction for future adoption of diversity management by firms. However, time will tell if the Japanese companies will respond in ways that will embrace or battle against the demographic and competitive challenges of increased global diversity.

## **References**

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