

Master's Thesis

Transferability of Consensus Decision-Making Practice from a Japanese Multinational Corporation (MNC) to Its Subsidiary in Vietnam. The Case of a Japanese MNC in Hanoi, Vietnam.

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March 2018

Master's Thesis

Presented to Ritsumeikan Asia Pacific University

In Partial Fulfillment of the Requirements for the Degree of

Master of Business Administration

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Certificate of Originality Paper

I, NGUYEN Thi Phuong Thao, ID- 52116005 am responsible for this dissertation as the product of my authentic work. I have duly acknowledged all the sources from which ideas, information used has been extracted. It has not been published or submitted to any other institution for a diploma degree.

NGUYEN, Thi Phuong Thao

2018/11/30

Acknowledgements

Firstly, I wish to express my sincere thank to my supervisor PhD Haidar Ali for his constant guidance, support and encouragement to the end of this research. I appreciate his thoughtful comments and suggestions, as well as the time that he devoted to my work. He shared his experience and deep knowledge of research methodology, and enabled me to design and conduct a careful and rigorous field study. He also provided thorough and insightful comments on many drafts. He examined everything with a critical eye, but always was ready to provide an encouraging pat on the back. His office door was always open over the one and half year, and I certainly took advantage of that opportunity to engage in a lively, challenging, and intellectually stimulating dialogue about decision-making.

The friendships that I have formed during my years in the master program have been wonderful. In particular, I enjoyed the discussions and debates that occurred frequently with Yanet Mateos Montevalvo and other seminar classmates. We have had lunch together every week and many creative ideas and thoughtful suggestions have emerged from these discussions. After all, their encouragement was invaluable and our friendship is memorable.

I owe a tremendous debt to the managers and staff of the Japanese Company who participated in this research project. Though I cannot list their names due to confidentiality concerns, I would like to acknowledge their efforts in this research. They offered me an incredible opportunity to learn about how their company made consensus-decisions. They spent countless hours with me, and provided me with an incredible level of access to their organizations. I learned a great deal from this group of thoughtful and hard working managers & staff.

Finally, I am so grateful to my family for being supportive during two-year period as a master student here at APU. They have sacrificed so much for their children. I only wish that I could find a way to repay them, or even to fully express my gratitude to them.

Abstract

Purpose: This study investigates transferability of Japanese management style to its foreign subsidiaries from Headquarter (HQ) of a Japanese MNC. It explores how the consensus-decision is made in both Japan parent company and Vietnam subsidiary. The present paper intends to address the gap of decision-making transfer to Vietnam in the literature.

Design/methodology/approach: In order to answer these questions, a qualitative methodology with purposive sampling was employed. An extensive literature review was conducted that concentrated on three major themes: transferability, consensus-decision making, and subsidiary control of MNC.

Finding: This dissertation revealed that the consensus-decision making (CDM) process from HQ has been transferred to its subsidiary in Hanoi, Vietnam. Only slight difference of two more steps in further Nemawashi and completion report conducted by Vietnam subsidiary were found. The explanation for this transfer phenomenon comes from HQ side since they implement subsidiary control deliberately through expatriate deployment in order to avoid uncertainties. At the same time, there is no rejection of transfer found from recipient – Vietnam subsidiary due to some cultural proximity such as high-context culture, high power distance and collectivism between parent and host countries.

Research Limitation/Implication: This dissertation is expected to be a reliable reference for both Japanese and Vietnamese companies doing business in Vietnam. However, the research is conducted on only one subsidiary of one company that limits generalizability.

Originality: The thesis displays new observation to the transferability of Japanese consensus process. It broadens previous research when providing empirical evidence of an emerging economy - Vietnam. So far, it is the only study to explore transferability of decision-making process from a Japanese MNC to Vietnam subsidiary in particular.

Keywords: Japanese Multinational Corporation, subsidiary in Vietnam, transferability, Japanese consensus-decision making, Nemawashi, Ringi system, expatriate deployment, subsidiary control, cultural proximity

Paper type: case study

1. INTRODUCTION

1.1 Background

Since early 1980s, Japan boom resulted in its economic success, the role of Japanese management systems (JMSs) has developed into prominent interest among most scholars and general public. For many Japanese multinational Corporations (MNCs) came of age, making the successful diffusions to companies of various industries, more attention has been altered from JMSs inbound to how Japanese MNCs control their oversea business and possibility of making JMSs work in abroad environment.

In recent time, the transferability of JMSs also has been an active theme for business executives and management researchers. Japan remains an important source of Foreign Direct Investment in Vietnam and top five trading partners of APEC in the period 2013-2016 (Customs Trade Statistics website, 2017). Besides, Japan is now Vietnam's second biggest export market, just after the US (Vietnamnet.vn, 2017). The number of members of the Japan Business Association in Vietnam increased rapidly and is forecast to continue in the future. Therefore, Japanese managers have been showing more keen interest to transfer JMSs to Vietnam for sake of business expansion.

In order to control global business execution, Japanese MNCs must transfer their decision authority to subsidiaries for several reasons. Decision making is considered fundamental activity of managers that significantly affect the organizational development (Ejimabo, 2015). Japan is also famous for its unique decision-making method known as consensus-process. Japanese consensus process requires a lot of prior consultation and proposal is circulated and obtained the agreement of most departments and individuals.

Thanks to great participant from a large number of people, consensus can lead to a master plan, ensuring the smooth of implementation. Harmony, which is crucial and highly appreciated in Japanese culture and social interaction, can be maintained the best in CDM where all members participate, agree, accept and be satisfied with the final decisions made (Chen, 1995).

To date, the research on human resource (HR) and technology transfer from Japan is available. However, research on JMS practices concentrating on Japanese companies in Vietnam is deficient. This study examines the level of decision transfer from Japanese MNC HQ to abroad affiliates. By investigating elements of consensus (such as Nemawashi, Ringi system) and comparing decision making process between parent and host countries, this study specifically aims to conclude on direction, degree, transfer mechanism and reason for the transfer as well as offer recommendations of organizational communication to Japanese MNCs in a multicultural setting. This study results are likely to contribute more empirical findings into current theoretical concepts in business management and multinational culture research.

1.2 Problem Statement

There is considerable literature on the transfer of JMS to the UK and US (Oliver et al., 1992), but not much research on the transferability of JMS to Asian regional countries like Vietnam is available (Fukuda, 2011). Even if they were, majority of results are narrow in the aspect of technique of manufacturing sector and human resource management (HRM). Particularly, the literature is short on possibility for decision-making transfer in Vietnam.

According to some MNC representatives, some of the literature on Japanese

companies may be inaccurate and outdated (Kuroda, 2006). They call into question research that dismisses the importance of consensus building in decision making and literature that purports to understand Japanese companies' strategy for foreign investments. Despite the practical and theoretical importance of decision-making in a multinational setting, very few empirical studies have examined the transferability of CDM process from Japan to Vietnam. This thesis has been driven by this motive to make a contribution to empirical side.

1.3 Research objective

This research paper has three-fold purpose. First, it examines the features of Consensus-decision making practiced by Japanese Multinational Corporations (MNCs). Second, the paper empirically examines whether Japanese MNCs can transfer this system to oversea subsidiary by comparing these current CDM system of HQ in Japan and its actual practices in oversea subsidiaries in Vietnam and discuss to what extent the transfer happens. Lastly, the final purpose is to drill the reason why the transfer process goes in that direction and obtain a more complete understanding of the issues facing Japanese employees of Vietnamese affiliates.

Japan is now among top investors in Vietnam. The number of members of the Japan Business Association in Vietnam increased rapidly and is forecast to continue in the coming time. The result of this research is expected to be a reliable document for Japanese MNCs to take reference in term of CDM information and withdraw their own lesson learnt of corporate strategy. This study will benefit the practice of management in two areas, decision making and transferability. A fresh and accurate study covering this area will provide management practitioners with an overview of unique Japanese CDM process and lessons cum

recommendations that are applicable to both Japanese and local companies doing business in Vietnam.

1.4 Research Questions

Three research questions including one central and two corollaries have been shaped and focused in this study. The central research question is (1) Whether or not a Japanese MNC can transfer CDM process to its subsidiary in Hanoi, Vietnam? The two corollary research questions are (2) To what extent, it has been doing so and (3) The reason or leading factors of this phenomenon.

Question focus was made for two levels. For the managers, question was focusing on CDM making process, strategy and transfer level. For employees, question was centralizing actual current practice in Vietnam subsidiary. The transforming possibilities for overseas Japanese MNCs are analyzed from two separate perspectives: at HQ and at subsidiary.

1.5 Limitation

Confidentiality

Upon the request for anonymity by the company involved in the research, the name of the company will not appear anywhere in the research but “the (Japanese) case study company” in general, instead. The names of individuals as well as other identities are also hidden in the study. Individual participants will be coded according to their positions and levels in order to avoid the use of names. Company logo shown on the provided materials is also made blur whenever it is used in the study. Additionally, all participants signed a permission form acknowledging their participation in the study.

1.6 Structure of research

This dissertation is formulated in seven chapters.

Chapter 1 presents an overview of the Japanese companies increase in Vietnam and defines the research problem. It lists three research questions which this thesis expects to clarify. The limitations of this thesis are also discussed. Chapter 1 concludes with dissertation structure.

Chapter 2 gives a critical summary and analysis of literature review which is divided into four main categories: Japanese consensus-decision making, definition of Nemawashi, Ringi system and transferability.

In **Chapter 3** a conceptual framework for Japanese CDM is developed and portrayed in a figure analysis. The framework includes two process of Nemawashi (informal consultation) & Ringi (formal authorization) with four steps of proposal, circulation, approval & record to show how decision is made in Japanese company.

Chapter 4 discusses the methodology for practical evidence-based case study of a specific Japanese trading company to its subsidiary. It further discusses how the scholarly research was selected and how it is related to the theories underlying the dissertation's topic. Chapter 4 concludes with data collection & analysis.

On basis of the literature review and other evidences, **Chapter 5** presents and summarizes the findings. The research questions are revisited in light of these findings. Conclusions on decision making transfer are derived based on this analysis. Difficulties in

reaching consensus also are addressed.

Chapter 6 provides the explanation why the transfer direction occurring from perspective of HQ (subsidiary control through expatriate deployment related to uncertainties avoidance culture) and subsidiary (cultural factors).

In **Chapter 7** the overall conclusions are presented along with the recommendation, managerial implications. This chapter also examines the research limitations as well as provide suggestion for future study. Following is reference and appendices of research.

2. LITERATURE REVIEW

Earlier research on decision making transfer has shaped four major streams. The first research stream goes to on the definition of CDM & its origin. The second and third flow are directed at Nemawashi & Ringi system as two most important tools prevalent in Japanese management systems. The fourth stream address the transferability of management practice in general and Japanese consensus-decision making in particular.

1.1 The origin & definition of Consensus-decision making (CDM)

Origin of CDM

According to Merriam Webster dictionary, consensus which literally means feeling together, is defined as “*general agreement and group solidarity of belief or sentiment*”. This word originated from Latin. The tradition of consensus decision-making utilized by North American seems to go back originally to the Quakers, who in turn say they were inspired by native American practices (Andy, 2016).

Definition of Consensus-decision making (CDM)

In the late 1970s, together with the economic success, JMSs were paid more attention by practitioners. Traditional decision-making within Japanese firms is characterized by Nemawashi, and Ringi. Nemawashi and Ringi have been described by numerous researchers (Abegglen 1985; Clark, 1979) as consensus-based. Ala & Corderiro (1999) believed that most Japanese organizations make decisions based on consensus. This approach insures that each member of the group is satisfied with the final decision and no one individual is responsible for the outcome. The Theory Z (Ouchi, 1981) pointed out the relation between consensual bottom-up decision making to performance. Consensus must be attained before

any decisions in JMS are made. Besides, Keys & Miller (1984) indicated that Japanese CDM process seems to be an adoption of the participative management concept by American.

What is CDM process in this study?

There are various definitions of CDM listed above. However, in the scope of this study, **CDM** is the process of seeking a general consensus in reaching a final decision by Japanese corporations. It consists of two processes – formal and informal, which are known as ‘Ringi’ & ‘Nemawashi’ - important decision-making tools prevalent in JMSs and practices (Sagi, 2015).

1.2 Definition of Nemawashi process

“Nemawashi” is a Japanese term for preparing the ground as a basic technique of gardening. It has original connotation “*before pulling plants out, binding its roots*” and pertains to prior consultation activity (Michael, 1992) when taking action. In a business context, the concept of Nemawashi helps to lay the groundwork to make a good decision by incorporating the critical matters and concerns of stakeholders to a recommendation/proposal before decision is made officially.

Nemawashi process is defined when people use informal meetings to seek approval so that the process can take less time to get everyone at same level of understanding and more so it fits into the culture norms of collectivist society of Japanese (Sagi, 2015)

It is a consensus building technique prior to the meeting that aims at removing obstacles in decision making or approval of a proposal from the audience. Pre-meeting is a very typical kind of Nemawashi. Pre-meeting comes about before a formal meeting. It is

observed that one should spend enough time stop in a member's desk, ask for few-minute discussion, collect feedback then go ahead for proposal circulation within organization (Yamada, 1985). Any matter that might seem to be debatable are discussed in detail earlier in pre-meeting. Main purpose of Nemawashi is to prevent any astonishment in formal meeting and to get assessment for passing or rejecting from all participants (Chen, 1995).

According to the Toyota way the art (Principle 13) *“Make decisions slowly by consensus, Nemawashi brings success to an organization by considering all options thoroughly then implement decisions rapidly”* (Liker, 2004).

1.3 Definition of Ringi process

Deresky (2016) defined **Ringi process** is when decisions are passed through each department until top management is reached. It is a very formal *“bottom-up”* process, relying on group consensus and contrast with American *“top-down”* where upper-level managers mainly determine without consultation thus very quickly (Meyer, 2014).

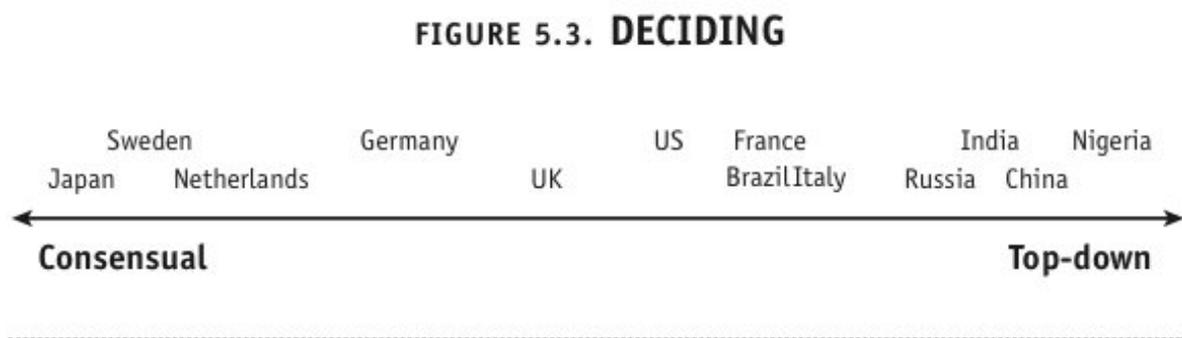


Figure 1: Consensus vs Top-down system (Meyer, 2014)

1.4 Definition of Transferability

Transferability in international management is defined as the “*ability to transfer management practices from the HQ to its subsidiaries*” or among businesses within a MNC. Two factors of organizational culture and resource dependence can explain for transferability at company level (Liu, 2004).

Transfers were performed primarily in US. centric industry of automobile manufacturing (Womack et al., 1990). Japanese carmakers could transfer JMS practices to the US regardless of setting differences (Kenney & Florida, 1991). The Toyota Production System (TPS) comprising its management philosophy and practices also pointed that lean production/Just In Time (JIT) was transferred in US subsidiary (Samsong & Brian, 2003).

Given their superiority, Japanese MNCs transferred knowledge from HQ to oversea affiliates through their management style-decision making process (Jain, 1990), HRM policy (Kenney & Florida, 1991) and technology advance & supply-chain operation (Delios & Bjorkman, 2000).

When decision-making is transferred to subordinate units, Luo (2005) showed that HQ face the challenge to utilize control mechanisms which should be in alignment between the MNC’s strategy and subsidiary activities. Therefore, Japanese MNCs usually occupy all key positions in subsidiaries with Japanese so that they can better execute and monitor CDM process (Perlmutter, 1969). Consequently, Japanese MNCs, in comparison with European and US firms, were found to depend much more heavily on their expatriate managers in abroad affiliates (Pudelko, 2013).

From perspective of explanation, Kono (1992) emphasizes that some JMSs are formed on “*rational thinking*” in industrial technology (kaizen) and administration (lean production) therefore transferable overseas regardless of cultural differences. He came to conclusion “*despite the fact that some JMS practices related to cultural values are difficult for diffusion, many of them were developed through logical judgment and thus are universally effective and transferable*” based on his observation of practices in Japanese subsidiaries of the UK, the US, Malaysia, Philippines and other countries. Besides, in one study of Japanese manufacture affiliate in Vietnam, Nguyen & Aoyama (2013) explores cultural differences (Collectivism and Power Distance dimensions) deriving from Vietnam culture are the most important elements of effects on Japanese management style related to group consciousness.

Moreover, Lewis (2006) in his book “*When cultures collide: leading across cultures*” mentioned generally that “*Vietnam decision is by consensus*” as one national characteristic. However, he did not discuss and specify it in details. Up to now, there has been much research done on transfer of Japanese HRM (Lifetime employment, Seniority based payment) and production management practice (Total Quality control, Just in Time, Kaizen) (Kodo, 2007). Whereas, there is no study addressing either decision-making transfer in general or transfer in Vietnam in particular. Therefore, this dissertation is expected to fill in the gap of literature review.

3. CONCEPTUAL FRAMEWORK

The conceptual framework of this study is based on model of Japanese CDM procedure extracted from the book “*International Management: Managing Across Borders and Cultures*” by Deresky, H. (2016). The CDM includes two process (Nemawashi – informal consultation & Ringi – formal authorization procedure) and four steps: proposal, circulation, approval and record. “Ringi-sho” is a documented proposal/application initialed and formed by a staff who associated in or affected by the decision. Ringi-sho, which assures the matter/decision is investigated from various dimensions, then forwarded among various head departments before top management approve. CDM process is outlined below:

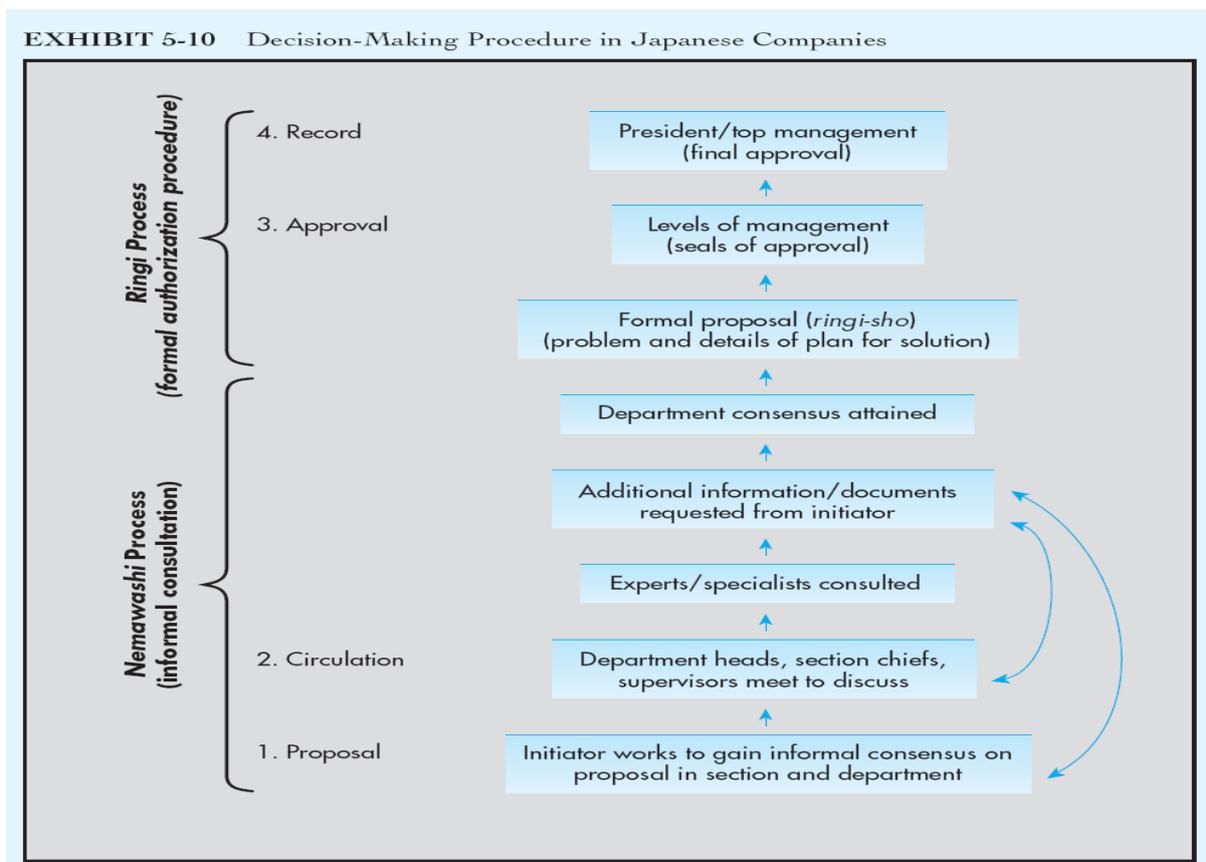


Figure 2: Conceptual framework (Deresky, 2016)

Initiator (or originator) is the person who originates ideas/proposal (at the beginning) and ringi-sho (at later stage). Initiator first needs to work to gain informal consensus on proposal within his/her own section and department. Then s/he meets to discuss to obtain a general consensus with other department heads, section chiefs, supervisors, experts and specialists - those involved in execution. If additional information/documents is requested for further justification, the initiator needs to find and provide more data. Up to this point, the initiator did job of informal Nemawashi process (Proposal and Circulation steps). Then starts a more formal authorization procedure (Ringi process). Once department consensus is obtained then informal proposal is made written, it immediately becomes formal ringi-sho. The ringi-sho (including trouble shooting solution and details of backup plan) is forwarded for approval to all level of management. In the final, many approval seals together with comments are collected in ringi-sho. That is the reason why sometime CDM system can be named as seal management system. Based on those, official decision will be made by President or top management then recorded in the company. Up to this point, proposal goes through two more steps of Approval and Record to end formal Ringi process of entire CDM.

4. METHODOLOGY

4.1 Research approach

The qualitative method was employed in this study because qualitative research can produce rich, descriptive data; therefore, be able to “*answer the research question related to the managerial phenomenon with as little disruption of the natural settings as possible*” (Patton, 1990).

4.2 Case study

This paper adopted the model of Japanese decision-making procedure (Deresky, 2016) described in session 3. Research by case study permits to examine theory and model with a specific circumstance in real life. Therefore, the case study access was assumed applicable in this dissertation.

4.3 Sampling

The case study company selection was a purposive non-probability sampling. Before collecting data, the sample of firms was chosen based on several criteria pre-defined as below:

- Parent company must be Japanese MNC
- HQ must be exercising CDM
- Its subsidiary is located in Vietnam

Data source for this study was obtained from a Japanese MNC which has subsidiary in Vietnam. It was selected from member list (2017) of the Japan Business Association in

Vietnam (Retrieved from website <http://jbav.vn/en/jbav-overview/list-of-members>. Accessed on Nov 10, 2017).

Overview of case study

Upon the confidentiality condition, only general information of the company participated in the research is shown. The case study company was established and backed by the combined strengths of 17 companies of Mitsui Group - one of the largest sogo-shosha (general trading companies) in Japan. This company was selected has the following features:

- Number of year establishment: 46 years
- The capital: more than 33 billion yen
- Nationality of HQ: Japan
- Nationality of subsidiary: Vietnam
- Location of subsidiary: Hanoi, Vietnam
- Company business: Energy Exploration & Production (E&P)
- Company size: nearly 200 employees
- Number of oversea branch: nine (Thailand, Vietnam, Indonesia, Cambodia,

Norway, United Arab Emirates, USA, United Kingdom and Italy) (*Source: the company website*)

4.4 Data collection

The observations and interviews release primary data which this study mainly relies on. The company was contacted by email then followed up with telephone calls to request participation in this research. The Introduction letter (which was authorized by my supervisor) and Interview Question List were sent and got acceptance in advance.

Each interview last for approximately 30-45 minutes even longer. The interviews were carried out by researcher (Myself), audio-taped and later transcribed for the sake of data analysis. The respondents were interviewed separately, in the meeting room at the company. Before interviews, respondents are requested to sign “Informed consent form” on confidentiality. The in-depth interviews are open-ended and with some mixtures of closed-ended questions, providing the flexibility to alter the questions sequence. During the interviews, the researcher followed the interview’s lead, controlling only to keep the focus on the area of interest. The following were typical interview questions: “Describe a typical decision-making process of your company” or “Who involve in that process?” ...ect. Since all respondents can speak English fluently, the interviews were carried out in English, neither their mother tongue Vietnamese nor Japanese.

The list with 12 interview questions was developed based on conceptual framework with two processes (Nemawashi, Ringi) and four steps (Proposal, Circulation, Approval & Record). The last three questions were to address reason for transfer. The Country Manager and Deputy were selected because they hold precious hidden information relating to the CDM directions. The Manager of General Affair (G&A) division provides insights of entire CDM process.

Each interview used the same protocol as the facilitated group session. As the managers requested anonymity, no individual or company identities were disclosed. During the data analysis phase, the interviews were simplified to 5 dominant categories derived from the research questions. The resulting highlight themes were coded from 1 to 5 in below table:

Process	Step	Questions	Theme	Code
		1. Describe your company typical process for making a decision	CDM description (Nemawashi & Ringi)	1
Nemawashi (informal consultation)	Proposal	2. Who/which level is initiator of proposal to make decisions?	CDM description	1
	Circulation	3. Who are involved in a decision-making process? What's the order of approval? In which way?	CDM description	1
		4. Is it compulsory that everyone must agree? What happens if not all departments agree?	Unanimous consent	3
		5. What are difficulties in reaching consensus? If any?	Difficulties in reaching consensus	4
Ringi (formal authorization procedure)	Approval	6. When/by whom is application made?	CDM description	1
		7. How do levels of management approve?	CDM description	1
		8. Who finally approve?	CDM description	1
	Record	9. How is it recorded?	CDM description	1
Reason		10. Does the company follow CDM for all types of decisions? Please illustrate with actual examples	Decision types in CDM	2

		11. Do you think that the same CDM process is applied in both HQ & oversea subsidiaries? The reason why?	Transferability
		12. Does the subsidiary in Hanoi (not) follow CDM process? Please illustrate with actual examples	Transferability

Table 1: Classification of interview questions under themes

The results are also reinforced with other sources of evidence provided by the company such as the written guidance of CDM (Appendix 4). Those materials together with The Introduction letter, Interview Question List and Informed Consent Form are attached in Appendix 1, 2 and 3.

5. FINDINGS

As a result, number of interviewees are nine. In term of nationality, there are two Japanese, two American and three Vietnamese people interviewed. Table 2 provides a general summary of the convenience sample used. The information provided in the table purposely avoids details in order to honor confidentiality agreements regarding the participants and their companies.

No.	Title	Nationality
1	Country Manager	Japanese
2	Deputy Country Manger	Japanese
3	Manager of General Affair department	Japanese
4	Project officer	Japanese
5	Project advisor	American
6	Legal advisor	American
7	Assistant to Country Manager	Vietnamese
8	Admin officer	Vietnamese
9	Accounting officer	Vietnamese

Table 2: Summary information of interviewees

Results from the qualitative research show four perspectives of CDM including CDM description in Japan HQ & Vietnam subsidiary, decision types, unanimous consent, difficulties in reaching consensus and its transferability as below:

5.1 CDM description between HQ & subsidiary

The feedback from all interviewees has answered the main questions; that is CDM process of the case study company was assumed to exist within the conceptual framework explained above (refer to session 3). The procedure of CDM in both HQ & Vietnam subsidiary was described by all interviewees in the same following way: CDM usually begins at the lower level as initiator/originator as first step of proposal. Then, s/he carries out sound discussion of Nemawashi with the affected section/people within his/her division then do second step of circulation to heads of other departments. After gaining those general consensus, s/he must fill out the formal written application form (ringi-sho). The ringi-sho is passed up through all relevant departments/individuals as third step of approval. Each writes feedback and comments on ringi-sho paper. It is possible for the initiator to make modification of proposal and resubmit the written application at any step in this process. The final approvers make decisions based on the feedbacks from all people participated in the process so far. Ringi-sho should contain signatures or seal/stamp affixed by all top section heads whether they are for or against. Approved ringi-sho is recorded as the last step to end Ringi process.

Usually, proposal often starts from lower-level staff. In few cases, the original ideas may come from a higher-level manager. However, (s) he will exercise Nemawashi by discussing, receiving comments from lower level staff and let them propose it. Three respondents commented two good reasons for that. First, the lower level staff is *“closer to where the problem occurs”*; therefore, they *“involve directly and have more understanding/information about it”*. Second, *“this is the way bottom-up works in term of approval hierarchy”*.

When participants were asked to illustrate their description on CDM with example, they preferred to present the actual process how decision of joining this research was made in their company. Since the person in charge (initiator) in Vietnam subsidiary got the request from researcher, he started consulting verbally first peers within his team and supervisor. Thereafter started a process called Nemawashi. Receiving the first team consent, initiator continued to discuss the idea in informal meetings with other middle managers, then circulated gradually to the highest position in Vietnam office – Country Manager who supported but still raised questions to the researcher *“Do you plan to have the same interview with other companies in Hanoi? If yes, how many companies are you requesting and accepted the interview?”*. Immediately, the initiator forwarded those inquiries to the researcher (myself). At the same time, he proposed it through telephone with person in charge in Tokyo HQ. This person repeated the circulation with his own team in HQ. More confidentiality concerns were imposed by Corporate Planning Unit *“Our company name and such information as our company would be identified by shall not be mentioned in any presentation materials and the report. The interview shall be designed and performed so that our proposed condition shall be satisfied”*. During Nemawashi process, the total comments raised by all levels (from Vietnam subsidiary to HQ Tokyo) were collected for further discussion with researcher. Once the confidentiality condition had been assured by the researcher via email, the person in charge of HQ Tokyo got more support by involving General Affair department in discussion for administration procedure of Ringi. For normal issue, the Nemawashi can end here within the HQ Tokyo. However, this matter in the company’s opinion is directly related to the company reputation and publication. Therefore, the permission from their parent of HQ-Mitsui Group was needed. The originator attempted to discuss and persuade, then it turned into support and further comments were given in way forward as below:

“1. Clarification session on your questionnaires, appreciate if you can provide more details or breakdown of each question.

2. Based on the above 1, HQ provide us with its guideline for the interview.

3. Interview sessions”

Additional information was provided by researcher upon the company's request. The Nemawashi process made the stop at this point. Though Nemawashi process, a proposal that gain harmony with little friction as possible was created. Everyone involvement in pre-meeting helped prevent disorderly disputes in the formal meeting. Some interviewees emphasized that Nemawashi required many clarifications conducted verbally, email exchange, informal meeting or even weekly report. Therefore, it took time and the researcher was informed to wait for the company's internal process. Whereas, in Ringi process when it became official, it did not request much discussion any more. With the verbal support from all levels, the written application/proposal/ringi-sho integrating target approval date and approval content was made by the initiator. Later, it was passed again to related department such as G&A and Corporate Planning department in subsidiary first then in HQ but it just took short-time as the discussion of execution had been made before. Once final approval was made official with stamps, it was also informed to the relevant departments and person in charge. After approval, ringi-sho is filled in date of approval and numerated. Up to this point, the Ringi system completes for the HQ (refer to Appendix 4). However, for subsidiary, one more step is required. Initiator in subsidiary need to inform the completion of Ringi to G & A department then record in two methods: soft copy (online on server so that other related staff can access) and hard copy (in each office where it was made). Storage time ranges from 3-5-10 years upon internal regulation. In the case of this example, the decision to join this

research made by the company followed exactly both Nemawashi and Ringi system as in conceptual framework. Also, it took two weeks to for the company to complete Nemawashi and one week for Ringi system.

5.2 Decision types and approval level of in CDM

According to General Manager of G&A, managerial decisions of the company can be broadly classified into three categories, namely, strategic, tactical and operational decisions based on the office functions of Vietnam subsidiary. The summary is made in the below table:

Office function	Decision types	Approval levels
Project	Strategic & tactical decision	100% approval by HQ
Administration & Accounting	Operational decision	Some approval by HQ Some by subsidiary's authorization then report to HQ

Table 3: Decision types in CDM

Hanoi office has two main function: business project and G&A (Administration & Accounting). Accordingly, they classify project matters with Strategic decision and tactical decision while the other G&A matters belong to operational decision. Commented by the Country Manager of Vietnam subsidiary, all decisions that may influence the long-term direction of the whole company are strategic decisions. For instance, it may include impacts of economic (term and conditions of negotiation with partners) and organizational

architecture (open or close other branches in other cities of Vietnam). Moreover, Tactical decisions focus on more intermediate-term issues such as expatriate allocation, sending technical secondees). Those two types belong to project area and always need 100% approval from HQ Tokyo even some crucial decisions need permission from Parent of HQ-Mitsui Group. It was added by Deputy Country Manager that it was important to seek maximum participation on agreement for strategic decisions as they have impact on long term goals. Meanwhile, operational decisions were explained to focus on day-to-day activities of Administration & Accounting to ensure that smooth process of daily activities. Some of operational decisions need HQ's approval; some decisions with low monetary value (upon internal regulation) are subject to Vietnam subsidiary's authorization then report to HQ.

Some criteria for judging (un)important decisions were also identified by Country Manager & Deputy Country Manager:

- Monetary value (internal regulation)
- Time priority (urgency)
- Long-term commitment/liability (economics)
- Company impact (reputation) such as any publication about company, list in stock market and its legality (related to crime, corruption)

Some respondents mentioned about the approval level of ringi-sho circulation which had been regulated in company's internal documents. Figure 3 shows the sample of approval level for Entertainment expense applications. Based on the monetary values, the level of checking or authorization is different. For example, if applied budget is small (JPY 100,000 or less), final approver is General Manager (GM) of Unit/subsidiary. However, if application proposed a big amount of money (equivalent to 1-5 million JPY), the ringi-sho needs to go

through checking of GM of General Affair and Managing Executive Officer. In this case, the application is subject to CEO (highest level) 's approval.

5. Application for Entertainment/Convention Expense (Oversea's Office or Subsidiary)

Following shows Delegation of Authority for:

- 1) Entertainment Fee (excl. Entertainment with Public Officials)
- 2) Convention Fee (excl. Convention with Public Officials)
- 3) Office Get-together Fee
- 4) Golf Entertainment Fee (excl. Golf Entertainment with Public Officials)

Ref. Abbreviation:	
[MEO]	Managing Executive Officer
[GM]	General Manager
[DGM]	Deputy General Manager
[UGM]	Unit General Manager
[PGM]	Project General Manager
[A. Secretary]	Assistant Secretary
[GA]	General Affairs

Note) Applicant is a payer of Entertainment/Convention Expense.
In case an applicant and authorizer are the same, the authorizer should be changed upon List for Substitution of Authority as attached.

		Checked by (Prior to Authorization)				Authorized by						
		Applicant	GM of BKK	GM of GA	MEO of GA	CCO	UGM	DGM	GM of BKK	GM of GA	MEO of GA	CEO
<Bangkok Office>												
Officer	(Eq. to) JPY100,000 or less	<input type="radio"/>				<input type="radio"/>				<input type="radio"/>		
	(Eq. to) JPY100,001 - 1,000,000	<input type="radio"/>		<input type="radio"/>		<input type="radio"/>					<input type="radio"/>	
	(Eq. to) JPY1,000,001 - 5,000,000	<input type="radio"/>		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>						<input type="radio"/>
Staff	(Eq. to) JPY50,000 or less	<input type="radio"/>					<input type="radio"/>					
	(Eq. to) JPY50,001 - 100,000	<input type="radio"/>						<input type="radio"/>				
	(Eq. to) JPY100,001 - 200,000	<input type="radio"/>							<input type="radio"/>			
	(Eq. to) JPY200,001 - 1,000,000	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>							<input type="radio"/>	
(Eq. to) JPY1,000,001 - 5,000,000	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>							<input type="radio"/>	
<SML>			Chairman	GM of GA	MEO of GA	CCO	PGM		Chairman	GM of GA	MEO of GA	CEO
Officer	(Eq. to) JPY100,000 or less	<input type="radio"/>				<input type="radio"/>				<input type="radio"/>		
	(Eq. to) JPY100,001 - 1,000,000	<input type="radio"/>		<input type="radio"/>		<input type="radio"/>					<input type="radio"/>	
	(Eq. to) JPY1,000,001 - 5,000,000	<input type="radio"/>		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>						<input type="radio"/>
Staff	(Eq. to) JPY100,000 or less	<input type="radio"/>					<input type="radio"/>					
	(Eq. to) JPY100,001 - 200,000	<input type="radio"/>						<input type="radio"/>				
	(Eq. to) JPY200,001 - 1,000,000	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>							<input type="radio"/>	
(Eq. to) JPY1,000,001 - 5,000,000	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>							<input type="radio"/>	
<Hanoi Office>				GM of GA	MEO of GA		GM of HOI				MEO of GA	CEO
Staff	(Eq. to) JPY100,000 or less	<input type="radio"/>					<input type="radio"/>					
	(Eq. to) JPY100,001 - 200,000	<input type="radio"/>		<input type="radio"/>							<input type="radio"/>	
	(Eq. to) JPY200,001 - 1,000,000	<input type="radio"/>		<input type="radio"/>							<input type="radio"/>	
	(Eq. to) JPY1,000,001 - 5,000,000	<input type="radio"/>		<input type="radio"/>	<input type="radio"/>							<input type="radio"/>

Figure 3: Sample of Ringi approval level

(Source: internal company documents)

Basically, the proposal often starts from Hanoi subsidiary side then circulate for HQ's approval applied with all types of decisions. For example, for strategic and tactical decisions, Hanoi office often propose the next step or strategy for its project based on the updated information of on-site meetings and negotiation with partners in Vietnam. For operational decision, Hanoi office also need to get HQ's approval for quarterly/annual cashcall and budget for some big office expenses (office rent, insurance, company trip...ect). However,

when it comes to global strategy of MNC, the direction of decision reverses from HQ to subsidiary. Global strategy of MNC is controlled totally by HQ and requires the compliance of not only Vietnam branch but all other overseas affiliates. Some certain decisions can be illustrated such as compliance of International Organization Standard-ISO in project technology (strategic decision), anti-corruption policy (tactical decision) and Health, Safety and Environment - HSE (operational decision). For those vitally important decisions, subsidiary has no choice of rejection, but must follow. However, it is noted that the principle is same but national standards will be adjusted depending on each country's legal setting. For instance, maximum budget amount for entertainment with Government officer in Vietnam is not the same as in Norway subsidiary due to difference in anti-corruption law between two countries. Except for certain decisions listed above, Hanoi office still reserve the right to accept, modify or reject (after Nemawashi) ideas from HQ based on their advantageous on-site understanding. One case was reported by respondents. When the idea of closing another branch in Ho Chi Minh, Vietnam to cut cost due to project suspension was passed from HQ, Vietnam office managed to reject by justifying their viewpoint.

Besides, Manager of G&A department also revealed some cases that the company does not follow the whole CDM.

- Unimportant decision/trivias (internal regulation)
- Routine decisions such as subscription, business trip, stationery purchase
- Emergency Response Plan which is at discretion of General Manager HQ

Both manager and employees agreed that there is no case they do not exercise Nemawashi. *“Even in urgent matter, Ringi-sho can be skipped at that time and supplemented later but Nemawashi (prior consultation) is compulsory”*.

5.3 Unanimous consent

All the interviewees affirmed that consensus system is not equivalent to voting system where decision is made based on majority support by hand signal or election etc. (Nurmi, 1987). In consensus system, it is not compulsory that everyone must agree. The initiator always tries their best to gain as much consensus as possible. However, there is also rare case where consensus can't be obtained 100%. In such case, the people who disagree are expected to give comments or justify their reason. Initiator together with every member in the department/company try to find solutions to address all issues raised. If the consensus still can't be reached at that time, the decision will belong to final approver (CEO or BOD) based on all positive and negative comments during the Nemawashi process.

5.4 Difficulties in reaching consensus

Respondents identified many factors as obstacles to gain consensus, which is shown in the below figure:

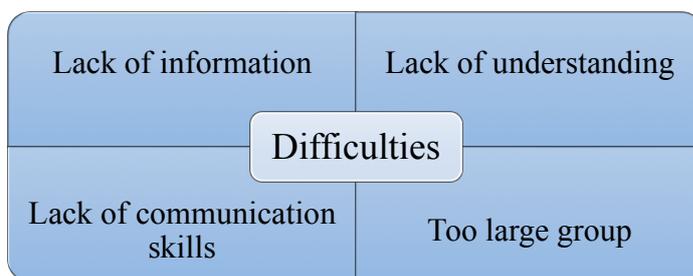


Figure 4: Difficulties in reaching consensus

Lack of information

This was reported to be caused by the initiator then, s/he needs to prepare again by him/herself or contact the counterpart/partner for additional information. More often, this was caused by the participants not focusing in the meeting. One interviewee pointed out some members were “*too busy to read*” the pre-meeting materials in emails. In those cases, it takes longer times for initiator to resumes explanation from beginning or repeating what s/he mentioned in email.

Lack of understanding

The interviewees answered the cause of this difficulty are the difference in background. The members don't have the same knowledge on the project history. It was also reported that sometimes, staff in HQ Tokyo missed on-site context because they did not attend the negotiation with partners in person, therefore, can't assess how serious the problem is. Lack of understanding is due to difference in experience especially in technical issues or host-country risk such as corruption, political stability (legal changes) and market trend. Different position will give different point of view. The (Deputy) Country Manager often look at economic benefits & unmeasurable loss/reputation, which is so different with vision of project officer who always focus on short-term goal. In case of uncertainty related to legal issue, the company was advised to obtain the 3rd party opinion from consulting company or law firm to ensure the same official understating for all members.

Lack of communication skills

Interestingly, two American respondents claimed English language ability as a big problem in communication with Japanese staff or even with local Vietnamese staff, which prevents consensus from quick obtaining. Whereas, the Japanese project officer provided the different point of view. In his opinion, commutation obstacle is caused by “*kuuki wo yomu*”

(in Japanese 空気を読む which links to high-context culture indicated in following Analysis session 6). He explained one of the most common obstacles in communicating with Japanese is the lack of openness and ambiguity *“Sometimes, it is hard even when communicating in native language among Japanese people: unclear opinion of Yes/ No or silence means Yes”*.

According to another Japanese expatriate, Japanese employees hesitatingly speak out their viewpoints specifically in public formal meeting. This was explained by two reasons by respondents. First, they are afraid of making mistake because they might be unaware of the issue 's complexity that make them incapable in the eyes of manager and fellows. Seconds, free expression of ideas in Japanese mind may interrupt harmony and lose their faces. Several respondents regarded this action as a lack of initiative and passiveness. Another American participant added *“because the Japanese staffs usually keep silence, so the others do not know what they are thinking”*. All of these was viewed to cause unpositive influence in CDM.

Too large group

The last difficulty was listed is big size of group by one respondent when doing Nemawashi. One interviewee commented *“it would be better if we can split into smaller group for discussion”* whereas, to majority of the interview group, they did not release this as a matter.

5.5 Transferability

All nine interviewees in the research agreed to come to the conclusion that actual CDM system in HQ & Vietnam subsidiary includes two main processes (Nemawashi & Ringi) and four steps (Proposal, Circulation, Approval & Record) as in conceptual

framework. The same CDM process is being applied between HQ Japan and Vietnam subsidiary as described above. The only slightly differences occurring in Vietnam subsidiary is two additional steps conducted by Vietnam subsidiary (refer to Appendix 4). The first one is that Nemawashi is made twice by the person in charge with the admin department of their branch, then with the related department in HQ. One second step must be taken by Vietnam branch is to send the finished ringi-sho to HQ as report of completion.

Japanese managers and employees said that they believed CDM was “*one of the best policy of JMS*” as it has been proved to be useful over many generations in Japan companies and expected to benefit the same with overseas branches. In their opinion, the CDM system might be very time-consuming in discussion stage but can save more time in the implementation, because unanticipated problems which often arise has been eliminated in master plan. The Japanese seems to be prudent in consideration of not only problem-solving but also backup plan and mitigation (if any), rather than hasten for immediate resolutions.

Even though, interviewees were not asked but two of American participants assessed how much self-determination was granted to affiliate by MNC HQ. They characterized their autonomy limited by CDM. Sometimes, for some strategic decisions, the process needs to be conducted through level of Mitsui group – parent of HQ in Japan, which was commented “*like father-child*” relationship (*see more 5.2*).

6. ANALYSIS

So far, there is no similar study on this issue of transfer in the literature of JMS to Vietnam. This result is contributing to the empirical research. This study is special as it addresses the topic in a following particular way. **Direction of transfer** in this study is from home nation (Japan) to foreign countries (Vietnam subsidiary). In the scope of this research, **what to transfer** is consensus-decision making process- a Japanese management practice. **Degree of transfer** is that majority of CDM process applies for all decision type between HQ & affiliate. The only difference lies in two additional steps conducted by Vietnam subsidiary in second time Nemawashi with HQ and report of Ringi completion. **Transferability cost** results from transaction cost for back office in HQ who do the supervisory work on subsidiary's compliance and expense for expatriate (with family) moving.

Transfer mechanism

As strategy of global doing business, HQ should establish complex mechanisms for knowledge transfer among subsidiaries. The direction of transfer may vary in the context of each MNC depending on their motivation for entry into specific market. Liu (2004) categorized transfer mechanism into two kinds: direct and indirect mechanism. He also pointed these two mechanism are complementary rather than substitutable. From the result of this study, the research Japanese company is following both two transfer mechanisms.

Direct transfer mechanisms: subsidiaries must be in compliance with a number of management policies. Such instructions are usually backed up by formal authority system outlining reward and penalty system associate with them. In particular, the company set up the CDM process as well as its related formalization (guideline, rules) and require

compliance of HQ & all oversea subsidiaries. Besides, speed transfer is the advantage of this mechanism when MNC has strong resource control over subsidiary.

Indirect transfer mechanism is implemented through management practice to some carriers such as transferred through expatriates, training programs, informal network etc. This is clearly shown through expatriates' role in control subsidiary.

Reason for transfer

The reason why CDM process of this Japanese MNC can be transferable to its subsidiary in Vietnam is analyzed from dual-side perspectives of transferor (HQ) and recipient (subsidiary). First is looked at from the perspective of transferor - Head Quarter in Japan. Japanese MNC believes in superiority of CDM principle, thus, tries to impose it in Vietnam office. The company controls subsidiary in all aspects through entry mode, formal organizational structure and HRM. In order to do so, Japanese MNC utilize the ethnocentric staffing policy by sending expatriates to occupy top key management. The main purpose of this subsidiary control is to avoid uncertainties because they want to assure the same quality in all branches, so they apply the same decision-making process. Second reason is due to characteristic of recipient. Vietnam as a developing country is trying to absorb competitive advantage from a power economy and accepting the transfer without rejection. It might be rooted partially from cultural proximity between parent (Japan) & host countries (Vietnam).

6.1 From Perspective of Transferor (Head Quarter)

6.1.1 Advantages of CDM

The interviewees believe that there are many advantages of CDM that makes it superior; therefore, should be delegated. CDM has some elements of democracy when employees at lower levels initiate proposals. There is a great involvement of many people/department through Nemawashi of both verbal and informal meetings. As a result, CDM synthesizes all members' ideas into one decision. Consensus does not necessarily mean total agreement. Rather, it means that a proposal has gone through a process in which everyone has had a chance to express feelings and concerns and in which no decision is finalized until everyone in the group feels comfortable with the decision and is able to implement it without resentment. CDM creates and strengthens a spirit of trust, cooperation, and respect among members. By incorporating the clearest thinking of all of the group's members, consensus increases the likelihood of new, better and more creative decisions. CDM significantly lessens the possibility that a minority will feel that an unacceptable decision has been imposed on them. Consensus safeguards against ego/adversary attitudes, uninformed decision making, rubber-stamping of decisions, coercion, self interested positions, mistrust, and halfhearted agreements. Any decisions adopted on the basis of such extensive discussions will be more likely to meet general acceptance and implementation will become easier and more efficient. By the time a proposal makes it to the formal meeting, potential problems and means of solving them mitigation even backup plan have been identified. Thanks to CDM, Japanese companies do not usually commit mistakes, they always improve step by step, always going forward and making their processes near to perfect. This process of continuous improving is called "Kaizen" (Shigeo, 1981).

Although the Ringi system is claimed time consuming prior to the implementation stage, the final decision can be rapidly implemented because of the widespread awareness of the plan, the clarification of the problem, the evaluation of the different alternatives, and the

involvement of those people who will implement the decision and support for the proposal already gained throughout the organization. This process is the opposite of the top down decision made by many Western multinational companies, where decisions are made quite rapidly and without consultation, but which then take some time to implement because unforeseen practical or support problems often arise through a lack of understanding of essential processes, or even grassroots opposition to change (Deresky, 2016).

6.1.2 Subsidiary Control

Of the various management practice, the issue of management control is very important. With rapid globalization of business, like other MNCs, this Japanese company faces the challenging task of designing suitable control system for their subsidiaries in foreign countries. The task is very complex because the scenarios firm faces in other countries are not as those at home. For example, this firm must cope with different tax structures, regulations, work environments, work attitudes, culture and so on in each country. The central issue for an MNC is where the control system should be the same (standardized) across the subsidiaries or different (customized) across the subsidiaries.

As shown in Findings sessions, this Japanese company is group-oriented. Therefore, Japanese supervisors are very reluctant to use any system of evaluation that can disturb the harmony of the group. According to agency theory, control system can be either behavior-based or outcome-based (Govindarajan & Fiesher, 1990). Based on the topic of CDM and the result of this research presented in previous part, it is assumed that the research Japanese company is applying behavior-based control which is hierarchical governance and ongoing monitoring of decision. HQ of the company is exercising the control in all forms, not only though monitoring the decision-making and in all other overseas offices.

Subsidiary Entry Mode Control

Total equity ownership by Japanese parent company involved in Hanoi subsidiary was applied when they first entered Vietnam market. Vietnam branch is a wholly owned subsidiary with 100% owned by parent company (HQ Japan). Vietnam branch with its own organized framework and administration remains an independent legal body. However, parent company completely directs its daily operations. The establishment of a wholly owned subsidiary was reported to apply to all oversea branches of this company due to several advantages. Licensing regulations in some nations including Vietnam make new companies 's formation become troublesome. Acquiring a subsidiary that already has necessary operational permits, the company can start business sooner and with less administrative trouble. Potential coordination of a global corporate strategy can be another advantage. This point may be one of reasons Vietnam office accepting the practice.

Control through Structures & Formalization

Figure 6 is the corporate formal structure of the company extracted from its website. It is obvious that Hanoi office together with other oversea offices, belongs to direct control under President & CEO. It receives the same treatment in term of Formalization (the use of written standardized documents) with any of other department in HQ Tokyo. The same formalization leads to composition of written control documents. Evidence is its internal ringi-sho regulation which has been shared and used by all departments and oversea subsidiaries. The structure of this MNC with global strategy is centralized and subsidiaries are found highly resource-dependence (Liu, 2004) on Japanese parent company.



Figure 5: Formal structure of the company

(Source: The company website)

Control through Human Resources – resource dependence on HQ

Knowledge transfer of expatriates can be considered as resource dependence (Liu, 2004) that Vietnam subsidiary need from parent company. Therefore, this HQ is dispatching many expatriates to their overseas subsidiaries for knowledge transfer & management, harmonization, and most importantly, to control and co-ordinate the corporation of overseas activities.

6.1.3 Ethnocentric staffing policy

There are three major staffing policies in MNCs: Ethnocentric, Geocentric and Polycentric (Perlmutter et al, 1974). The case study company is employing the ethnocentric policy where top level management positions in overseas subsidiaries are occupied by Japanese expatriates from HQ. When interviewees were asked to discuss the major features of staffing policy, it was coming that the HQ played the main role in deciding the requirement for expatriates and the individual to assign to the subsidiary. Expatriate in the company was reported to be selected on the criteria of “*experience in the company*”.

Major motives for expatriate assignments

First, expatriates are an important means to transplant JMS to subsidiary. Knowledge transferred is not only explicit but also tacit (Bonache & Brewster, 2001). CDM transfer process requires both which deeply rooted in expatriate’s experience. Expatriates have intrinsic knowledge of HQ decision-making processes and practices. They tend to be able to control the behavior of the subsidiary – activities and processes – rather than its results (Chen et al, 2010).

Second, expatriates illustrate the benefits of HQ, may promote communication between HQ-subsidiaries and help HQ’s staff to perceive the local business setting, contributing to decision-making effectively. Expatriates contribute to mutual understanding across borders caused by cultural distance between the home and host. Therefore, expatriate managers are expected to bridge the cultural differences among units of company.

Third, the company exercises control on foreign affiliates to assure their efficient resource allocation as well as provide correct direction in their efforts to fulfil HQ objectives. Control in this context may be understood that HQ determines what subsidiaries can do and

should not. Expatriates monitor and promote corporate strategic objectives, preserve consistency of norms, execute HQ-devised policies, reduce risk, and prevent costly duplication and misalignment. Expatriates help ensure that the subsidiary's strategy is aligned with the overall strategic framework of the MNC because they are working from the same set of motivating assumptions and objectives as the parent organization.

6.1.4 Uncertainty Avoidance – organizational culture

As mentioned by all interviewees, uncertainty avoidance can be considered as national culture in general and this Japanese MNC organizational culture in particular. A widely accepted definition of organizational culture is a set of values shared collectively among organizational members. Organization culture, is to some extent, influenced by the national culture but varies (O'Reilly et al., 1991).

According to Hofstede (2001) created a multidimensional cultural model, uncertainty avoidance index refers to which extent people feel insecure and threatened in risky situations and tries to avoid it by establishing more structure around them. Cultures with strong uncertainty avoidance prefer to avoid conflict and desire consensus (Hofstede, 2001).

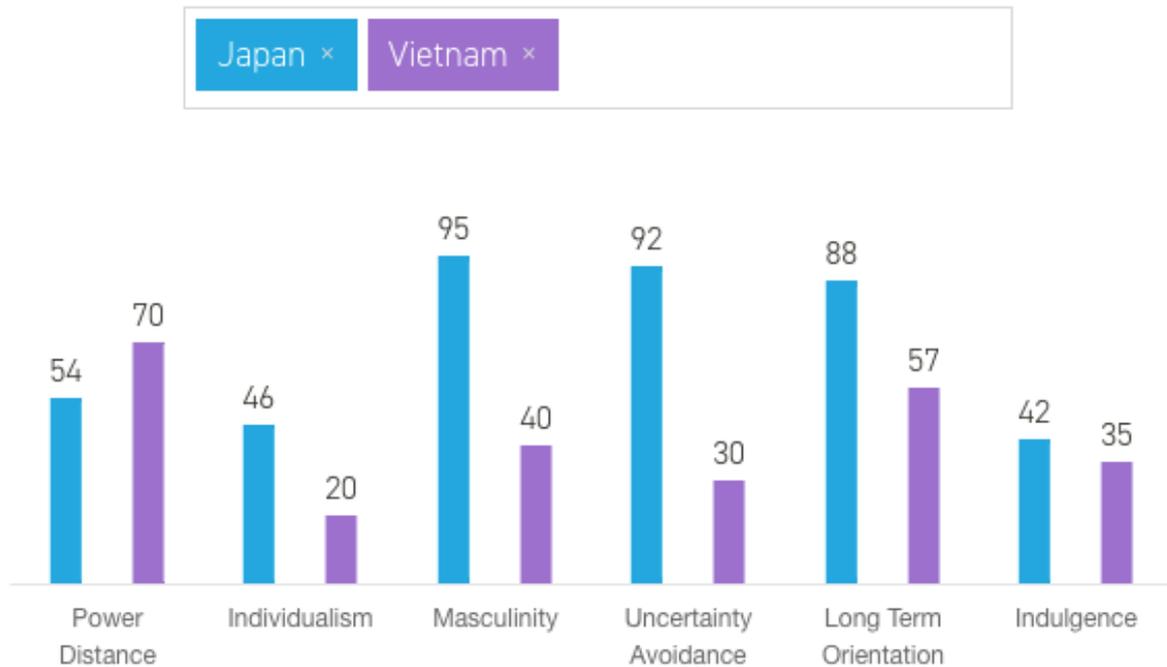


Figure 6: Comparison of 6-dimension of culture between Japan & Vietnam.

(Source: Hofstede, 2001. Retrieved November 10, 2017 from <https://www.hofstede-insights.com/product/compare-countries/>)

As shown in the Figure 6 above, national uncertainty avoidance of Japan is very high (index: 92). In business context, uncertainty avoidance leads to formal rules, regulations devised to strengthen more security. Under high uncertainty avoidance, managers of the company attempt to make quite safer and less risky decisions and ensure possibility implementation. Any decision made is to achieve the goal of the cooperation improvement and the harmony within the group.

The idea of culture playing a role in decision-making is not new (Clifton, 2004). Interestingly, the pattern of CDM does not vary by subsidiary international experience and subsidiary size. This has been proved by the fact that they are sharing the same formulation, policy, regulation of Ringi pattern in all overseas offices. It means CDM transfer to Vietnam office is not because of any special factor from local side. It is because all subsidiaries are crucial for their global operation strategy. Therefore, the company make the same policy of

CDM in both HQ & subsidiaries. It is obvious that the culture is different among subsidiaries even though they share the same HQ. However, the CDM has been transferred successfully among them. This clearly points out that the dominant factor of the transfer is not based on national cultural proximity but mainly on organizational culture of uncertainty avoidance which was conducted intentionally by HQ through expatriate deployment.

Link between CDM, expatriates and uncertainty avoidance

Some studies have argued that higher uncertainty due to cultural distance implies higher use of expatriates (Damanpour, 1998). It is quite true in the case of this study. From Figure 5, a big distance in uncertainty avoidance between Vietnam (score 30) & Japan (score 92) has been observed. This explains why HQ need to send many expatriates to Vietnam branch. Also, it has been argued that the parent MNC has lower understanding of the local environment and is faced with a higher level of uncertainty (Gong, 2003). As indicated in previous discussion on expatriates 'role, the parent MNC is likely to deploy expatriates to deal with this uncertainty. Expatriate resources would ensure the flow of knowledge (CDM) between subsidiary and parent, and also allow the parent more control and coordination with respect to subsidiary activities in a culturally distant environment. Subsidiaries founded in host country environments that are culturally more distant would therefore be expected to start out with high levels of expatriates.

6.2 From Perspective of Recipient (Subsidiary)

From one side, HQ is trying to control/influence subsidiary by exercising CDM because they believe CDM is superior to avoid uncertainties. From other side, Vietnam subsidiary seems to have no-response of rejection with this due to entry mode control imposed by HQ (refer to 6.1.2). Vietnam subsidiary is more accepting the transfer of

management practices from the HQ. Similar recipient characteristic is essential in successful knowledge transfer. It has been found that recipient absorptive capability foster transfer and recipient learning intensity have positive influences on knowledge transfer. (Goh, 2002). Moreover, open mind to new ideas/experiences also contributes to knowledge transfer (Hocking et al., 2004). Vietnam is a country undergoing rapid change. Only about 30 percent of the population is older than 30 years and the rapid economic development that the country has undergone over the past 15 years (Harrison & Lassen, 2005) means the new young labor force in Vietnam is very eager to learn new knowledge and work skills from other developed countries. And Japanese sample of CDM is one example. Young Vietnamese business doers are flexible enough to grasp the dual reality of cultural continuity and change. Besides, as explained in the previous part (6.1.3), this recipient's characteristics cannot be mainly but might be explained due to national cultural proximity between parent (Japan) and host country (Vietnam).

When applying Hofstede's (2001) model to Vietnam and Japan (refer to Figure 6), the major similarities are in the dimensions of collectivism and high power distance. This is the same conclusion with Nguyen & Aoyama (2013).

High Power Distance

Japan at an intermediate score of 54 is perceived extremely hierarchical because of their business experience of CDM process: all the decisions must be confirmed by each hierarchical layer and finally by the top management in HQ. On the same direction, Vietnam got high scores of 70 on this dimension which means that Vietnamese people accept a hierarchical order in which everybody has a place and which needs no further justification. Hierarchy in Vietnam organization is seen as reflecting inherent inequalities, and

centralization is popular, thus subordinates expect to be told what to do. This helps to explain the reason why Vietnamese staff in Hanoi subsidiary get used to Hierarchy and get no objection of CDM.

Collectivism

Japan scores 46 on the Individualism dimension. Certainly Japanese society shows many of the characteristics of a collectivistic society: such as shared responsibility & teamwork in Nemawashi, priority of group harmony rather than expression of individual opinions. Similarly, Vietnam, with a low score (20) on Individualism, is a group-oriented society with collective leadership, influenced from Confucian tenets. This is shown in a close long-term commitment to the member group. Such a society promotes strong relationships, where everyone takes responsibility for fellow members of their group. In collectivistic societies, offense leads to shame and loss of face. Employer-employee relationships are considered in moral terms and management is the management of groups.

High-context culture

High-context cultures (Hall, 1976) are those that communicate in ways that are implicit and rely heavily on context. High-context cultures are collectivist, value interpersonal relationships, and have members that form stable, close relationships. According to Chambers (1997) & Usunier (1996), Vietnamese culture is found high-context where nonverbal signals are important. Japan is also considered in the top of high-context culture by Meyer (2014). In interpersonal communication, people in high-context cultures prefer to solve problems by collaborating with other people and/or consulting with the boss and tend to ask for help/collaboration the same people in different situations.

FIGURE 1.1. COMMUNICATING

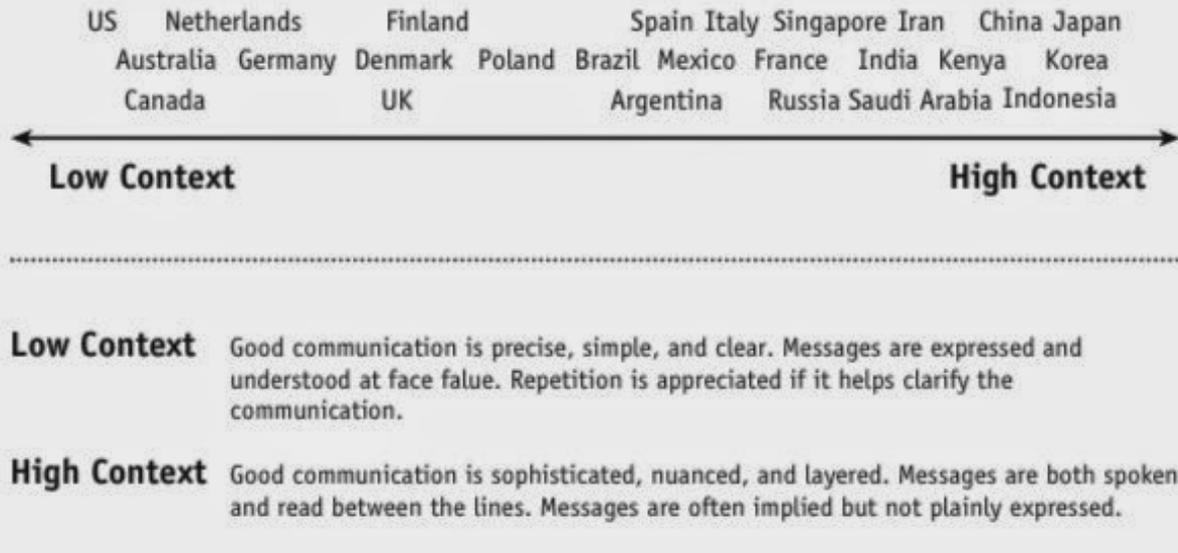


Figure 7: High-context culture (Meyer, 2014)

7. CONCLUSION

7.1 Conclusion

It is obvious that my dissertation has answered all three research questions; specifically, there is demonstration that CDM has been transferred from a Japanese MNC to its subsidiary in Hanoi, Vietnam. The majority of transfer process has been made between two offices. The slight difference of two more steps in further Nemawashi and completion report conducted by Vietnam subsidiary were noted. The case study Japanese company is found to be following both direct and indirect transfer mechanisms. The explanation for this transfer phenomenon comes from HQ side since they implement behavior-based subsidiary control deliberately through ethnocentric staffing policy of expatriate deployment. The organizational culture of avoid uncertainties also motivates CDM transfer. At the same time, there is no rejection of delegation found from recipient – Vietnam subsidiary due to some cultural proximity such as high-context culture, high power distance and collectivism between parent and host countries.

7.2 Recommendations

For the company's member

From the research findings, this chapter is designed to give recommendation on how Japanese MNC can improve their CDM.

Lesson learnt from difficulties in reaching consensus is that staff in Japanese company should spend enough time having one to one dialogue to every member to make sure participants get the same understanding before meetings in order to push quicker Nemawashi process.

Japanese employees seem not outspoken in meetings where English is used in front of many people. The language barrier may result in misunderstandings about what has been determined. One should ask for confirmation “*Do you agree?*”

Consensus requires the combination of many factors such as time, active participation, open-mindedness, communication skills in listening and conflict resolution & facilitation. It also uses the active listening skill of paraphrasing, which means that one rephrases what one has listened and asserted it as one has understood it can be used to prevent miscommunication and be critical in correcting misinterpretations promptly.

It is quite common for non-Japanese try to react to silence or break in eye contact by explaining more about one's own viewpoint and circumstance. However, in such situations, excessive talk can actually make the Japanese feel more embarrassed uncomfortably. Therefore, when observing silence or averted eyes, it is advisable to wait a while for the Japanese people to form a response.

For foreign business partner

Foreign partners who do business with Japanese company is advised to anticipate the CDM process to take longer than it does in their own culture, and to acquire more correspondence and meetings for negotiation.

Foreign partners should prepare lots of specific materials to provide upon request. Foreign partners should check regularly with Japanese counterparts and display to be available to supply reply to their inquiries in timely manner in order to show patience and commitment throughout the process.

Foreign partners had better spend time building wide relationships firmly and seek for decisive position who keep the experience and power to make decisions within the Japanese organization.

It is very beneficial if foreign partners can develop informal contacts to help monitor CDM process within the Japanese MNC.

Foreign partners should avert making quick decisions or being aggressive to push for hasty decisions. Foreign partners should ensure consent in own team and avoid showing disagreement among oneself in front of the Japanese.

7.3 Managerial Implication

This research made great contributions to the cases where a foreign company desires to comprehend its Japanese partner in Vietnam. Before business cooperation starts, foreign partners need to perceive unique characteristics of JMS. The significance is also made for Japanese manager to gain more understanding on their own organization as well as staff so that CDM can be executed the more efficiently and successfully.

From the perspective of non-Japanese MNCs that compete with Japanese MNCs subsidiaries, it is vital to recognize that the Japanese MNCs affiliates depend substantially on expatriate employees for building the subsidiary over time. As a competitor or a potential cooperator, it is crucial to remember that Japanese MNCs have very long term horizons when they invest in a particular subsidiary and typically like to control the operations through expatriate staffing. However, as a cooperator, the non-Japanese firm must be ready to consider the costs and benefits of the deployment of these Japanese expatriates. As a competitor, the non-Japanese firm must seek ways of overcoming the advantages with which the expatriate resources originating in the parent MNCs home country endow the subsidiary.

7.4 Limitations and suggestions for further research

There is a limitation because case study was done on one subsidiary of one company in E&P area, as the whole remaining industry is not covered. The sample size is rather small as results were concentrating on only one Japanese subsidiary which does not permit comparison of CDM from different industry; thus, limits the generalizability of my result. Future researchers can explore on larger number of E&P companies or companies in other different industry areas then combine the results with this study.

The confidentiality term requested by the company did not allow to perform other various data such as internal regulation on Ringi system, percentage of ownership, structure, ect.

The study analyzes the reason of transfer CDM in Vietnam subsidiary merely from the dimension of recipient cultural characteristics. Nonetheless, there might be numerous influences behind such features. Because this dissertation is just an initial step, forthcoming studies are expected to develop more sophisticated research designs to address the above-indicated limitations.

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APPENDIX

Appendix 1: Introduction Letter



Date: 19 July 2017



Subject: Request to be a part of an academic research

This letter is to introduce Ms. Nguyen Thi Phuong Thao, one of my MBA students at Ritsumeikan Asia Pacific University Japan. She is conducting research for her final year thesis. The aim of the research is to understand the transferability of consensus decision-making practice from Japanese Corporation to its subsidiary in Vietnam. I hope that the results of the research will provide valuable information and become a reliable reference to business in Vietnam.

We are seeking the assistance of you and your company staff who are willing to be interviewed for this research. It is absolutely your own decision whether you would like to take part in the study or not. If you do decide to participate in this research, we guarantee that the information you provide will be treated in the strictest confidentiality and will be used solely for academic thesis or journal articles. The data will only be accessed by research-qualified staff and will be kept in a secure environment. We have included a consent form which explains the research study in detail. Please read this and feel free to write any questions you have on it.

If you or the interviewees have any queries or wish to access the information that have been provided at a later date, we would be glad to provide a copy of the result to you. Please contact me via e-mail at alhaidar@apu.ac.jp or Ms. Thao at thipng16@apu.ac.jp. My other details are given below.

I look forward to your kind cooperation.

A handwritten signature in black ink, appearing to read 'Ali Haidar', is positioned above the printed name and contact information.

Professor Ali Haidar (PhD)
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INFORMED CONSENT FORM

Study Title: Transferability of consensus decision-making practice from a Japanese Corporation to its subsidiary in Vietnam.

Researcher: Ms. Nguyen Thi Phuong Thao – MBA student from Graduate School of Management of Ritsumeikan Asia Pacific University (APU)

Before agreeing to participate in this research, we strongly encourage you to read the following explanation of this study. This statement describes the purpose and procedures of the study. Also described is your right to withdraw from the study at any time. This study has been approved by my supervisor, Dr. Ali Haidar, Professor, Graduate School of Management of APU.

Explanation of Procedures This study is designed to examine the ways in which Japanese subsidiary make the decisions.. Participation in the study involves completion of a survey that asks you basic questions about your company and the specific timing and procedures you may have undergone, and a face-to- face interview, which will last for approximately 30-45 minutes. The interviews will be conducted by one researcher (Ms. Thao), audio-taped and later transcribed for the purpose of data analysis. We will interview you and your colleagues separately, in the meeting room at your company.

Risks and Discomforts There are no risks or discomforts that are anticipated from your participation in the study. If, however, you feel uncomfortable in any way during the interview session, you have the right to decline to answer any question or to end the interview.

Benefits The anticipated benefit of participation is the opportunity to discuss feelings, perceptions, and concerns related to the experience and to contribute to understanding of decision-making process.

Confidentiality The information gathered during this study will remain confidential in secure premises during this project. Only the researchers will have access to the study data and information. There will not be any identification of names in interview transcripts; they will be coded and the key to the code will be kept locked away. Your names and any other identifying details will never be revealed in any publication of the results of this study. The tapes will be destroyed at the completion of the study. The results of the research will be published in aggregate form in the form of a research paper and may be published in a

professional journal or presented at professional meetings. The knowledge obtained from this study will be of great value in guiding professionals to be more effective in decision-making process.

Withdrawal without Prejudice Participation in this study is voluntary; refusal to participate will involve no penalty. You are free to withdraw consent and discontinue participation in this project at any time without prejudice or penalty. You are also free to refuse to answer any question we might ask you.

Further Questions and Follow-Up You are welcome to ask the researchers any questions that occur to you during the survey or interview. If you have further questions once the interview is completed, you are encouraged to contact the researchers using the contact information given below. If, as a result of participating in this study you feel the need for further, longer- term support or any concern, you are welcome to contact the researcher as well as her supervisor at detail below.

As a participant of this research, I, _____ (name; please write clearly), have read the above information. I freely agree to participate in this study. I understand that I am free to refuse to answer any question and to withdraw from the study at any time. I understand that my responses will be kept anonymous.

Signature of Participant

Date

Signature of the Researcher

If: (a) you would like a copy of your interview transcript once it is available (b) you are interested in information about the study results as a whole and/or (c) if you would be willing to be contacted again in the future for a possible follow-up interview, please provide contact information below:

Check those that apply:

I would like a copy of my interview transcript

I would like information about the study results

I would be willing to be contacted in the future for a possible follow-up interview Write your address clearly below. Please also provide an email address if you have one. Mailing address: Email address:

Researcher contact information:

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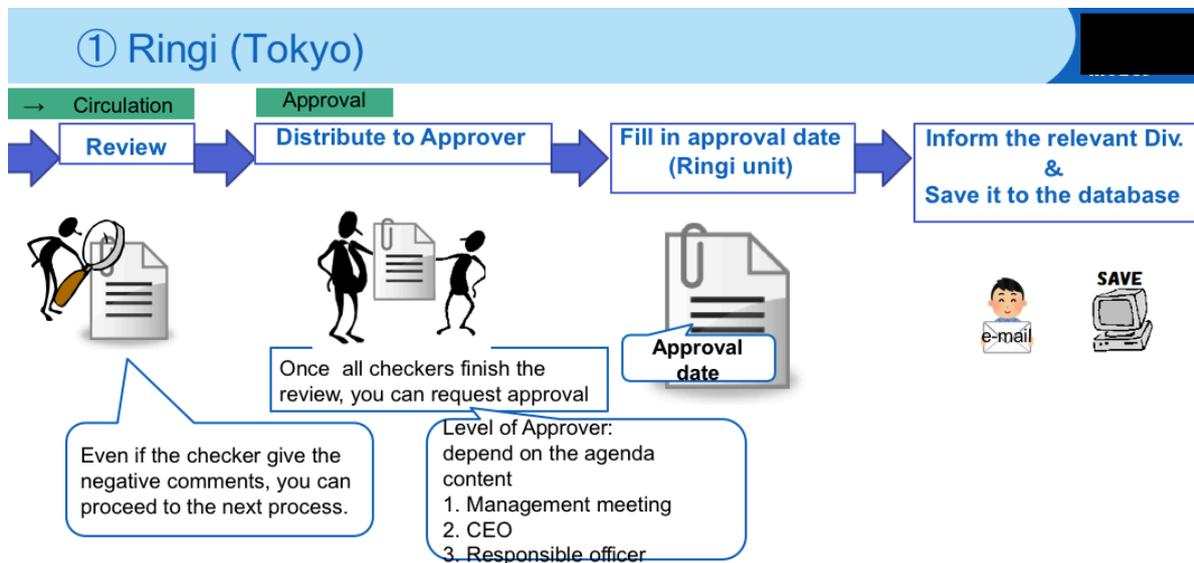
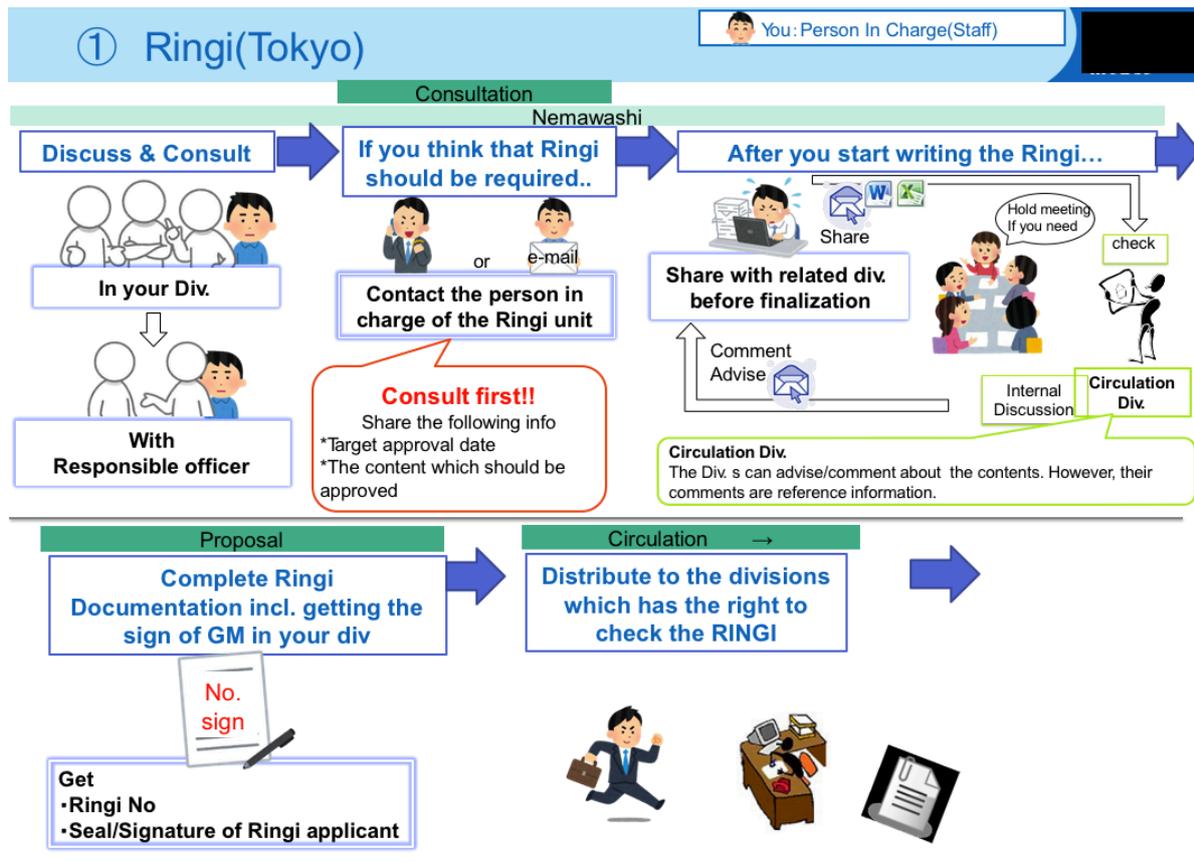
INTERVIEW QUESTION LIST

Research Title: Decision making process in MNC subsidiary: A case study of a Japanese subsidiary in Vietnam

Researcher: Ms. Nguyen Thi Phuong Thao – MBA student from Graduate School of Management of Ritsumeikan Asia Pacific University (APU)

1. Describe your company typical process for making a decision.
2. Who/which level is initiator of proposal to make decisions?
3. Who are involved in a decision making process? What's the order of approval? In which way (email exchange, meeting, verbal discussion)?
4. Is it compulsory that everyone must agree? What happens if not all departments agree?
5. What are difficulties in reaching consensus, if there are any?
6. When/by whom is application made?
7. How do levels of management approve?
8. Who finally approves?
9. How is it recorded?
10. Does the company follow CDM for all types of decisions? Please illustrate with examples of actual company decisions.
11. Do you think that the same CDM process is applied in both Head Office & oversea subsidiaries? The reason why?
12. Does the subsidiary in Hanoi, Vietnam follow CDM process (expat's role, cultural similarities)? Can you illustrate with examples?|

Appendix 4: Internal guidance on CDM system (provided by company)



Is there any time when not using the above-discussed process?
→ In emergency situations, you can skip the normal process after consultation with the division which is in charge of the internal procedure.

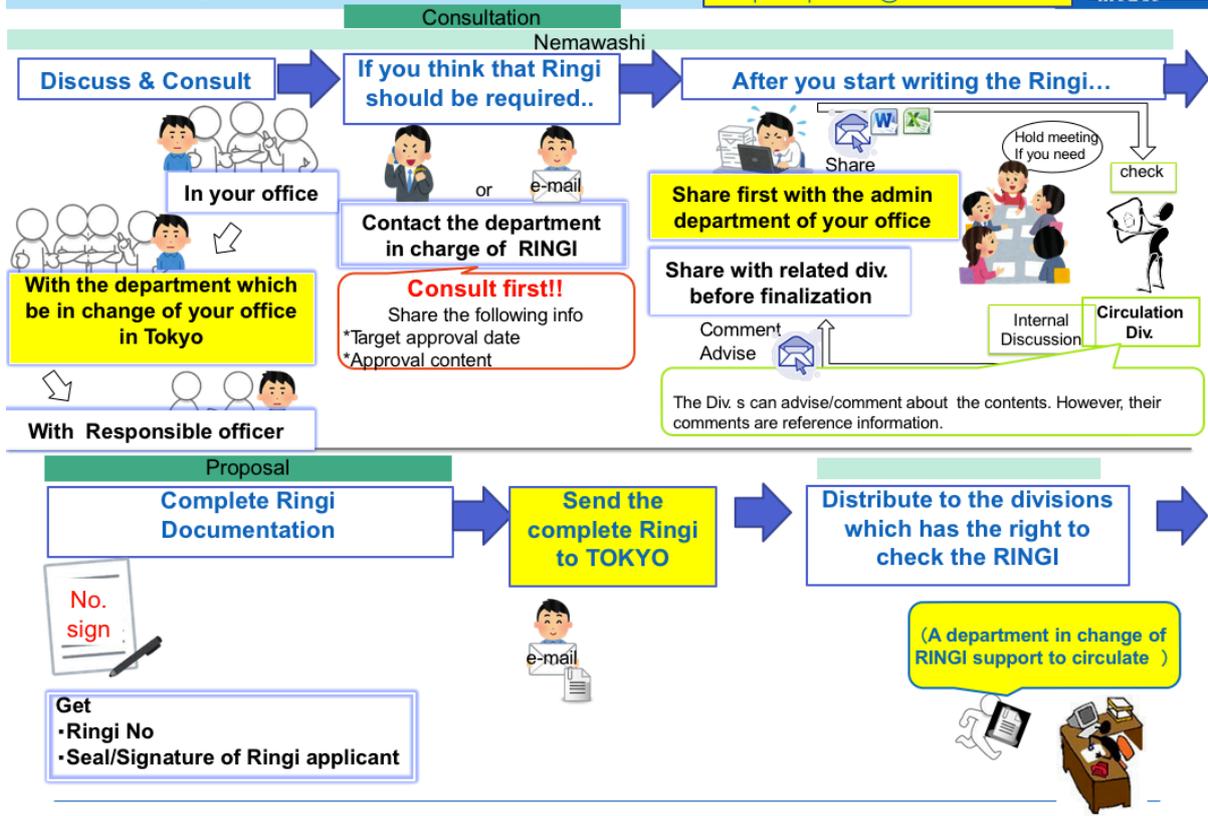
Common problems and how to overcome (time pressure, large group, overuse/misuse)?
→Tight schedule is the most common problem.
Also, depending on the matter, it's difficult to form a consensus in the management.....

The most important process to get an approval is 'Nemawashi'.
It promotes an understanding of the issue you raise and changes person to a supporter.

② Ringi at Vietnam

You: Person In Charge(Staff)

Special process @ overseas office



① Ringi at Vietnam

