It is natural and empirically the case that as companies move out of the export stage and put more direct investment into foreign operations that they send expatriate managers from their home country, whether that home country is the United States, Germany, France, Japan, or wherever. However, if firms are going to be successful in the regionalization stage, they need to tap into local and regional knowledge and leadership talent to make the adjustments in product, processes, services, solutions, etc. that fit the needs of the local environment. And as firms move from the regionalization into the globalization stage, they need to tap into the best and brightest talent regardless of passport. This is because no nationality has cornered the market on global leadership talent in general, let alone specific global talent in design, marketing, HR, strategy, or manufacturing. Thus, for companies to move from the export to the regional stage, when it comes to critical human capital, they must overcome their home country national bias. Furthermore, in order to move beyond the regional stage to the borderless global stage, they must become passport blind.

GREATER USE OF HOME COUNTRY EXPATRIATE MANAGERS BY JAPANESE MNCs

A variety of studies have been conducted over the years that have demonstrated that Japanese firms tend to have nearly twice the level of Japanese expatriate managers in their foreign operations than is the case for firms from a number of other countries, including the United States, United Kingdom, Germany, and France.

While few academic studies have looked at this phenomenon longitudinally, data from the Japanese government does provide us with some insights about the deployment of Japanese expatriates over time.
From this, we can look at the deployment of Japanese expatriates from a couple of different angles to get some systematic perspective.

First, we will look at the absolute growth of Japanese expatriates deployed around the world. The Japanese government has tracked the number of Japanese expatriate managers since 1971. No one should be surprised to learn that the total number of Japanese expatriate managers has increased from 84,049 in 1971 to 619,269 in 2003 (the most recent reported year at the time of this book’s printing)—a more than six fold increase. While this is interesting, this data doesn’t really tell us if the rate of increase of Japanese expatriates is faster, slower, or the same as the increase in international business activities of Japanese firms.

One way to gage this is to look at the overseas revenues per expatriate. Over a period of 30 years, you would expect the revenues-per-expatriate ratio to increase. This is because the longer the foreign affiliate is in place, the larger you would generally expect its revenues to be as it grows. Also, the longer the foreign affiliate is in place, the more mature you would expect its local leaders to become. Consequently, you would also expect the absolute and relative proportion of local leaders to increase over time. Therefore, as the overseas affiliate grows in size, the revenue per home-country expatriate manager should also increase. However, this is not so much what we find with Japanese firms.

Exhibit 6.1 shows the overseas affiliate revenues per Japanese expatriate manager from 1977 through 2002 (the full years in which data are available).