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# Japanese Human Resource Management, Expatriate Condition, Local Manager's skill, And Internal Communication Affecting The Success of Localization Management of Japanese Subsidiary at Eastern Seaboard Industrial in Thailand

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## Abstract

The purpose of this research was to study the influence of Japanese Human Resource Management, Expatriates' condition, Local manager's skills and roles, and Internal communication affecting on success of Localization in a subsidiary through indication of Organizational performance. Organizational culture was additionally tested to investigate as moderating variable. The finding in this study was investigated through assessment of path coefficients, which were statically proved for the research hypotheses. The results obviously showed that Japanese HRM for Consensual decision and Quality control circle, Expatriates' condition for Coach and Conductor, Local manager's skills and roles in term of Principle of management and organization and roles, and Internal communication in Downward, Upward, and Lateral communication positively correlated to Organizational performance at significant level of 0.01. Furthermore, the moderation analysis showed an appropriate interaction term of Organizational culture on Local manager's skills and roles and Organizational performance at significant level 0.05. This study was concluded that the Local manager's skills and roles had a highlighted relation on success of localization in the organization. The moderating analysis indicated that the Organization culture interacted with the Local manager's skills and roles which booth up the success of localization by increasing the effective management.

**Keywords:** Localization, Japanese Human Resource Management, Expatriate, Local manager, Internal communication

## 1. Introduction

Japanese multinational enterprises greatly increased since dramatic rise of yen value after the Plaza Accord in 1985. During rapid growth period, localization management is the one of challenges and important strategy of Japanese parent company to expand the global subsidiaries as

sustainable organization. Japanese companies face the challenge to integrate host country national (HCN) managers into the management process of their overseas subsidiaries including that of the parent companies themselves. Many policies and efforts were laid the foundation by parent country national (PCN) management to firm their organization with non-Japanese managers

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Keeley (2006). The most common obstacles to implement localization in Japanese companies are lacking of performance of local managers and staff, inadequate communication ability of local staff, difficulty of replacing expatriates with local managers, Japanese working style influencing human resource management in organization (Bhanugopan & Fish, 2007; Gamble, 2000; Hitoshi, 2023; Selmer, 2004; Tomoki, 2016).

Exploratory root causes by PCN management and providing a great solution by PCN management, without understanding the essential differences in foreign environment, are insufficient concept to establish localization management of subsidiaries. Steps and processes to adapt those obstacles are important to be realized by HCN manager and PCN management. Necessary cultural exception and inadequate abilities should be recognized by both sides, in order to achieve one objective; that is successful localization management (Hitoshi, 2023; Shiraki, 2002).

Likewise, Japan has remained Thailand's one of premier trading partner and Japanese investment in manufacturing in Thailand has grown since 1980. Such activities investment yields a large number of Japanese companies in Thailand, which established the oversea subsidiaries of Japanese multinational enterprise (Kosiyanon & Yoshihara, 1985; Wang & Chompuming, 2015a). A few studies on the context of Japanese subsidiaries in Thailand was revealed that the key reason of localization of Japanese subsidiaries in Thailand, that is Thai managers are more effective in building local business network than Japanese managers. They enhance local talent through salary and remuneration packages, also chance for growth in career path in the companies. In order to put a localization strategy, a more comprehensive aspect of localization such as recruiting, retaining, and developing managers to understand essential managerial concepts, as well as information such on strategies need to be put in place by Japanese parent companies for local subsidiaries (Wang & Chompuming, 2015a). Further studies found that Thai culture influences the potential transferability of human resource management practices on Japanese subsidiaries in Thailand (Onishi, 2006). The influence of variation in culture and cross-culture inducing different view point between local managers and Japanese managers was examined as one of major barriers to the transfer of Japanese management to Thailand (Imai, 2012; Kosiyanon & Yoshihara, 1985).

Since Japanese companies have traditionally attempted to adhere the Japanese system, that is five practices of Japanese Human Resource Management (HRM); 1) life-time employment 2) seniority system 3) house unions 4) consensual decision-making and 5) quality circles control at subsidiaries oversea. The Japanese HRM

was considered to constructs organizational working style, which inducing Japanese companies to face with cultural conflict in subsidiaries. Existing of invisible arguments from local staff, especially seniority system and consensual decision-making, extremely reduce the transferability of localization (Itagaki, 2009; Onishi, 2006; Shiraki, 2002). Expatriates are general form of international business advancement and mobility for multinational companies to occupy top management position, which working cross border assignment. The selected expatriates such as executive management, managers, engineers and technicians are sent to set up facilities and look for expanding economic scale to develop distributed network in local (Bhanugopan & Fish, 2007). Consideration by product of expatriation is objective to train and transfer knowledge to local managers and production employees in order to increase their inadequate competencies and performance (Oppong, 2015; Schaaper et al., 2013). Meanwhile, Japanese companies strategize to maintain the developments, reducing number of expatriates is an important policy of headquarter. Japanese companies must try to promote strengthen local managers, comparable to Japanese expatriates to establish localization management. Furthermore, lacking of communication from managers prevents to achieve localization. Trainees do not understand their talent target to expense the normal duties and responsibilities and do not appreciate higher profitable on promotion opportunities for their career path (Oppong, 2015). These factors restrain the success of localization in Japanese companies because of national culture disagreement.

However, the scholars on HCN culture and organizational culture were revealed that organizational culture in multinational enterprises is unavoidably influenced by national culture since organizations between countries have to confront to interact with their national environment. Organizational cultures were measured by applying Hofstede's fifth dimension, studying through same index to determine the national culture (Gamble, 2000; Wang & Chompuming, 2015b). As the results, the organizational cultures are generally more complicated than national culture, embedding in multinational enterprises. The presence of organizational cultural gap might moderate the success of localization.

In this study, success of localization management was assessed through organizational performance. This is due to the organizational performance was considered as an important factor for succeeding in the business forming a local management organization (Byoung-Goo & Gyu-Bae, 2017). The organizational performance is adapted to be an indicator factor between four independent variables i.e., Japanese HRM, Expatriate's condition, Local manager's skill and roles, and Internal communication on success of

localization management. Finally, the organizational culture disturbing the success of localization management is determined as a moderator.

## 2. Literatures review and hypothesis development

Initiation of globalization has led it imperative to comprehend strategic and tactical public relations choices from a global perspective. Global and multinational companies (MNCs), especially Japanese, frequently strategized such as coordination, control, standardization and localization, to carry out benefit, public relation functions and practices around the globe. The globalization is built into the overall corporate strategies and infused into every managerial activity in the companies. Indeed, the localization is one of powerful strategies to bring about the effectiveness of public relations to achieve a desired effect. Hence, this section presents a particular view of the previous studies by describing the following scholars: Japanese HRM, Expatriate's condition, Local manager's skills, and Internal communication on success of localization management through organizational performance and organizational culture.

### 2.1 Japanese Human Resource Management (HRM) and success of localization management

Japanese companies' management have introduced gradual modification to HRM systems in their subsidiaries during 50 years ago. The literatures focus either on Japanese management to firm the Japanese economy or its transfer overseas, however, the link between the evolution of Japanese HRM at home and its transfer overseas is not clearly established.

Traditionally, Japanese MNCs attempted to adhere as closely as possible to the system in parent company when operating in overseas subsidiaries. Such ground concepts of visions, missions, mottos and business strategies are basically transferred, together with best practice of HRM. The five classics of "Japanese HRM" practices; life-time employment, seniority system, house unions, consensual decision and quality control circles are parallel transferred with know-how and tactics (Gill & Wong, 1998; Ouchi, 1979).

[1] Life-time employment is the practice of hiring fresh graduate and other young employees without experience to continue their employment within the company over a period of time until the age of retire.

[2] Seniority system is a practice root from the very ordinary of Japanese culture. Respect for older people and their wisdom are adhered in every aspect of life.

[3] House unions have a very common presence, long prevailing in Japanese corporations, focusing on wage increases and tend to avoid confrontation which helps to preserve harmonious labor - management relations.

[4] Consensual decision is one of the most important elements based on concept of "Ringi", wherein all conflicts are dealt with a cooperative discussion and mutual agreement between all parties regarding company's objectives and decisions.

[5] Quality control circles are core of quality production systems. The voluntary participants regularly establish circles in respect with each production stage to discuss new innovations for improve the quality and competitiveness of the business.

However, these Japanese HRM is unconsciously adapted to subsidiaries under the hidden conflict existing between Japanese parent company and subsidiaries because of cultural barrier. It is obviously pointed out that most of Japanese MNCs are mainly headed by Japanese expatriates at the very low level to managerial level position of their subsidiary oversea. Therefore, a potential integration of HRM system for Japanese parent company and that for local employees in the operation to keep on treatment and development is usually impeded by difficulties experienced in communication and dealing with cultural differences, resulting as failures such as high turnover, low morale, internal conflict and poor productivity (Keeley, 2006).

On the other hand, operation in Japanese MNCs was compared with French MNCs in eight Asian countries. It was found that Japanese MNCs send specialists to subsidiaries on short-term assignments as frequently as French MNCs, suggesting that Japanese MNCs are using short-term to reduce expatriation and promote localization (Schaaper et al., 2013). The unique characteristics of Japanese HRM practices with the unique Japanese organizing principles generally intervene in Japanese MNCs, which is based on a high context culture with many unwritten rules, a collectivistic culture that emphasizes teamwork and consensus-building, and Confucian tradition, with a moderate level of hierarchy in which older people are respected and harmony maintained (Sekiguchi et al., 2016).

Therefore, the Japanese HRM probably impacting to localization is investigated in this study through the local staff's attitude in a Japanese subsidiary in Thailand, focusing on five classical Japanese HRM practices; life-time employment, seniority system, house unions, consensual decision and quality control circles as suggested in previous literatures (Gill & Wong, 1998; Itagaki, 2009; Onishi, 2006).

**Hypothesis 1:** Influences of Japanese HRM on success of localization management.

## 2.2 Expatriate's condition and success of localization management

MNCs often integrate their operations in host country, which can lead to conflicting messages for achievement-oriented managers who are working in different countries with different cultures. Expatriate executive assignments are a common strategy for global enterprises, but Japanese MNCs in particular have been criticized for not adapting quickly enough to local management styles and relying too heavily on expatriate managers. Some of Japanese MNCs in Asian countries are using short-term to reduce expatriation and promote localization due to position filling, management development and organization development (Schaaper et al., 2013).

Type of expatriate roles according to the technical skills and managerial capabilities of local employees were proposed by Petison and Johri (2008). Based on the two dimensions of task readiness and managerial capabilities, four types of expatriate role i.e., commander, conductor, coach, and connector in carrying out knowledge transfer to their subsidiary. According to whether the subordinates have a low or high level of task readiness and a low or high level of managerial capabilities. The four types of expatriate roles were described as follows;

[1] Commander is expatriate adopting a highly directing way, close monitoring, and strict control in working with local staff.

[2] Conductor is expatriate in charge of managing employees to run their assigned tasks effectively and ensure the collaboration among all involved parties in performing tasks.

[3] Coach is expatriate takes responsibility for creating positive environments for local employees to learn and develop local staff's potential, ability and knowledge.

[4] Connector is expatriate takes a role in building relationships among involved parties to promote good understanding and a long-term relationship.

**Hypothesis 2:** Influences of Expatriate's condition on success of localization management.

## 2.3 Local Manager's skills and success of localization management

Localization requires several conditions to achieve the successful establishment. The particular importance was highlighted at the paucity of skilled management stuff as Bhanugopan and Fish (2007) reported in a study based on Papua New Guinea. The process of localization is an interactive learning process, starting with local employees must be trained before becoming potential candidates for the key management positions. Consequently, increasing loyalty of local employees, adequate compensation and

motivation policies must be designed by parent company (Schaaper et al., 2013). Furthermore, the key of localization of Japanese subsidiaries in Thailand is Thai managers were more effective in building local business network than Japanese managers and enhance local talent through salary and remuneration packages, also chance for growth in career path in the companies. In order to put a localization strategy, a more comprehensive aspect of localization such as recruiting, retaining, and developing managers, as well as information such on strategies need to be put in place by Japanese parent companies for local subsidiaries (Wang & Chompuming, 2015a). It is unavoidable to assume that the increased managerial skills of local stuff are highly important strategy to localization.

Fayol (1949) developed principles of managements as the foundation of management theory and cautioned that "principles are flexible and capable of adaptation to every need". The principle of management was a firm believer that if organizational leaders used the theories, including the principles of management, they would be able to achieve performance excellence. Katz (1978), likewise, proposed the three different skill sets. A skill is the ability to translate knowledge into action that results in desired performance. It can describe the essential or baseline skills of managers in three categories: technical skills, human skills and conceptual skills. The impact of executive development is not only the improvement of the managers' behavior but also it is linked with a change of an organization's performance and results. Moreover, conceptual managerial in term of local managers' roles on MNCs proposed by Bartlett and Ghoshal's were specifically integrated to observe the effect of dual identification on subsidiary manager roles and role conflict. The study revealed by Vora et al. (2007) was figured out to bi-cultural interpreters, national advocates and defenders and front-line implementers, together with role conflict

**Hypothesis 3:** Influences of Local manager's skills and roles on success of localization management

## 2.4 Internal communication and success of localization management

MNCs are very dependent on effective communication to control and coordinate their distributed operations. It is often carried out by the workforce consisting between local staffs and expatriates from headquarters or other third country nationals. There are, however, many potential consequences of the work of expatriates in subsidiary oversea, as the predictive influence of cultural values in communication has great impact on expatriate behaviors and their subsidiary work operations (Abugre & Debrah, 2019).

Localization policy in a subsidiary in MNC should comprise the internal communication activities. An internal



communication is the specific process through which information moves and is exchanged throughout an organization. Information flows through both formal and informal structures, and it flows downward, upward, and laterally (Harris & Nelson, 2008; John R Schermerhorn, 2011).

Downward communication refers to the flow of information and messages from higher levels of management to lower levels of an organization, following the chain of command to provide information and keep lower-level personnel informed about what is happening at higher levels of the organization. This can include sharing key policies, strategies, objectives, and technical developments, as well as providing feedback and information on performance results.

The flow of messages from lower to higher levels is upward communication. Upward communication keeps higher levels informed about what lower-level workers are doing, what their problems are, what suggestions they have for improvements, and how they feel about the organization and their jobs.

The importance of lateral communication in the new workplace has been a recurrent theme. Inside the organization, people must be willing and able to communicate across departmental or functional boundaries and to listen to one another's needs as "internal customers." New organization designs are emphasizing lateral communication in the form of cross-departmental committees, teams, or task forces and the matrix organization.

**Hypothesis 4:** Influences of Internal communication on success of localization management

## 2.5 Moderating role of organizational culture

Organizational culture has long been known to play a significant role in the success of Japanese companies. These values and norms give a clear direction for how things are done in Japanese MNCs. The influence of organizational culture reflecting employees' understanding and feeling in an organization is underdetermined, especially in MNCs. Since organizational culture affects by national characteristics, tactics, in other cases in a more evident manner (Sharirou & Balázs, 2021).

Organizational culture is involving in the "artifacts, tacit understandings, values, opinions, and manners of any organization's employees". Hofstede defines organizational culture's core element as how people in organizations are associated with each other, connected with their work and the outside world, and make possible the comparison to other organizations, and also in international dimensions. Geert Hofstede offers one approach for understanding how value differences across national cultures can influence

human behavior at work. Cultures vary in their underlying patterns of values and attitudes. The way people think about such matters as achievement, wealth and material gain, risk and change, may influence how they approach work and their relationships with organizations (Hofstede, 2011).

Therefore, an organization go into another country and make decisions based on how operation is in host country - the chances make some very bad decisions. The four dimensions of national culture in his framework can be described as follows.

[1] Power distance is the extent to which the less powerful members of organizations (like the family) accept and expect that power is distributed unequally. Power and inequality are extremely fundamental facts of any society and anybody with some international experience will be aware that 'all societies are unequal, but some are more unequal than others.

[2] Individualism-Collectivism is the degree to which individuals are integrated into groups. On the individualist side, we find societies in which the ties between individuals are loose: everyone is expected to look after him/herself and his/her immediate family. On the collectivist side, we find societies in which people from birth onwards are integrated into strong, cohesive in-groups, often extended families (with uncles, aunts and grandparents) which continue protecting them in exchange for unquestioning loyalty.

[3] Masculinity- Femininity refers to the distribution of roles between the genders which is another fundamental issue for any society to which a range of solutions are found. The studies revealed that (a) women's values differ less among societies than men's values; (b) men's values from one country to another contain a dimension from very assertive and competitive and maximally different from women's values on the one side, to modest and caring and similar to women's values on the other.

[4] Uncertainty avoiding cultures try to minimize the possibility of such situations by strict behavioral codes, laws and rules, disapproval of deviant opinions, and a belief in absolute Truth; 'there can only be one Truth and we have it.

**Hypothesis 5.1:** Organizational culture moderates the relation between Japanese HRM and success of localization management

**Hypothesis 5.2:** Organizational culture moderates the relation between Expatriate's condition and success of localization management

**Hypothesis 5.3:** Organizational culture moderates the relation between Local manager's skills and success of localization management

**Hypothesis 5.4:** Organizational culture moderates the relation between Internal communication and success of localization management

This study presents the conceptual framework in Figure 1 based on the hypotheses.

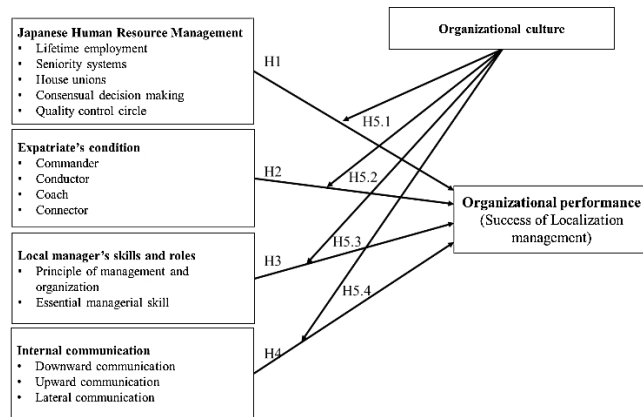


Figure 1: Conceptual framework

### 3. Research Methods and Materials

#### 3.1 Participants and data collection

This research studied on the success of localization management of a Japanese company subsidiary in Thailand at Eastern Seaboard Industrial, Estate Rayong province. Since this company strongly strategies to promote localization as a main policy in order to have 100 percent management by Thai people. Their interest encouraged researcher to investigate empirical evidence on the localization in Japanese company as a model for other organization. The research population in this study focus on local employees in leader position up to top management because manager is influencer to direct the organization and leader is candidate to be promoted as management. The number of total populations on December 31, 2022 from all department in those position working in company is 167 persons. All questionnaires were conducted to participants and completely returned to the researcher within 5 days (survey prior was January 31st to February 4th, 2023). The response rate is determined as 100.0 % of total questionnaires. This is due to a strong relationship between Human Resource Administration department and employees to cooperate on survey activity for company's improvement.

The questionnaire was utilized as a quantitative research instrument for gathering sample data in this study. A method to quantitatively measure content experts' judgement of questionnaire items is the index of item - objective congruence (IOC) introduces by Rovinelli and Hambleton (1977). Content-related validity and construct validity applying were assessed by experts in order to evaluate the fit between questions and definition of specification and the

match between questions and objectives to validate the questionnaire. The evaluation from experts obviously showed the IOC almost 1.00 along items in questionnaire. The questionnaire was translated and localized into Thai for purposes of this study.

The data collection instrument used in this study as a basis for collecting, recording and measuring data which is required to provide answers to the open-ended questions was a questionnaire. The scale used in this study was a Likert scale which is appropriate to test how strongly respondents agree with the statements in the questionnaire. The questionnaire is composed of 8 parts, including Part 1 is check list question and Part 2 - 8 is Likert scale question, together with 5 scale.

#### 3.2 Study measures

After screening data, the demographic characteristics for gender, age, position, and section were descriptive analyzed as frequency and percentage described in Table 1. The gender classification of respondents showed a total of 148 (86.6%) indicated to male, while 19 (11.4%) indicated to females. For the age classification of respondents, the age ranges consisted of 1 (0.6%) was for not over 25 years old, 13 (7.8%) was 26 - 32 years old, 90 (53.9%) was 33 - 40 years old and 63 (37.7%) was over 41 years old. The position classification of respondents showed the numbers of position were 63 (37.7%) for sub leader and leader, 66 (39.5%) for operation leader, 34 (20.4%) for middle management and 4 (2.4%) for top management. And the section classification of respondents, a proportion of production & production support and official section were 139 (83.2%) and 28 (16.8%), respectively.

Table 1: Descriptive statistics of demographic profile of the respondents with respect to gender, age, position, and section

Characteristics	Distribution	Frequency	Percent
Gender	Males	148	88.6%
	Females	19	11.4%
Age	Not over 25	1	0.6%
	26 - 32	13	7.8%
	33 - 40	90	53.9%
	41 over	63	37.7%
Position	Sub leader/Leader	63	37.7%
	Operation leader	66	39.5%
	Middle management	34	20.4%
	Top management	4	2.4%
Section	Official section	28	16.8%
	Production and support	139	83.2%

## 4. Results and discussion

Multiple linear regression analysis was applied to statistical processed the data. The analysis from SPSS program was applied to measure the model components in this research hypothesized model in order to assess the suitability of observed variables as indicators of latent variable and to test the structural model components that examines the relationships between latent factors. Six indicators in hypothesized model included (a) Japanese Human Resource Management (X1), (b) Expatriates Condition (X2), (c) Local Manager's Skill (X3), (d) Internal Communication (X4), (e) Organizational Performance (Y) and (f) Organization Culture (Z).

### 4.1 Means, standard deviations, normality of data distribution and correlations for the study variables

Table 2 presents the mean and standard deviations of study variables. The means ( $\bar{x}$ ) and standard deviations (S.D.) determined from the variable are; "Japanese Human Resource Management (X1)" ( $\bar{x} = 3.41$ , S.D. 0.584), "Expatriates Condition (X2)" ( $\bar{x} = 3.77$ , S.D. 0.677), "Local Manager's Skill (X3)" ( $\bar{x} = 3.82$ , S.D. 0.536), "Internal Communication (X4)" ( $\bar{x} = 3.98$ , S.D. 0.638), "Organizational performance (Y)" ( $\bar{x} = 3.90$ , S.D. 0.609), "Organizational culture (Z)" ( $\bar{x} = 3.94$ , S.D. 0.638) which can be interpreted to high level for all variables.

For the major items of Japanese Human Resource Management (X1), the calculated mean score with high level interpretation were  $\bar{x} = 3.84$ , S.D. 0.762 and  $\bar{x} = 3.54$ , S.D. 0.853 for Quality Circle Control (X15) and Consensual Decision (X14), respectively. The all items of Expatriates Condition (X2) were interpreted in high level. In which, high interpretation level calculated in highest mean score was ( $\bar{x} = 3.93$ , S.D. 0.781) for Commander (X21). Secondary, the mean score was calculated as  $\bar{x} = 3.80$ , S.D. 0.767 and  $\bar{x} = 3.74$ , S.D. 0.853 for Conductor (X22) and Connector (X24), respectively. The lowest mean score interpreted to high level was  $\bar{x} = 3.61$ , S.D. 0.806 for Coach (X23). The major items of Local Manager's skill and roles (X3) interpreted in high level were calculated in highest mean score was  $\bar{x} = 4.13$ , S.D. 0.552 for Fayol's management principles (X31), likewise the mean score was calculated as  $\bar{x} = 3.97$ , S.D. 0.617 with high interpretation level for Essential managerial skills (X32). The all items of Internal Communication (X4) were interpreted in high level which mean score were  $\bar{x} = 4.17$ , S.D. 0.697 for Downward communication (X41),  $\bar{x} = 3.92$ , S.D. 0.778 for Lateral communication (X43) and  $\bar{x} = 3.84$  (S.D. 0.726) for Upward communication (X42).

The assessment of the normality of data is a prerequisite for a statistical test since the normal data is an underlying

assumption in parametric testing. The normality was evaluated in order to measure a distribution of data. Lack of symmetry (Skewness) and pointiness (Kurtosis) are two main ways in which a distribution can deviate from normal. Skewness is applied to measure the symmetry, or more precisely, the lack of symmetry of the normal distribution. Kurtosis is a measure of the peakedness of a distribution. The original kurtosis value is sometimes called kurtosis (proper). A symmetric distribution of the data set looks the same to the left and right of the center point if mean, median, and mode of a distribution coincide, that is a distribution is called approximate normal if Skewness or Kurtosis of the data are  $\pm 3$  and  $\pm 10$ , respectively (Aminu & Shariff, 2014).

**Table 2:** Mean, standard deviation and interpretation

Variable	Items	$\bar{x}$	S.D.	Level
<b>Japanese Human Resource (X1)</b>		<b>3.41</b>	<b>0.584</b>	<b>High</b>
X15	Quality control circles	3.84	0.762	High
X14	Consensual decision making	3.54	0.853	High
X12	Seniority system	3.39	0.891	Medium
X13	House unions	3.28	1.114	Medium
X11	Life-time employment	3.02	1.217	Medium
<b>Expatriate's condition (X2)</b>		<b>3.77</b>	<b>0.677</b>	<b>High</b>
X21	Commander	3.93	0.781	High
X22	Conductor	3.80	0.767	High
X24	Connector	3.74	0.853	High
X23	Coach	3.61	0.806	High
<b>Local Manager's Skill (X3)</b>		<b>3.82</b>	<b>0.536</b>	<b>High</b>
X31	Fayol's management principles	4.13	0.552	High
X32	Essential managerial skills	3.97	0.617	High
X33	Local manager's role	3.37	0.774	Medium
<b>Internal communication (X4)</b>		<b>3.98</b>	<b>0.638</b>	<b>High</b>
X41	Downward communication	4.17	0.697	High
X43	Lateral communication	3.92	0.778	High
X42	Upward communication	3.84	0.726	High
<b>Organizational performance (Y)</b>		<b>3.90</b>	<b>0.609</b>	<b>High</b>
-	Job satisfaction	4.06	0.685	High
-	Leadership	3.87	0.691	High
-	Training	3.76	0.794	High
<b>Organizational culture (Z)</b>		<b>3.94</b>	<b>0.638</b>	<b>High</b>
-	Individualism and collectivism	4.01	0.686	High
-	Masculinity and femininity	3.98	0.765	High
-	Uncertainty avoidance	3.93	0.796	High
-	Power distance	3.82	0.744	High

Table 3 shows assessment of the normality of data distribution for Japanese Human Resource Management 5 dependent variables, Expatriates condition 4 dependent variables, Local manager's skill 3 dependent variables, Internal communication 3 dependent variables, Organizational performance 1 independent variable, and Organizational culture 1 moderating variables. The values of Skewness and Kurtosis were in the range  $\pm 3$  and  $\pm 10$ , respectively. This implied that the collected data was normally distributed.

**Table 3:** Mean, median, mode and normality distribution

Variable	Items	Mean	Skewness	Kurtosis
<b>Japanese Human Resource (X1)</b>		<b>3.41</b>	<b>-0.12</b>	<b>0.888</b>
X15	Quality control circles	3.84	-0.4	0.269
X14	Consensual decision making	3.54	-0.401	0.236
X12	Seniority system	3.39	-0.294	-0.261
X13	House unions	3.28	-0.553	-0.259
X11	Life-time employment	3.02	-0.105	-0.821
<b>Expatriate's condition (X2)</b>		<b>3.77</b>	<b>-0.429</b>	<b>0.239</b>
X21	Commander	3.93	-0.594	-0.045
X22	Conductor	3.8	-0.336	0.208
X24	Connector	3.74	-0.321	-0.203
X23	Coach	3.61	-0.385	0.281
<b>Local Manager's Skill (X3)</b>		<b>3.82</b>	<b>-0.463</b>	<b>0.273</b>
X31	Fayol's management principles	4.13	-0.7	-0.282
X32	Essential managerial skills	3.97	-0.547	0.259
X33	Local manager's role	3.37	-0.625	1.014
<b>Internal communication (X4)</b>		<b>3.98</b>	<b>-0.59</b>	<b>0.409</b>
X41	Downward communication	4.17	-0.634	-0.247
X43	Lateral communication	3.92	-0.8	1.377
X42	Upward communication	3.84	-0.606	1.13
<b>Organizational performance (Y)</b>		<b>3.9</b>	<b>-0.156</b>	<b>-0.39</b>
-	Job satisfaction	3.87	-0.444	0.014
-	Leadership	4.06	-0.434	-0.022
-	Training	3.76	-0.149	-0.586
<b>Organizational culture (Z)</b>		<b>3.94</b>	<b>-0.333</b>	<b>-0.299</b>
-	Individualism and collectivism	4.01	-0.625	0.291
-	Masculinity and femininity	3.98	-0.521	0.121
-	Uncertainty avoidance	3.93	-0.642	0.835
-	Power distance	3.82	-0.583	0.752

The correlation values were tabulated in Table 4. Pearson's Product Moment Correlation Coefficient (R-value) indicates the correlation, which are closer to 1 and -1 (Samuels, 2005). The meaning of 1 are highly positively correlated on each variable and the meaning of -1 are highly negatively correlated on each variable. The results can be noted that even the relationships between Local manager's skill and Internal communication correlation are the strongest, but R-value varies were between the ranges of 0.331 to 0.645. On the other hand, the correlation between Japanese human resource and other variables are significantly low, in particularly House Union (X13), where R-value varies were between the ranges of -0.099 to 0.078. These implied that no multicollinearity among the variables. Hence, it could be concluded that the research instrument has high level of internal validity at the significant 0.05 and 0.01 level (2-tailed).

## 4.2 Hypothesis testing

Regression analysis is a strong tool in explaining the selected predictor variables. In this study, a multiple linear regression was adopted in order to test the hypothesis of relation between independent variables; Japanese Human Resource Management (X1), Expatriates Condition (X2), Local Manager's Skill and Roles (X3), and Internal Communication (X4) and dependent variables; Organizational Performance (Y). In which, the Multiple linear regression equation was investigated by adapting of stepwise method which is a useful method to select the independent variables. The regression analysis results of the research main hypothesis were described as follows;

Organizational Performance (Y) is meaningfully associated with Japanese Human Resource Management (X1) ( $R^2 = 0.436$ , sig. = 0.000), Expatriates Condition (X2) ( $R^2 = 0.536$ , sig. = 0.000), Local Manager's Skill and Roles (X3) ( $R^2 = 0.646$ , sig. = 0.000), and Internal Communication (X4) ( $R^2 = 0.638$ , sig. = 0.000). The results were illustrated in table 5, together with the model analysis of each hypothesis. The selected model of independent variables adapted stepwise method were positive and significant relationship, which can interpret from unstandardized regression coefficient (B). Hence, the H1, H2, H3 and H4 are statistically proved the existence of significant relation between those dependent variables and Organizational Performance.

Furthermore, linear regression was used to conduct the Moderation analysis. Since moderator may govern the strength and form of a relation between independent variables (X) and dependent variables (Y). The value of Moderating variables indicates the effect of moderators, so called interactions; because it is the third variable interacts with the relation between two other variables; independent



variable and dependent variable. In a regression context, the dependency yields different bivariate regression lines predicting Y from X from different values of the moderator variable (Z) (Fairchild & McQuillin, 2010).

In this study, the moderation of Organizational culture (Z) was hypothesized to interact the relationship between

the mean of independent variables (X) for Japanese Human Resource Management (X1), Expatriate's condition (X2), Local manager's skill and roles (X3), and Internal communication (X4) and dependent variables of Organizational Performance (Y). The assessment of moderation was depicted in table 6.

**Table 4:** Correlation analysis of variables

	Japanese Human Resource Management					Expatriates Condition				Local Manager's Skill			Internal Communication			Org. Performance
	X11	X12	X13	X14	X15	X21	X22	X23	X24	X31	X32	X33	X41	X42	X43	Y
X11	1.000															
X12	0.105	1.000														
X13	0.036	0.114	1.000													
X14	0.314 **	0.433 **	0.134	1.000												
X15	0.236 **	0.423 **	-0.015	0.458 **	1.000											
X21	0.135	0.083	0.056	0.083	0.334 **	1.000										
X22	0.166 *	0.265 **	0.002	0.205 **	0.387 **	0.624 **	1.000									
X23	0.288 **	0.219 **	-0.099	0.187 *	0.299 **	0.548 **	0.649 **	1.000								
X24	0.343 **	0.251 **	-0.090	0.284 **	0.359 **	0.555 **	0.619 **	0.698 **	1.000							
X31	0.124	0.319 **	0.070	0.270 **	0.396 **	0.428 **	0.486 **	0.465 **	0.511 **	1.000						
X32	0.094	0.250 **	0.078	0.299 **	0.355 **	0.282 **	0.275 **	0.301 **	0.324 **	0.656 **	1.000					
X33	0.320 **	0.194 *	0.005	0.363 **	0.316 **	0.173 *	0.196 *	0.290 **	0.319 **	0.421 **	0.520 **	1.000				
X41	0.128	0.193 *	0.064	0.297 **	0.413 **	0.462 **	0.401 **	0.380 **	0.406 **	0.645 **	0.539 **	0.331 **	1.000			
X42	0.113	0.146 *	-0.023	0.235 **	0.196 *	0.245 **	0.333 **	0.299 **	0.337 **	0.557 **	0.494 **	0.366 **	0.600 **	1.000		
X43	0.070	0.104	0.075	0.242 **	0.349 **	0.384 **	0.413 **	0.340 **	0.318 **	0.561 **	0.530 **	0.404 **	0.629 **	0.667 **	1.000	
Y	0.117 **	0.319 **	0.001	0.359 **	0.384 **	0.260 **	0.448 **	0.514 **	0.417 **	0.613 **	0.533 **	0.443 **	0.524 **	0.538 **	0.590 **	1.000

**Note:** \* Correlation is significant at the 0.05 level (2-tailed).

\*\* Correlation is significant at the 0.01 level (2-tailed).

**Table 5:** Correlation analysis of variables

Hypothesis	Model (R <sup>2</sup> , Sig.)	Coefficient			
		Var.	B	$\beta$	Sig.
H1: X1 → Y	X15, X14 → Y (0.190, 0.000*)	(Cons.)	2.460		0.000*
		X15	0.222	0.277	0.001*
		X14	0.166	0.232	0.004*
H2: X2 → Y	X23, X22 → Y (0.287, 0.000*)	(Cons.)	2.247		0.000*
		X23	0.291	0.385	0.000*
		X22	0.158	0.199	0.023**
H3: X3 → Y	X31, X33 → Y (0.417, 0.000*)	(Cons.)	0.941		0.001*
		X31	0.572	0.518	0.000*
		X33	0.177	0.225	0.001*
H4: X4 → Y	X43, X41, X42 → Y (0.407, 0.000*)	(Cons.)	1.523		0.000*
		X43	0.264	0.337	0.000*
		X41	0.170	0.194	0.019**
		X42	0.165	0.197	0.022**

Note: \* Sig.  $\alpha < 0.01$  and \*\*Sig.  $\alpha < 0.05$ .

: Var. is variables and Cont. is constant

**Table 6:** Moderator analysis

Hypothesis moderator Z	Model (R <sup>2</sup> , Sig.)	Coefficient			
		Var.	B	$\beta$	Sig.
H5.1: X1*Z → Y	X1, Z, X1Z → Y (0.580, 0.000*)	(Cons.)	2.352		0.012
		X1	-0.368	-0.353	0.196
		Z	0.321	0.336	0.184
		X1Z1	0.113	0.683	0.113
H5.2: X2*Z → Y	X2, Z, X2Z → Y (0.589, 0.000*)	(Cons.)	1.838		0.038
		X2	-0.151	-0.168	0.543
		Z	0.395	0.413	0.082
		X2Z	0.071	0.508	0.243
H5.3: X3*Z → Y	X3, Z, X3Z → Y (0.627, 0.000*)	(Cons.)	3.049		0.012
		X3	-0.372	-0.327	0.253
		Z	-0.096	-0.100	0.759
		X3Z	0.174	1.160	0.033**
H5.4: X4*Z → Y	X4, Z, X4Z → Y (0.621, 0.000*)	(Cons.)	2.240		0.034
		X4	-0.145	-0.152	0.593
		Z	0.145	0.152	0.597
		X4Z	0.105	0.776	0.124

Note: \* Sig.  $\alpha < 0.01$  and \*\*Sig.  $\alpha < 0.05$ .

: Var. is variables and Cont. is constant

The output from moderation analysis showed the proper value of R<sup>2</sup> for independent variables; Japanese Human Resource Management (X1) (R<sup>2</sup> = 0.580, sig. = 0.000), Expatriates Condition (X2) (R<sup>2</sup> = 0.589, sig. = 0.000), Local Manager's Skill and Roles (X3) (R<sup>2</sup> = 0.627, sig. = 0.000), and Internal Communication (X4) (R<sup>2</sup> = 0.621, sig. = 0.000). In the fact that the hypotheses were considered based several factors. The unstandardized regression coefficient (B) of interaction term between Local Manager's Skill and Roles (X3) and Organizational culture (Z) (B = 0.174, sig. = 0.033) was positively and significantly observed. The highest unstandardized regression coefficient among independent variables of Local Manager's Skill and Roles (X3) was consisting with the highest R<sup>2</sup>.

On the other hand, the unstandardized regression coefficient of interaction term for the rest of three independent variables was not significant at the  $\alpha < 0.05$

level, meaning that there was not interacted between independent variables (X) and moderator variable (Z) to dependent variables (Y), as described in Table 6. Consequence, the hypothesis of moderation can be concluded by statistical assessment that H5.3 was significantly related between Local Manager's Skill and Roles (X3) and Organizational culture (Z). However, the significance was not observed for H5.1, H5.2 and H5.4.

### 4.3 Discussion

The finding in this study was investigated through assessment of path coefficients, which were proved for the research hypotheses. Preliminary, the hypothesis study was focused on determining the factors influencing of Japanese Human Resource Management, Expatriates condition, Local manager's skills and roles, and Internal communication on success of localization management. Therefore, the hypotheses H1, H2, H3 and H4 are statistically accepted based on the analysis and explanation as follows;

In term of Japanese Human Resource Management, the Quality control circles (QCC) and Consensual decision were found to be significant on success of localization in the Japanese multinational enterprise. This implies that they are particularly integrated in this organization. Since the QCC is basically operated in this organization, which is well knew by employees. QCC is specified as a regular activity for all section decided by headquarter. Also, consensual decision is preferable for getting a decision before a meeting. The other practices in Japanese Human Resource Management i.e. Life-time employment, Seniority system, and House unions are not apparently adapted. It can be explained that the Life-time employment, Seniority system, and House unions are not applicable in this organization because the age and service year was non-logical concern for young employees (main participants) to be considered about wages evaluation. The result is consisting with localization of Japanese company in U.S. MNCs; the totalitarian decision making, so called 'Ringi system' is compatible with subsidiary's environment highly depends on the achievement of localization of higher ranked human resource. Japanese HRM saved not only local unemployment, but also high quality products as the result of total quality control (Dang & Rammal, 2020). The Life-time and Seniority system are most strongly related to the personnel problem.

Considering the Expatriate's condition, Coach and Conductor were determined to play a significant role on success of localization in the Japan multinational companies. Since this study was carried out in a manufacturing plant of Japanese global organization, which their strategies on expatriates' tasks, job specialties, and

specified skills were certainly decided. The expatriate in this organization is working on holistic view of management and organization development. In fact, they give enormous attention to maintain the directing way of business, control outcomes, close monitoring, and transferring of technical knowledge through learning environment for local employees. The result agreed with the evidence to nurture 'global mindsets' of expatriates in oversea subsidiaries suggested by Furusawa and Brewster (2016). The management of expatriation of Japanese company in China was suggested by a close relationship between the expatriates on duty and headquarters, and a feeling on the part of the former that they are supported, contributes to the success of the assignment. Furthermore, they are managing their tasks to ensure the collaboration between parent company and subsidiary in Thailand, together with guiding how to handle the responsibility for creating positive relation with parent company and third parties. Because Japanese company tended to exert overly tight control over their subsidiaries explained by Gamble (2000).

The result indicated that Principles of management and organization and Local manager's roles were the significant duty on success of localization. This is due to the principles of management and organization proposed by Fayol were practically performed in this organization based on the highest score in descriptive analysis. The significant of Local manager's roles shows managers complies to go along with company's strategies made by headquarters. On the other hand, Essential managerial skills were not selected as a significant variable. This is due to the necessary skills which is one of powerful concepts to obtain the success of management. It is typically found in an organization in low-level management, middle-level management, and top-level management. However, the result indicated that the Essential managerial skills is not effectively adapted because the concept is theoretically described, and it is difficult to reach for shop floor level management in this organization. The key of localization in term of local staff was revealed that the promotion of managerial positions is one of key strategies to support the localization achievement (Sekiguchi et al., 2016; Sharirlou & Balázs, 2021).

For the internal communication, Downward, Upward and Lateral communication showed significant effect on success of localization. Downward and Upward communication was explained that the company policy is generally announced from top-management in this organization, and it is well transmitted to the lower-level personnel. On the other hand, lower-level personnel bring their issues to supervisors for discussion to find out the solution. In MNCs, cross-cultural communication between expats top-management and local managers admitted that the competence in cross-culture communication builds up the prospects personally that promotes positive attitudes

toward members in organization. Therefore, the understanding on communicative behaviors of members in MNCs through cross-culture learning can minimize conflicts of communication in organization. The investigation of internal communication in this study can be suggested Abugre and Debrah (2019). Lastly, the Lateral communication showed high impact among the internal communication variables. It was recognized as one of the key practices to achieve any tasks in an organization. This is due to the communication in the same level can easily help facilitate problem solving, and it is more effective in involving decision making.

Moreover, the study illustrates the moderating effect of Organizational culture in affecting between those independent variables and Organizational performance. The moderation analysis showed an appropriate interaction term of Organizational culture on Local manager's skills and roles and Organizational performance. Hence, the hypotheses H5.3 was accepted because the interaction term of Local Manager's Skill and Roles (X3) and Organizational culture (Z) were significantly related, but H5.1, H5.2 and H5.4 are not accepted based on the analysis and explanation.

Organizational culture was found to have an influence relationship between Local manager's skill and roles on Organizational Performance. Since the supervisor usually considers the needs of the customer when holding a discussion, also the supervisor encourages subordinates not only understanding what goes on in the department, but also coming forward with ideas and suggestions. Sekiguchi et al. (2016) suggested the effect of increasing demographic diversity on the transformation of Japanese-style HRM, organizational culture and the Japanese organizing principle, and the effect of technologies such as mobile technology and translation technology on internal organization. The organization culture were suggested by Sharirlou and Balázs (2021) that a significant relationship between the nationwide culture and the organizational culture of the companies mirroring their creator country, in which different countries have different environments for organizations.

## 5. Conclusion

Consensual decision and Quality control circle, Expatriates' condition for Coach and Conductor, Local manager's skills and roles in term of Principle of management and organization and roles, and Internal communication in Downward, Upward, and Lateral communication positively correlated to Organizational performance at significant level of 0.01. Furthermore, the moderating analysis showed an appropriate interaction term of Organizational culture on Local manager's skills and

roles and Organizational performance at significant level 0.05.

This study was concluded that the Local manager's skills and roles had a highlighted relation on success of localization in the organization. The moderating analysis indicated that the Organization culture interacted with Local manager's skills and roles which booth up the success of localization by increasing the effective management

## 6. Implication and future research

In order to obtain the success of localization, researcher suggested the organization to practically integrate the five concepts of Japanese HRM. In particularly, the organization should emphasize the Quality control circle (QCC) activities that usually be carried out internally in department, in order to have more effective result by annual presentation to company. For House unions, it is one of the useful concepts because House unions should well maintain harmony between employees and management by cooperative mannered approach. Finally, Life-time employment is an ordinary system, governed by Japanese culture in past decades. The researcher also recommended to improve the employees' understanding on Life-time employment concept and adapt them to seniority system.

The having expatriate in an organization was meaningfully suggested to consider not only accomplish a specific task within a time frame, but also most importantly train and develop the competencies of the local staff. Petison; and Johri. (2008). Based on the literature, Coach role was explained to be possible condition to reach effective organizational performance. An expatriate takes responsibility for developing the local employees to have managerial capabilities, technical skills, including solving technical problem skills to enhance full potential of the local employees. Therefore, the expatriates and local manager in the organization should prioritize training, developing, encouraging ability of local employees as the most distinctive way to success in localization.

Local manager's skills and roles was highlighted on relationship to achieve the success of localization in the organization. Efficiency of organizational performance can be increased by emphasizing on practical application not only Fayol's principle of management and organization, but also the Essential manager skills. The organization should introduce the managerial attitude (based on those theories of management) from low-level management, middle-level management to top-level management.

Internal communication is an important process to flow the information in an organization. On the basis of the results, the information in this organization has been flew downward, upward, and laterally to significantly firm the

organization performance. A suggestion to create a plan to make a stronger on the current activities should be put by managers of each department by using media such as e-mail, announcement or social-media message. Furthermore, the internal communication is well known as a basic practical process, a strategy should be managed from top management in this organization.

Consequence, the local manager's skills and roles can be considered as the key success of localization management, the future research would deeply focus on the conceptual management to indeed find out necessary performance and hidden tools for local management.

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