PARTS IN THE RUBIK CUBE
Cultural background affecting the production of trust in Japanese MNC in multinational Amsterdam

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ABSTRACT

The present study explores the relations between differing cultural backgrounds, trust building and the effects of these to the business in global setting. Cultural background shapes the value systems, norms, ways of thinking and these all affect on behaviour and ways of acting. Cultural and personal background also affects to the basic trust propensity, to the period of time in which the trust is build and to what it is based on. In the global business environment employees from several national and cultural origins try to synchronise their operations, procedures and business practices to result to the most effective business procedures as well as creation of pleasurable working environment where members can trust each others and freely cooperate. To overcome differences, fluent communication, discussions, negotiating and common rules are needed as well as will to learn new and alternative, negotiated ways of operating.

Japanese culture and company were selected because of the striking culture differences existing between the East and the West, but as well for the reason that Japan is one of the biggest economical powers in the world. Besides concerning the culture, Japanese also diverge in their business practises. And what makes it even more interesting is the Japanese economical success story - late, rapid and victorious globalisation of Japanese business. 1970's was the blooming start for the globalisation which continued with explosive success for over a decade. Japan managed to become equally (and maybe even more) competitive with other economical superpowers like U.S.A. with extraordinary speed. End of the last century however brought new concerns to the further proceedings of Japanese multinational companies (MNCs as further referred throughout this thesis). Economical growth and competitiveness decreased, and theories were suggesting it is due to poor localisation of the global operations, especially from HR point of view. One indicator for poor localisation is the heavy usage of Japanese expatriates in the foreign subsidiaries which in its part indicates the difficulties in communicating with parties of other origins and challenges the building of trusting relationship with them.

Our theoretical framework suggests that there must be either trust or its substitute existing in the global society, especially in the business environment to reduce its inherent uncertainties and lubricate cooperation. Trust can be grounded on one or more of six bases, namely on relationship, personality, culture, intuition, institution or habituation. Culture theory is presented to illustrate the huge difference in between Japanese and Western cultures and value differences. Cultural background together with past experiences and social status influence the propensity to trust, and

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the way how trust is build in relationship with others. Taking into consideration the tendency to have strong Japanese traditions in the Japanese MNCs' European subsidiaries, it could be though that the mix of people operating in this foreign context have difficulties in building trusting relationships. This is due to completely different ways of thinking and doing business, value systems, difficulties with languages and differing communication styles. Before mentioned elements lead to the heavy use of Japanese expatriates, and thus to Japanese management style. Japanese expatriates are favoured and trusted more than other nationalities by HQ, and this way employees of other origins face comparably more difficulties in career advancement. This phenomenon is presented as rice-paper ceiling. To overcome difficulties training should be organised for all nationalities and most importantly, there should be continuous attempt to build negotiated culture in the organisation. This way all the nationalities and cultures in present context would contribute in creating something completely new and genuine, lubricant and effective working atmosphere.

After finalising theory part, empirical study was conducted at Sony Europe B.V. Semi structured interviews and observation were the research methods used. Analysing the interview material in the light of our pre-assumptions and the theory presented brought up varying and even surprising results. Trust in the business environment and organisational trust spiced with Japanese culture ingredients form a fascinating scheme that surely offers recepies for the future research.

Key concepts in the thesis:
Trust
Culture
Rice-paper ceiling
Japanese Multinational Companies (MNCs)
Negotiated culture

TIIVISTELMÄ

Käsillä oleva pro-gradu työ tutkii erilaisten kulttuuritaustojen ja luottamuksen rakentamisen suhteita, ja näiden vaikutusta yritysmaailmaan globaalissa ympäristössä. Kulttuuritausta muovaa ihmisten arvojärjestelmiä, normeja, ajatusrakenteita, ja nämä kaikki yhdessä vaikuttavat käyttäytymiseen ja siihen kuinka asiat on totuttu tekemään. Kulttuuritausta yhdessä henkilöhistorian kanssa vaikuttaa taipumuksiin luottaa, luottamuksen kehittymisaikaan ja perustaan. Eri kansallisista ja kulttuurisista lähtökohdista tulevat työntekijät pyrkivät yhdenmukaistamaan toimintatapojaan globaalissa yritysmaailmassa saavuttaakseen mahdollisimman tehokkaat työkäytänteet. Samalla pyritään luomaan miellyttävä työympäristö, jossa sen jäsenet voivat luottaa toisiinsa ja tehdä vapaasti yhteistyötä. Sujuvan viestinnän, keskusteluiden, neuvotteluiden ja yhteisten sääntöjen kautta sekä ennen kaikkea omaamalla halun oppia uusia toimintatapoja, on mahdollista luoda toimiva työympäristö eroavaisuuksista huolimatta.

Japanilainen kulttuuri ja monikansallinen yritys valittiin tapaustutkimuksemme kohteeksi paitsi idän ja lännen välillä olevien suurten kulttuurierojen takia, myös siitä syystä, että Japani on yksi maailman johtavista ekonomisista valloista. Kulttuurieroavaisuuksien lisäksi Japanilla on aivan omanlaisensa yritysmaailman käytännöt ja mallit, yritysstrategiat ja johtamistyylit. Kaiken tämän lisäksi mielenkiintoa Japania kohtaan lisää sen ekonominen menestystarina, joka alkoi 1970-luvun alussa. Menestyksekästä globalisoitumista kesti pari vuosikymmentä, joiden aikana Japani nousi taloudellisten supervaltojen eliittiin ennätysajassa. Kymmenisen vuotta sitten vuosituhannen vaihdetta lähestyttäessä kasvu ja kilpailukyky ajautuivat ongelmiin, ja taloudellisen kasvun hidastuminen on ollut huomattavaa. Teorioiden mukaan tämä johtuu osittain yritysten heikosta lokalisoitumisprosessista globaalissa ympäristössä - erityisesti henkilöstöhallinnan puolella. Toimintojen keskittämisestä yrityksen alkuperämaan käytäntöihin lokalisaation sijaan indikoi muiden muassa runsas expatriaattien käyttö. Se puolestaan on merkki ongelmista kansallisuuksien välisessä kommunikaatiossa, ja seurauksena luo haasteita sekä hankaloittaa luottamuksen syntyä.

Teoreettisessa viitekehyksessämme ehdotimme luottamuksen, tai sen korvikkeen, olemassa olon pakolliseksi globaalissa yhteiskunnassa. Luottamus vähentää epävarmuuksia ja riskejä, sekä parantaa kommunikaatiota ja yhteistyötä. Henkilöiden väliset suhteet, persoonallisuus, kulttuuri, intuitio, instituutio ja habituaatio ovat luottamuksen kuusi perustaa. Kulttuuriteoriamme illustroi huomattavia eroja Japanin ja länsimaiden, jotka yleisesti sijaitsevat kulttuuriarvoja visualisoivien mittareiden vastakkaisissa päädyissä, välillä. Esimerkiksi kulttuuritausta, aiemmat kokemukset ja

sosiaalinen status vaikuttavat luottamuksen tuottamisen herkkyyteen, eli siihen, kuinka luottamus rakentuu henkilöiden välille ja mikä on sen perustana. Japanilaissa yrityksissä on taipumus harjoittaa ja säilyttää voimakkaita Japanilaisia traditioita niiden Euroopan toiminnoissa, minkä voidaan olettaa hankaloittavan luottamussuhteiden syntyä monikansallisessa kontekstissa. Erot yritysstrategioissa ja tavoissa, arvo- ja ajatusmaailmassa, kieliongelmat sekä erilaiset kommunikaatiotyylit vaikeuttavat luottamuksen tuottamisprosessia. Nämä syyt puolestaan johtavat runsaaseen expatriaattien käyttöön ja japanilaiseen johtamisjärjestelmään. Emoyhtiöt luottavat lähettämiinsä expatriaatteihin ja heidän runsas arvostaminen jättää varjoonsa paikalliset kyvyt, joilla on yleisesti havaittu olevan etenemisongelmia urallaan. Japanilaista yritysmaailmaa tutkivassa kirjallisuudessa ilmiötä on nimetty riisipaperikatoksi, rice-paper ceiling. Eliminoidakseen edellä mainitut ongelmat yrityksen tulisi tarjota koulutusta kaikille kansallisuuksille ja asettaa jatkuvaksi tavoitteeksi neuvotellun kulttuurin (negotiated culture) ilmapiirin luominen organisaatioon. Näin kaikki kansallisuudet, kulttuurit ja luonnollisesti yksilöt osallistuvat uuden ja ainutlaatuisen, sujuvan ja toimivan työympäristön luomiseen.

Teoreettisen osuuden kirjoittamisen jälkeen toteutimme empiirisen tutkimuksen Sony Europe B.V.:ssä. Käytimme tutkimusmenetelminä semistrukturoitua haastattelua ja havainnointia. Haastattelumateriaalin analysoiminen teorian luomien odotusten valossa nosti esiin jopa yllättäviä tuloksia. Luottamus yrityksessä ja yritysmaailmassa, japanilaisella kulttuurilla höystettynä muodostaa kiehtovan kentän, ja mielenkiintoisen ympäristön tutkimukselle myös tulevaisuudessa.

Tutkielman pääkäsitteet:

Luottamus

Kulttuuri

Rice-paper ceiling (Riisipaperikatto)

Japanilainen monikansallinen yritys

Neuvoteltu kulttuuri (Negotiated culture)

INTRODUCING PARTS IN THE RUBIK CUBE

The title visualises metaphorically the entity of effective global business which constitutes of several parts and dimensions, constantly changing internal aspects and external effects. The global business in general, and in this thesis Japanese business in multinational setting in particular, can be perceived as the Rubik cube. In the cube small parts bind together forming a whole pursuing for the most advantageous stable state. In this thesis the most advantageous state is the state where organisational trust has fertile ground to be build. This state of perfection is however rarely found because of the constant changes caused by various external and internal factors. Economical situation, social and cultural environment, labour markets and legislation are external factors while case specific human resources, training, relations, practices, procedures and policies are examples of internal factors.

External factors, like changes in the business environment or extensive fluctuation of employees, can be considered to be the forces turning the vertical and horizontal layers of the cube. The position of different pieces are thus changed forming incomplete colour boards and misplacing pieces. As it is the ultimate goal of a Rubik cube to get the same colours to the same side forming an perfect whole, the little parts need to find new position in combination with others. In our cosmic Rubik cube which refers to the Japanese company, internal negotiation, training, fluent communication and cooperation are the key elements to enable the little parts to find new positions. In real business environment this would mean the strive to form negotiated culture in organisation where trust can be freely build between the members. If negotiation, analysis, discussions and training are not taking place between all organisational members from diverse cultures, the little pieces get stuck. Organisational well being decreases thus unstable, uncertain state remains and synergies are wasted. New external force might interfere at any time changing the situation and on going process again, making new negotiation and interaction necessary to reach the balance to fit the new situation. As long as external forces and their effects on internal affairs are taken into consideration, cube can be considered to be moving and thus staying vital. The development of trust and effective business environment in global setting is hindered if either pieces are stuck or moving ethnocentrically only into one direction. Interaction should be multidimensional to be able to share cross-knowledge. Every time there is a change in the context, new combinations are formed and alternative solutions need to be searched to adapt to the new situations.

Global business environment is extremely complex and interesting area, but we are naturally not cabable of taking all the possible factors in depth into account. To limit the idea of our Rubik cube into comprehensible form to illustrate this complex phenomena, our personal interests and experiences guided us to concentrate on culture in relation to trust. We will pay close attention to decision-making styles, level of expatriotism, cultures' effects on trust, training, career advancement of local employees and the potential rice-paper ceiling. Following research question was formulated:

Is cultural background affecting the production of trust in global Japanese business setting?

To formulate suitable theoretical frame to study the research question we have divided the theory into two parts to clarify the different components of the study. The theory of trust begins with the comparison of trust in traditional and global societies, legitimacy bases, conditions, grounds and building of trust ending in the search of trust culture. Culture theory follows explaining general culture differences, specifying Japanese bases of values, and combining applying the dimensions of value differences into Japanese business. The chapter ends with negotiated culture that emerges when trust and culture perspectives are successfully combined in case-specific organisational setting.

To find answers to the research question, semi -structured interviews and observation were selected as methods to carry out a case specific empirical study at Sony Europe B.V. located in multicultural Amsterdam. We emphasise that the context is not the whole country of the Netherlands, since the reality is quite different in Amsterdam and the rest of the country. Some categorisations of attitudes, stereotypes and customs are only available of the Netherlands, not specifically of Amsterdam. Thus, we have used the general categorisations of Dutch, thus some ideas might be slightly biased considering the context of the study. Seven in depth interviews were conducted in two moths period during Autumn 2001 when there was a slow down in global economical situation. Interviewees represented several cultures, mainly Europeans, holding in average middle-level managerial positions. The empirical findings did not fully confirm any of the hypothesis but all except one were visible to some extend. Most significant conclusion of the study was that Sony Europe B.V. has localised its global business operations in a surprisingly advanced manner. It can be considered to be a real benchmark for the Japanese business. It is still however obvious that differing cultural backgrounds affect the building of trusting relationship.

The purpose of the study is to detect the special features of Japanese business in global context, particularly in the Netherlands with whom Japan has had long special relationship. After studying the specifics of Japanese culture and business, we wanted to explore potential aspects that might hinder the true continuing successful globalisation of Japanese business. Social scientific approach was leading the way to choose to concentrate on the concepts of trust and cultural differences. Training is part of the education of the cosmopolitans, expatriates working as global citizens, to reach the social understanding and to adapt to the changing surroundings. Economical, sociological and social pedagogical perspectives are not competitive but corroborative, and this combination of scientific spheres results to most dynamic and vital social settings.

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THEORY PART

I TRUST THEORY

1. Defining trust for this thesis

Trust realises in reciprocality of both personal and business relationships. Trust is defined as mutual, positive expectation of person, group or organisation to behave cooperatively and non-harmfully towards the other. Trust is a result of person, culture and time-dependent, non-opportunistic interactive process leading to a propensity of people in social context to cooperate to produce socially efficient outcomes.

2. Trust in traditional and global societies

2.1. Trust in traditional society and the legitimacy base of trust

In traditional society religion and magical beliefs were essential parts of life formulating the routines. Society was state, and vice versa – conceptually they were not separable. People were sharing most of the values, materia and taking care of each other. There were little options and choices to be made, at least compared to the extent of the contemporary world. Traditions and routines reduced uncertainties and therefore trust in itself was not needed. Traditions and routines can be seen as substitutes for trust. As a consequence of shared material and spiritual lives, trust was taken for granted in most of the situations. In other words, traditional legitimacy, as Weber has defined it, basically does not imply trust of any kind (Sztompka, 1999, 45). Trust was not an issue in traditional society.

2.2. Trust in global society and the legitimacy base of trust

In our opinion, modern society replaced traditional society during the time of industrialisation - when new inventions began to change people's lives and experience schemes, also creating new social classes. Modernity changed into post modernity when the pace of life speeded up even more rapidly and fragmentation became more than normal. Now in the beginning of 21st century, we can even talk about post modernity in the past sense.

To avoid confusion and mixing of different modern time spheres, we will be using the concept of *global society* in this thesis. The fundamental processes formulating global societies are economic:

namely the expansion and transformation of capitalism into integrated global economy that is built on multinational corporations. The processes of globalisation have developed hand in hand with the nation-states and local cultures. Global society includes the features of (modern and) post-modern societies and it mixes those with internationalisation or globalisation, and the hyper speed in life. By global society we mean mainly Western developed countries – European countries excluding East-European former socialistic countries, North-America and Australia. Japan as an economic power and developed country is added into the list of global societies, and we will come back to Japanese culture later.

Global society is a complex system that is co-existing with the nation states. Belonging is no longer necessarily bind to the nation state but the orientation can be merely towards global structures. Western societies are moving towards global era, still treasuring the features of welfare state and national customs. The national boarders are getting less visible while the boarders of the bigger wholes, like EU, are strenghtening. While Western societies are going towards globalism, the same time there are societies existing that to maintain their strong national identities. Globalisation is not only perceived as positive process by all, and some extreme groupings are fighting against Western life styles and power of universal westernisation. Often crisis and catastrophes empower the level of nationalism like the recent tragic catastrophe in New York culminating the clash between anti-Western and Western ideologies and beliefs. In the global society social, cultural, economic and political changes anywhere affect everybody and everywhere .

Global societies and modernity are full of risks. Risks are caused by the fragmented globe with differing ideas and interpretations of what is right and wrong. When relationships, between people and groups, includes risk taking of any kind, trust is needed. Even trust itself is a risk. The most recent use of the concept of trust appears to be related to the changing conditions of modernity. "Trust becomes a more urgent and central concern in today's contingent, uncertain and global conditions." (Misztal, 1996, 9 in Sztompka, 1999, preface.)

According to Zucker (1986) immigration, the pressure for exchange across group boundaries and geographic distance have been disrupting the informal mechanisms from which interpersonal trust can be developed. Formal and institutional mechanisms became necessary in order to produce trust because it was not possible to derive trust from community values and practices. Modern societies no longer rest on fixed social settings where mechanisms create and sustain interpersonal trust. (Costa, 2000, 11-12.) Trust in institutionalised systems requires active participation in economic

and political institutions because trust among people is developed through shared values and acceptance – people have to pursue these goals. The core of this kind of trust structure is open communication through which solidarity, tolerance and legitimacy are formulated. (Misztal, 1996.)

After traditions started to lose their significance in providing security, trust started to increase in significance. As traditional legitimacy was no longer applicable in the modern conditions, rational-legal legitimacy became the most important basis of trust. Charismatic legitimacy has exited at all times, and according to Weber, charismatic legitimacy presupposes personal trust, meaning intimate and emotional ties between persons. Charismatic legitimacy is based on persons and characters, both familiar persons and charismatic leaders. Rational-legal legitimacy, in the other hand, presupposes institutional trust. Before institutions were established, there could not be rational-legal legitimacy either. Institutions are modern phenomena as well as rational-legal legitimacy that is the most impersonal legitimacy base of trust. (Sztompka, 1999, 45.)

If trust is lacking in a society or other social context, there has to be something that brings about the same kind of functions than trust, substitutes. Life in an uncertain and complex environment would be very difficult if trust or the substitutes both are lacking. Traditions, that we mentioned already, are only one possible substitute for trust. In global societies, there are quite different substitutes with similar functions than traditions like fate, corruption or ghettoism. Fate and supernatural beliefs provide feelings of certainty by leaving decisions and choices to outer forces. Corruption can also be substituting actual trust because it provides people in the corrupted social context with the misleading sense of predictability, control and possibilities to manipulate others. Ghettoism means that some groups linked with close relationships isolate themselves from others. The distrust in wider society is compensated with the close bonds within that group, and this way the uncertainties of external world are reduced. (Sztompka, 1999, 117.)

3. Trust and cultural turn in the field of sociology

Trust is one aspect of the cultural turn in sociological theory. Trust has never before been a topic of mainstream sociology (Luhmann, 1988 in Gambetta, 1988, 94), but during the last decade of the 20th century trust has increased its meaning and importance in sociological research. It became a crucial issue in reality, both in people's personal and business spheres. Human agency and purposeful efforts have changed the society from the fate-society to agency-society where trust must be deployed to be able to face the future constructively. The central assumption emphasised in

sociological approaches to trust is that it is social reality and therefore should be seen as a collective attribute (Lewis and Weigert, 1985 in Costa, 2000,10). Sociologist concentrate on the social functions of trust and view it as a phenomenon within and between institutions. They are also concerned about institutionalising trust in society. The important subtypes of trust are a) personal or interpersonal trust that are based on the emotional bond between individuals and b) system or institutional trust that are based on rationality and characterised abstract relationships where trust is related to the functioning of bureaucratic systems. (Costa, 2000, 10.)

Civilisation and technological developments bring about benefits but also possibilities for disastrous failures and threats – our own creations might turn against ourselves. The large amount of alternative choices existing in global society as well as the opaqueness of the social world makes the world uncertain. To be able to cope with the uncertainties in the Beck's "risk society" requires large pool of trust. Institutions, organisations and technologies are so varied that it is impossible to understand them all. Anonymity and impersonality of people that our own lives depend on, are in many cases unknown to us. We need to trust something or someone invisible. (Sztompka, 1999, 14, 21.)

There has been a wide paradigmatic shift in the field of sociology from structural and systemic variables towards soft variables, the mental and cultural dimensions of social reality. The research direction to put emphasis on cultural meaning – values, rules, norms and symbols – lead to cultural sociology of action that elaborates the idea of cultural embeddednes of action e.g. Pierre Bourdiou's idea of "habitus" (Sztompka, 1999, 2). According to Sztompka, the two origins of the culturalistic orientation within the sociological heritage are Durkheim and Tocqueville. The "social facts" of Durkheim are shared by pluralities of individuals, perceived by individuals as external to them and constraining with respect to individual actions. Durkheim strongly emphasised the moral quality of bonds keeping people together. (Durkheim, 1964a [1895].) Another pioneer of the culturalist approach is Alexis de Tocqueville and his idea of the "habits of the heart". The habits of the heart were borrowed from the surrounding cultural milieu, internalised in personalities and displayed in actions. Person needs to accept and adapt the certain matters of beliefs already formed and draw one's opinions from the common source – that is the way to prosper and prevail society. (Sztompka, 1999, 5-6.)

The culturalist turn originated in the perception that there are great defects in institutional frameworks earlier taken for granted, like welfare state or democratic political regimes, and while

the existing bases for social cooperation and solidarity have been eroded, there is a need to search for new alternatives. Another origin is the realisation that the same institutions can operate differently in various societies like the failure of Western economic institutions in Latin America but a success in Japan. Third, there is the realisation that culture plays a crucial and neglected role in world politics and in international relations instead of hard, economic values. Fourth, the collapse of communism brought about political and economic implications but also cultural and civilisational break. (Sztompka, 1999, 9-10.)

The new image of culture is intimately related to action in a double fashion, duality of culture. On one hand culture provides a pool of resources for action that draws the values to set its goals, the norms to specify the means, the symbols to fulfil it with meaning, the codes to express its cognitive content, the frames to order its components, the rituals to provide it with continuity and sequence. On the other hand, action is at the same time creatively shaping and reshaping culture, which is not a given entity, but rather must be seen as an accumulated product of earlier individual and collective actions. Action is the ultimate determining factor in the emergence of culture. The cultural perspective turns attention to a specific category of social bonds, the world of soft interpersonal relationships. (Sztompka, 1999, 3.)

Moral becomes an important component of community. According to Fukuyama (1995, 7), moral community is based on ethical habits and reciprocal moral obligations internalised by the community's members. There are three basic components of moral community. The first is trust, that is the expectancy of others' virtuous conduct toward ourselves. The second is loyalty, that is the obligation to refrain from breaching the trust that others have bestowed upon us and to fulfil duties taken upon ourselves by accepting somebody's trust. The third is solidarity, that is caring for others, even if it conflicts with our own interests. The moral components appear naturally in the interpersonal and informal relationships, but also in formal relationships like employment contracts and business transactions. (Sztompka, 1999,5.)

4. Production of trust – Necessities, context and grounds

4.1. Necessity to trust

Trust stimulates open and direct communication, facilitates problem solving, decreases misinterpretations and reduces defensive behaviour. These altogether form a productive and fertile environment for constructive cooperation and decrease the level of formulating strict and specific

contracts (trust can be seen as psychological contract that holds certain expectations of the behaviour of another). Thus establishment of a formal agreement requires much less time and money and possible start-up problems decreases to minimum. Trust provides a flexible basis to cope with the uncertainties regarding future states and risks, as well as it increases openness and loyalty. (Klein Woolthuis, 1999, 48, 25.) When parties encounter low trust behaviour they will hesitate to reveal information, reject influence and evade control. This negative feedback system will reinforce the low level of trust, and unless there are changes in behaviour, the relationship will stabilise at the low level of trust. (This will diminish the effectiveness of joint problem solving efforts.) (Boersma, 1999,41.)

4.2. Risky and uncertain context in global societies

The term risk appeared in the early modern times to replace a general feature of life previously known as *fortuna*. Risks came to indicate that unexpected results may be a consequence of our own decisions and actions. Therefore it can be concluded that risks need conscious human agency to be able to emerge, otherwise there would only be dangers. (Luhmann, 1988 in Gambetta, 1988, 96,100.)

It is quite inevitable to live with risks that can not be controlled by individuals, organisations, institutions or even states (Sztompka, 1999, 29). Trust serves to increase the potential of a system by reducing social complexity and by increasing the tolerance of uncertainty. Trust is a property of the system and is rational because under the conditions of modern life, it builds up more in a tactical perceptive manner than spontaneously. Emotions do not play crucial role in trust production in modern life because people depend on and interact with unknown people. (Luhmann, 1979, 150 in Costa, 2000, 13.) Of course the case changes when people for instance work together and get to know each other better.

Risk is considered to be a prerequisite in the choice to trust. Risk creates the opportunity for trust which then leads to risk taking. Trust and risk taking are believed to form a reciprocal relationship. When a person realises that another is taking a considerable risk by trusting, (s)he will then most likely behave in a trustworthy manner. This reciprocity is a key issue in trust building – risk taking is needed for trust to occur. (Costa, 2000, 20.) Trust enlarges the willingness to take risks and commit to the relationship, thus being willing to become vulnerable. (Klein Woolthuis, 1999, 43.)

Another prerequisite for trust is interdependence, people depending on each other, that differs in type and depth (Costa, 2000, 20).

According to Giddens (1990a, 131) in the high modernity there is objectively stronger actual presence of risks as well as subjectively stronger perception of risks. Objectively risks have universalised (new possibilities of global catastrophes), globalised (everything touching everybody everywhere), institutionalised (some organisations having risks as their business product) and become reflexive (the emergence of risks as side effects of human actions). Subjectively the experience of risks has become more acute than before due to disappearance of magical and religious beliefs and rationalisations, increase of education and realisation of the limitations of large abstract systems that normal people might always not know how to use. In this kind of risk society the unknown and unintended consequences come to be a dominant force in history and society (Beck, 1992, 22 in Sztompka, 1999, 39.)

We often find ourselves in a condition of uncertainty about the uncontrollability of the future actions. We seldom know and can control what other people will do independently of our own actions, as well as we do not know how they will react to our actions. Uncertainty and risk are integral to the human lives. According to Giddens (1991, 19) the full monitoring and control of other's performance makes trust unnecessary. This is hardly ever possible and also not a desirable condition. (Sztompka, 1999, 23.) When we can not control others' actions we need to trust them to make morally acceptable choices. Trust is the crucial strategy for dealing with an uncertain and uncontrollable future. Distrust is the negative mirror-image of trust, the complete opposite. It involves negative expectations about the actions of others and defensive commitment like avoiding. Distrust on the other hand means that trust has been broken. Something or someone has commit actions which has broken the already build and existing trust. Mistrust on the other hand is seen as neutral situation when clear expectations are lacking and when one is hesitating whether to commit or not. The situation of mistrust is common during the trust-building process. (Sztompka, 1999, 26.)

Although in real life situations the different dimensions and degrees of trust and risk are mixed, it is possible to categorise four degrees of risk by analysing how risk appears in the acts of trusting. On the first degree risk is independent of the acting and commitment. People might behave badly towards one another, for example. On the second degree risk is already linked to the act of trusting. The feelings of psychological displeasure like grief, shame, regret are common if a trusted person acts in negative manner. In this case trusting is a risk in itself. The second degree risk in all acts of

trust is relatively high. On the third degree the trustee knows that one is trusted and is under moral obligation to meet the trust. This degree of trust occurs in the close relationships. The fourth degree of risk accompanies the specific case of entrusting some valued object to somebody's voluntary care – entrusting some valued object to another person. In this case trust is tangible and trustor is voluntarily becoming vulnerable. (Sztompka, 1999, 32.)

4.3. Orientations towards life – hope, confidence or trust

Hope, confidence and trust are orientations to face different situations ranging from passive to active ends of the continuum. Hope is passive and not rationally justified feeling that things will turn out to good, or bad. Confidence is more focused, but still passive feeling that something good will happen. Without confidence daily life would be very difficult since one could not even leave the house without doubting a natural disasters to occur or a car to drive over. (Sztompka, 1999, 24.) Life is not possible without forming expectations with respect to contingent situations and neglect the possibility of disappointment. Lack of confidence will lead to feelings of alienation and eventually fragmented social structures with only local importance. (Luhmann, 1988 in Gambetta, 1988, 103-4.)

Confidence is and must be separated from trust. Luhmann (1979) suggests that trust differs from confidence because it requires the recognition that risk exists (Costa, 2000, 3). Trust is only required if a bad outcome would make you regret your action. Confidence in system and trust in partners are different attitudes with respect to alternatives, but they may influence each other. The ability to make distinction between danger and risk enables the separation of confidence and trust. (Luhmann, 1988 in Gambetta, 1988, 98-99.) To make this distinctions is to see that confidence refers to the preference of one action over another in spite of the possibility of being disappointed. Confidence is something evident whereas in the situation of trust, risk is recognised and a conscious choice is being made to take the risk. Risk taking is thus based on the belief that the other party can be trusted. (Klein Woolthuis, 1999, 43.)

Positive association is a specific feature of trust; one would not consider a completely predictable situation as one of trust if the prediction is not positive. Subjectivity feature on the other hand is based on the perception of a certain situation in which one does not know for sure what will happen. And finally trust is directed to a certain domain in which a partner is considered to be capable of exerting influence or performing a certain task. Combining the previous, Klein Woolthuis (1999,

43) describes trust to involve a conscious choice to be vulnerable. This choice is based on the subjective probability that another's behaviour will not be detrimental to one's own interest, irrespective to monitor or control this behaviour. Trust in another party is domain specific and carries a positive association.

Trust in itself is an active feeling, in opposition to hope and confidence. One can not blame others, external forces or system if something goes wrong – it is only possible to blame oneself, own decisions and actions. Trust always includes making choices between several options and taking risk. (Sztompka, 1999, 25.)

4.4. Trust building

To build and maintain trust several aspects are to be considered. Trust develops through changes in interdependence and behaviour. Repeated, successful prior interaction builds the trust. Two-way communications (extensive and intensive communication between the two or more parties) increases the level of trust within this relationship. On the other hand, the more trust, the greater the extend of this communication. (Boersma, 1999, 41.)

When building trust, personal relationships and development of a personal bond raises to a high importance. Personal meetings, both business and social, play an important role, as well as the personal behaviour of the people involved. By developing personal bonds, the people involved get to know each other better, including the body language (non-verbal language affect intuition). Due to this they are better able to understand the way the other person thinks and feels. Building these bonds, persons need to be socially skilled and characteristically fit to formulate a cohesive group. The fact is that building personal relationships respect, empathy, listening skills, genuine interest in the other person, time and openness are required.

In order to maintain trust , on the other hand, it is important that parties monitor the actions of another, new strategy might change the balance of interdependence. However, excessive monitoring may create an atmosphere of distrust. (Boersma, 1999, 110-114.) It is actually commonly believed that monitoring and control comes into play when trust is not present. Trust breeds trust and it leads toward the culture of trust when the routine of trusting and meeting trust turns into a normative rule. This process can be called the virtuous, self-fulfilling mechanism of trust production. (Sztompka, 1999, 111.) Trust building is extremely difficult and long-lasting project, but it can be destroyed in

a second. Certain level of trust is also not stable commodity, but it must be maintained and reinforced all the time. (Costa, 2000, 23.)

People are off different social origins and backgrounds that either facilitates or hinders them to trust in general. Wealthy people trust more easily since they do not necessarily have a lot of bad experiences in their past. Good, secure job provide people with trustful orientation towards the world as well as the plurality of roles that people have in their work. Power and education creates trust since they are easily transferable to other types of capital, may guarantee high status and can be used to force others to trustworthy behaviour. Social networks and connections creates trust and makes risky decision making easier and gives back up bringing security. Family relations and support affect trust production in many ways It gives the members of the family, or comparable unit, courage to take decisions and risks, and teaches members how to trust. Family might also compensate the lack of high social status. (Sztompka, 1999, 128-131.) Perception to be part of a discriminated group like women or minority, recent personal history of misfortune, and tenure in (in)stable community as well as the homo- or heterogeneity of the environment affect the tendency to trust (Alessina & Ferrara, 2000, 4).

4.5. Six grounds-model of trust

We have mentioned "others" throughout the chapter. The others are the objects and targets of the trust. Some scholars (Earle and Cvetkovich, 1995) claim that interpersonal trust is the only form of trust that requires face to face commitment. In opposition, social trust is faceless commitment. We adapt here Sztompka's idea of people behind all the social objects, and this way all trust is basically interpersonal. "Trust is vital for maintenance of co-operation in society and necessary as grounds for even the most routine, everyday interaction." Since trust is difficult to measure directly, the indicators of its presence vary according to the mechanisms used to produce it. (Zucker, 1986, 23.)

We have distinguished six grounds for producing trust based on different theories, mainly theories and categorisations of Zucker (1986), Sztompka (1999), Costa (2000) and Klein Woolthuis (1999). The grounds define where trust is located in real life situations. Is it located in relationship and cooperation, or is it merely a personality trait or cultural rule, or maybe trust is based on legal institution. The grounds for trust are not competing but more completing each other and this way they can coexist in reality. We call this six grounds model of trust.

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1) Relationship-based trust

The first ground of trust in this model is the combination of the dimensions of Sztompka (trust as a relationship) and Zucker (process-based trust). This ground of trust is the most extensive and important, and it can be divided into two parts: primary trust is the trust based on people themselves and secondary trust is based on the context that people are operating.

Trust as a relationship is considered to be a qualitative feature of certain relationship. In the beginning of communication trust is one way commitment and expectation but at some point it always forms a relationship between people – time lapse might be as short as a couple of minutes. This relationship and exchange can be direct or indirect, depending on the quality of reciprocity. If the trustor receives trust in return, then direct exchange is in question. Two main rules of placing trust in relationship are the maximisation of utility under risk (whether you can win relatively more than loose) and minimisation of loss in risky situation (whether the possibility to loose is relatively bigger than to win) are guiding rational people. In the former case rational person would place trust and in latter case (s)he would not. Naturally there is a problem of analysing the situation correctly because of a lack of sufficient information, for example. The grounds for trust in this case is knowledge – the more correct information and knowledge, the probability to trust increases.

The information and knowledge are the most common grounds for trust. We estimate potential trustee's trustworthiness by analysing her/his traits and afterwards it is possible to speak of primary trustworthiness. Trust is tied to past exchange, real time exchange or expected future exchange based on reputation, gift-exchange, performance or appearance. In past exchange, parties have been able to show their trustworthiness through co-operative behaviour. Often the information about other people and companies are second hand information. Trust based on reputation requires constant confirmation and effort – it is easy to loose. Reputation is culturally specific because some cultures put more emphasis on titles, diplomas and other symbols while more democratic cultures pay more attention to popular fame and visibility in media. Both reputation and gift-exchange are manifestations of behaviour. Concerning gift-exchange, both literally and metaphorically, reciprocity plays an important role. Reciprocity requires trust, in that the person who have done another person a favour, may expect something in return, yet when and what is not necessary stipulated in advance. Trust is needed because of the time lapse between the gift and counter-gift. This type of exchange requires another party to take the first step. Therefore such exchange evolves slow, starting with a small transactions where only little risk is taken and thus little trust involved.

Keeping to minor agreements gradually builds a reputation of trustworthiness. If keeping the minor agreements, one is likely to keep the major ones as well. (Zucker, 1986, 60) Trust based on performance means to rely on real time present conducts and currently obtained results. The last type of cues that are used to estimate primary trustworthiness is appearance. External features like dress, bodily discipline and good manners or what we have as well as our ascribed statuses and who we are strongly affects to the level of trustworthiness. (Sztompka, 1999, 71-79.)

In addition to primary trustworthiness, also secondary trust, or derived trustworthiness, is identifiable. It can be attained by estimating the context the trustee is operating instead of the trustee's own features. Contextual features include such variables as the type of community and setting of the relationship. (Sztompka, 1999, 86-95.) The knowledge based trust defined by Klein Woolthuis (1999, 47) further explains the possibility to trust without previous experiences. This is possible because the knowledge of organisations and people working in them is also embedded in markets and institutions. Indicators for trustworthy behaviour can as well be reputation of an organisation. With limits of knowledge, it is not possible always to process all the relevant information, parties may have to rely at times on intuition in deciding to whom to trust. Intuition based trust will be later explained.

2) Personality-based trust

Personality-based trust is part of psycho-social approach that considers the trust to be a personality trait. Trust is personal drive and quality of trustor rather than a relationship between trustor and trustee. People have a certain basic attitude towards other people, containing a general willingness to trust. This is called trust propensity which implies that trust always have an initial value which reflects a person's general willingness to trust. This trusting impulse or basic trust is the product of successful socialisation and forms a basis of social life. It is independent of any rational considerations because it is merely a feeling. (Sztompka, 1999, 64-66.)

People develop their willingness to trust through their rearing and experience. In general there are two basic attitudes towards trust: either one trusts until trust is harmed, or distrusts until another has proven to be trustworthy. Experiences are strongly influenced by the culture of the country, region, industry or societal class etc. in which they operate. The grounds for trusting are derived from the past history of relationships in family, other groups and organisations – in other words trusting impulse or basic trust are products of biography. (Sztompka, 1999, 70, 99). This way trust is

internalised orientation towards society and individuals that goes behind rational calculations (Costa, 2000, 6).

3) Culture-based trust

Culture-based trust, or trust as a cultural role, is the domain of the cultural approach that claims that decision to trust or distrust occur in the pre-existent cultural context. In the same way trusting impulse is a product of biography, culture-based trust is a product of social history. The grounds for trust in this case are collective and historical. Trust is a property of social wholes rather than of relationships or individuals. In some cultures there are social pressures and normative obligations to trust, and to be reliable and trustworthy. In most cases these pressures and obligations are role-specific. Great differences in the levels of trust between countries and cultures exist. Fukuyama makes distinction between Far East's high-trust societies and West's low trust societies. In the cultures of high trust, normative rules are important and they are defining the objects of trust, sometimes loosely and sometimes specifically. In this kind of cultures, trust or distrust is often embedded in stereotypes. (Sztompka, 1999, 68, 70, 99.)

Cultural rules play powerful role in co-determining the degree to which trust or distrust prevail in society at certain historical moment. The functional cultures of trust must include strong norms with positive sanctions, motivating trustworthiness and strong taboos with negative sanctions. Cultures of trust or distrust can not be treated as given or independent of surroundings – they are always accumulated in the course of time and always part of the bigger whole. (Sztompka, 1999, 101, 111.) Cultural background is one of the greatest forms of social similarity, and thus lubricant of trust (Zucker, 1986, 63).

4) Intuition-based trust

We call the combination of affect-based (Klein Woolthuis) and characteristic-based trust (Zucker) as intuition-based trust because intuition includes emotions, character, first impression and affection as well as it does not include rational calculations of any kind. Intuition-based trust has elements of all the before mentioned grounds of trust – basically everything can affect person's intuition to trust or distrust. It is always tied to person and person's ascribed status. The more interactants assume that the common background expectations do exist, the easier it is to build trust. (Zucker, 1986, 62-63.) It is possible that one rationally trusts another, while at the same time, emotionally distrusts

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that person. The reason of emotional distrust can be the way one communicates or even the look in someone's eyes. Simply, the more similar the interactants are or assume they are, considering their cultural and educational background, their gender and age, the more likely they will intuitively understand and trust each other. (Klein Woolthuis, 1999, 47.)

5) Institution-based trust

In institution-based trust, also defined as legal trust, behaviour is enforced by legal contracts and commitments. Legal base enforces behaviour by the threat of court or other legal sanctions (Klein Woolthuis, 1999, 25.) Trust is thus grounded on the operations of a controller sanctioning potential trustee's action or the rigid context of action where strict contracts are formulated to increase trust - in some cultures (Sztompka, 1999, 86-95.) Institutional guarantees, forming the base for legal trust, are either associated with professional certification or intermediary mechanisms grounding institutional trust on two different bases: person or firm specific attributes or intermediary mechanisms like rules, contracts or control. (Zucker, 1986, 63-65.) Trust based on contracts occurs due to explicit written or oral agreements partners make. Contractual based trust is defined to be an expectation that a party can be relied upon to keep a verbal or written promise. (Boersma, 1999, 35.) We have to remember that cultures differ in how the contracts are defined - whether verbal and written contracts are of same value.

The aim of institution-based trust is to be able to generalise trust. The locally produced trust must be reconstructed, institutionalised to be exterior to any given situation as well as to be independent of the persons. For example, contracts are made in standard forms, regardless of the individual characteristics or reputations of individuals or firms involved. Contracts, and alike institutionalised "products" (such as marriage as an institution), protects the interests of all parties of the exchange. Zucker argues that institutional based trust is social commodity that is manufactured by individuals, companies or even industries and some forms of trust are purchasable like insurance or brokers. (Zucker, 1986, 63-65.)

6) Habituation

These five grounds of trust all include the conscious choice to be vulnerable. Nooteboom (1996) suggests an additional ground for trust, which does not have to do with conscious choice. This is habituation, referring to the development of shared norms, values and routines that come to guide the relationship between the partners in a natural way: partners get used to each other and learn how to work together and understand each other (see negotiated third culture). Considering its distinction, habituation is still close to trust, since it strongly influences the expectations that the partner will perform as expected and no monitoring is needed. Habituation can be considered as a substitute for trust (see chapter 1.2.). The routines and ways of working become self-evident and predictable for partners. Based on earlier experience, the other party has faith that the partner will behave as (s)he previously did. In time the relationship can become so self-evident that partners no longer consider alternatives, introducing rigidity and blind faith into the relationship. The management of this type of relationship can be very efficient, but there is also another side of the coin: if partners no longer question each other's qualities and a way of working and if they do not search for alternative ways or partners, the partners may not be simulated to improve and innovate their behaviour, or in business, to keep ahead of potential competitors. This can lead to inertia and hence to the reluctance to change to more efficient forms of governance or to innovate. (Klein Woolthuis, 1999, 47.) Habituation is this way the normalisation process of social procedures.

Reflecting our six-ground model of trust to contemporary global society, there is a push towards emphasising the institution-based trust. Both geographical and social distance (group boundaries and different expectations of different groups) between those engaging in transaction is often long. The number of non-separable transactions in a social system, especially when large networks of interdependent transactions are created, are high as well. Regulation creates requirements and standards to replace process-based trust (which we have defined in our relationship ground for trust) with institution-based trust. It creates an environment under which diverse cultural elements can be forced into a uniform pattern. According to Zucker, interpersonal trust develops either through repeated interactions between individuals (process-based) or through mechanisms of social similarity (characteristic-base in our intuition ground for trust). In both cases, the maintenance of trust depends on factors such as interdependence, reciprocity and continuity of interaction of the people involved. (Zucker, 1986, 82, 98-99.) Even thought there can be pure forms of each grounds separated in social reality, and despite of the tendency to push the institution base trust over the other grounds, it is still the case of forming a coexistence..

4.6. Trust culture

Trust culture is the social whole that consists of more than two persons. Interpersonal trust relationship must be build to enable the establishment of the trust culture. Trust culture is transferred to other people by norms, values and rules – like culture in general. It is not personal capital, but collective. (Sztompka, 1999, 128.)

To build the trust culture, five favourable micro-societal conditions are required to exist: 1) Normative coherence (vs. normative chaos) is the first circumstance. The norms provide the solid base of social life and make it more unproblematic and secure. Normative ordering of social life raises the likelihood that other people will meet our expectations, and we can trust "safely". 2) Stability of social order (vs. radical change) provides social environments like companies feeling of security and support. Routines that people follow make it possible to predict other people's doings. 3) Transparency of social organisation (vs. organisation's pervasive secrecy) is the third required circumstance for the trust culture to emerge. The visible availability of information about the functioning, efficiency as well as problems of organisation provide a feeling of predictability and security. 4) Feelings of familiarity (vs. strangeness) breeds trust. It provides one with the feeling of certainty and in effect it produces a trust-generating atmosphere. Because familiarity breeds trust, people tend to make familiar choices, try to find known features of strange environments to be able to build the trusting atmosphere. 5) Accountability of other people and institutions (vs. arbitrariness and irresponsibility) means that people can trust other people and institution in cases of troubles. If there is well functioning set of institutions in society providing standards and control, people feel that they can trust institutions as a back up. (Sztompka, 1999, 122-124.)

When these five positive conditions are present in society or organisation, the building of trust culture has a profound base. Legislations should be coherent and transparent and decision making should be open and visible. To encourage trustworthiness, in settings different from tight communities, visibility and closeness are sometimes purposefully simulated by special technical or organisational measures, such as open compartment offices where visibility is granted. (Sztompka, 1999, 94.) The atmosphere of the social context should be familiar. This can be attained through staff members' personal contacts. Training should be extensive, and recruitment highly visible as well as democracy should be practised via equal legislation and rights. Through pressure to learn, the organisations are able to reshape the ways of life of their members towards larger trustfulness and trustworthiness. Education, training and learning becomes crucial feature in building and

reshaping trust culture. Educating for trust in schools, families, in media and in organisations provides people knowledge and abilities to better evaluate situations. Human resources departments in the companies are responsible for pushing towards the attitude to learn, and they also play the most important role in providing sufficient training. Once the structural environment is constructed, and social and political conditions are favourable and instituted, the first push towards the direction of trust culture has been taken. The virtuous and self-fulfilling mechanism starts to function. (Sztompka, 1999, 134, 138.)

When the trust culture becomes strongly rooted in the normative system of a society, it influences the decision to trust or reciprocate trust. Trust culture is a system of rules regulating granting trust and meeting, returning and reciprocating trust. Trust culture accumulates and codifies into rules those prevailing, lasting experiences with various types of trust. (Sztompka, 1999, 99.)

4.6.1. In search of trust culture in organisational setting

We suggest that the businesses should be actively improving the conditions that enable the trust culture to be established. If trust culture has been built, the organisation is healthy and most probably wealthy as well. Normative coherence can be attained by formulating the rules and norms that are equal and applicable to everyone working in the organisation. Norms should be clear and well interpreted as well as the employees should be socialised into the organisation to understand the norms. Stable personnel and organisational structure provide the company with stable social order. If personnel and the work tasks are in constant change, it is difficult to maintain stability of social order. Transparency of organisation provides personnel with the feeling of confidence, or even trust towards the organisation. To gain transparency organisational operations, changes and decisions should be clearly communicated to the personnel. The communication via e-mail or company newsletter is not enough. Face to face interaction, meetings and up-date reviews increase company's transparency. When personnel knows contemporary issues in the organisation, they are more committed and feel more secure. Even if there would not be any major news or changes, regular meetings, informal communication at all levels of organisation and between these levels produce positive feelings of familiarity. Open offices add communication and familiarity in the workplace because one is forced to see and communicate with the colleagues basically all the time. Hierarchical organisation structure hinders the development of transparency. Accountability of other people and institutions means that one is able to rely on other people and institutional arrangements around her/him. If other people have proven to be trustworthy and reliable, as well as

the institutionalised systems are functioning well, the accountability requirement is most likely achieved.

In large organisations like MNCs it is highly unlikely to fully achieve these five favourable conditions in building the trust culture. In smaller companies the task is easier to attain. As long as the fulfilling of these five conditions is part of organisational objectives, the personnel is likely to be content, and the push towards trust culture is continuously active.

5. Trust in global business context

5.1. Global business

Globalisation, in general, implies to a closer international integration of political, economical, as well as, social activity and extended awareness of these processes. Globalisation brings along the issues of corporate repositioning, rationalisation and the extension of inter- and intrafirm networks. These, on their behalf, result to changes in international division of labour, influencing on quantity and quality of employment and the nature of work organisations. All these changes have required and will still require more attention regarding to governmental policies, which are responsible for globalisation not being an unregulated process. (Hodson, 1997, 5, 33.) The late 20th century capitalism has been changing into integrated global economy that is built on multinational corporations, MNCs. (Abercrombie, 1994, 184.)

MNCs, operating in many different countries, have existed throughout the past century but it was as late as in the 1970s that they began to integrate their production on a global scale. MNCs are headquartered in one country and have operations in other countries. They account for the majority of the world's investment and trade. Although MNCs are universally operating businesses and synchronised norms and procedures are sought, the national elements of the MNC's country of origin are prevailing. Benefit is that, for instance, the Japanese high-trust culture is transferred abroad also – not forgetting other factors affecting the building and maintaining trust. MNCs mainly have had foreign investments inside or between developed countries but today they are moving (and have moved) to developing countries which are taking their independence over from communism. Joint ventures, another trend of international business, have an agreement between two or more partners to own and control business overseas. (Rugman & Hodgetts, 2000, 7.) Joint ventures are strategic alliances which are established between MNCs. They are based on shared equity capital thus involving a deep relationship between companies. (Hodson, 1997, 7.) There is also a clear,

strong connection between MNCs and smaller businesses: the large multinational enterprises tend to influence the success of smaller businesses because they rely on small businesses for goods and services (Rugman & Hodgetts, 2000, 7.)

We can clearly agree that globalisation brings new opportunities and possibilities and further create new markets, but it can also develop fear of leaving behind and loosing competitiveness if not going global. Global operations bring the need for international management on which differences between national cultures have an impact. Thus management needs special tools and policies in the process of developing activities in foreign countries and multicultural environment.

Managers and policy makers are required to have a knowledge on how the human resources are managed and how different cultures react to varying policies and practices. It is important to clarify the relation between the home and host management of human resources - to what extent the management of human resources is and should be adapted to local conditions, and how should it be globally integrated or locally emphasised. When HR policies are fitted to the host culture, performance is indicated to be higher. National culture values influence HR management because it consists human interaction. Securing reasonable an competitive pay, working conditions and benefits are the fundamental issues that the policy has to cover. (Lindholm, 2000, 1, 4.) Further Hodson (1997, 10) points out that structural adjustments and new strategies create uncertainty among employees. HR policies need to be able to give security concerning the quality of jobs and the terms and conditions of employment.

Company's age, size and the extend of diversity influence their strategy and structure. Country of origin, ownership and cultural characteristics influence management style and the policies, especially HR policies, which on their behalf reflects the stage which the company has reached in their process of globalisation. Home centred MNCs use expatriates for key subsidiary positions where as a global MNCs develop and train locals for global positions. (Hodson, 1997, 20.)

Organisational capabilities, a company's ability to use its resources to achieve its ends, are guiding MNC's development. Any MNC that relies only on the talent at headquarters or on its expatriates to create knowledge is denying itself access to the increasingly capable human resources that exist throughout many countries. The knowledge transfer mechanisms need to be created to build the capability, and to be utilised these mechanisms need to function with dispensed authority. This is to communicate with those members of the MNC's units that can best utilise their locally created expertise. And a final organisational capability necessary to ensure utilisation of knowledge within

MNC is top management's recognition of and respect for expertise created in units outside the home country (Bartlett & Yoshihara, 1992; Hakanson, 1990, in Taylor, in Beechler & Bird, 1999, 133-134.)

5.1.2. Global business and expatriates

Once a company internationalises by establishing units abroad, expatriates become to high strategic importance to MNCs, the organisation's global strategy formulation and implementation.

Expatriates are business persons mostly on the (middle or top) management level, or professional level transferred within a company to work in a foreign country for a pre-agreed period, usually from one to three years.

Expatriates are used to establish a company or a company function abroad and to ensure that a foreign subsidiary operates towards parent company's global goals (Tahvanainen, 1998, 3). Important selection criteria for expatriate candidates, from company point of view, are work-related skills, willingness to live abroad, language skills, human relations skills, prior performance appraisal, prior international experience, knowledge of the host country and culture and the family situation. Expatriates themselves value the importance of the knowledge of the host country and culture much more than the company. (Suutari & Brewster, 1998, 11.)

Reasons for the use of expatriates are various. The first is the know-how function, to replace the lack of management and technical skills in host country. Second major function is the control of local operations to ensure that the operations abroad are carried out as planned. Thirdly, as these employees know the parent company norms, personnel and working methods, expatriates interpret and evaluate information received and perceived in the subsidiary, and to transmit information from the local unit to other parts of organisation. Thus they have a contact and coordination function. Expatriates are also perceived to be important in representational as well as management developmental purposes. Further, they are seen to be the persons to maintain the trust in business. (Suutari & Brewster, 1998, 4.)

Expatriates have high power position in the company. The nature of the foreign assignment reflects the centrality of the expatriate's position. The more central the nature of the foreign assignment, the higher the power of the expatriate manager. Cultural distance between the home and host county is

another determinant of the level of power: the more dissimilar the host country culture is in comparison with the home country culture, the more power the expatriate manager has. This finding is explained by the fact that in the case of cultural dissimilarity, the parent company has to rely more on the expatriate manager's knowledge and information. Third determinant of power is the number of other expatriate manager's in the host company. If there are no other expatriate managers in the host company, the HQ needs to believe the information of only one informant. (Janssens, 1994 in Tahvanainen, 1998, 63-64.)

Expatriotism is not unproblematic phenomena. It requires a major contribution of HR policies to tackle with all issues related with the expatriate assignment. The use of expatriates is a very costly practice: high salaries, extensive benefits, moving costs, expense accounts and substantial administrative expertise targeted for a relatively small group of employees. It has been estimated that an expatriate costs three or four times as much as the employment of the same individual at home company (Webb & Wright, 1996). Expatriates are commonly reported to face significant adaptation problems in their new environment which make it difficult to operate effectively, particularly during the early stages of their international assignments. The end of the assignment and the return of an expatriate has been found to create the feeling of a lost status and autonomy, loss of career direction and the feeling that the international experience is not valued by the company causes a high turnover among the repatriates. It is up to HR policies and the implementation of them to reduce the occurrence of these problems. Training eases the adaptation and success of the assignment, pre-agreed position after assignment prevents the feelings of uncertainty and comparably high turnover. Although training has been proven to ease to overcome extensive difficulties and problems, the lack of sufficient language, culture and job-specific training in the company has been reported in several researches. (Suutari & Brewster, 1998, 8, 12.)

Expatriate post has an ambivalent status. It is seen both as an instrument for gaining competence and as a sign of maturity already achieved. Being sent to a foreign country means an opportunity to learn about cultures, markets and to take responsibility for others and for oneself, an it thus constitutes an important on-the-job learning experience for managerial candidates. On the other hand, an expatriate post itself is still seen as a reward for the previous success in becoming a businessperson. (Peltonen, 1998, 146.) Expatriotism has been a trend, and by all means, the necessity in the beginning of companies' internationalisation. However, as company further globalises, takes step further from internationalisation, the extensive use of expatriates is no longer of crucial importance. Quite the contrary, it is seen to hinder the true globalisation of MNCs

because as a result of heavy usage of expatriates the business practices are remaining ethnocentric and local employees have difficulties in reaching the company top. Positions and tasks that were in the beginning of internationalisation process occupied by expatriates, should be transferred to local employees in order to build an independently operating subsidiary of a home company as well as reduce the transfer and relocation costs. The Western MNCs are constantly localising their operations and giving up heavy usage of expatriates but for example Japanese MNCs seem not to follow the steps of their rivals.

5.2. Organisational trust and interpersonal trust in organisations

The organisational trust has changed it features along the course of time. During the previous century major changes can be distinguished in the terms of the importance of trust in the organisational relationships. Traditional management style stressed the limited competence of low ranked employees. Later in vertically functioning forms, the employees' need for belonging and recognition are emphasised along the clear need for supportive direction and control. In this model, trust was needed only to receive short term delegation and cooperation from employees. Processes and operation were still centrally planned and controlled. From this forward there was a move towards the form of network organisation where trust is mostly needed in order to generate high adaptability and facilitate rapid external responsiveness. This requires a management going beyond the stimulation of current abilities and training for current needs. In modern organisations, not only trust based on formal mechanisms, but also trust based on interpersonal relationships constitute an essential feature for effective functioning. There is a vision to invest in education designed to enhance technical competencies, business understanding, decision making abilities and self-governance capabilities. This concept closely introduces the presence of uncertainty and the involvement of risk taking, since it exceeds the current need and invests to the future. (Costa, 2000, 35.)

The aim behind the intended organisational change has been to improve the performance through optimising the organisational processes and human resources to increase motivation, commitment, flexibility and trust. Employees' trust towards the organisation is inforced by maintaining their basic needs and considering the nature of their relationship with the organisation. This is the responsibility of the organisation during the intended change. On a structural level, organisations have changed from hierarchical management, reducing the number of management and supervision levels and transforming functional departments into smaller business units. At the work level there

have been an increase of empowerment of the individuals as well as teams. (Barry, 1991, in Costa, 2000, 30.) The empowerment is not possible if there is no trust in and between the different levels of organisation. In order to change the ways of operating, managers and teams need to trust in other and recognise their co-dependencies. Lack of trust can lead to the inability or unwillingness to cooperate and to change the traditional approaches of running companies. (Costa, 2000, 30.) To mis/distrust the one who has been provided with the authority (either a manager or another team member), may crucially lead to either active or passive resistance. Employees have been given responsibility for their own work and decisions, beside performing their normal activities (Vansina & Taillieu, 1994, in Costa 2000, 29.)

Organisational trust can be divided into two categories: intra- and interorganisational trust. Intraorganisational trust refers to trust within one organisation while interorganisational trust is trust between two (or more) organisations. These organisations can be different companies or different offices of the same company. Organisational trust is based on institutional arrangements, such as laws and regulations and professional practices that support the organisation as a whole. These mechanisms create a common ground for understanding actions, and they enhance the patterns of behaviour that can extend beyond particular individuals or transactions (Zucker, 1986, 60.) According to Ren & Levine (1991, in Costa, 2000, 35) these organisational arrangements and regulations create a general climate upon which trust is produced and generalised at all levels of the organisation.

Attitudes, actions and behaviours of leaders are of crucial importance in building organisational trust. Management philosophies shape the nature of interactions and reciprocity, thus embedding the trust in the organisation. Traditional management, with no belief in competence of low ranking employees did not involve trust as the human investment management philosophy that is used nowadays. (Costa, 2000, 35.) The trust between partners increase their commitment. When one invests to the relationship, possible problems can be solved in constructive way. (Klein Woolthuis, 1999, 25.) Organisational trust is this way based on the institutional and legal arrangements like contracts, also described in our six-grounds model.

Interpersonal trust in organisation is conceptually separated from organisational trust since it refers to established relationships between organisational members. These relationships are either dyadic, group based or intergroup based. The level of rationality and emotions, affecting the forming of interpersonal trust in organisation, is debated. Rationality is seen to be the most effective when

forming trust, emotions having minor role. However we see the level of emotions and intuitions, as a part of human interaction, to be of great importance. Gambetta (1988 in Costa, 2000, 37) is concentrating on the rational side of trust - on the calculation, whether to trust or not. The behavioural decision theories (introduced by e.g. Axelrod 1984; Deutch, 1962) are consistent with this point of view and tend to explain the decisions of trusting through situational factors rather than personality characters. The rational bases for trust are the long-term interest of both parties, comparably riskless situation, or the influence of institutional arrangements, such as normative prescriptions, socialisation practises and network strategies.

People often have rather different norms, at least in the beginning of the organisational relationships. Norms and ideas are linked to people's nationality, culture, background and experience. For instance, a person may regard an agreement following from a chat down at the coffee machine as a promise, whereas other will regard the words of someone as meaningless, unless they are written down. When both partners depend equally on the relationship, both will refrain from cheating since both are equally vulnerable. In addition, high total dependence leads to efforts and non-coercive strategies. Asymmetric dependence leads to situations in which the more powerful party has possibilities to determine actions and the less powerful party will refrain from behaving opportunistically because of her/his vulnerable position. Perceived network interdependence urges parties to maintain good relationships, since only then they can use their network in the future.

Organisational trust is a prerequisite for effectively applying flexible working arrangements. As organisations shift towards more flexible schemes, the nature of work relationships undergoes some changes. The use of IT has enabled the so-called invisible working possibilities. From the employee's point of view, working from the distance and/or different hours, is often associated as a signs for trust, autonomy, the possibility to own engagements and a power to manage and not to be managed by others. From an organisational point of view, the invisibility of a work process can make an employee face the organisational mis/distrust, if the mentality for invisible work is not shared by all organisational members. For some managers, the presence at the office, sitting behind their desks, punctuality and number of hours worked can still be considered to be the real signs of productivity. By working outside the office can cause the concern of not being able to actively be a part of decision making. In these problematic cases, management can limit the flexibility and display the low trust even towards high performance employees. Consequently after bad experiences there might be resistance to adopt the flexible working arrangements with a fear of

missing promotion, job security and benefits. On the other hand, companies are less able to provide job security or work until the pension, which has increased the contracting of employees, agency workers, technical experts, consultant etc., in the working force. Contracts are for short term and without benefits. Having labour contractors working alongside with company's own employees can affect the overall levels of trust in the organisation as employees are more likely to be more involved than the contractors. (Costa, 2000, 31-32.)

All in all, trusting atmosphere has long term economic benefits. It is extremely important to attain and maintain trust in the business relationships. In general, trust influences positively the development of both, business and personal relationships. To be precise, if there is no trust, there can be no positive development of in-depth relationships of any kind.

5.2.1. Control

Traditionally vertical integration, contracts and monitoring are considered to be the main instruments to cope with complexity, uncertainty and opportunism. In sociologically orientated streams of research the focus is on trust as an alternative mechanism. If trust is considered to be an active instrument to influence and control interorganisational relationships, it refers to the action of individuals consciously building a relationship with each other. By establishing trust, individual will more likely act in the manner which she/he would not act if there was no trust involved. This enables trust to be interpreted as a governance mechanism that has a similar effect as power i.e. to make another person do something he would not do otherwise. Trust can thus be seen as an authority mechanism, or a norm of obligation. The way trust influences behaviour is hereby distinct from the classical, power-based governance mechanism. (Klein Woolthuis, 1999, 25.)

The level of controlling, monitoring and guiding the tasks agreed is related to the level of trust. In the situation where partners acknowledge each other's specialist knowledge and core abilities, there is no need to closely monitor, supervise, or judge other's every step. If the partner's behaviour however violates certain rules, trust will often break down very quickly. Such situation include misusing other's trust (not executing the agreement as agreed), using coercive power to enforce behaviour (using the formal contract as a threat), or harming the other's interest. If such events occur and the trust is broken, social and indirectly economic sanctions (bad reputation, no future assignment) will result. (Klein Woolthuis, 1999, 57.)

Together with mistrust and lack of time (to control and supervise), colleague will judge the situation as risky and will therefore execute the task her/himself. In the situations of mis- and distrust, organisational members are closely controlling and monitoring the others. When trust is existing in the organisation, those procedures change their nature. When control and monitoring are strictly personal, they can be perceived as negative. Positive controlling and monitoring are more positional and process-related than personal, and they are always needed to ensure the effective functioning. In other words, heavy controlling can be perceived as a sign of organisational distrust.

5.2.2. Cooperation

All social activities consists of some kind of cooperation because reality is social. Cooperation at many levels is one base of effective functioning of global business. Most useful form of cooperation is genuine, freely achieved. Forced or "have to" cooperation is possible to occur but the results of this kind of cooperation are insignificant compared to genuine cooperation. It is commonly assumed that some level of mutual trust must exist so that cooperation can be achieved freely in any economic transaction. "Trust is the precondition for cooperation, and also the product of successful cooperation" (Dasgupta, 1988, 49 in Sztompka, 1999, 62).

One single relationship between two persons is the simplest form of trust-relationship and networks are created when these relationships are combined. The most complex system of trust appears in the situation of cooperation. It occurs when people are acting together collectively, and certain goals can not be attained individually. In this kind of situation, the success of each person depends on the actions of others. Uncertainties and risks multiplies when the amount of people in the network is growing, and trust is needed to enable the functioning of the network. Because the success of each person requires the positive contribution of all, cooperation situation creates an additional risk of other(s) making the efforts of the rest meaningless. Also freeriding in the context of cooperation is usual. It means that a group member thinks that if all the others are seriously putting effort in reaching the goal, she/he does not have to fully commit and still the desired goal could be attained. (Sztompka, 1999, 60-62.)

II CULTURE IN BUSINESS

In this chapter the general cultural classifications, categorisations and dimensions will be explored. It is important to formulate these categorisations to simplify the complex world. At the same time it is dangerous to categorise since there is always more in the society and culture that categorisation, classification or dimension can visualise. Categorisations lead to stereotypes that also are oversimplifications and over generalisations of certain social reality. Keeping these restrictions in mind, it is possible to use categorisations as tools to understand the differences between societies and cultures. In general terms, cultural differences make it complicated to live and work in international environment. One has to be aware of the differences to make the effective and culturally acceptable behaviour possible.

1.1. Defining culture

> *Cultures consists of explicit and implicit patterns of/for behaviour acquired and transmitted by symbols, constituting the distinctive achievement of groups, including their embodiment in artefacts; the essential core of culture consists of traditional ideas and especially their attached values; culture systems may, on one hand, be considered as products of action, on the other hand as conditioning elements of future action* (modified from Krober & Kluckhohn, 1952).

Culture is always a large entity, and it can be manifested in several settings and at different levels. In narrow sense, in arts, science and education culture is civilisation. In broader anthropological sense, it is collective programming of mind. For this thesis we divide culture into two large categories: national culture and organisational culture. National culture is the overall traditional culture of certain national group, country or society which is transferred in symbols, norms, values and rules through socialisation into that context. Organisational culture refers to cultural knowledge that emerges within a specific organisation; it may comprise assumptions shared by all or most of an organisation's members, or assumptions shared by an organisational subgroup.

1.2. Cultural classifications

Societies differ in the extent to which they are internally homogenous or heterogeneous. Culturally homogenous societies consist of members who have the same kind of ethnic identification, Japan for example. USA or the Netherlands are culturally diverse and heterogeneous. In heterogeneous

cultures where diversity is high, the group membership is not highly valued. In contrary in homogenous cultures where the people belong to groups, the group membership becomes crucial.

Other way to classify societies and cultures is their *external* differentiations: how societies differ for example in climate, geography or socio-cultural patterns (Furnham & Bochner, 1986, 19). Societies can be also defined by high-low context dimension: low context people appreciate explicit, clear written forms of communication like via computer, and in contrast high context people (such as Japanese) tend to develop extensive informal networks for exchanging information verbally face to face. (e.g. Leeds et al, 1994,12 in Beardwel & Holden, 1997, 694). Face to face communication is challenged in international context where several languages are involved. High context people may prefer communicate via e-mail or other means of communication that are normally essential for low context people. This is then more convenient than to struggle with the language face to face.

1.3. Intercultural theories

1.3.1. Pioneering Hofstede

The pioneer work and basic culture categorisations are made by Geert Hostede (1983). He originally formulated four dimensions of national cultures and international differences in work-related values. *Power distance* has been defined as the extent to which inequality is seen as an irreducible fact of life. It is the extent to which employees accept and expect that their superior has more power than they have, and the extent to which they accept that their superior's opinions and decisions are right because of the status. Dimension refers to the fact that societies weight inequalities like power differently. In the high power distance cultures superiors and subordinates consider each other as unequal and the strong hierarchical order is accepted without questioning it. Superiors are believed to be entitled to privileges and subordinates are expected to be told what to do. Contact between superior and subordinate is supposed to be initiated only by superiors. In opposite end of the dimension, in lower power distance cultures, subordinates and superiors consider each others as more equal. There is a strive for power equalisation and justification for inequalities are demanded. Hierarchical systems might however be established to create convenience and may be changed depending on circumstances. In low power distance cultures organisations have a tendency to become decentralised, with flatter hierarchies and a limited number of supervisory personnel. Privileges for the top ranks are essentially undesirable, employees expect superiors to be accessible basically at any times. (Tahvanainen, 1998, 60.)

Second dimension, *uncertainty avoidance*, refers to the extent to which people feel threatened by ambiguous situations and have created beliefs and institutions to avoid them. Uncertainty avoidance is the lack of tolerance of ambiguity and the need for formal rules. High level of uncertainty avoidance is reflected in a greater desire to control the future through planning procedures and contingency arrangements. In the countries of low level of uncertainty avoidance, tolerance of uncertainty is higher and future is not controlled by plans of great extend. Problems are not feared and they are taken care of when they arise.

Hofstede's third dimension is *individualism-collectivism*, whether person's self concept is 'I' or 'we'. It refers to the way in which people live together, and the relationship that exists between the individual and the collective in given society. Individuality is the preference of individuals for loose networks in which independent individuals are supposed to take care of themselves and their immediate families. In collectivism, a group is of higher importance than an individual and network is much tighter. People belong to in-groups or collectivities which are supposed to look after them in exchange of loyalty. This dimension describes the preference for living and working either in collectivist or individual ways. (Beardwel & Holden, 1997, 690.) Offending in collective culture leads to shame or loss of face. Hiring, promotions and management are in-group based. In individual culture offending causes quilt and loss of self-esteem. Employer-employee relationship is calculative, contracts are based on mutual advantage, management is on individual basis. When the nations become richer the trend is to become more individual. (Banks & Waisfisz, 1994, 73.)

Masculinity-femininity is the fourth dimension. The fundamental issue here is how the sex roles in family, school, media or in the peer group are allocated by society. In masculine cultures sex roles are clearly divided, and femininity refers to the societies in which women are supposed to be modest, tender and concerned with the quality of life (Hofstede, 1991, 82). In masculine society dominant values are achievement, quantity and success, where as in feminine society such values are quality of life and caring for others. Masculinity emphasises material values, like money and fancy car and showing it to others. Work becomes before pleasure, quantity before quality. Feminine societies strive for minimal social differentiation between the sexes. This means that not only women can take assertive roles, but also, and especially, men are permitted to take relationship orientated, caring roles. In masculine country one lives in order to work and in feminine country one works to live. Countries of Northern-Europe are more feminine, and in opposite end Japan is among the most masculine countries. (Banks & Waisfisz, 1994, 73.) Masculine and feminine values can apply to both men and women.

Hofstede, in cooperation with Michael Bond realised that the originally chosen values to describe (managerial) differences were mostly Western oriented. Therefore they carried out a subsequent research with similar methodology as in Far East in 1990. This resulted to additional fifth dimension which is closely related to the teachings of Confucius. The key elements of Confucian teachings are stable society based on unequal relationships where family is a prototype of all social organisations. It is important to acquire skills and education, work hard, moderate under all circumstances as well as treat others as you want to be treated yourself.

It was therefore identified as *Confucian dynamism* is the extend to which society exhibits a pragmatic future orientated perspective rather than a normative historic or near term point of view. It is composed of the following values (Hofstede, 1991, 165-66): long-term orientation including persistence, status orientation, thrift, sense of shame; and Eastern kind of short-term orientation including personal stability, protecting face, respect for tradition and reciprocation of greetings, favours or gifts. (Beardwel & Holden, 1997, 692.)

With the help of these dimensions, individuals can identify themselves in social reality, place themselves into some group and prepare themselves to recognise and confront potential problems when in interaction with other cultures and countries. Dimensions are not always pure and regional sub-cultures do exist. Therefore one country might fall under certain category even if lacking some of the specific features.

1.3.2. Seven dimensions of culture by Trompenaars

Fons Trompenaars' and Charles Hampden-Turner's (1993) seven dimensions of culture add new perspectives to the Hofstede's pioneering work. The scarlet thread is the process of recognise-respect-reconcile. To overcome inter-cultural differences, by creating the tools to use in the international business arena, inter-cultural competence is build *. Every country, organisation and individual face certain universal problems or dilemmas.

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*Original concept, cross-cultural competence, is here changed into inter-cultural competence to align it with the rest of the thesis. The concept of inter-cultural competence is preferred over cross-cultural competence because inter-cultural competence involves face to face interaction while cross-cultural competence can be acquired without actual human interaction.

A culture is expressed in a way that people approach these dilemmas. Intercultural competence can be achieved by recognising cultural differences, respecting them and ultimately reconciling them. When working across cultures the shared values of working together make the organisation more powerful. Unresolved conflicts tend to diminish individual and group energies and thus reconciling values leads to better products and services. (Hampden-Turner & Trompenaars, 2000, 349.)

Trompenaars and Hampden-Turner have defined seven pairs of value differences, and placed them in the opposite ends of continuum. Analysing and synthesising these values lead to forming rules and discovering exceptions. Rule to an exception and synthesis to analysis must be integrated and thus the reconciliation of the dilemma is created. Exceptions must be integrated to a new rule, individuals into the community, as analysed pieces into a new synthesis. (Hampden-Turner & Trompenaars, 2000, 8.) The seven dimensions of Trompenaars are constructed and illustrated by two opposing values and if they are successfully combined, reconciliation has occurred. Reconciliation is difficult since tensions and conflicts are opposites. The ideas of two opposing values and reconciliation is following the traditional thesis-antithesis-synthesis –procedure known from many sciences. Hampden-Turner's and Trompenaars (1993, 10) thesis of economic development is that each value in the pair is crucial to economic success. The capitalistic cultures that succeed in the future will be those that overcome their cultural pre-dispositions and bring seemingly opposed values into balance.

2. Japan - Basis of cultural values

The Japanese are culturally very different from the other cultures. Their uniqueness is deriving from three principal factors: isolation, language and religion. Japan has only few natural resources and yet it has developed during the post war era to be one of the most powerful economies in the world.

The lack of resources has been compensated with human resources, nurturing the education, skills and abilities of their population. (Beardwel & Holden, 1997, 685.) In this chapter these three basis of special Japanese cultural values and traits will be explored. From this chapter onwards, the thesis will be concentrating on how these values are shaping the Japanese business practices and trust.

2.1. Isolation

For 250 years, between 1603 and 1853 (Tokugawa rule), Japan was closed from all external connections, except of the trait with Dutch, who where the only nation dealing with Japanese in

those years. This desired isolation was reinforced and enabled by the geographic distance from other countries, and during those years the Japanese society was build. Outside elements were purposefully avoided, thus Japan developed as distinct society and culture without foreign stimulus. Isolation created a great power of group cooperation and social skills which led to the phenomenon known as the "web society". In the web society there is a great interdependence between all members of a group and abundance of moral and social obligations, both vertically and horizontally. The socialisation to the system starts from the birth since Japanese children are not separated from their mothers until they are three years old. This way they are encouraged to be completely dependent on surrounding human beings and they develop an interdependence which will characterise them throughout their lives. Family is naturally the first group they belong to, then high school, university and company (Lewis, 1999, 400-401) – all of them meaning much more than to the average individual Western person.

2.2. Language

Language is one of the strongest proofs of avoidance of foreign, outside elements. Besides over 3000 thousand signs in Japanese language, there are also three different styles of writing existing: one is the old and original style, other is a simplified one (for women to write novels etc.) and third is used to write everything that comes from outside Japan (translating books etc.). This way it can be seen immediately what is original Japanese and what is imported. In Japan (as in China and South-East Asia) books start at what is for westeners "the back" and end at "the front". Instead of reading from left to right, writings are read in vertical columns. One symbol itself is not just a part of the word, it is the whole set of a meaning. (Hampden-Turner & Trompenaars, 2000, 2.)

Human behaviour is strongly affected by the nature of the language. In Japan everything must be placed in larger context. This means that the actual sentence is often initiated by another sentence which first explains the reasons and then in the end of the sentence, the meaning is expressed. Japanese have the differing words for older and younger brother – thus expressing seniority and appreciation. Learning the difficult Japanese scripts take a long time in school for children, reducing the time to learn other languages, and as Japanese language differ enormously from Western languages, it is common that Japanese language abilities, such as English, might not be so good. Later on, of course the lack of second language capability causes problems in international context. (Lewis, 1999, 409.)

Japanese distrust words and this is why they use a lot of non-verbal communication. This communication is however different from the Western, for example explaining with hands is not used and the facial expressions are of different type. More important than what has been said is what has not been said and silence shows respect for the speaker. Japanese are reluctant saying 'no' directly because they consider that to be offensive and disagreeing is expressed through the polite manners. Staring is considered rude and that is why Japanese do not look straight in the eyes.

2.3. Religion

Japanese religion is Shinto, literally "they way of the gods". Godlike forces (*kami*) exist in nature, in streams, winds, tides, and crops, and by extension, in markets and flows of information. The art of life is to go with such forces. Adjusting is expected even when these forces may behave arbitrarily and randomly. Even in contests where the idea is to win, the preferred means is to use the strength of the opponent, changing only its direction and consequences in a way that shows mastery. (Hampden-Turner & Trompenaars, 1993, 65.) In Shiontism and in Japanese variations of Buddhism the dead keep returning to this world to help redeem the living, much as leaves fall to the forest floor to nurture ground. To live with nature is to live with the spirits of those who went before you, just as those living will watch over future generations. Japan is still one of the most forested lands on earth and the ecology of the wild forest remains its major cultural metaphor. The importance of religious beliefs is that they have been shaping the modern views of time. When we die we both recede into the past and decompose underground, and come back again in our genes, in the memories of our children etc. The nature spirits, the kami, are returning from the past to watch over present and future generations. Japanese have an axiom which strongly describes the relation to nature: "Man alone is weak, but harmonised to nature he is strong" (Hampden-Turner & Trompenaars, 1993, 137, 170).

3. Seven dimensions of culture applied to Japan

This chapter combines seven dimension of culture by Trompenaars and Hampden-Turner to the Japanese culture. The opposite examples are also provided.

3.1. Universalism – Particularism dimension

The first dimension is *universalism* (rules, codes, laws and generalisations) – *particularism* (exceptions, circumstances, relations). Universalism searches for sameness and similarity and tries

to impose on all members of a class or universe the laws of their commonality. Particularism searches for differences, for unique and exceptional forms of distinction that render phenomena incomparable and of matchless quality. (Hampden-Turner & Trompenaars, 2000, 14.)

A universalist culture, as U.S., accepts and serves all equally. Even a person, holding the extraordinary power with many particular relationships can be forced to yield under the authority of the law. Tolerance of diversity, science and technology, mass manufacturing and mass marketing are universalistic characters. A particularistic culture, as Japan, prioritises what is unique and incomparable about people, situation, and events. Particularism is involved in intimate and passionate relationships. (Hampden-Turner & Trompenaars, 2000, 17-22.)

Taken these opposites too far, in the most universalistic cases scandal follows another, industrial process emphasises of doing things right, opposed to doing the right things. The most particularistic culture becomes hostile to human rights by universalising claims of equality. Nationalism, tribalism, patriotism, and appeals to ethnic identity are all particularistic values. Without the sanction of legality, particularism often resorts to power and coercion, using intimidation, mystification, complicity and conspiracy. The mafia and criminal gangs, where ever around the globe, are examples of particularism. Another example of comparing both ends is that America requires 22 times as many lawyers per capita as Japan. (Hampden-Turner & Trompenaars, 2000, 21-26.)

Universalist culture focuses on rules and particularist on relationships (Hampden-Turner & Trompenaars, 1993, 11). In the dimension of particularism - universalism, Japan is in the absolute particularistic end. A dynamic harmony is created from myriad differences, with no tree, leaf, flower of stone like any other. To treat almost everything as particular requires an extraordinarily homogenous culture. In cultures where values are deemed harmonious and complementary, personal and particular relationships become microcosms of the larger social order. The Japanese call the situational ethics as tsukaiwake. (Hampden-Turner & Trompenaars, 1993, 106.)

Harmony means that everyone is cooperating to increase the effectiveness of the whole. The Japanese view is that all phenomena can be seen from multiple points of view, and that the additional angles make reality more cohesive and comprehensive. This is an extension of the cultural preference for harmonising particulars. This also means that Japan is a polyocular culture. Japanese did not originally have a word for "objectivity", and it had to be invented when Westerns

started to speak about objectives. The word invented is kyakkanteki, literally "the guest's point of view". Subjectivity is shukanteki which means "the host's point of view". The notion of a world that consists of differences instead of objects, could give the Japanese a massive advantage in the information of knowledge revolution. A culture attuned to a multiplicity of particulars or differences, may process information more easily than a culture searching for universal or uniform attributes among objects. (Hampden-Turner & Trompenaars, 1994, 111-114.)

3.2. Analysing – Integrating

Analysing (atomistic, objective) – *integrating* (holistic, relational) dimension examines the tension between the tendency to analyse phenomena into parts or to integrate and configure such details into wholes and wider contexts (Hampden-Turner & Trompenaars, 1994, 11). Japan is a very homogenous society in which minorities are not well assimilated. Japanese consider themselves to be unique but they are also willing to learn about others, however remaining their own specificy. Those Japanese who are not familiar with other cultures are not willing to mix with other nationalities. They are afraid that they do not know how to behave. (Lewis, 1999, 412.) Japanese are effectively learning and using strong characters of other cultures in their own context, but when in unfamiliar surroundings the insecurity srenghtens the Japanese values and learning host culture specifics decreases.

Japan is considered to be an integrating culture. A whole is more important than a small part in it. Thus small parts with little meaning and importance are put together to create and form a bigger whole with a meaning. This difference has been apt defined by Akio Morita, the founder of Sony, to bricklayers and stonemasons. A bricklayer orders bricks of every kind and ready-shaped in advance, and slots them into specific places. The stonemason picks rough, uneven stones and chisels these until they fit together perfectly. (Hampden-Turner & Trompenaars, 2000, 142.)

3.3. Individualism – Communitarism

Individualism (competition, self-reliance, self-interest, personal growth and fulfilment) – *communitarism* (cooperation, social concern, altruism, public service and societal legacy) dimension is a major dilemma for any culture or any business unit. We can not even define individuality without specifying a group or social context from which that individual is abstracted and separated. Similarly any group, corporation, or society is constituted by its individual members.

We make value evaluations about what is important: welfare, development, personal fulfilment, self-expression, affluence, satisfaction, and freedom of each individual person or the shared resources, endowments, and heritage enjoyed by the group or society, cultural and natural riches, common memories, and experiences. What makes the society individualistic is the belief that motives are individually originated and are the results of choices and voluntary commitment. Similarly communitarian society may emphasise how many graduates it has produced, how many engineers, the life expectance of its population, and the doubling of per capita income. What makes the society, such as Japan, communitarian is the belief that such gains originate in shared knowledge, communal values, and mutual supportiveness. (Hampden-Turner & Trompenaars, 2000, 68.)

The decisive contrast between these dimensions is the extent to which the individual is self-constructed and the extent to which the wider social system is responsible for personal success. Individualism seeks to locate the origins of value in the person who seeks fulfilment and is solely responsible for choices made and convictions formed. Communitarism seeks to locate the origins of value within the social discourse of the living society, which nurtures, educates, and takes responsibility for the common mentality among its members. (Hampden-Turner & Trompenaars, 2000, 69-70.)

At its best, communitarian culture shares burdens equally. It encourages its members to leave a legacy to society, neighbourhood and family, which lasts beyond the individual's life span (Hampden-Turner & Trompenaars, 2000, 79). Individualism - communitarism is the conflict between what each of us wants as an individual and the interest of the group we belong to. In this dimension Japan is in the communitarian end.

3.4. Inner directed – Outer directed

Inner directed (virtue as inside of us, in our souls, beliefs and principles) – *outer directed* (virtue as outside of us, as natural rhythms and power of nature) dimension ranges from individuals who are influenced to action by inner directed judgements, decisions and commitments, or signals, demands and trend in the outside world to which we must adjust. (Hampden-Turner & Trompenaars, 1993, 11.) To be truly inner directed one must override the opinions of others around. The more influence the outside has on individual, the more outer directed she/he is. Inner directed person is a great inventor who begins with an idea inside of her/his head, persists in creating it, and

finally establishes it as a major feature of the external environment. U.S.A. is a good example of the inner directed culture, while Japan is outer directed. In outer directed cultures individuals are part of tight social network and control, where the social pressure from outside strongly influences the decisions and behaviour. Social pressure is not necessarily perceived to be negative, and everyone is socialised into that same social reality. In the outer directed culture such concepts as contingency, luck, fate and circumstance are stressed. Fate is encourages to be used and fortune is expected to lead the fate. Outer directed culture is in touch with the living environment. To be outer directed is to be mature, responsive and nurturing. To be inner directed is to be young, precocious and aspiring. (Hampden-Turner & Trompenaars, 2000, 239, 249, 255.)

3.5. Time as sequence – Time as synchronisation

Time as *sequence* (clock time*)* – time as *synchronisation* (cyclical time, good timing). These concepts of time are taken from the Greek mythology. Chronos was the god of clock time bearing the hourglass, thus giving his name to "chronology" and "chronometer". Kairos was a god of time and opportunity, or of "good timing". Chronos is the "Father Time", announcing the end of the year, the century, the millennium, or our own life span. Kairos is less well know, in part because Romans did not re-create him, never the less, he can be seen as the god of synchronous time. (Hampden-Turner & Trompenaars, 2000, 296.)

Cultures vary in their relative appreciation of sequences or of synchronies, in how strict their schedules are and how readily altered in the interests of synchronising with and accommodating other persons' priorities. All the cultures think of time in both ways, as sequences and as synchronisations – time would not be much of use if people failed to synchronise their clocks! The two ends of the continuum present either the preference to do things fast, in the shortest possible sequence of passing time or to synchronise efforts so that completion is coordinated. (Hampden-Turner & Trompenaars, 1993, 11,137.) The view of time in Japan is synchronised.

New Year in Japan is the most important festival, time to start fresh and reborn. The combining of past and present is revealed in the way Japanese mark their agendas with the names of bygone emperors. As one dies, next is born. Japanese Buddhism differs crucially from other variants of Buddhism in that your ancestors never leave you and reincarnation is not entrapment, the dead keep returning to save and sustain the living. (Hampden-Turner & Trompenaars, 2000, 308-309.)

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Conception of time affects people's ideas of the becoming future thus shaping the orientation towards it (short-long - terminism).

3.6. Achieved – Ascribed status

Achieved status (what you have done) - *ascribed status* (who you are, potentials and connections) examines the view that the status of people. Whether it depends on what they have achieved and how they have performed or in the opposite the important characteristic e.g. seniority, gender, education, potential, strategic role. (Hampden-Turner & Trompenaars, 1993, 11.) Ascribed status is the feature of Japanese culture. The status is growing automatically with age and experience. This development is creating hierarchies, but this kind of hierarchies are quite equal since everybody ages over time and will rise as high as the qualifications ascribed to them allow. Cultures of ascribed status, take scholarships extremely seriously. Japanese high school is competitive and achievement-orientated. Ascribed status is seen in a way that competitive achievement is brought to an end relatively early in life. Once a person is admitted into a prestigious Japanese company, the ability to achieve competitively has been discovered and certified. From then on one is guaranteed a status in return for using abilities to serve the company. Long term orientation is necessary for this fairness to emerge. (Hampden-Turner & Trompenaars, 2000, 203.)

Ascribed status is often seen as privilege. Status is ascribed to person born with it, born to an elite, noble or royal family or those who are related to or within a social circle of admired people. Strong case of ascribing status is to treat other human beings in a way that elicits their potential, so that their success is a self-fulfilling prophecy. (Hampden-Turner & Trompenaars, 2000, 189, 200.)

3.7. Equality – Hierarchy

The seventh dimension *equality - hierarchy* has similarities with Hofstede's power distance dimension. It seeks an answer to the question: Is it more important that we treat people as equals so as to elicit from them the best they have to give, or to emphasise the judgement and authority of the hierarchy that is coaching and evaluating them (Hampden-Turner & Trompenaars, 1994, 11.) Hierarchies include the idea of organic ordering. It means that the direction of initiation is upward, with juniors bringing their particular information to more seniors above them. Seniors harmonise the information into coherent visions and configurations. Relationships between hierarchical levels are close and intimate emotionally, as well as conceptually, since the parts must fit the whole to

create effective harmonies. Japan is among the most hierarchical countries in the world. (Hampden-Turner & Tromperaars, 1994, 98.)

4. Japanese business

4.1. Internal success

The performance of the Japanese economy has been quite extraordinary from the end of 19th Century onwards. After Tokugawa rule Japan's economy was undeveloped because of intense isolation but by the end of 20th Century Japan's economy had become the second most powerful in the world. The black ships of Commodore Perry, which forcefully opened Japan to the world, the atom bombs, American occupation, the Korean War, the oil shock, the massive appreciation of the yen, the Nixon *shocku* the onrush of new technology, the strenght of market forces unleashed by the West – all could have lead Japan into deep crisis. Instead, these forces were used as a judo artist uses the power of an opponent, to change to direction of action - and Japan in the direction of economic development. This development was accomplished despite of the devastation that Japan has suffered. The economy was growing from 1868 to 1989 sustainably and especially the 18 year Japan's economic miracle period between 1955 and 1973 was noteworthy because the economy measured in terms of GNP rose almost ten percent per year. (Katzner, 2001, 2.)

There are several reasons that have been proposed to explain the cause and maintenance for the economic development: the low foreign prices of raw materials that Japan had to import and successful government monetary and fiscal policies were the base for the development. Also forecasts of business activities proved to be under evaluated several times, thus investors were getting more profit than forecasted and they started to believe strongly in the future. Japan had high saving rate that provided large quantities of funds for investment as well as the successful identification and targeting by the Ministry of International Trade and Industry (MITI) became eligible for favourable allocations of foreign currency and subsidised government loans. The technological ideas that were needed for the advancement was readily available from abroad. Japanese are pragmatically oriented; they get advantage of using the new technologies that Western countries invent and implementing these innovations. This strategy leads to the high productivity. (Hampden-Turner & Trompenaars, 1997, 4.) That in turn has its effect on the fact that Japan's total GNP is the second highest in the world after the U.S.A. and when comparing the GNP per capita Japan is sharing a second place with Norway after Switzerland (according to the database from '98 by www.worldbank.org). By end of the miracle period in 1973 these elements of success started to

loose their importance and the growth began to slow. Still, Japanese GNP was able to grow on average about four percent per year until 1991, when the economical conditions changed. Then the Japanese economy faced lower growth rates and recession during the 90's. (Katzner, 2001, 3.)

In accordance with the Japanese culture, the model of the pure capitalist company does not suit Japanese companies because the assumption of profit maximisation is not appropriate in that context. Other motivations such as fulfilment of social and economic obligations, intra-firm harmony and unity, loyalty to employees and business partners as well as the preservation of the company's social status, are guiding Japanese business. The primary purpose of the Japanese company is to provide service to society and benefits to employees, and this is achieve through long-term growth. (Katzner, 2001, 4.)

The Japanese are said to practice cooperative competition that is sometimes quite difficult for Westeners to understand because everything that seems to reduce competition looks like it is unmanaged. When competing cooperatively, competitors harmonise their talents purposefully and through social motives. Cooperating and competing, rather than being opposed processes, can intensify each other's power. The Japanese phrase *kyoryoku shi nagara kyosa* means cooperating while competing. These two can harmonise by occuring simultaneously at different levels of the social system. The better the workers cooperate within the organisation, the keener the competition between that organisation and others. There is neither duplicity nor contradiction in this fact. The quality of the first increases the intensity of the second. The earlier competing is for the later cooperation. Hampden-Turner and Trompenaars are using *wa* or harmony to describe the reconciliation of competing with cooperating so that they enhance each other. By cooperating we learn to integrate, encompass and facilitate the adoption of what we find to be best. Losers need to emulate winners and not be crushed by losing. It is here we find the crucial characteristics of Japanese competition. When it is clear who is winning, the destruction of the rivals is stopped– the loser is not only spared but will learn from the winner the better ways of operating. Competitive cooperation allows a fast transition from winning to teaching. (Hampden-Turner & Trompenaars, 1994, 76.) Japanese internal business success is based on hard work, good education and short holidays. If only one key to success can be named, it is their ability to conduct a company's internal affairs in a spirit of harmony and cooperation. (Lewis, 1999, 407.)

4.2. Internationalisation – and further globalisation of Japanese business

There are certain distinctive features in the pattern of Japanese internationalisation. Japanese business internationalised late compared to the Western companies and the internationalisation process was very rapid starting during the 1970's after the internal economic miracle. Even in the 1980's when it seemed that Japanese MNCs were reluctant to internationalise, during next decade from 1979 to 1989 Japan achieved its status as global economic superpower. Nearly half of their overseas investments at that time were targeted to the United States. To describe the extensity, Japanese multinational corporations established over 500 affiliate operations alone in the state of Tennessee. (Beechler & Bird, 1999, 3-4.) After starting the operations in US and Southeast Asia, Japanese companies entered Europe, Netherlands and Germany for example. When early analyses predicted that Japanese firms would experience great challenges in internationalising, it was not predicted that this internationalisation and later globalisation would pose equally challenges to the theories and analysis of the MNC, exposing inadequacies in existing theories and raising new questions to the evolving field of international management. (Westney, in Beechler & Bird, 1999, 11.)

The critisism of the studies in the 1970s are similar to those notions directed to Japanese MNCs today. These notions are 1) Japanese firms are using higher proportion of expatriate managers, than U.S. or European firms in the same region; 2) local managers are feeling excluded from decision making processes both within the local subsidiary and in the interactions between parent and subsidiary; 3) Japanese firms have the tendency to create "Little Japans" - similar production procedures from the parent plant to the overseas plant. Major source of criticism seems to be the frustration of local managers, whose expectations of their roles and of their prospects for upward mobility are thwarded by the apparent monopolisation of influence by Japanese expatriate managers. Their aspiration for the local adaptation of organisational patterns are also perceived to be constrained by the tight coupling to the patterns of Japanese production sites. In other words all these Japanese MNC patterns violate the expectations of MNC's organisational behaviour that have been set up by Western MNCs. They also cause changes in the nature of competition in local markets. Japanese creation of this alternative model of doing international business started the reassessment of the prevailing models. (Westney, in Bird & Beechler, 1999, 17.)

There are two explanations for using high number of expatriate managers: First of all, Japanese companies had only recently started their internationalisation process, and in these early stages of

technology and organisation transfer inevitabily relied on a high level of expatriate management and home country involvement. This is normally temporary phase according to the model of Western MNCs' organisational development. Another set of explanations involves home country effects. The distinctive patterns observed in Japanese MNCs were caused by distinctive organisational system that had been developed in the home country and was deeply institutionalised in Japanese companies. Only after organisational and management changes of the Japanese company in Japan the organisational system can be changed overseas. (Westney, in Bird & Beechler, 1999, 18.) This is a proof of ethnocentric attitude in the Japanese companies.

By the middle of the 1980s Japan was seen to have constituted an alternative model of MNC, both in terms of strategy and organisation. This model lost its importance by the late 1980s and early 1990s, as the international management field focused increasingly on a global form of MNC, which is made possible by falling tariff barriers, growing convergence of per capita GNP among a growing number of highly industrialised countries, and rising consumption levels in the developing countries – and by technological changes that rapidly lowers the costs of cross-border transport and communication. Japanese firms were not unique in their resource to the global model, but they were often portrayed as uniquely effective in exploiting it. This was not only because of the timing of their internationalisation coincided with the maturation of the economic, political, and technological forces leading to the global economy, but also because of the interaction of this period effects with the effects of their country management systems. (Bartlet, 1986, in Westney, in Bird & Beechler, 1999, 19-20.)

It has not been the primary interest of business scholars to research the actual success of the Japanese MNCs, instead more attention has been directed to the strategic aspects of how Japanese MNCs compete in the international arena. At the same time Japanese management specialists are focusing on what Japanese companies are doing within Japan and viewing the overseas affiliates as an extension of the parent company. They see overseas company which is confronted with unique challenges, but which is not dramatically different from domestic operations. (Bird & Beechler, 1999, 3-4.) Bartlett and Yoshihara (1992) suggest that Japanese firms in particular may have limited ability to develop the organisational capabilities required for competing internationally today (Taylor, in Beechler & Bird, 1999, 133-135). Japanese society, "despite its rapid industrialisation and economic development, seems to have maintained a level of global order characteristic of pre-industrial, gemeinschaft -like societies". (Sztompka, 1999, 94.)

4.3. Employee relations in Japanese business

For Japanese the company is sacred. Once employees are accepted, they show loyalty and do not divide the spheres of private life and work. Their loyalty is rewarded by lifetime employment and regular promotions. Once employed by *Zaibatsu* or nowadays known as *Keiretsu* (formerly a conglomerate trading company that contributed to the economic development of Japan before the Second World War) one can expect to work uninterrupted until retirement age. This employment includes training and in most cases also housing and education for the family. The effect of Keiretsu system is a strong sense of identification with the organisation by the workforce.

Only the minority of the workforce enjoys lifetime employment, the core workforce. Traditional Japanese HR system makes an important distinction between *seishan*, regular fulltime employees, and non-*seishan*. (Beechler & Bird, 1999, 7.) The system has its drawbacks like short pensions based on the short life expectancy in the history. Nowadays Japanese do live longer than during the creation of this system. This is why some Japanese might live 20 years without social or formal labour market support. (Beardwel & Holden, 1997, 768-69.) Promotion by seniority maintains this family connotation. The window position system is part of the traditional life-long employment. The seishan employee who's position or work does no longer exist, is given a window position (zero work) for her/him to avoid the socially embarrassement. Another such element is the rumoured existence of "resign-phone lines" – the company's representative calling to the employee to resign her/him. It is a way of breaking the life long employment but done in respecting manner with saving the employee from loosing her/his face.

The Japanese expect workers to want higher pay and more enjoyment and zest at work. They do not expect workers to be lyrical about owners they never see. They do expect workers to grasp that what they seek is congruent with what shareholders seek e.g. that higher pay and higher performance harmonise with better dividedness or growth. Congruence helps to explain the job rotation in Japanese corporations. Seishan employees are constantly rotated so as to see issues from as many different angles as possible. Graduates from the top universities work on the factory floor for as long as two years and represent fellow workers in union activities. Ideally, the senior manager in his fifties will have personal experience of nearly every vantage point within the corporation. He can help harmonise differences because many of those differences are know to him. (Ouchi in Hampden-Turner & Trompenaars, 1994, 127-128.)

It has been claimed that the quality of staff-customer relationship is a reflection of the staff-supervisory relationship which further reflects how the supervisor was treated. Japanese companies typically go much further than those in other cultures in modelling themselves on family relationships. They admire *amae* and *sempai-kohai* relationships and in this way social bonds go far beyond contract or agreement and often involve an escalation of favours on both sides. The image of the good manager in Japan is that of a highly socialised person, acting to help and sustain others, a company man. (Hampden-Turner & Trompenaars, 1994, 170.)

4.4. Meaning of the leader

Three concepts, amae, sempai-kohai and *naniwabushi* do help us to understand the strong emotional obligations placed on Japanese leaders by their subordinates. Amae can be translated only roughly as a reliance and indulgent dependence upon the indulgent love of an older person. It is rooted in the mother-child bond and it has been referred to universal basic instinct. The Japanese do not make distinction between gemeinschaft and gesellschaft, and they do think that the work relations should be familial and affectionate. Magorah Maruyama has suggested the word aidaschaft to describe the Japanese as having an orientation to relationship per se, neither to work nor to family. The unequal power in amae relationship is an important art of trust it installs. If a person could have taken advantage of other's dependence but instead sustained him, amae is strengthened and benevolence is expressed. In a culture of accelerating complexity and runaway varieties of expertise, we are all increasingly dependent on each other's distinctive competencies. Amae is the most important in the forgiveness of honest mistakes and the willingness to learn from them. Modesty is an important characteristic of Japanese leaders. It is also crucial part of Japanese seniority that by living longer you have made more mistakes and can help others by owning up to this. It is this "witness to error" role that justifies Japanese respect for old age – you have not necessarily been right, least of all before the event, but you have learned wisdom after the event and have learned not to repeat mistakes. (Hampden-Turner & Trompenaars, 1994, 158-160.)

Amae relationship makes possible a conflict-resolving mode called naniwabushi, in which the subordinate of dependent person throws himself upon the indulgence, even mercy, of the superior, offering respect and moral dependency in exchange for what is owed. Naniwabushi are originally ballads of the Edo period (1600-1868), a time of great peace. The higher you rise, the more you must do for others. (Hampden-Turner & Trompenaars, 1994, 160-161.) The Japanese managers are supposed to be able to have precise answers to all questions subordinates may ask, as the Japanese

managers are supposed to. They must start from the bottom to learn everything in the company. With the European managers it is the contrary, they trust expertise and top managers can name the person who can answer the question. Importance of the manager in the Japanese company is seen as high as 78 percent in comparison to 18 percent in the Netherlands. (ITIM course paper, 2000.)

4.5. Japanese way of doing business – 7-d model applied to Japanese business

There are plenty of very original characteristics in Japanese business and the way relations are build. The Japanese assume that the more ambiguous the terms and the more liberally they are interpreted, the easier it becomes for ongoing relationship to develop and mature even in radically altered circumstances. The actual points matter far less than building the relationship, and the greater the mutuality and the trust, the more it will be possible to include the widest range of particulars sought by either party. In the Japanese view whole relationship develops and matures from the particular and changing needs of the partners. The vital question to be faced is whether Japanese have lower transaction costs later as a result of building relationships of trust and mutuality than other nationalities because they negotiate enforceable contracts and extensively litigate conflicts. The reason Japanese managers hesitate to say no is not hard to discover: they are addressing themselves to the relationship with the foreign partner and not to the concrete things being asked for. For the Japanese many of the particular wants of both parties need to be accommodated through a whole relationship, preferably flexible, loose and friendly. Japanese style emphasises human relations, customisation and the formal system, instead of scientific management, mass production and the formal system. Customisation, product specially made for the recipient, is an important source of prototype devices. The human connection is more important than specific contract terms, Japanese expect that contracts can be scrapped and rewritten in the light of changing situations in order to maintain a mutuality of benefit for both partners (Hampden-Turner & Trompenaars, 1994, 26, 37, 124-125.)

Homogeneity allows the society to search for qualitative differences, to produce variety of products and to use all the possible excellence in the quality circle. The Japanese approach to quality is to create a seamless whole from an ever-increasing number of particulars. Quality is integral to the whole process. It is everyone's responsibility and all members of the work team should cooperate to ensure that nothing of second rate is tolerated. The Japanese approach seems to produce superior results for several reasons – basically because the whole is seen as more than a sum of the parts. Japanese quality is pushed higher and higher by the initiatives and continuous learning of the

workers themselves. Although the words total quality have been borrowed from Japan and widely used e.g. in U.S.A., they may not have the same meaning. The Japanese see value and values creation in a different light, the one that follows their cultural orientation. A product is valuable as the number of particular human satisfactions that have been brought into the whole combination. World market trends seem to suggest that Japan increasingly dominates those products that fit its value and thought patterns. (Hampden-Turner & Trompenaars, 1994, 120-122.) Japan's strong orientation to particularism is seen in the extraordinary range of differences in its products – it leads the revolution towards customised goods.

Japanese negotiate in teams. The team members might change during the negotiation cycle. This is to ensure that as many people in the Japanese organisation as possible get to know the negotiation partner. Japanese find the negotiation to be information-gathering process, and no final decisions are made during the meetings. The reason for not making decisions during meetings is that Japanese are making long run decisions that need to be thoroughly considered. In depth consideration takes a lot of time and often Japanese style decision making is considered to be too slow from the Western point of view. The decision can not be made before all the organisational members that are in some kind of contact with the decision to be made, are consulted and the absolute consensus has been reached. Japanese do not believe in the Western notion of the determining effect of majority. They discuss as long as everybody is in the same side. The Japanese habit of indirect "circling around" is seen also in their *ringi* decision making, in which a decision is passed around in a circle and ritually initialled by all the major players.

The concept of the team and of teamwork is quite special in Japan. Employees are encouraged to have multiple skills as well as are valued and paid for their versatility, the number of different roles they can play within the team. This heterogeneity in skills allow teams to assume major responsibilities and to solve problems spontaneously as they arise. The work is more varied, flexible and challenging and may make whole levels of supervision unnecessary. Manufacturing is the cutting edge of Japanese competition, allowing their teams to self-organise spontaneously and deploy their varied talents in new configurations. The basis of harmony is to be heterogeneous, to have skills that are complementary rather that substitutable. To sing in harmony is to sing different tunes. (Hampden-Turner & Trompenaars, 1994, 37, 126-127.)
Communitarian cultures are especially adept at industrial catch-up and the strategy of fast following. They watch very carefully what technologies are being created in the West and choose to specialise in those that are cleanest to produce and most educative to design, manufacture, distribute

and service. Following rather than innovating is lower-risk, since the technology made is viable and in demand. Communitarian cultures tend to connect business, education, finance, government and labour into one overall push toward gathering knowledge intensity. Japanese work ethics may be communal and part of a Confucian tradition in which the purpose of working becomes to learn together and the more you know, the faster you learn. (Hampden-Turner & Trompenaars, 2000, 79.)

Japanese see capitalism as a system in which communities serve customers, rather than one in which individuals extract profits. The company must not simply act responsibly toward others but encourage employees to behave responsibly toward others. Communitarian and collective group orientations has also been detected in Japanese business in the area of performance appraisal. These appraisals are done with one-way evaluating system. Employer will not necessary meet up with the appraisee, who discusses about the employer with other supervisors, face-to face, but trusts the collective judgement. Collective judgement is objective and therefore "right" decision, individual is too subjective and not reliable. (Sumihara, in Beechler & Bird, 1999, 97.) Japanese style of communitarism is the extraordinary capacity to be swept along and yet fall on your feet. Japan, with its chronic dependence on political allies and internal sources of raw materials, is open to vulnerability. (Hampden-Turner & Trompenaars, 2000, 170.)

Integrative culture is aware of quality, whole products and whole design, development and manufacturig processes. Safety is considered as quality - everyone is looking out for others. Remoting consequences and the need for balance characterises the integrative business. While analysing productors focus on the product itself, the integraters consider the entire process by which the product is conceived, designed, developed, manufactured, distributed and maintained. Rotations are specifically reflecting the Japanese integrative culture. Once an employer has been through all the levels of specific organisation she/he is able to create a picture of the company as entity. Japanese companies prefer to keep molding their employees so that they fit into a variety of corporate roles. (Hampden-Turner & Trompenaars, 2000, 136-142.)

Outer directed cultures, which Japan strongly represents, are those who provide an external stimuli, the great trading companies , or zaibatsu, the customer who demand numerous refinements, and top managers, who set riddles for subordinates to answer. Instead of great inventions, Japan has largely produced some remarkable kaizen, continuous improvement or refinements. To give a simple example: U.S. company was a one to invent video cassette recorder. However it was produced as an expensive tool for television studios. Japanese company in turn refined the VCRs for consumer

market. It is not enough to start the race, you must finish it. The closer you get to consumers, the more outer-directness pays off, because consumers needs are constantly changing, requiring rapid adjustment from the suppliers. (Hampden-Turner & Trompenaars, 2000, 255.)

Japanese managers tend to see themselves controlled by external forces, often out of their power. In outer-directed cultures, such as Japan, those promoted to senior levels tend to talk less and less. And as the outer-directness of one person does elicit the inner-directness of another, the East Asian authority figures become good listeners to the requests and initiatives of their subordinates. Japanese approach is to give indirect, incomplete, ambiguous, or even paradoxical orders. This way the outer directed recipient is obliged to interpret what is being asked for and, in so doing, create. (Hampden-Turner & Trompenaars, 2000, 65, 255, 256.)

A major difference between inner – and outer-directed selling methods is the hard versus soft sell. Americans tend to be hard, while Japanese soft in selling. Westerners might ask what Japanese are advertising when seeing a Japanese television commercial. These commercials might have no connection what so ever to the product that is being advertised. The more ready the audience is to respond to the external stimuli, the softer tactics can be used. Japanese are more likely to use conversation to learn about customers and consumers. The company may deliberately produce great variety of a same product and then find out, which variation the consumers prefers. Variety can then be cut back, since the company learned from customers responses. Inner directed attitude is to guess a general direction. Outer directed cultures may also prefer to act rather than ask. (Hampden-Turner & Trompenaars, 2000, 258-260.)

Japan is concerned with synchronisation in coordinating corporation. The synchronisation lead to considering people to be seen as sources of intelligent communication. Synchronous conceptions can be used to justify the retention and development of human resources and the insistence on working in smart teams. Synchronisation is also part of the conception of time in Japan, as mentioned before. The opposite, sequential, people like to do one thing at the time, synchronous people do many things at once. Women in general tend to be more synchronous than men. Business cultures vary greatly whether they regard time as rigid and exact or as soft and flexible, and these differences can lead to conflict. (Hampden-Turner & Trompenaars, 2000, 75, 307, 315, 319.)

One consequence of sequential thinking is that older people tend to be pitied and undervalued. Elderly people have very little sequential time left. Sequentalists treat time as objective. Time is "out there" in public place, so that when you retire you lose touch and become steadily more

confused. In synchronous time aspect, in contrast, elderly are respected and given advantageous status. They have seen it all before, noting the patterns and themes of recurring events. With age comes not cleverness, but wisdom, the capacity to integrate and synthesise a lifetime of experiences. If you have had a career, you come to the end of that sequence. But if you have taken the circuitous path of many job rotations, you have learned to see things in the round and from every angle. You are a trusted advisor and intermediary. (Hampden-Turner & Trompenaars, 2000, 317.)

Japanese are long-terministic – aiming more for growth than for profit. The Japanese view of time is based on the biological clock of cycles. Daily, seasonal and life cycles, both within the person and within the wider environment. The ideal is to get there all working together, all harmonised into synchronised waves of pulsing energy. What is important is that capabilities are synchronised precisely. Generation cycles are very important in Japanese culture. The old and retiring person passes wisdom and knowledge to the newly promoted. The same logic applies to products. They reach market maturity and then begin to subside. These dense clusters of cycles feeding back the information of growth and development necessitate a long-term view. What matters to the Japanese is not what shareholders get now, but what the corporation as a community learns over time. (Hampden-Turner & Trompenaars, 1994, 141-145.)

The Japanese have revolutionised the economics of manufacturing in several ways, all derived from synchronous approaches to a desired future stage. Japanese are employing a "pull strategy" in their customer relations meaning that they start counting the time from the future e.g. delivery time might be two years but the situations might change and this way the schedules can be changed also. When using pull strategy the processes can start where ever as long as everything is put together before the deadline in the future. This strategy increases flexibility. The other option is push strategy – start counting time from the present and create a schedule in sequential stages. Time and costs are saved by doing as much as possible in parallel rather than in sequence. The advantages of synchronous strategies of "pull" towards final assembly increase with the complexity of work. (Hampden-Turner & Trompenaars, 1994, 141-145.)

Japan is one of the most hierarchical countries in the world but still among the most successful. Time, synchrony and hierarchy are connected. The Japanese hierarchies are particular in their very nature – meaning that it is less a chain of commands like it is in Western countries. The leader spends his time listening, responding, nurturing and deriving policy from strategies that have

emerged and from amplification of unanticipated responses by customers. Middle top-down management is also included into the Japanese conception of hierarchy – middle management plays the key role in creating information from what the top and the bottom communicate to them. In Japan, the long-range planning system and the junior management proposal system guarantees that the relationship between top management and junior management remains very close (Akio Morita of Sony). (Hampden-Turner & Trompenaars, 1994, 95, 154-155.)

Age and seniority are prioritised in Japan but they also include obligations. Loyalty is highly appreciated and promotions are given based on loyalty, also in the cases of mediocre employees. Web society structure brings advantage to the Japanese businessperson in terms of what is nowadays called networking. (Lewis, 1999, 401.) Ascribed status is importantly connected to the foundations of business. This is seen in the relationships of trust, integrity, and reputation for fair dealing. If the only reason for the business relationship is personal gain, then that relationship will, finally, be exploited for gain. On the other hand, if there is more to lose than money, for instance a good name, the admiration of friends and family, it is safer to trust. (Hampden-Turner & Trompenaars, 2000, 198.) The status increases as their experience and periods of service with the company lengthens. As employees age, the expectation that they will be of greater influence and value increases. The employees to whom more respect is given, achieve more. Such a system is deemed fair because everybody ages. Thus everybody's opportunity to succeed over a lifetime with a company is the same –within their educational cohort. The competition metaphor is not of an internal game or contest, although the large corporations are competing with outside rivals, but of a family, a garden , a cadre with seniors and juniors tied by bonds of *giri* that is Japanese word of moral indebtedness and deep obligations of gratitude. (Hampden-Turner & Trompenaars, 1994, 88, 90.)

According to Dore (1973) the pattern of seniority wage system has developed hand in hand with the lifetime employment or commitment system. The wage is based on the constant evaluation of the employee in terms of length of service, skill attainment, status and age. It is a system of person-related payment, not job-related payment. Given to long-term relationship between the company and the employee, in order to secure every member's job, cooperation among the members is very important. As the Japanese management also wants to select high potentials and place them in high ranking positions, dilemma between cooperative work and competition for higher posts emerges. In order to solve this, the *nenko*, seniority, rule has played a significant role. With the nenko-rule there is no point in unnecessarily competing with people of a different age group. A senior person can

surely teach one's skills and knowledge to his junior, because conveying skills across age differences retains hierarchical age relationships. (Sumihara, in Beechler & Bird, 1999, 99-100.)

The nenko rule alone does not create a cooperative work relationship. All high potentials of the same age group has to be sorted out, and at the same time, all workers need to be motivated to work together. This is where high performers of the age group moves up from one *shikaku* status to another (= gets higher positions in that age group or is promoted further) earlier than others and will receive a higher payment (within a certain age group the differences in salary are very minimal, meaning only few dollars). The egitarianism is relative, because when the system is seen as a whole, there seem not to be differences between high and low performers of the same age group. However, each worker of the group feels that there is a significant difference. Being in the race-like position as a group, competing as a team, even slight differences seem to be great. This makes sense to a Japanese employee in a large scale corporation as they compete with one team against the other through a long time span in the same company. But obviously to a foreigner, who do not necessarily take for granted that the company will be their long-term employer, feel that this is not fair treatment. (Sumihara, in Beechler & Bird, 1999, 99-100.)

In the international business context Japanese have difficulties in performing in "international" way because they have their own habits of extreme politeness, harmony, communication patterns, silence, saying always yes, long time decision making, reluctance to lose face and group centrality. Japanese politeness can take many forms and it can not be lost at any time. The reluctance to say no is also well-known. If they do not want to enter the deal of any sort, they do not say no, but they might just disappear – you can not reach them anymore. Many times Japanese might close their eyes during a speech or negotiation, but that does not necessarily mean that they are sleeping. In contrary, it most likely means that the person is listening very carefully what is said. This way closing eyes is a sign of politeness, although it might sound quite absurd and impolite from the Western point of view. (Lewis, 1999, 400-405.)

The Japanese see the company as an organism to be nurtured, facilitated and developed. In a garden every growth is unique and particular, yet it forms an ecological and aesthetic whole. The most valued relationship is sempai-kohai, literally elder brother-younger brother, and elderly family members nurture younger people A favourite Japanese term of *nemawashi* is connected to sempai-kohai relationship. It means binding the roots when a tree is transplanted so that it will grow readily in the less familiar soil and will suffer minimal trauma by uprooting. Most Japanese change

processes accompanied by variations of nemawashi. The use of tree analogies in the Japanese conception of organisations is quite common. In opposition, Western corporations tend to see the bureaucracy as legal-rational. According to Max Weber we must leave gemeinschaft (intimacy of home and family) to operate gesellschaft (the formal world of work) The harder you compete when away from your family, the more you can bring home for domestic enjoyment. No intimacy, brotherhood, of rootedness is supposed to fully the world of work. In Japan, work is life and vice versa thus intimacy and familial ties are prioritised in Japanese companies.

The secret of Japanese high-trust culture is to be found in the visibility of every individual in the life world: in the family, at work, leisure. This provides an encouragement to meet or reciprocate trust: "members comply with these extensive obligations because their behaviour is highly visible" (Hechter and Kanazawa, 1993, 468, 481). To attain familiarity and visibility, a dense network of groups, communities, voluntary associations, and friendship circles, providing opportunities for personal contacts, are necessary. For the feeling of familiarity and visibility of more abstract social objects, when direct contact and appraisal is impossible, open communication becomes central. (Sztompka, 1999, 81.) Japanese do not necessarily gain additional trust by using written contracts. Trust is attained in personal, long-lasting relationship. Thus common grounds for trust building and bases can be thought to be lacking in Japanese companies in international environment. Japanese must trust and like the partner before the deals can be made. Japanese test the business companion first and when the trust is earned the business deal can be closed. They are suspicious where foreigners are concerned and it might take long time for foreigners to gain the trust.

5. Rice-paper ceiling - reason and consequence

5.1. Defining rice-paper ceiling

The rice-paper ceiling refers to the advancement barriers facing non-Japanese working for Japanese firms.

Already twenty five years ago Yoshino (1976) said that "the most serious problem of the Japanese management system in the multinational setting is that it cannot effectively integrate local nationals into the mainstream of management in the foreign subsidiaries." This notion was also mentioned earlier in this thesis when evaluating the critisism of the globalisation of MNC. This is the basic

idea of rice-paper ceiling and to understand why this ceiling is still persisting, it is important to look at the issues of organisational learning in international context.

The rice-paper ceiling is a commonly perceived problem in Japanese MNC's foreign affiliates. The heavy usage of Japanese expatriates from the parent office constructs the barriers for the locally hired personnel to make career advancement. A recent survey of several hundred Japanese MNCs showed that 78 percent of the top executives or presidents of the overseas operations were Japanese expatriates and the department head positions were often held by Japanese nationals (Yoshihara, 1995). If the rice-paper ceiling is so persistent and local personnel can not reach the organisation's top management positions, the globalisation process faces extremely difficult problems in the near future. The concept of rice-paper ceiling is derived form the concept of glass-ceiling that is used to refer to barriers for career advancement of women in business. (Beecher & Bird, 1999, 106-107.)

5.2. The causes of the rice-paper ceiling

5.2.1. Parent company issues

The causes of the rice-paper ceiling are several and quite clearly observable. The reasons can be divided into two categories: parent company and local operations issues. First of the parent company issues is the control structure meaning the ways how the internal control is instituted. Western companies tend to have output-oriented control in which financial results are considered important. The output-orientation is well-suited to the fluid labour market structures where horizontal mobility is common. Firm-specific output-orientations are easy to adapt in contrast to the opposing control structure, culture-orientation. Culture-oriented control system is based on socialisation of employees so that they profoundly understand the company culture and goals. Japanese lifetime employment system is the perfect environment for this kind of control. Although this system is successful in Japan, it causes problems abroad since it hinders the company's ability to decentralise and delegate authority to local nationals. Many Japanese companies believe that only well integrated (Japanese) employees can be entrusted with important managerial posts since profound integration can only be gained through experience and time. It is easy for national Japanese to communicate with the headquarters, they know the company habits and culture without in depth culture training, as well as their posts are already likely to be job rotation produce dedicated and good senior managers for the company. The reason to use expatriates in the top

positions has been argued to be a sign of the lack of trust to local personnel.(Beecher & Bird, 1999, 111.)

The Japanese companies are claimed not to be aware of the effective tools to train local nationals. Firstly, the Japanese corporate culture is embedded in the Japanese language, culture and labour practices, and thus hard to learn and train for the people not familiar with these elements. Secondly, the integration of new Japanese employees takes place in Japan during the long period and several phases of rotations. The lifetime-employment tradition in the Japanese companies hinders the horizontal mobility. Japanese companies are not accustomed to incorporate externally hired unknown personnel into their important positions. In international operations this trend is extremely clearly observable in the division of power based on the nationality. (Beecher & Bird, 1999, 111.)

The control structure and human resource planning are not the only reasons for the rice-paper ceiling. The lacking language skills of the parent company employees and unwillingness to communicate directly with foreigners make the communication difficult between parent company personnel and foreign affiliate representatives. Expatriates facilitate the communication, and the contact can be handled in Japanese. The lack of autonomy of the overseas operations and the centralised decision making causes difficulties for the local personnel to enter the decision making scheme because the communication is often in Japanese. And in addition the preference of the HQ in communicating with the Japanese expatriates (e.g. Bartlett & Goshal, 1989). The research of Kopp (1994a) concluded that the Japanese companies are less likely than Western companies to use international human resource policies that would facilitate local personnel to advance in their careers. The lack of international human resource policies can be seen as a reflection of the fact that many Japanese companies do not consider local personnel as core employees. They often transfer the complete responsibility of the local personnel to the HR department of the overseas affiliate. When the HQ personnel is not involved or aware of the local personnel, they can be easily overlooked when the promotions are given. Making the employee classification to seishan and non-seishan hints of the inequality of nationalities. Seishan employees are the core and permanent employees who are rotated between countries and posts. Non-seishan employees lack direct employee relationship with the parent company and thus are considered to be the employees of the local operation. This way they do not get to the rotation or to the promotion pool. (Beechler & Bird, 1999, 114-115.)

5.2.2. Local Operation Issues

The local operation issues are the other category for the existence of the rice-paper ceiling. First of all, different values, meanings, and norms cause difficulties, and if not properly solved, they prevent expatriates and local employees from developing effective working relationship. Frustration, negative feelings, low job satisfaction and high turnover are the results of the unsolved difficulties. Ultimately there are problems in producing trust relationship that would make the Japanese company comfortable with appointing a local employee to the key position. In the foreign affiliate language barriers are considered to be high and communication as well as leadership styles between the local and Japanese employees differ greatly.

The decision making in the Japanese companies includes two important issues: the way the decisions are made and to what extent local employees can take part in these procedures. Japanese decision making consists of *nemawashi* (behind the scenes consensus building) and *ringi* (circulating proposal documents). Non-Japanese employees normally have difficulties in influencing the decision-making processes because these processes remain often unfamiliar, and learning by doing takes a long time. Japanese MNC's seldom provide inter-cultural training to their local employees to improve their skills in this area. The second issue in the field of decision-making is the extent to which local employees can take part in the decision making in the first place. A recent study (Beechler et al., 1995a) of Japanese affiliates in the Europe and U.S. showed that nearly half of the decisions involving the local operations are made without the local managers. (Beechler & Bird, 1999, 120.)

Japanese HR practices are of specific sort combining their low labour mobility and vastly different laws and customs compared to those of Western countries. Negotiation about the practices is needed but considering the communication differences, it is not easy task to come into satisfying end results. Japanese companies most likely lack in-depth understanding of the host country HR practices and therefore it is likely that the Japanese practices and policies are applied also in the host country. This often affects the local employees negatively. (Beechler & Bird, 1999, 120-121.)

Japanese society is very hierarchical and great deal of attention is given to symbols of rank and status. Japanese expatriates hold most likely the highest and positions in the corporation, and their status is higher than that of local employees. Benefits and privileges. that expatriates have, can be withheld from local employees causing severe frustrations. (Beechler & Bird, 1999, 121.)

Ultimate practical problem, caused by the everyday problems in Japanese companies operating in foreign countries and potential rice-paper ceiling, is the difficulty attracting high potential local management candidates. According to the comparative studies by Kopp (1994a) and The Wyatt Company (1990) Japanese companies are facing more difficulties recruiting local high-caliber employees than European and American companies. Kopp concluded that 44 percent of the Japanese companies face these difficulties compared that to 26 percent of the European companies and 21 percent of the U.S. companies. The result of the Wyatt Company's study is even more striking: all together 91 percent of the Japanese companies experienced difficulties in recruiting personnel. Japanese companies suffer from chronic high turnover. According to Kopp (1994a) the turnover of the local employees in the Japanese companies is 32 percent while it is nine percent in the European companies and only four in American ones. Due to the difficulty of attracting and retaining high potential local employees, many Japanese companies find themselves with employees of less quality whom they do not want to place in key positions. And if high potentials are managed to be recruited, they might not stay so long that they would be promoted. Japanese do need a long period of time to build trust and be convinced of the experience and commitment of the potential manager. They might lose some of their high potentials when giving only average positions and hesitating with promotions. This is the reflection of lack of developmental opportunities: inadequate job rotation of local employees, insufficient internal and external training programs, lack of autonomy and decision-making possibilities as well as Japanese expatriates' potential undeveloped skills and efforts in coaching and mentoring the foreign colleagues. (Beechler & Bird, 1999, 121-122.)

When the Japanese companies are operating in the environment of vital labour markets as in Western countries, they need to give up some of the original lifetime employment mentality. Japanese are concerned about loyalty and mobility of the local employees, and therefore might withhold the important information and exclude the locals from decision-making. The paradox of the unwanted high turnover can be clearly observed in the following example: High potential local employee is recruited, given average job and promised to be given a better position later on. Time passes and no promotions are given because the concepts of time differs. Local employee gets frustrated and less motivated thus the quality of work declines. She/he is still excluded from decision-making and do not receive most important information although has been performing well. Frustration leads to resignation after which the Japanese are glad they did not share the most important information with the person and did not give promotions. The whole scenario is the

reflection of the lack of trust in the foreign affiliate and different concept of time. (Beechler & Bird, 1999, 121-122.)

The final factor contributing to the rice-paper ceiling is truncation of organisational learning. The Japanese seem to be lacking the effort and will to learn during the overseas operations. It is necessary for the Japanese organisations to reconsider their recruitment process and pursue to attract, retain and motivate local employees. Both organisational and individual learning are essential. The individual Japanese expatriate need to build trusting relationships in cooperation with local employees to achieve comfortable communication environment. The truncated learning processes lead to lack of continuity and a loss of institutional memory, inhibiting organisational learning. Due to turnover and rotations, Japanese employees seldom work long enough with the locals to build the trusting relationship. Japanese employees are given higher status and confidence without even considering the qualifications and this way local employees need to prove themselves often. (Beechler & Bird, 1999, 122-123.) It might be a good time for the Japanese companies operating abroad to start giving up a little bit of their ethnocentrism and start learning the foreign values. It is remarcable how well Japanese companies have been adopting the useful Western values in Japan to form competitive advantage, but still ethnocentrism seem to be at high level while operating abroad.

In the general level, the most important qualification for filling the management position in the Japanese company is the employee's experience in the company. Job rotations are part of the Japanese human resource planning within the seishan. Sometimes sending the expatriate is not part of the immediate business needs, but more getting the experience. The long-terminism and synchronous time concept are necessary for the likely managers to prove to be efficient, trusted and get a profound knowledge of the company. Same kind of long-terminism seem not to be used for new local employees, and this way same level of integration in company can not be gained.

It could be assumed that the change in the human resource policies and practices in different overseas context would improve the position and relationships in overseas affiliates. Sometimes Japanese do not even recognise the problems, and if they do, they might not link them to personnel policies which they could change, but they link them to, for example culture or market conditions. If the problems are recognised and correctly linked to personnel policies, there is reluctancy and fear to do anything about it, according to study of Yoshihara (1995). His study concludes that placing local national as presidents of overseas operations would cause detrimental effects on the relationship with the parent company, relationship with Japanese expatriates and would lead to

violations of company policies. It was also illustrated in the same study how the change of the president would decline the quality of discussions, as well as take more time. Only five percent of the Japanese parent companies felt that placing a local national in the top position at a local operation would improve its performance. In addition to this information, Kopp (1994b) found that the Japanese companies perceive the changes in personnel policies as risks – they do not think that the positive effects of changing policies would outweigh the negative ones. (Beechler & Bird, 1999, 124-125.) By adopting the local HR practices, the quality of the relationships between the parent company, expatriates and local employees would increase and true globalisation would get a chance.

6. Cultural background affecting the production of trust

Ethnocentric approach to business, incorrect expectations, lack of language skills, communication barriers, insufficient adaptation and knowledge of other cultures causes difficulties in global business context. The extensive training is offered as solution to overcome these difficulties. With correct knowledge, experience and time, also ethnocentric approach can be transformed into the direction of international attitudes, practices and policies. This kind of one directional training and information giving is not enough when ultimate cooperation and trusting atmosphere are the goals. Besides the supportive attitude of the company active human, agency and participation are the key elements in formulating the negotiated culture in global business context.

6.1. Training and Learning

Increasing incidences of cultural encounters are the result of the globalisation of the world markets and trade. It is now generally agreed that the organisational effectiveness of an globally operating company is based on the enhanced capability of individual employees. MNC subsidiaries bring together expatriate and host country employees who differ in national origin and have different cultural values and social norms. The most effective method for developing capable managers for global business is learning by experience e.g. by rotating individuals through different organisational, national and business contexts of managerial work (Peltonen, 1993). Torbiorn's (1982) empirical study concluded that there are two categories of expatriates: those who communicate mainly with fellow nationals and those communicating mainly with locals or third-country nationals. Those with local friends go through a deeper adjustment than ones communicating with co-nationals, and the level of satisfaction after six months was already higher than that of those who mainly had co-nationality friends. (Furnham & Bochner, 1986, 136.)

Unsuccessful expatriate adjustment, personally, by the family, or in terms of inadequate performance, leads most probably to early repatriation. (Suutari & Brewster, 1998, 4-5.) Torbiorn perceives the expatriates' role to be difficult because they are required to act in accordance with the expectations of the parent company and the local company. Problems in these professional roles lead to the incompatible expectations, communication difficulties, a clash between company and personal values and interests, uncertainty about the future and problems with the adjustment of the spouse and family. Happiness of spouse is perceived the most important factor in expatriates' satisfaction and adjustment and second important factor was external environment. The amount of cultural barriers like religion and language predicted also lot expatriates' happiness in the host culture – the more barriers, the less satisfaction. (Furnham & Bochner, 1986, 155.)

The new paradigm in HR management is the long run development and learning. An expatriate assignment can be seen as a part of long-term accumulation of managerial competence developing from different business and organisational subunit experience. The transfer of managers across borders is one way to fulfil the developmental needs. Tahvanainen (1998, 51) strongly points out in her study: "It is critical for expatriates in many jobs to know the local culture and culturally appropriate ways of doing things, and intercultural training is assumed to facilitate and fasten the learning process".

All the changes in general, but culture and environment change in particular might cause employee to feel uncomfortable, incompetent, needy and even powerless. Change creates confusion and generates conflicts if not properly communicated. Therefore it is essential to develop new skills and provide training to give new tools and acknowledge to ease, soften and overcome those frustrations and maintain the motivation and ability to complete the assignment successfully. According to the study of Oddou and Mendenhall (1991, 369) especially the expatriate employees have reported that it takes three to six months to even begin to perform at the same level as in the domestic operation (Tahvanainen, 1998, 46). They are commonly reported to face adjustment problems in the beginning of and during their assignment which obviously has an impact on and results in efficiency and even early repatriation (= returning before the end of the assignment), and creates financial cost failures. The adjustment difficulties of the spouse is greatly influencing the overall success of expatriate assignment. Therefore it is important to provide training to the spouse and help with employment if wished.

Language training is commonly seen as a part of culture training. Language can be a very critical factor in overall learning and adjusting process. It is the most effective indirect method of learning about the foreign country, it's culture, value systems, customs and it's people. Still it is recognised to be a weakness in many MNCs. (Luthans & Hoddgetts, 2000, 235.) As English is the most common company language among MNCs, in our opinion expatriate candidate should already be fluent in English when assigned. Thus English language training should not be needed in the host company context, naturally training can be provided in advance, before departure. In our opinion the language training provided as part of the culture training, in global context, should concentrate on host country language. It is not necessary to profoundly learn the language, even the basics knowledge of the host country language deepens the understanding and decreases the feelings of being an complete outsider.

Flexible, multidimensional and fairly extensive training programmes can help to ensure adaptation and efficiency in work. The expatriates seem to be positive about the value of training programmes (Suutari & Brewster, 1998). Intercultural training is considered to facilitate and fasten the learning process when abroad. It is critical for expatriates to know the local culture and culturally appropriate ways of doing business. Empirical studies on company practices regarding intercultural training show that relatively little is done in comparison with what the theoretical models suggest. Firm-specific training should include elements of international managerial skills such as intercultural communication and organisational behaviour that are consequently given emphasis as signals of comparative advantage in competitions between sponsored employees. (Peltonen, 1998, 90.)

Our ideas are in line with Furnham's and Bochner's approach of cultural adaptation. This culture learning-model states that the major task facing an expatriate is not to completely adopt to a new culture but to learn its salient characteristics. It also includes the ideas of social skills and social support systems that take into account the context of the intercultural contact. The amount of commitment to the host culture plays an important role in intercultural contact. If the commitment is total and long term, the contact is likely to be successful. Further, the social role and status of the expatriate and host formulates the power balance or imbalance between them. The communication between them is defined from the basis of this balance. Some visible characteristics like race, colour, language or religion tend to evoke a categorisation to "us" and "them" often including a negative attitude of even discrimination. In-group members tend to want to preserve their priority position in their "home" environment. (Furnham & Bochner, 1986, 21.)

6.2. Negotiated culture

Negotiated culture is specific, positive condition of a certain organisational setting. It is formulated through active interaction, involvement and participation of all the organisational members. It includes the concepts of third and trust culture combined with sharing of cross-knowledge and negotiation. Negotiation in this context is understood in its widest sense and having positive connotation. It is considered to be ongoing process in between all the organisational members taking place in all activities. This type of negotiation does not result to written contracts but it is implicit in social context. Negotiated culture would be a solution forming case specific business practices and creative, trustful atmosphere in global context. We have to remember that this kind of negotiated culture is an absolute ideal and ultimatum, and unlikely to be ever fully achieved in changing conditions. As long as the social setting is actively working on the atmosphere and interaction, the process is producing positive outcomes.

Intercultural learning is a constant effort. It is never possible to know everything about another culture. This knowledge consist both practical and discursive elements, and tacits. Listening a person from another culture will provide knowledge about other culture, but much of the knowledge is too tacit and taken for granted to even express verbally. These tacits, however, influence persons behaviour and responses to social events and fragments the verbal expression. Being a careful observer and interviewer, one can reach the deeper understanding. One's own tacit knowledge should be kept in mind in the process of learning. When learning about others, person learns about oneself in the same process. (Sumihara in Beechler & Bird, 1999, 105.) It's not only the amount one knows about the other culture that counts, more importantly the knowledge of how and when to apply that knowledge. To communicate and analyse the occasions of incorrect cross-knowledge, the better, common interactive practices are found. The practical use of this knowledge, finding a way to compromise (to reconcile values) in conflicting situations, forms situation specific and applicable third culture. The third culture evolves to improve correct action in conflict situations.

Noriya Sumihara (in Beechler & Bird, 1999, 6) explores how intercultural interactions give rise to conflicts that, in turn, force organisational members to make explicit their understanding of how and why actions should be taken. These attempts to explain and understand are influenced by person's individual knowledge of the other culture. Sumihara explains that in a conflict the responses are strongly influenced by their knowledge of the other culture's expectations and as well as their ability to explain their own culture's expectations. Sharing each others cultural knowledge to some

extend while working together, taking into account the other's knowledge and sentiment is called "cross-knowledge". Negotiation is the form of communication whereby negotiators try to accomplish their aims thus creating third culture with emerge of new practises. Through negotiation one learns from and about the other. (Sumihara in Beechler & Bird, 1999, 94.)

The sharing of cross-knowledge leads to the evolution of a third culture, which is in a constant evolving process. Third culture is a culture that is neither home nor host culture. The cross-knowledge is crucial in shaping a third culture through both intentional and unintentional consequences of intercultural interaction. The sharing of cross-knowledge breeds familiarity and accountability of other people and institutions which are the conditions for trust culture to emerge. Normative coherence and transparency of organisation are the tasks of the overall company policies and practices. Stable environment enhances the production of trust culture – high fluctuation of employees makes it very difficult to produce and maintain trust culture and further negotiated culture in organisational setting. The negotiated culture in a given global setting is not predictable – it is always case specific.

EMPIRICAL PART

I CONTEXT

1. Amsterdam - City of global companies and citizens

The context of the present study is the city of Amsterdam, the capital of the Netherlands. It should be kept in mind that Amsterdam is very different from the rest of the country thus some categorisations mentioned before can be slightly misleading. There are no categories for cities existing, only for larger entities and therefore they are the only categories that are usable to describe and simplify the cultural and national differences.

The city of Amsterdam was established in 1275, and it was a successful trade center from that time onwards. The success of Dutch East-Indian Company began the miraculous era of the 17th Century that is described as the Golden Century of Amsterdam since arts, science and especially businesses flourished. International trade, for example with Japan, and colonisation shaped Amsterdam and its people to be internationally oriented. Throughout the centuries, Amsterdam has attracted people with its openness, opportunities and original atmosphere. Citizens of former colonies moved to Amsterdam although The Netherlands had been exploiting its colonies. Indonesians and Surinams were the first major immigrant groups moving to Amsterdam bringing diversity and tolerance into the city. These two nationality groups are still remaining as the biggest immigrant groups together with Moroccans, Turks and British. The historical image of the city, its tradition of neutrality and cosmopolitanism and the quality of life explains the fact that there are over hundred nationalities living in Amsterdam, and approximately 45 percent of inhabitants of the city are of foreign origin. Thus Amsterdam is one of the most multicultural cities in the world.

East-Indian Company started many of the business relationships, which are still valuable, between nations. The relationship with Japan was the most important because besides few Chinese, Dutch were one the only nations permitted to enter Japanese market on 17th Century. This over 400 year old relationship has been one reason affecting the Japanese companies to establish their European headquarters or other operations in Amsterdam today (in total 196 Japanese companies). City is favoured location also for big American MNCs to establish European headquarters or other operations (in total 473 American companies). All in all, there are 175 European headquarters located in Amsterdam. It provides comparably low company tax ratings, accessibility by air and multilingual workforce. The stable political environment, excellent infrastructure and relatively low

cost of living also contributes to the decision to locate in the Dutch capital. To create space for new companies Amsterdam is developing a massive new residential and business area. To achieve this goal, Amsterdam's economic policy focuses on attracting new businesses from abroad. The emphasis is on foreign companies thus creating new jobs instead of shifting jobs nationally. Amsterdam is investing heavily in information and communications technology, bio/meditech, automotive and multimedia sectors as well as professional training so that students increase their chances of a good match in the labour market.

Amsterdam has a broad-based economy business and financial services being the most important sectors with 120 000 jobs. The city needs strong growth in jobs – the unemployment rate is eight percent, that is double the national average in 2000. There are around 53 000 job seekers but at the same time there are thousands of vacatures with no matching candidates. From companies side there is a lack of skilled employees and educated, committed and high potential employees are difficult to find. The system of "uitzendbureaus", meaning independent job agencies, mediates a great amount of employees especially to the lower level of the organisations. System provides quick solutions for the both parties of the employment relationship but it causes fluctuation at the job markets with resignation time being only one day. The "uitzendkracht", temporary employees, lacks the benefits of secure contract thus decreasing the level of commitment. From the total population of 730 000 (and greater Amsterdam area 1 310 000), the total working population of Amsterdam is around 400 000, of whom 150 000 are from outside of the city.

2. Case company

2.1. Selection process

The selection of the case company started by mapping the Japanese companies having European headquarters in Amsterdam. First information about the companies was received by the Japanese Chamber of Commerce in Amsterdam. The original idea was to interview Japanese expatriates, and to observe these interviews from the communication point of view (what is said and not said, the meaning of what is said, expressions etc.). First we contacted the Expatriate Department at Canon Europe. Because of ongoing reorganisation of the company and busy business climate at that time, they did not want to interfere their operations and rejected our research. Next we were in contact with the Human Resources Department of Sony Europe B.V. and first we scheduled a meeting with the person responsible for the expatriate transfers and relocation. After the meeting, we agreed on the possibility of conducting the empirical part of our research.

The original idea was given up since the companies were reluctant to interfere their expatriates' assignments with external influences and possible negative effects of the interviews. We have to keep in mind that asking about the company from the Japanese, is the same thing than to ask about their personal lives. We were also aware of the time limits and the fact that Japanese require long time to trust and build the relationship, especially with foreigners, and this is crucial to be able to interview Japanese. Due to these difficulties and the comparably short time frame, instead of searching for another company we decided to modify our perspective and stay with Sony Europe B.V. which is unusual case within the scope of Japanese companies. Based on the discussion with HR assistant as well as the annual report and Internet sites, it seemed to be quite advanced in terms of globalisation. New perspective was to interview other nationals working with the Japanese, about their experiences in Japanese company and their views of Japanese expatriates. Hypotheses were reformulated and empirical study began.

2.2. Sony – Japanese giant

Sony Corporation was founded on May 7th, 1946. It was a brainchild of two man in Tokyo, engineer Masaru Ibuka and physicist Akio Morita, started up with 20 employees repairing electrical equipment and attempting to build their own products. The name comes from the Latin word "sonus" which is the root of such words as "sound" and "sonic", and "sonny boy", a popular expression used in Japan at time to mean a young person with a free and pioneering spirit. The words were used to show that "Sony" is a group of young people who have the energy for unlimited creation. The success story began in 1954 when Sony launched Japan's first transistor. Since then Sony has been successful in invention and innovation. To show the power of latter mentioned, good example is the notion that VCR was invented by Americans as extremely expensive devise to producing movies, but it is for Sony that VCRs are in use of every household and everyday life.

Sony Corporation and its consolidated subsidiaries are engaged in the development, design, manufacture, and sale of various kinds of electronic equipment, instruments and devices for consumer and industrial markets. Sony also develops, produces, manufactures and markets home-use game consoles and soft-ware, as well as music and image-based software. Sony's principal manufacturing facilities are located in Japan, USA, Europe and in Asia. It is also engaged in insurance markets in Japan and financial business through leasing and credit financing. With all its projects Sony in Japan is active in several spheres of life. Aiming to achieve its vision of Value Creation management, Sony has enforced its group headquarters to accelerate the development of

network business, and sought to strengthen its core business. Sony aims to become a "knowledge-emergent enterprise in the broadband network era" offering customers services through the cooperation of all five key business areas – electronics, game, entertainment, Internet and communication services, and financial services.

Sony Corporation is centralising its manufacturing operations by reducing the amount of small manufacturing facilities around the world. It is also giving its business units greater autonomy, thus making them more independent and self-reliant. Aggressive management is pursued because of the transition from narrow band networks to broadband networks. Another significant recent change is transformation of the manufacturing society into a knowledge society in which wealth is created from knowledge. Sony's attitude is to hire, retain and further train knowledge workers to increase competitiveness. Pleasant working environment is perceived as context where people are able to make the most of their abilities, and appropriated organisational structure is seen essential to succeed in rapidly evolving business era. This is why Sony conducted reorganisation in April 2001.

Based on the recognition of new era, Sony has formulated and begun implementing new corporate strategies. In broadband network society the business spheres of companies will expand globally and it is hardly possible for one company to dominate multiple business spheres and regions. Sony is trying to achieve balance strategy by two completely different ways. Firstly the strategy of vertical integration encompasses all the activities of the company. Second way is horizontal strategy, combining the strengths of two or more companies. Sony decided to create network-based organisational structure by launching traditional pyramid model corporate organisation and command and control based management systems. The transfer of a wide scope of authority will, in Sony's opinion, promote the autonomous management of each business area and facilitate wifter decision-making. This management model is called integrated/decentralised management. Sony is promoting inter-group alliances by combining the resources of core businesses like knowledge, technologies and human resources. Standardised technologies and systems are further more formulated and implemented in all the Sony Group entities. Cooperation is seen as the best way to expand globally and become more competitive.

As Akio Morita's attitude right from beginning was that his company needed to regard the whole world as its marketplace and not restrict activities to Japan alone, Sony Corporation is now a global company, headquartered in Tokyo, operating all over the world. With the annual sales of 7 trillion yens, and 182 000 employees world wide, Sony is aware of the social responsibilities to contribute

to the development of communities. It provides education for children in poor areas, as well as top schooling for Japanese talents. Sony believes that its brand is built on people's trust for products and its corporate activities are the key when building the trust in its brand.

2.3. Sony Europe B.V.

Sony Europe B.V. is fairly new, Dutch based part of Sony's European Marketing operations. Most of the European operations are headquartered in Germany, Berlin, but Consumer entity is located in The Netherlands, Amsterdam. Sony Corporation has been having local operations in the Netherlands in a form of Sony Nederland for a long time but Sony Europe B.V. was established in 1993. It employs approximately 300 employees of which 100 are expatriates, and the rest 200 are Dutch. Sony Europe B.V. has 36 Japanese expatriates from the HQ's in Tokyo, and other big nationality groups are French (24), German (16) and British (14). The organisational structure is very complex and in constant change, thus the organisational structure can not be drawn. Specific organisational structure is not of great importance in this thesis, interest focuses on the highest levels and the nationalities of the holders of high positions in the organisation. For this purpose following categorisation is formulated:

-"organisational top" including President, Vice-Presidents and Directors (12 positions in total)
- o Japanese 4
- o Dutch 3
- o French 3
- o German 1
- o Spanish 1

- "All key positions" including President, Vice-Presidents, Directors Senior or General Managers (41 positions in total, "organisational top" also included):
- o Dutch 15
- o Japan 10
- o French 5
- o German 5
- o British 4
- o Spanish 1
- o Chzeck 1

Dutch and Japanese form the biggest nationality groups holding the high level positions in Sony Europe B.V. . Japanese nationals hold one third of the absolute top positions and one fourth of all key positions. Dutch nationals have almost one fourth of absolute top positions and they are the biggest nationality group in "all key positions"-category. Over one third of all expatriates are from Japan, and they have extensive expatriate contracts. The amount of Japanese expatriates can be considered to be quite large, but at the same time not as large as expected and known in other companies.

3. Contemporary status of the world economics

World's current economical situation is relevant to brief since it might have an impact on the outcome of our research. Considering this thesis, it is necessary to comment the economic situation briefly in Japan, U.S.A. and Europe.

According to The Nikkei Weekly (11.6.2001, p. 2) economic statistics were beginning to point to the conclusion that Japan's economy has started to sink into recession. Japan's third recession in a decade was reported by the Associated Press on 6th December 2001 (dailynews.yahoo.com). Employment changes, decrease in consumer spending and banking crisis are the consequences as well as causes of the economic decline. Governmental changes such as new policies, budget cut-backs and emphasis on better protection of unemployed are core aims of the new Prime Minister Junichiro Koizumi (Financial Times, 6.8.2001, cover page). Currency, yen, is weak and the unemployment rates are close to 5% which is highest since the second world war. Japan is burdened with the additional problem of deflation, unlike U.S.A. Regardless of the powerful preparations made to avoid recession and have soft landing, U.S.A. is also in recession – first time in a decade. During the summer 2001 U.S. dollar was strong, which resulted to difficulties in the area of exporting. Importing was busy, specially among Japanese goods, like cars, due to the low value of yen. Europe on it's turn is still having it's productivity and growth rates going upwards, but the slowdowns are drastic. European economies are not in recession yet, although having difficulties, but analysts expect Germany to fall into recession later this year. Forecasts of the economical growth declined to half of the original forecast and targets. European currency, euro, is weak resulting to a busy exporting, importing being expensive of nature. It seems that there is a deepening global downturn going on.

II METHOD

1. Case study research

1.1. Selection of the sample

After deciding about the case study company, introduction e-mail was sent to all the middle-level managers at Sony Europe B.V via HR assistant. Some replies were received, and first three interviews were scheduled. After these interviews, further two suitable interviewees were found and scheduled. At that point, after five middle-level manager interviews we noticed that the amount of new information was decreasing. Two more interviews with personnel of the HR department were scheduled and conducted to receive profound information concerning HR matters discussed in the theory. After seven interviews the amount of relevant information was considered to be sufficient, given the before mentioned representative qualities of informants and the boundaries of the study. We felt that the saturation point was reached and based on research economical reasons, the decision was made not to conduct more interviews. Both genders were represented in interviews almost equally, and group consisted of several nationalities - European expatriates and employees from abroad with local contracts, and different departments and education levels. This empirical qualitative study can only describe, enlighten and explain certain domain in particular time. The domain in this case is Sony Europe B.V. with rapidly changing organisation and uncertain economic situation.

1.2. Collecting data: Interviews and company documents

Based on the nature of the theory, concepts and objectives of the research, the qualitative research method was selected. Taking into account the case company, it was decided to concentrate on the local, socially situated interviews. Semi-structured theme interview was perceived as a best method to get enlightening and in depth information about the matters under study. Interview focuses directly on case study topic and provide insight in to the social context. Interview form (see appendix) was formulated and five in depth interviews were conducted. Differing interview forms were used in HR interviews (see appendix) to get more HR specific, new and relevant information.

Five middle-level manager interviews were conducted using the interview form that was not slavishly followed, giving interviewees (and interviewers) creative space. The interview questions varied to some extend depending on the matters that were occurring during the interviews. The themes touched upon the interviews were position, decision-making, individual-team work and

communication, training, Japan related questions, and trust. Since there were two interviewers, different themes were handled by different interviewers, and in the end of each theme, another interviewer was able to add possible questions occurring. The other interviewer were also able to observe the communication while the other was interviewing, and this way additional dimension to the study was provided.

First of the HR interviews conducted was with our contact person, the HR assistant who is taking care of the transfers and relocation of the (Japanese) expatriates. Policies, procedures, practices, training, problems, and all related matters were discussed and required information was received. Another HR interview was with the senior manager of HR who provided us with knowledge of organisational structure, official HR policies and practices, training and comparison of Japanese companies.

All the interviews, except one, were conducted in one of the two meeting rooms of HR department. The fact that the interviews were conducted in HR department, although behind closed doors, could affect the level of relaxed interaction. HR personnel interviewed were in their own office. One interview was conducted in the interviewees own department's meeting room where more relaxed atmosphere was observed. Interviews were recorded and transcripted afterwards. Tape recording the interviews certainly influenced the nature of the communication – in most of the cases the communication changed more relaxed after the recording was finished. The conversations after recording were carefully written down immediately after each interview. During the interviews, the other interviewer was observing the communication and possible "naturally occurring data" was also received. The fact that the interviewers are also foreigners, although have several year's experience of Dutch and the Netherlands, as well as the language used was neither parties' native tong, can affect the interaction to some extend. Duration of the interviews averaged 70 minutes and the transcribed data amounted in average 13 pages per interview. In addition to interviews and transcribed data, we used company documents like annual report 2001 and payroll-listings from which we formulated categorisations concerning employees' level and nationality.

2. Results and data analysis

In this chapter we will summarise the contents of the transcribted interviews under nine subjects: background, career advancement visions, team work, communication, decision making, training, Japanese expatriates, trust and HR policies. In combination to the summary of the information

received in interviews, the data analysis is provided. All the relevant evidence, theories, experiences and knowledge about the subjects, as well as interpretations are presented here. The analysis is based on theoretical propositions discussed in the theory. The objectives and design of the study were based on the theories used.

2.1. Background

Case sample group consists of seven employees of Sony Europe B.V. having in average middle-level manager position, ranging slightly above and below that. Two of them have an expatriate status. Sample group consists of three women and four men, thus it can be said that the genders are equally represented. The average age of the interviewees is 32. All three Dutch interviewees are married, of whom two males (above the average age) have also children. Rest of the group consists of single Central-Europeans who considered to leave Amsterdam after some years. These young employees from other countries of Europe are ambitious and determined to achieve their career goals. They are not planning to settle with a family and in certain place in a near future. Gender did not influence the answers in general, only when asked about the women issues. It was observed that female respondents are very strong willing and capable, maybe even choosing career over family in the future.

Average education among the interviewees is higher vocational education. Three of the interviewees have university level degree, two of them were women. The interviewees reported to speak in average one language beside English and their native tongue. Only two of them reported to speak more languages. The total work experience is in average 11 years, of which 5 years with Sony. Three of the interviewees had started their careers at Sony and worked there several years. We want to make a remark that these averages are biased because two interviewees have, compared to other interviewees, exceptionally long working experience due to their above average age. Some interviewees had been working for Sony less than a year, and some for over ten years, thus also the depth of the experience level and perceptions were naturally influenced.

2.2. Career advancement visions and rice-paper ceiling

The questions about the career advancement visions were indicating the possible barriers to get promotions. All the interviewees seem to be content in their current position - considering their age, education and experience. Based on the data received, the career advancement possibilities are

perceived to be good. Women reported that extra input and effort, are required from them to achieve high goals, or get the same opportunities than men. Although women in our study have higher education in average than men, they found that it is very difficult to receive equal appreciation and recognition in the company. Interviewees reported of similar opinions been heard from other women employed by the company as well. The differences between nationalities were not perceived regarding the career advancement visions.

The positive visions of career advancement could be results of previous fluent career developments. Difficulties to receive promotions were not experienced. All interviewees are ambitious, some to greater extend than others. The desired positions after five years seemed to be realistic and achievable. The interviewees felt independent enough in their positions and they are committed to their work. Japanese style commitment to the company is however not perceived in a long run which is one of the cultural differences between East and West. *"To make a step in your career, you need to see different things and different ways of doing business"* . Western see it as an advantage to have experience in various companies and business areas while Japanese value concentrating on only one company and gathering in depth knowledge of that particular organisation. As long as the interviewees consider their opportunities to be good and their working environment to be pleasant, they are staying in the company. In other words, better offers are always considered and likely to be taken. Western style horizontal mobility is not part of the Japanese style of commitment. The lack of commitment towards the company can be perceived with confusion among Japanese. Those with no Western experiences do not understand why Westerns change the company frequently.

Differences in the levels of valuing and appreciating males higher than females were detected. Women reported that there are only few women in high positions, but they themselves thought that with extreme hard work they can achieve top positions. *"To get promotions as women is possible, but more difficult than for men"*. Even when there are career advancement possibilities for women (requiring more effort than from males to achieve), a female can be a senior manager, but still not respected as a male in that same position. *"Sometimes they ignore women from professional point of view, they are not properly informed...in business related manners...Japanese companies are very hierarchial...women come second..."* Women were reported not to be able always to take part on certain bar-sessions with Japanese and European men. Discussions, consensus making and circling around procedures might be taking place in those situations. If they are allowed to take part, their role is reduced to organiser, not decision-maker. Some interviewees also made notices about the change in the women's behaviour in those situations – normally strong and talkative women

might be quiet and kind of caretaker. *"It's a men's world !"* Thus, the glass ceiling in women's advancement was perceived to exist: *"Making career being a woman is quite difficult in the companies like Sony, big international companies from Japan or other big countries, they have strong strategies and most likely they pick out the men instead of women."* Still extreme contrary view was expressed: *"Everyone has real possibilities to get to the top. We also have very strong women, also Japanese in the top positions."*

According to theory, lack of training, language skills, autonomy and international HR, as well as the existence of employee classifications, difference in values, communication and leadership styles and in decision-making causes the formulation of rice-paper ceiling. Also turnover, trust and difficulty attracting high potential local candidates are indicating the existence of this ceiling. The pre-assumption based on theories of Japanese MNCs was that locals face difficulties in their career advancement and Japanese expatriates are favoured to hold top positions. The interviews did not follow this line of thought because no major difficulties in career advancement were reported by informants and rice-paper ceiling is not perceived to exist at Sony Europe B.V. High potentials have basically equal opportunities to get hold of top positions at Sony Europe B.V. This was confirmed by both, informants and pay roll data. We want to draw attention to the fact reported by several informants about the obvious rice-paper ceiling in other Japanese MNCs located in Amsterdam – Sony Europe B.V. is truly a benchmark in globalising (and localising) their business operations.

It is clear that the rice-paper ceiling is non-existing on the European level. To begin with organisational positions, there are not that many Japanese in top and those positions are replaced by mainly Europeans. However, the information about the corporation in total (annual report, top figures in global corporational top, internet, interviews) suggests that the ceiling is existing in global corporational level. There are hardly any non-Japanese in the absolute top of the corporation.

2.3. Team work

Teamwork increases the interaction between the employees. In Sony Europe B.V., teamwork means intercultural communication and working with foreign languages. It also enhances the possibilities to build more personal and trusting relationships. Everyone in the case sample work both in teams and individually. There were no preference of either, both were seen equally necessary. No special problems with teamwork was specified, only the normal issues, like keeping up with the schedule were mentioned. Teams being very multicultural is seen positive due to the richness of different

mentalities and binding the synergies enables the multifunctional cooperation *"Everyone has different ideas and then you can make best out of it cause everyone sees things slightly differently and that you can come to good results very often..." "We (as a group) just have far more output in quality..." " Qualitatively it's better. You result to consensus, that's, when later on certain decisions are made on what you did, you know that on one is going to say: no, but I was not involved...because everyone was involved before, so that's an advantage as well do something with a group."*

2.4. Communication and employee relations

To receive data about communication and employee relations, the questions about the frequency and quality of the contacts between different levels, usage of different languages and "us and them"-division were proposed. Sony Europe B.V.'s company language is English in which most of the employees are fluent. Interviewees perceived that the Japanese expatriates with no other international experience have difficulties in English in the beginning of their assignment, especially in pronunciation. There are strong groups at Sony like Dutch, German, French and Japanese who often communicate with their native language. This was perceived to be occasionally disturbing – especially when colleagues are speaking their native language when there are others not understanding it around. Most of the time language is switched to English whenever other native is present. The groupings of different nationalities were considered negative in the long run, as a waste of synenergies. Employees should mix more and use the richness of languages that was described as a key for better and deeper understanding and as a tool for effective business across countries.

Language skills are obviously extremely important in global context. We were interested in finding out whether different nationalities do really differ in their language skills, as theory suggests. As we expected, Japanese are more hesitant to use English than other nationalities. They were also perceived to stick to their own language – most likely because of difficulties in speaking spontaneously English in authentic social context. Japanese were mentioned to learn sentences by hart, thus giving an expression that their business English is sufficient. The continuous usage of what ever national language, except English, was considered to be annoying if there were someone of other origin, not understanding that language, present. Especially Japanese was mentioned since hardly anyone understands what is discussed. Thus, it was considered to be of great importance to change language into English immediately after other nationals arrive to social circle – or then

politely excuse the usage of own language. Although almost all mentioned to certain extend the lacking language skills of Japanese: *"Pronunciation is hard to understand."* completely opposite comment was also expressed: *"All our Japanese expats speak excellent English...or otherwise they would not be expatriates"*. This contradiction in opinions and stories is interesting – are the past experiences so different or are some people having maybe over-positive attitude?

Communication in the company is described to be direct and informal. This Western communication style is the opposite of Japanese one, which is indirect and formal. *" It is not very easy to say your opinion very directly and openly.. because Dutch people are very direct and very honest, but the Japanese have different way of talking, they have a different way of verbal approach.. There are lot of clashes between Dutch people and also Japanese.. You have to find the way and you have to know how to treat the Japanese."* *"Make it as a present, make it beautiful, wonderful and don't come straight to the point with Japanese."* Everybody was aware of the differences, but the need for more knowledge was expressed. This is where the need for culture training is shown. *"There are big culture clashes between nationalities."*

In general, there are no difficulties perceived in communication between different organisational levels, between superiors and subordinates. All the interviewees mentioned having good relationships with their superiors, and the communication is frequent and direct. Informants feel that they can ask assistance and consultation easily. Even though communication in English was not seen as a major problem, interviewees told that sometimes it is easier to speak in their native tongue to be able to save some time and express exactly the point they want to express. Multilingual workforce is a good benefit for the company. *"We use our natural languages to have more deep understanding of some areas..and then report to our boss. We don't stick to each role and do act in various way. This is an effective way to work."* It was mentioned that it is tiring sometimes to speak other language than own all the time. This has also been experienced by the interviewees themselves. As living in the middle of the foreign language and constantly communicating with language other than one's own, it can be frustrating at times to express one self. It is a pleasure and at times very relaxing to break free from the language chains and speak with own language freely without thinking it too much. This behaviour is not however polite in the middle of the business meeting or other similar occasion and it is also rude in any social context where interactants are not familiar with the particular language.

Personal relationships and discussions increase commitment, flexibility and trust. Although the relationships between the employees ware perceived to be good, they do not seem to be formulating personal, friend-like relationships with their colleagues. Employees are not often in personal relations with each other, especially outside the offers hours, which slower the development of trusting relationships and further negotiated culture at workplace. Generally most interviewees tend to want to separate their business and personal lives. They do not see it in great importance to discuss personal issues and be in contact outside of office hours.

Some departments are more active than others with organising own outings like drinks after work. CCD, corporate communication department, is organising more official activities such as annual Christmas party, tennis and volley ball tournament, and visit to Euro Disney. Participation in most of these activities requires a membership of an employee union. Half of the interviewees felt that there are enough of activities organised, the other half would like there to be more. It was mentioned that lack of organised activities is due to the freshness of the company - many departments are new and there are number other things to take care of. Certain appointed unit or person should be organising these activities (HR, who sees this to be departmental responsibility, was suggested by the middle-level managers). However, if there would be more activities organised, all interviewees would take part. There was a suggestion of a night-time cantina to be established since many employees, especially Japanese, work long office hours. It would be easy and convenient way for employees to meet, get more acquainted and build contacts with each other.

The structure of physical surrounding contribute to organisational openness. Almost all the departmental offices at Sony are large open space offices thus all the employees of certain department are in constant contact with each others and all actions and procedures are open. HR department had more closed atmosphere and was more closed physically as well. HR naturally deals with private and confidential issues which might be the reason for closeness, but being "closed and separate" as a department might create some barriers when personnel want to approach HR representatives and also affect the trust formation.

The division of "us and them" creates negative feelings and sometimes even discrimination – in opposite, it also might lead to great team spirit. The division was observed by all interviewees, only the definitions varied. Mostly "them" were defined as the sales companies, or different divisions and departments. Some interviewees saw the division between Japanese and Europeans strongly, even as a self-evident fact: *"...they (Japanese) are most of the time one group, Japanese against*

other cultures.." Also extreme opposite opinion was expressed: "us and them" -division is *"certainly not between nationalities...also not (between) Japanese and non-Japanese."* It was seen that "us and them" -division is a typical phenomena in many companies, as sales company versus the head office, referred as *mother-daughter relationship*. All in all, the division between head office and the sales company was a dominant and had a slightly negative connotation. Division between Europeans and Japanese was more neutral – opinions varying depending on the department the interviewee is working in as well as on the business contacts the interviewee has with the Japanese. Based on the interviews it is quite obvious that it is very rare to create a contact with Japanese without business relationship. Japanese as a nationality group are separated quite strikingly from others. This tendency to concentrate on Japanese collectivity is not to be judged since it certainly have positive outcomes for them. This separation confirms the pre-assumptions that we had drawn from theories.

2.5. Decision-making

The decision making style and the procedures partly reflects the stage where company is in its globalisation process. If the decision-making procedures in the foreign subsidiary are perfect copies of the home company, globalisation is seen to be in early stage. Another indicator of immature globalisation is the lack of autonomy in decision-making and lack of possibilities in participating the whole company scale decisions. When a foreign subsidiary is using its own policies, can autonomously and independently practise decision making both in company level and in individual level, the true globalisation has been taken place.

Decision making in general at Sony Europe B.V. is following the Japanese style - consensus, circling around, coffee machine conversations, meetings as place of concluding not to free one's mind and bring up new ideas, are common features in the company. Namawasi board was nimed as an operational board where no decisions are made but information is given out, proposals, ideas and problems are heard.

"Decision on the global level – it takes for very long time before the decision is made. It takes very long time to decide because you need to have agreement with everybody." "I think the biggest difference (between Japanese company and some other) is the way to decide and the time to decide.. This is the fundamental difference that you have to understand between Japanese and Western companies." According to the interviewees it is possible to participate in decision making, but only

if the Japanese style is understood. Big important decisions concerning the main stream strategies in Sony Corporation are made in the Tokyo HQ. Autonomy is given to European level to take decisions in terms of implementing these main stream strategies and make their own decision about day to day activities. European level has its own decision making body, the top of European operations, based in Berlin, has *"no Japanese in top level, not even in the second level"* indicating the shift of power and increase of autonomy in subsidiaries. *"It is good that Tokyo leaves it up to European people to decide about their markets and not put Japanese like I know in other companies..almost all board members are Japanese in Europe still.. And it makes life difficult to work, to fight against, or to convince somebody who is not really familiar with the market or the people in different countries."* Interface with Tokyo is however strongly needed at strategic levels.

Half of the interviewees found that they have enough individual decision making power, taking their current positions into account. Participation in organisational decision making was perceived adequate as well. Other half wished to have more possibilities on both levels, which indicates the will to get higher position. The quantity and quality of important information about the company was considered to be too little sometimes. The lack of this information was creating some frustrations among the interviewees and they were requesting for faster and more efficient information channels. They did not consider different instances necessarily hiding or keeping the information purposefully, but it was merely seen as structural problem. In the contrary, some interviewees suffered from too heavy information flow. The amount of information continuously received seem to be depending on the department.

2.6. Training

Culture training is the way to reduce the gap between the differing cultures, reach synergy and improve intercultural communication. Training and learning do increase familiarity of other cultures thus reduce uncertainties of unknown and increase common grounds to build trust. Learning is naturally possible without official training, through experiences and habituation. This way learning takes longer time. Management training provides tools to increase the level of the managerial work and confidence in even higher tasks. Language training and language skills, in part, lubricate all communication and in addition to interaction skills, helps people to adapt the foreign habits. The middle-level managers overall opinion about the training provided by Sony Europe B.V. differed surprisingly from the HR department's view. Middle-level managers considered the training possibilities to be basically non-existing, or if there is training, there is no information about the

training possibilities. It was also mentioned that to get into some possible training requires too much own time and efforts, for example information seeking, arranging accommodation and transportation. Dutch language training was to some extend offered by the company, and some of the interviewees were also taking advantage of this. Although training possibilities were considered to be lacking, the interviewees knew about the courses available at the highest levels of the organisation. In most cases these were not in the reach of our interviewees.

All the middle-level managers interviewed, except one, had received some minor training provided by Sony in the beginning of their employment in their home country. Relaxation techniques, presentation skills and culture training were considered to be effective. However it was wished to have more training in all areas (language, culture, intercultural management, IT, management courses). Japanese business culture training was seen relatively important to help understanding the Japanese ways. *"We got a book about Dutch mentality, culture, behaviour, do's and don't's, but nothing about the Japanese." "You don't learn in two weeks how to work with Japanese, that's for sure...and how to be appreciated by them. You need to understand some logics."* This is not however one way thing, interviewees got an impression throughout the interviews that no culture training was given to Japanese expatriates either. *" It would be good for Japanese to have a training course in dealing with other cultures. Because Japanese are coming to Europe and they also have to certain extend adapt to European mentality. And they also have to learn to certain extend how Europeans work and how they are.""It is the responsibility of Japan or any other host company to arrange culture training when sending an expatriate."* The idea of "Introduction day" in the beginning of the employment was proposed by the middle-level managers interviewed. It would be beneficial and help to adapt to the company culture. That way new employees would also get acquainted with Japanese business habits and learn and understand the approaches. Middle-level managers wished to have short, pleasant courses with easy access. All informants considered culture training to be to some extend important and when asked whether they would take part in training if organised, all answers were positive. *"There are lots of small tricks to understand.. It is a big thing to understand.. I have experience from many years, but I'm still discovering big things from time to time which cares me because maybe I still have very big things to understand as well."*

HR department responds that they have *" all kinds of training, we have everything, it's incredible"*. *" We have our appraisal system, training is a very important part of the appraisal system, whole appraisal system is based on competencies, we have to define the competencies for each position of the company."* (It came upon at some point that there are issues in implementing the appraisal

system for it still being new at Sony Europe B.V. More attention was planned to be given to this at the end of the year 2001.) Company HR prioritises training, and it has been communicated from higher levels that no budget cutbacks and savings are suggested in the field of training. A couple of well known training institutes prepare tailor made training for Sony and *"complete online education library offer books, trainings and videos available to anyone"*. All the courses HR described, beside the online library, seemed to be very expensive, external, high quality and long lasting courses directed to high potentials or top level employees. The conflict between HR's and the middle-level managers' perceptions of the training available can be caused by the difference in between the training programmes on paper and the actual, realised, implemented training, as HR expressed *".there are several things we don't implement.."*. Internally organised "Introduction days" for all new employees is being planned to take place in near future, and this way the perceptions are getting closer and HR is responding to the needs of the employees.

Considering the previous it is obvious that there is a dilemma concerning training at Sony Europe B.V. Lack of information flow or wrongly directed information spread and misinterpretation from both sides could be behind of this phenomenon. Or perhaps it is an issue dealing with inter-organisational communication. HR department assumes that employees are not in need of the training and maybe therefore there is no training arranged. *" I haven't heard any complaints. I get the feeling that we are quite ok with that."* There might be plenty of fancy training programmes in the paper and in the policies of the company that reflect to the positive connotations of the HR experience on contemporary training situation. The atmosphere interviewers experienced from the staff was that on their side there is not enough information about the training possibilities. Strong wishes to receive smaller scale, practical training opportunities was made clear.

2.7. Japanese company and expatriates

There are significant amount of Japanese expatriates at Sony Europe B.V. The amount was however lower than expected and what the theories indicate. All the informants find Japanese company to be different from the companies of other origin, mostly because of the decision-making procedures (as more specifically explored previously). Many interviewees thought that the HQ Tokyo is giving more value to their own Japanese employees than to the employees with European contract, *"HQ is always HQ"*. *"When Japanese employees are asked to relocate, then they are special for the company."* To culminate the difference *"...Japanese can not be fired, very simple. Locals can be fired."* This reflects the traditional Japanese employee categorisation into seishan and non-seishan.

It was also clear that Japanese expatriates are assigned for their overseas business trip, where other nationalities are most often sent, more or less, by request. At least they have a change to turn down the offer, Japanese have to follow the rules: *"They are not able to complain because then the game is over"*. According to one interviewee: *"If the local employees are not visible, they are not important for Japan either"*. At the European level, all the nationalities seemed to be equal.

All the interviewees considered Japanese expatriates working extremely long hours, often during the weekends also. Only few holidays are kept as well as they hardly ever report to be sick. They dedicate themselves fully to the company. The mentality behind the commitment is as follows: Company takes care of you, so you take care of the company. One factor explaining the Japanese expatriates' extraordinary working hours is the time difference between Japan and the Netherlands. Supervisors, directors and top managers are best reached late in the evening. Another explanation for late working nights was brought up as an polite manner; in Japanese culture it is also impolite to be the first one to leave the office – *"when the first leaves, the rest can leave"*, then there is no social pressure to stay. Japanese expatriates working long hours did not create pressure among the other employees. To be recruited to the company from managerial level upwards, you are supposed to work as long hours as required. Overtimes are only paid under managerial level and the Europeans did not see the overtime as a problem. They tended to leave the office in reasonable time – some interviewees reported of the average one hour overtime per day. Overtimes were not perceived as a result of the Japanese origin of the company, *"it's pure dedication to the business. People want to get their work done, done correctly"*. What was found irritating regarding the long hours of Japanese among some of the interviewees in some department was that many decisions are taken late at night and employees find the information in email in the morning. This is frustrating to someone who wants to take part in decision making as much as possible. *"...department having a Japanese boss...different? yes...they schedule meetings at eight o'clock in the evening...which let's say normal European person would never do."* To some extend this unusual time of decision making can however be explained by the time difference.

Japanese expatriates are clearly seen as having a communication function between the HQ in Tokyo and Sony Europe B.V. in Amsterdam. This is explained by the lacking language skills, especially in Tokyo side. The expatriates also know profoundly the HQ procedures and systems. Japanese expatriates are also perceived of having control function over the operations carried out in Europe. Due to the current business situation and global economical state Japan is sending more controllers to control and report about the changes. The existence of the shadow management was also

reported. *"Due to the economical slowdown in Europe, the HQ is pulling back some of the autonomy because they are very worried about the total position of the company."* The interviewees saw however that most of the Japanese expatriates could be replaced by the local employees. Some are necessary with lubricating the communication with Japan. *"It is good to have a mixture..Japanese are needed to communicate with Tokyo, so there should be some Japanese, but definitely some could be replaced by locals."* Expatriate posts were mostly seen as parts of rotation and the communication channel, not providing the expertise. However, during this period of economical slowdown and future uncertainties, more expatriates are sent to control the overseas functions which indicates the power of the HQ.

The expatriates are mainly males having their families with them. The families live in an Europe's biggest Japanese enclave in Amstelveen, *"Little Tokyo"* or *"Japanese town"*. This is because of social circle and collectivity which is especially important for the spouses who normally take care of the household and the children. Many services like Japanese shops and restaurants are centred in Amstelveen, as well as International school with good reputation. Informants considered Japanese to be the group of their own, preferring to socialise mostly with each others.

Japanese most often are not perceived to be keen in learning about the Dutch culture and language *"I think they would be willing only if they are forced to do so."*.One explanation is the predetermined time of the assignment and the return back to Japan, or to some other country after the assignment. Those staying longer in Europe, or having previous expatriate experiences, are more open and active in learning. It was estimated by HR representative that 80 percent have been expatriated before, thus being familiar with most European customs and skilled in English. It was also mentioned that many of the Japanese working for Sony are not *"classical Japanese"*. *"...catholic Japanese are a bit different.. many have also learned a strange life (travelling, working abroad) from their parents."*

The extend of the will to adapt is not depending on nationality, rather on individual preference and interest: *"... if you ask European people are they willing to learn the mentality of other people or cultures...some will say yes, some will say no"*. It was even expressed that the Japanese are more active in learning European habits than some Europeans willing to actively study Japanese culture and business procedures. This finding was unexpected and surprising. This anxious Japanese mentality was seen as a result if a long relationship between the Japanese and the Dutch. *"Japanese*

are very interested about Dutch, how they do things, Dutch are less interested in Japanese...Dutch are more interested in themselves in general."

Japanese expatriates are living in enclave and treasure Japanese values, norms and habits both in personal lives and business. They know their stay in Amsterdam is only temporary thus profound learning process is not valued. Japanese expatriates being on rotations pool and Japanese style decision-making in the company prove the usage of traditional Japanese methods. However European operations are given great autonomy and modifications have been and are still being done thus true globalisation is an ongoing process. The contemporary economical situation complicates the process of globalisation since the autonomy is slightly taken back by controlling more the foreign subsidiary operations.

2.8. Uncertainties and risks

Uncertainty and risks both in company level and in individual level reflect to the organisational trust and interpersonal trust in the company. If there are no risks at all perceived, then there is no matter of trust either, it is the confidence that is the case. As it was argued in the theories of this thesis trust always involves risks. Uncertainties on the other hand are influencing the intensity and the nature of trust. Trust improves over all quality of all operations.

Current global economical situation, and recruitment and investment freezes at Sony are creating uncertainties. Some interviewees told they have had employment related discussions in the departments that were reflecting uncertainties especially among the lower levels. Informants themselves were not uncertain about their own positions but merely about the future structure of the organisation that might affect their work. Even if not feeling uncertain it's good to be alert *"You always have certain certainty and at the same time certain uncertainty"*. In our opinion, if there would be personnel cuts, these informants would most likely not be in the group of those firstly unemployed. They would most likely have no difficulties with finding a same level job since skilled workforce is needed in Amsterdam and surroundings. Sony have a good name and reputation, both attractive to the job seekers and on the other hand valued as an experience in one's CV.

Structural changes that are not communicated sufficiently to the employees are likely to create uncertainties. Middle-level managers had experienced some problems with the information flow. Not all information from the top was received and surprises later on are not appreciated. Constantly

changing department structures and high employee fluctuation is both the reason and the consequence of uncertainties and inconveniences. This further leads to troubles when customers as well as employees don't see continuity in organisation. Beside the newly established department that still have new employees coming in, the personnel in the departments is changing a lot, especially at lower levels of the organisation.

Risks were not considered to be part of the human relations in the company. Some uncertainties were observed, not however concerning human relations, but they did not reach the level of maybe even expected importance.. If there were some risks involving the interviewees' work, they were mostly due to the current economical situation. Major competitors of Sony have been forced to let go tens of thousands of employees in recent past, and therefore some uncertainties are seen as employees start asking whether their contracts will be renewed. All managers still were confident regarding their positions and believed that it is not strategy of Sony to fire employees easily.

2.9. Trust

"I think the basis for Sony, one of the biggest norms and values in Sony employees, coming from the top of the company, the founder is that we have to trust our employees. And that trust means that we have to give them room to be creative and initiative..They want everyone to have the room to come up with challenging ideas... the only way you can do this is to trust and not put all kinds of controls all over the place." In spite of this notion trust did not seem this clear at Sony Europe B.V..

Trust lubricates communications, improves commitment and enhances the efficient business thus making it more competitive. However, it is possible for a company to function without trust, as mentioned in our theory chapter, but this dis- or mistrust can't be consciously thought. If trust is lacking, there must be a substitute or alternatively the "pre-trust condition", confidence or hope. The questions about reliance, uncertainties and risks, attitudes towards other nationalities in general and Japanese in particular, and image forming were asked to measure the trust level.

All interviewees felt that they can rely on the people at their departments and other departments. There was however some evidence of lack of confidence or trust in HR department's actions because some confidential information was given to wrong instances. This leak of information has been experienced to slightly violate the relationships between groups like national groupings. The lack of trust in HR departments is quite usual in many companies in our experience. Interviewees

felt however that their colleagues, superiors or subordinates would not behave harmfully or opportunistically towards others. Nevertheless some had basic doubts and were alert and cautious at all times. If there were doubts about others not being competent to carry out certain tasks within the time limit, one preferred to carry out the task her/himself. In general, the expertise of their colleagues was relied on. Still, business trust needs to be separated from personal trust. It is not necessary or possible to force personal trust, but it is necessary for the business to have at least some kind of substitute for trust – even forced one. Each individual have to find their own ways to manage their personal lives, but social context is more difficult to manage. The business would paralyse if both confidence, trust, or its substitute would be lacking. Confidence is subconscious feeling and can be compared to businesslike "have to" trust. *" Business wise I have to (trust my colleagues), I depend on their information. "*

Some of the interviewees felt that HQ in Tokyo value more their Japanese expatriates than European employees. Not that many interviewees are in direct, continuous contact with HQ, but usual experience was that *"Tokyo trust only Japanese people. If you, as a Western guy are trusted, you are an exception. "* Building a relationship with Japanese take a long time, months, even years. According to interviewees, to be considered important by Japanese one need to be visible and reach a certain, at least managerial, level. Cultural background always affects the trust building process, more or less and either negatively or positively. Tendency to trust the same nationality easier than others was clear in the interviews. In some parts information concerning trust in the case of Japanese was very contrary: *"You can trust them, I think even more than other people. The difference in their culture is that whenever they make the decision, they are going to stand to it till the end..not gonna change it, like we tend to do.." " I'm always careful when there is Japanese around, they have two faces. "* Personal experiences and background are affecting the tendency to trust. If one has negative previous experience with certain nationality, no personal relationships further, then changing the distrust is difficult. Also if hesitant with one culture it is more likely to be with others as well. As a basis line it can be drawn that the more similar the cultures are, the more easily the trusting relationship is built. Similarity, both person and business wise, affects intuition and feelings of familiarity also at Sony Europe B.V. Language as a part of cultural background is not an issue in actual work. It does however separate nationality groups to certain extend during breaks and after working hours. This indicates the lower level of interaction between employees of different nationality groups than between own nationals. Trust building requires personal contacts. *"Business wise I do (trust) but in the personal way...I don't know actually because I don't have that much personal contacts. "*

The way people form an image of their colleagues is directly influencing they way trust building is initiated. When building an image of a new colleague, interviewees strongly trusted on their first instinct, which had been experienced to be correct in most of the cases. If trusting relationship is build with the new colleague based on this instinct, it can be referred as intuition-based trust. Working experience and that way acquired position were also strong factors in building the image. These ground for trust refer to the estimation of the context person is working in, in other words derived trustworthiness (sub-concept under relational trust). Previous positive working experiences together and one's attitude and commitment to work were also perceived important when building an image, and trusting relationship. This indicates to the estimates of the persons' traits thus primary trustworthiness (another sub-concept under relational trust) is the case. Reputation, third person's opinion and formal degree were mostly of no importance.

2.10. HR policies

Sony Europe B.V. has been given autonomy to design their own policies, practical day to day policies. Thus, HR policies are expressed to be independent from the ones in Japan. These policies need however to be somehow aligned to the main stream Japanese HR policies that are in the end strongly shaping the overall nature of the company and policies. Policies in Europe vary locally from country to country and employee conditions are different even between local sales companies.

The centralisation strategy and process operations is going on at the moment. The purpose is to centralise all the European activities, and integrate all the policies to be the same all over. This is the case with all bench marking policies, expatriation policy, appraisals and employee evaluation policies. However policies need to be also in line with the local market place, considering the legislation. For example this is the case with differing regulations for the maternity leaves.

The localisation policy started on 1st of April 2001. This policy is especially touching upon expatriation issues. *"We are trying to get the expatriation package to be exactly the same as our European expatriate policies, they are quite close already. We are trying to align everything to the same level. The only difference (between these expatriates) are that Japanese expatriate goes back to Japan after three years, while European expat quite often becomes permanent after three years of expatriation. "* In the future, there has to be a strong argumentation for fulfilling the position of Japanese expatriate who's contract ends with another Japanese expatriate, if the position could be fulfilled by a person with the same skills, from a nearer physical (and cultural) distance. The

intention is to keep as few expatriates as possible and fulfil these positions with local skills. Expatriate policies between Japan and Europe differ to a great extend. The actions are taken to fill this gap by designing the common expatriate policy.

Employee contract regulations are European level and come from the European HQ in Berlin. There is an continuous interface taking place to make sure that Europe is inline with Japan in this issue. Other issues related with HR policies that were discussed during the course of interviews, were the career advancement programmes, company car policy, ARBO union and childcare.

2.11. Negotiated culture

Negotiated culture is an ultimate positive feature in companies that reduces all communication and procedural gaps. It was described that Sony has special culture that is said to be powerful and special compared to other companies from Japanese origin. *"Within Sony we have created kind of multiculture...We are still Japanese company of course, but we are willing to put all the cultures together and make a perfect mix."* Employees at Sony are more found of each others, they are kind and take care of each others compared to other competitive companies, according to most of the informants. It was quite clear in all interviews that this culture is neither Japanese nor European. *"Sony doesn't feel like Japanese"*. Japanese are even seen to adapt more to the European way than the other way around.

National laws shape the organisational procedures and policies locally. This together with multicultural work force coming mainly from Europe has shaped the overall company culture more European than Japanese, although the decision making processes are considered to be Japanese. At the company culture level, Sony Europe B.V. is mainly European but at the policy and procedure level it seems to have created mixed systems although it is inclined to use as many Japanese systems as possible in the limits of local laws.

It was perceived that the common way is more created by learning by doing, not that much with discussing and negotiating about differing values and practises. The conversations and *"deep discussion about the ways we work.... are in restaurants after fifteen beers... this is really the place where discussion occur for sure"*. The sharing of cross-knowledge is not actively pursued and reconciling differing values is this way not occurring, thus third culture has not been developed, in our opinion. It was reported that training is not absolute necessity but advantageous since it does

fasten the adaptation, increases the cross-knowledge and synergies fastening the efficient business procedures to emerge in new situations. This way trust and third culture, and further negotiated culture would be more intentionally pursued.

3. Reliability, validity and generalisability

Reliability is the credibility of the study. The reliability in research is the extent to which repeated measurements used under the same conditions produce the same results. Reliability in qualitative research can be achieved by satisfying the criterion of using low-interference descriptors by tape-recording face to face interviews, carefully transcribing the tapes, and presenting long extracts of data in report (Seale, 1999, 148 in Silverman, 2001, 226). The reliability of the research at hand is good since all the criterion of the low-interference descriptors are fulfilled. All the interviewees understood the questions in the same way, after explaining slightly more in some cases. They all have fairly good positions in the organisation and have certain educational background, thus they all had the ability to think in the correct way concerning the study. The interviews were tape recorded and carefully transcribted afterwards as well as large parts of the interviews are explored in the result and analysis part.

Validity is the success of a test in measuring correctly what it is designed to measure. It refers to the extend to which an informant accurately represents the social phenomena to which it refers Researcher, his or her values has on impact in the interview setting and that might influence the validity. To measure the validity the truth status of respondent's account has to be considered. One good validation test is the triangulation, a comparison where different bearings give the correct position of an object - meaning combining different methods. (Silverman, 2001, 232-233.)

We used the method of triangulation simply by combining small scale observation and interviews in the interview context to see if the information received in these two ways are corroborating each others. In some occasions, the behaviour and non-verbal communication observed during the interview changed slightly our idea of the actual verbally communicated answer. When asked about the existence of trust, it was quite often easily positively answered but other messages and sayings afterwards were conflicting thus reducing the validity of verbally communicated meaning. A respondent may feel good about oneself when answering affirmatively to the question about trusting others, even though in actual behaviours one might not be a trusting person. On the other hand,

answering yes to a question about trusting others, may be more parallel to being trustworthy in that context than to being trusting.

External validity refers to the *generalisability* of the findings. This study is not aiming for the analytical generalisation, but merely for contextual generalisation. It is based on the idea that detailed and holistic explanation of one setting and process can be used to frame relevant questions about others (Mason, 1996, 153-154 in Tahvanainen, 1998, 91). The findings of this research are not generalisable to apply to other companies or social situations – it is case specific in given time and space. We do think that the findings are generalisable to some extend to Sony Europe B.V in total although the sample group was relatively small. We had representative sample group, not in size, but considering varying qualities and sufficient amount of relevant information received.

The theories of our study have not been done specifically concerning the case study, here being Sony Europe B.V. Our theory was completely separate and that can be seen in the findings, where generalisation compared to the theory can not be made. To present this another way, if the case company would have been familiar to us and if we would even had suspected some of the possible outcomes of this research in before hand it would have affected the formulations of the theory. Instead we were ignorant of these factors and therefore our theory is pure. The findings of the empirical study, in their part, can be influenced by the fact that all potential interviewees received the introduction letter vial HR department, not directly from us. This could have had two way effects: either some replied because it was from HR or the same reason decreased the interest.

4. Limitations and recommendations for future research

This study has several limitations that provide possibilities for future research. Firstly, the time frame of the empirical study was quite short while formulating the theory was significantly longer process. Taking into consideration the concepts used in the study, more in depth knowledge and more advanced tools to conduct the research with would have been received if longer period of observation would have taken place. Trust and cultures' influences in the production of trust, are not the simplest phenomena to empirically research. Thus, it is recommended for the possible future research to reserve considerably longer time period to be able to "get inside" the company more profoundly. One possibility would be to conduct observational study in researcher's own workplace.

Secondly, the sample group of seven informants is on one hand sufficient regarding the nature of this study, but on the other hand too little to be able to make generalisations. In addition, due to the current business situation and busy schedules of potential interviewees, we were not able to choose our informants. In stead, we had to interview the ones who replied to our introduction e-mail. However this e-mail was only sent to suitable candidates and therefore all the interviewees were adequate sources of information. Interviewees were helpful in finding other informants as well. It would be interesting to study the subject more profoundly and in a more organised way in the future. The study could be realised so that more specifically defined informants would be interviewed from each department, and compare the individual perspectives and department level trust in multinational teams. Also one department that has several Japanese could be compared to a department with no Japanese to investigate Japanese culture's impacts. It would be sufficient to study the effects in opinions and attitudes of the organisational level the person is working at, in other words the power's influence on attitudes.

Thirdly, the choice of the case company can be considered as limitation because Sony Europe B.V. happens to be probably the most advanced Japanese company in globalising its operations. "Sony is really a bench mark of Japanese business on how to go global." Comparative study with another Japanese company could be conducted to see different strategies and levels of globalisation. Based on the literature and theories of Japanese business, it is assumed that the research results would be different if another company would be studied. Our informants (some had been working for, or had been in contact with another Japanese company) were also in line with this assumption. Comparative study between Japanese and for example American company would strongly bring up the differences. It would also be extremely interesting to study other locations of Sony in Europe, or even in Japan.

5. Recommendations for the company

As explored earlier in the research report, five conditions are required to build trust culture in the organisation. Normative coherence is achieved by aligning the rules and policies. Inequalities and shortages have been recognised at Sony and the aligning process is the current objective of the company. Sony can increase the accountability of the institutional arrangements by keeping its structures simple and visible for everyone thus providing a psychological back up for the employees in cases of difficulties. The difficult economical situation and the unclear outcomes are creating frustration and uncertainty among the employees. If Sony can now prove its accountability and

provide back up for its employees, this difficult situation will have positive outcomes. It will increase employees commitment and trust towards the organisation thus enabling Sony to continue its growth.

Sony Europe has an unstable organisational structure and personnel, which decreases the possibilities to build trust. Many companies are struggling with fluctuation thus careful and professional recruitment is needed. It is better to wait a while and carefully choose a suitable employee who fits in to the "Sony culture" and the particular position, than just quickly take someone in to ease the current desperate need. It is most often the case, especially in Amsterdam, to hire too qualified personnel to the low level positions. Many qualified candidates easily accept lower level work, with "no brains needed", while searching for career job. It might be the intention by the employment candidate to only work for a short period and of course this is not mentioned during the interview with the recruiter. The current need of employment and type of contracts, like uitzendbureau contracts with a day's resignation time makes this possible. These employees do not commit to their work and most often get bored due to the lack of challenges. This results to short employment periods, which comes down to the unstable environment in the company. This is the major reason to have an effective recruitment practices. Short working periods might be even beneficial for the individual, but in general they are harmful for the company and the feeling of continuity. Continuous changes in the organisation structure increases uncertainty thus stabilisation of the organisational structure should be prioritised.

Sony needs to develop the transparency of its organisation and policies. There are contradicting opinions about the information provided and received between departments. It would be beneficial to evaluate the quality and quantity of information flow – is everybody receiving the important information and is there enough information available for everybody. Open offices increases familiarity and transparency of procedures. Researchers experienced quite striking difference in atmosphere of different departments. The open offices were more welcoming unlike more closed ones as HR. Human Resources department is the core department in terms of employment conditions thus the physical structure of the department should be re-evaluated. Could there be something changed (like decrease the amount of massive doors) to increase the openness and easy accessibility?

The information concerning training was probably the most contradicting. All the middle-level managers perceived the training level to be low or even non-existing. HR however claimed that

there are many training possibilities in the company in all areas. This situation needs to be clarified in both ways. Employees need to know about the availabilities and HR on the other hand about the perceived lack of training among employees. There is obviously some false cross-knowledge. Is the training only on the paper and not implemented or is there no training because HR sees that employees are not requesting? It would be good to evaluate is the supply meeting the needs.

Sony is setting up the Introduction day for new employees, and it is important to carry out these plans. An Introduction day can be just a half a day when Sony Corporation and Sony Europe B.V. is introduced. A culture training, let's call it for example as Intercultural Communication Training, could also be in company's objectives and obligatory and available to all employees, not only for the management level. If the top management is pushing the training and it is obligatory it would be ensured that everyone would participate. Duration could be one whole working day and the group size around 20 at the time. It should be organised frequently, maybe once in two months. In our opinion the best way to organise this is to organise it to all of the nationalities at the same time, not separated as mentioned to be one possible way. When all the nationalities are in training together, different perspectives, experiences, cultural backgrounds and real life examples as well as critical incidents can be explored. Dutch employees have a specifically important feature to help others to adapt to the local manners and procedures. Training is not as fruitful if nationalities are separated. Separation itself can enhance the grouping of the nationalities, keep them separate and even create wrong images and patterns. Discussion about the differing cultural habits and business practices, and their grounds, help people to understand why others are doing things differently. Not only knowledge on how people from other cultures and one him/herself think and do things, but understanding why, it is crucial. As in the case of Sony Europe B.V. it occurred during the interviews that nationalities have clashes due to the different communication styles and approaches. For example that Dutch are very direct can be experienced rude by Japanese who don't speak their minds directly but rather go around it and approach the case differently. This could be illustrated by the example were a superior is shown a proposal by her/his subordinates which she/he is not quite satisfied with. Instead of saying it direct, in a Dutch way: "This is not good", Japanese would use a different tone: "Could you consider of doing this another way". Understanding each others can only be achieved by sharing correct cross-knowledge by discussing, negotiating, interviewing and analysing both the other and oneself. All the middle-manager informants considered this to be of importance and benefit in the work.

Predeparture training concerning the differing host company's local culture and business procedures for expatriates is essential. This predeparture training can be combined with actual work. The future expatriates should be nominated in early stage and they could start getting to know the future host company and culture by handling business operations between host and home company. This interface should be with the local employees and not only with other expatriates already assigned to the future host company. This way one would develop the language skills and culture and business related knowledge as well as build relationships. The fact that the English skills of some Japanese expatriates, at least when on their first foreign assignment, are insufficient but improving when staying longer, indicates the low level of previous communication with foreigners. If creating the effective relationships prior to assignment, effective business can start taking place right when arriving to host company.

Interpersonal communication and familiarity of employees results to effective business practices, enhances the development of the negotiated culture and builds trust. To increase this familiarity there could be more easy going organised activities where all the nationalities and departments are interacting. Besides maybe more annually organised activities, improvement on company's side to increase the familiarity would be to establish a night time cantina as it was suggested by an employee during the interview. Smaller scale get-togethers and activities should be organised between departments to lubricate cooperation and maybe between the head office and the sales companies to avoid the division of "us and them" which seems to be quite strong at the moment. Departments themselves could organise outings together or with other department that they are in frequent contact with. Having just drinks after work on Friday is not the best way to increase the teamwork abilities and communication, bowling etc. team sports improves many skills more effectively. This can be then linked to dinner and drinks after words. These smaller scale activities are easily organised by the departments themselves and flexibly handled by circulating the turn to organise the activity. HR on the other hand could be responsible of setting larger scale activities maybe twice a year.

CONCLUSIONS:

In this chapter we draw together the findings of this study at the general level.

The trust in Japan is based on highly appreciated traditions and values. Social obligations bind individuals within the group – all individual behaviour is highly visible and to be judged by the community. Misbehaviour and breaking the obligations lead to the detrimental loss of face and rejection from the community, and maybe even society. Dense networks in company, voluntary association and in-communities are the bases of social life. Employee in Japanese company does not have a free mind. She/he is rotated in different levels of the company and thus rooted as a member to the collectivity of that company. Company takes responsibility of the individual and in return individual completely trusts the company and is responsible for it. The basic difference between the trust in Japan and in most of the Western societies is in the fact that Japanese are responsible for their actions for the whole community while in West individuals stand behind their actions alone. In the West social obligations are not in such great importance. Also the tendency to trust and grounds to build the trust on differs between Japan and Western societies – Japanese mistrust until proven to be trustworthy while Westerns trust until trust is violated.

Theory suggested that there can not be trust if there are no risks involved - risks and trust are interrelated and not separable. The risk in relation to trust is of specific sort and in many ways parallel to trust. Risk is also oriented towards the future and more specifically it refers to threats due to the actions of other people. Risk implies some uncertainty about the occurrence of future unwanted events as well as it involves agential commitment. Risks are activated by our own actions, our decisions and choices. (Sztompka, 1999, 30.) The only risk mentioned considering the relations in the workplace, in addition to actual business risks, was the uncertainty of others' skills and capabilities in work related tasks within strict time limits.

- o Slight mis- or distrust is existing at Sony Europe B.V. and it is merely directed towards employees below managerial level. This can be explained partly by the fluctuation and turnover in those levels. If positive common experiences are not cumulating, the level of trust is not increasing either.

o There are no major issues with trust at Sony Europe B.V. Both from theoretical and practical perspective, we suggest that business trust can not be defined as pure trust - it is merely confidence. Business trust was defined as "have to" trust because trust in this case is no choice of consideration.

Confidence or "have to" trust in the business environment refers to the fact that a person responsible for certain tasks, will carry them out as one's position requires.

o Employees at Sony Europe B.V. ground their trust in the context or position, thus it is derived or secondary trust. It also indicates the presence of institutional trust since the contracts obligate the person to perform as agreed.

Risks and possible losses concerning business are not strictly personal, although it can have personal effects like disappointment and maybe embarrassment. The bigger the boss, the greater the losses. The effects are also culture dependent: Japanese loose their face and most of the Westerns their self confidence. Loosing face is collectivist, communitarian phenomena while loosing self confidence is individual experience. In general it mostly the case that the company looses if some business operations and risks turn out in a negative way, not an individual. However when company looses, some ways personnel looses also.

o Business trust is on one hand reducible to the concept of confidence and on the other hand, it can be considered as institutional trust.

We divide two different features in organisational trust into business trust and interpersonal trust within organisation. This is due to the notion that trust in economical life is only reserved for social relationships. Business trust is merely trust in systems, and it is either institutional based or derived, secondary trust.

o It can be argued that derived secondary trust and institutional trust are not pure forms of trust because they are based on institutional arrangements, contracts, contexts – not persons. It is based on confidence and could be referred as "have to" trust.

Interpersonal trust develops within social relationships in organisations. The process begins with confidence developing into the direction of trust if the environment is fertile.

o Trust building is grounded in intuition or in both variants of relational trust, primary and secondary trust.

To answer the research question *Is cultural background affecting the production of trust in global Japanese business setting?* following conclusions about culture and trust can be drawn:

o Cultural background affects the production of trust in Japanese MNC located in Amsterdam.

o Japanese cultural traits and business practices differ greatly from the European counterparts thus discussion, analysis, training, learning, knowledge, sharing of cross-knowledge and consideration are needed to overcome differences to be able to work effectively and cooperatively in multinational setting.

o Various cultural backgrounds make the trust production process slower because of the differing conceptions of time, commitment, communication and company.

o Language as a part of cultural background leads to groupings of nationalities which indicates the lower level of interaction between employees of different nationalities.

o Trust building requires personal contacts that are more frequent within the same nationality. When there are no relationships between persons and nationalities, trusting relationships can not be build. The contacts with Japanese are rare thus the state of trust remains as mistrust.

o Tendency to trust one's own nationality is higher; the more similar the cultures are, the more easily the trusting relationship is built.

Several researches have argued that the existence of the rice-paper ceiling will have detrimental effects on Japanese businesses in the near future. The Boyacigiller (1990) found that Japanese companies did not tend to localise their affiliates by hiring more local nationals over time. This finding is consistent with Trevor's (1983) prediction that a "universally applicable 'logic of multinationalisation' is incompatible with the evidence from the (Japanese) subsidiaries." (Beechler & Bird, 1999, 123.) In fact, it seems that the ethnocentrism increases when the Japanese are going multinational and operating overseas. In individual level, it is natural to emphasise the one's own origin when moving abroad and somehow it is understandable for the companies to follow the same path. During the past years many researchers have pointed out that the ethnocentric practices handicap Japanese multinational (e.g. Kopp, 1994a). Ethnocentrism causes variety of negative effects for business for example operational difficulties, friction between expatriates and local employees, high costs of using expatriates and HR management problems like turnover. (Beechler & Bird, 1999, 123-124.)

o It is clear that the rice-paper ceiling is non-existing on the European level at Sony. To begin with organisational positions, there are not that many Japanese in top and those positions are replaced by mainly Europeans. However, the information about the corporation in total (annual report, top figures in global corporational top, internet, interviews) suggests that the ceiling is existing in global corporational level. There are hardly any non-Japanese in the a absolute top of the corporation.

Most significant conclusion of the study was that Sony Europe B.V. as a case company has localised its global business operations in a surprisingly advanced manner. It can be considered to be a real benchmark for the Japanese business. It is still however obvious that differing cultural backgrounds affect the building of trusting relationship by complicating this process in global context. Cultural background affects the production of trust by challenging communication, cooperation and searching for common grounds for trust. Inter-cultural training, sharing of correct cross-knowledge and overall pursuing for negotiated culture reduces the negative and increases the positive effects of differing cultural backgrounds. It was claimed in the theory chapter that trust is always build between two or more parties, thus it is relationship dependent. Business trust, based on context, contract or other grounds of institutional or derived trust, is separated from interpersonal trust because it is not necessarily created in relationship. It is not considered to be pure trust since it is "have to" trust and not a result of careful consideration – thus it is merely state of confidence.

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www.sony-europe.com (21.10.2001)

www.visitamsterdam.nl

www.worldbank.org/depweb/english/modules/economic/gnp/databig.htm (14.12.2001)

APPENDIX I
INTERVIEW FORM 1

Research group: middle-managers

<u>Background questions</u>
Gender: male/female
Age:
Nationality:

Marital status: A) Married
                        B) Living together
                        C) Single
                        D) Divorced
                        E) Widow

Children: No
                   Yes
                                    0-2 years
                                    2-7 years
                                    7-15 years
                                    older

Education: A) High school
                    B) Polytechnic
                    C) College, University

Languages:

WORK RELATED QUESTIONS

Working years: before Sony____ years
                    at Sony _____years

<u>Position:</u>
starting position _____
current position_____
Expatriate   yes/no

Do you feel you are in correct level position at the moment, considering your experience and education?

Have you ever worked for a company other than Japanese origin? If yes, what are the major differences?

Do you see yourself working for Sony after five years from now?
If yes, what is the desired position at that point? Do you see this goal to be achievable, or unlike to be achieved? Why? (Are there any women issues in the company?)

If not, why? Which sort of company you think you will be working for?

Do you feel secure and independent in your position? Can you regulate your working hours and places if needed? Who makes decisions regarding your tasks?

Decision-making
Organisational level:
Do you feel that you can participate in decision making procedures? Would you like to take more part in the decision making or are you happy with the situation as it is?

Do you feel that you receive important information of the company and decisions?
How/when are you informed about possible changes and by whom?

Does Sony follow Japanese style decision-making including circling around and consensus procedures? Are you familiar with them? How do you feel about the decision-making?

Individual level:
Do you think you can make important decisions? Do you have to get consultation from someone when making decisions and confirmation before your decision can be realised?

Individual – team work and communication:
Do you work in a team or individually? Which do you prefer?

Who is your superior and where is she/he located?
How often you are in work related contact with your supervisor?
Do you also have personal contacts with her/him? Are you satisfied with it?
Are your supervisors foreign? How do you find it to be managed by a foreigner?
Do you think it is easy to communicate with your superior and subordinates? Can you ask help easily?

Do you have subordinates who are responsible for you? Where are they from?

Are you regularly mediating information and communication between your superiors and subordinates?

What is the structure of your department? Is the personnel changing a lot in your department? If yes, does it cause inconveniences or problems considering your work and general atmosphere?

Company language is English. In general, is it used at all times or is there some groups that are using other languages?
Do you find it disturbing, excluding or annoying if somebody or some groups are constantly communicating with other languages? Do you thing the language is an issue in your company?

Have you experienced "us" and "them"-division in the company? If yes, who are us and them?

Trust:
Can you rely on people in your department and other departments? Your company in total?

Do you have doubts about people's interests, their intentions /future actions?
Do you feel that some relationships at work involve risks?

Are you faced with the feeling of uncertainty at your workplace and in your work?
Do you trust all the nationalities equally?

How do you formulate the image of your colleagues and especially Japanese expatriates? Is the basis of the image maybe reputation, ethnicity, or formal certificate?

Training:
Have you received culture training (provided by Sony)? What kind?
Do you think there should be more culture and language training? What kind?

Do you find some things difficult to handle because of multiculturalism in general and "japonism" in particular?
Do you think it would be possible to learn the cross-cultural competence and reduce possible difficulties?

Do you think it would be important to train basic Japanese habits and their bases?
Would you take part in training if it would be organised?

Japanese:
Have you previously worked with multinationals and Japanese in particular?
Do you think there are major differences between Japanese and other companies?
What do you think of Japanese company and expatriates?
How do you think the Japanese company and expats find you and other Europeans?
Do you find Europeans equal to Japanese from company point of view? What kind of differences are there?

Do you have a lot of contacts with the expats?
Is it easy to communicate with them?

Have you been discussing the business practices with the expats, and what about personal issues?
Do you feel they keep their word?

Do you feel that Japanese expatriates value you as a colleague and trust you?
Do you consider Japanese to be the group of their own or are they part of the "all"?
Do you think the Japanese are willing and enthusiastic about learning the Dutch and European customs?

Have you experienced differences in the perception of time between your personal time and Japanese way? Where do you see these differences?

Do you think all the Japanese expatriates are fulfilling the business needs only they can do, or could they be replaced by locals? Are they here for promotional reasons?

Are you in contact with the Japanese expats after working hours?
In general, are they taking part on the possible company activities like drinks or sports events?
Is the company organising outings and activities after office hours? Do you think there should be more organised situations where the employees are doing things together?

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Do you enjoy your work, appreciate your position and are you content with the company?

APPENDIX 2
INTERVIEW FORM 2

Research group: HR

Background questions:
Name:
Age:
Marital status:
Children:
Education:
Languages:

WORK RELATED QUESTIONS

Working years: before Sony____ years
at Sony _____years

Position:
Starting and current position:
How long in the current position:
Have you ever worked for a company other than Japanese origin? If yes, what are the major differences?
Who is your superior and where she/he located?
How often in contact, what kind of contact?
Expatriate experiences?

Do you think you are working for Sony after five years from now? If no, why not? If yes, what is the desired position at that point? Do you see this goal to be achievable?

Decision making:
Do you feel that you can participate enough in decision making? If not, in what situations you would like to affect more?
Do you have to consult and get confirmation from Japan before your decisions can be realised?
In what extend are decisions concerning HR made locally? Or are you getting strict orders from the HQ? If latter, would you like to be more independent as a department?

To what extend does Sony Europe B.V. follow Japanese style decision making like circling around and consensus?
How do you feel about it?

How much Japan is regulating your operations in general?

ORGANISATION

Organisation and structure:
European level organisation chart?

European HQ's in Berlin and in Amsterdam – what's the relationship and functions?

Organisation chart at Sony Europe B.V.? Countries of origins of people on the top positions? The structure and size of HR department?

How long Sony Europe B.V. has had own HR department, separated from Sony Nederland?

Is the personnel changing a lot in your department? If yes, does it cause inconveniences?

Sony Europe Personnel
How many employees are there at Sony Europe?

Origins of employees? What are the biggest nationality groups? In different levels? How many Dutch employees?

Are transfers from other countries usual? Seen as a positive thing?

Is external horizontal mobility usual at Sony Europe? If there is horizontal mobility, what are the reasons?

And vertical mobility?

How do you see the career advancement at Sony?

Are there complaints about lack of internal opportunities?

Recruitment and turnover:
What are your recruitment channels? In different levels?

Is it easy to find and hire qualified new high potential employees? If there are difficulties, what are the causes?

Do you find the high potential employees to be moving between the jobs often? What is the level of commitment?

Turnover? In different levels?
What are the causes for possible high turnover?

Contracts:
Are there strict regulations for formulating contracts?

The duration of contracts? To what extend do you have temporary and indefinite contracts? Use in different levels?

Is there a lot of expatriate contracts? To what extend do those differ from regular contracts? How many employees do you have with expat contract? From which countries?

Are the contracts easy to negotiate? Do all nationalities agree with the terms of the contract?

What is the normal resignation time?

Working hours? Complains about working hours? Over hours compensated?

Salary and policies:
How does the salary formulate? Are there provision, bonus or productability extras?

If there are bonuses, are those distributed individually, for groups or for all working for the company?

Are the Japanese HR policies used with in the limits of Dutch law? Or are the HR policies European/global?

Communication:
Company language is English. Is it used all the time or is there some groups that are using other languages?
Is it disturbing? Do you find language in general an issue at Sony Europe B.V.?

Have you experienced "us" and "them" –division in the company? If yes, who are us and them?

How do you find the communication with the Japanese and are you in regular contact with the Japanese in here and in HQ's? Does it differ from communication with others? How?

Do you discuss personal issues with the Japanese? Other nationalities? Maybe spend time outside of office hours?
How would you describe your relations with the Japanese colleagues? (superficial, official, personal..)

Are there activities organised in company in total? If yes, are Japanese attending as well? Do they have their own activities after work? Can others take part in those activities?

Trust:
Can you rely on people in your department and other departments? Your company in total? Do you have doubts about people's interests, their intentions and future actions?

Are you faced with the feeling of uncertainty at your workplace and in your work? If yes, in what situations? What is creating uncertainties? How uncertainties can be reduced?

Do you trust all the nationalities equally? If no, what are the reasons for the differences?

Do you find Europeans equal to Japanese from company point of view? What kind of difference are there?

Do you feel that Japanese trust you?

Training:
Do you think the Japanese are willing and enthusiastic about learning Dutch and European customs? And, are Europeans willing to learn Japanese habits?

Do you organise training? What kind? (duration, target groups, subjects, where, internal/external)

If not organised or only little, why not? (budget issue, problems to get participants, lack of personnel to arrange it...)

How high does the company prioritise training? How high YOU value training?

Is there a lot of training at the HQ's? Do expatriates receive training before their assignments? How profound?

Culture training for expatriates, Japanese culture training for Europeans?

Do employees need to request it themselves or do you offer training? To what extend people request training?

Do you think the amount of training offered now is sufficient? Is there need to train more? In what areas and on what levels?

Are Japanese expatriates fulfilling the business needs only they can do, or could they be replaced by locals?

APPENDIX 3
INTERVIEW FORM 3

Research group: HR

Background:
Name:
Age:
Marital status:
Children:
Education:
Language:

WORK RELATED QUESTIONS:

Working experience:
Working years before Sony:
Have you ever worked for other than Japanese origin? If yes, what are the major differences?

Position:
Starting and current position:
How long in the current position:
Who is your superior? What kind of contact you have?
Expatriate experiences?

Do you think you are working for Sony after five years from now? If no, why not? If yes, what is the desired position at that point? Do you see this goal to be achievable?

Are there any women issues in the company? (Regarding treatment, respect, career advancement etc) If yes, what kind of issues?

Decision making:
Do you feel that you can participate enough in decision making? If not, in what situations you would like to affect more?

Do you have to consult and get confirmation (from your superior or Japan) before your decisions can be realised?

In to what extend are decisions concerning HR made locally? Or are you getting strict orders from the HQ? If latter, would you like to be more independent as an individual and department?

In to what extend does Sony Europe B.V. follow Japanese style decision making like circling around and consensus?
How do you feel about it?
How much Japan is regulating HR operations in general?

Expatriates:
How many expatriates are there at Sony Europe B.V.? What are their positions?
Do they normally request position in Amsterdam or are they sent here by the company?

Do they have their families with them? Are spouses normally working or are they taking care of the household? If working, are they also working at Sony? If not, does Sony help spouses finding a job? Training for families?

Most of the Japanese are living in Amstelveen. Do they themselves request living in there or are standard company houses there?

Are there differences in the status between Europeans and Japanese employees from the company point of view?
Do you find Europeans equal to Japanese from company point of view? What kind of difference are there?

Are Japanese expatriates fulfilling the business needs only they can do, or could they be replaced by locals? (Are they here because of promotional reasons?)

In general, how much time and resources does it take from HR department to take care of all expatriate related issues?

Communication:
Company language is English. Is it used all the time or are there some groups that are using other languages?
Is it disturbing? Do you find language in general to be an issue at Sony Europe B.V.?

Have you experienced "us" and "them" –division in the company? If yes, who are us and them?

How do you find the communication with the Japanese? Does it differ from communication with others? How?

Do you discuss personal issues with the Japanese? Other nationalities? Maybe spend time outside of office hours?
How would you describe your relations with the Japanese colleagues? (superficial, official, personal..)

Are there after office hours activities organised in the company? If yes, are all the nationalities taking part in the same extend? Are Japanese attending as well? Do they have their own activities after work? Can/are other nationalities taking part in those activities?

What is the most usual communication channel with the Japanese? What do you prefer? Why?

How would you describe the relationship building with the Japanese?

Are you directly in contact with the HQ in Japan concerning expatriate issues? If yes, how would you describe those contacts?

Trust:
Can you rely on people in your department and other departments? Your company in total? Do you have doubts about people's interests, their intentions and future actions?

Are you faced with the feeling of uncertainty at your workplace and in your work? If yes, in what situations? How can uncertainties be reduced?

Do you trust all the nationalities equally? If no, what are the reasons for differences?

Do you feel that Japanese trust you? Do you trust Japanese?

How long you have been taking care of expatriate issues? Has your opinion and attitude towards Japanese changed during the course of time? What about Japanese opinion and attitude towards you, what do you think?

Training:
Have you received Japanese culture training?

Do you find the Japanese to be willing and enthusiastic about learning Dutch and European customs? And, are Europeans willing to learn Japanese habits?

Does HR department organise training? What kind? (duration, target groups, subjects, where, internal/external)

If not organised or only little, why not? (budget issue, problems to get participants, lack of personnel to arrange it...)

How high does the company prioritise training? How high do YOU value training?

Is there a lot of training at the HQ's? Do expatriates receive training before their assignments? How profound?

Culture training for expatriates, Japanese culture training for Europeans in Amsterdam?

You mentioned you are planning culture training for employees. Do you have the budget for that? Who has initiated this?
Is this training for both Japanese and Europeans?

What would be the duration of the training?
Is it targeted for all employees in the company?
When do you think this training will be available?

Will you be giving the training yourself or have you thought of external supplier?
If you will be the trainer, do you feel that you are able and qualified of giving this training? Do you have time?
Do employees need to request it themselves or do you offer and suggest training?

To what extend people request training? Is there some certain group who's requesting the training the most?

Do you think the amount of training offered now is sufficient? Is there a need to train more? In what areas and on what levels?