

An Insight on the Management Practices of Japanese Companies in India

By Devina Sharma

Senior Associate, ATV Legal, India

Abstract

This paper aims to delve into and expound on the managerial and human resource policies in Japanese companies operating in India with respect to industrial practices and management of the workers therein.

This analytic study is based on on-ground transactions enabling collection of conclusive data and observations made while on the job, during industrial and labour disputes handled and concluded, pertaining to Japanese companies in India including their branches across the nation established in prominent industrial areas and operating in various sectors of business operations ranging from the food industry to warehousing and logistics, to manufacturing of auto-parts, etc.

This paper endeavours to establish the distinct ways in which the human resource and managerial body out to utilise their expertise whilst bridging the gaps between the Japanese management and the workforce employed in terms of educating and creating awareness amongst the Japanese administration of the companies regarding legal and industrial practices and imbibing a balance of the work culture in India and Japan amongst the workforce engaged for better output, understanding and defusal of possible conflicts and disparities.

This study intends on highlighting key circumstances wherein, due to the swift and efficient intervention, of the management and the human resources of the company, strikes, unfair labour practices, external interventions, lay-off, retrenchment & closure due to unrest and disruptions from the workforce, leading to the collapse of business operations, severe losses and the cessation of the company as a whole, can be avoided and industrial peace and harmony can be maintained for the survival of the workforce, company and industry.

This may be considered as a crucial aspect, given that Japan was the sixth largest investor in the Financial Year 2022 (FY2022) in Foreign Direct Investments (FDI) in India providing 1.5 billion US Dollars, which is 2.5 per cent of the total FDI¹.

Introduction

Administrative, managerial and human resource practices in a Japanese company established in India should consider studying the cultural similarities and differences between India and Japan, diversified and unique social context of the two nations and the evolving labour market composition in India, in order to establish and revise the corporate policy structure which bridges the gap between the management and the workers by instilling an evolved professional mindset resulting from a mixture of professional values derived from both nations.

Human resource interventions on a regular and proactive basis, could help collect additional qualitative and quantitative data with respect to practical implications. A diversified consolidation of human resource practices and mechanisms could be shaped by addressing the advancements and shifts in the localized industrial surroundings whilst preserving the core philosophy of the parent company. This aids in substantiating the value to the relocation and adaptation dichotomy by promoting institutional and cultural factors and how they influence the execution of the human resource practices upon combining the two cultures in the spectrum of employment and institutional administration.

It being a given that the human resource is required to be well versed with the laws of the land and should be well-informed on the laws with respect to handling any dispute or instances as prescribed under Industrial Disputes Act, 1947 and the respective state rules therein along with the model/certified standing orders, and any other applicable laws from time to time, what they, in various instances fall short in ensuring, is preventing such disputes and disturbances to arise in the first place.

Rationale behind preventive measures

Although there are sufficient industrial and labour laws and regulations in place to safeguard the management and the workforce in the event such an occasion does arise, inculcating trust and a healthy chain of communication between the management and the workforce is significant for the health and survival of any corporal institution/company.

This, consequently, establishes trust between the management and the workforce. The faith that the concerns and inputs of the workforce are reaching the management in the event such concerns and inputs are being communicated to the human resource personnel by the workforce, helps built trust and good relations within and across the organisation.

Regulation of circumstances and its possible consequences

Such a supportive and conducive framework, helps avoid disputes related to wages/salary, other monetary benefits including allowances, bonus, and insurance policies along with non-monitory benefits like welfare kits, recreational activities, uniform and other company merchandise, etc., which in the long run helps avert the risk of workers approaching any external advisors and/or representatives for the resolution of such demands and concerns from the workers to the management.

Even though the law permits the workers to join a registered trade union under the Trade Union Act, 1926 for the interest of collective bargaining, such affiliations can be avoided if the internal communication system between the management and the workers is strong and constant with the intervention of the human resource department. Therefore, companies wherein the management consists of Japanese expats, it is always recommended to have at least one Director of Indian original, preferably someone who is well versed with the Indian industrial, labour and company laws and a strong human resource department to bridge the gap between the management and the workers and for cultural navigation between Indian and Japanese work discipline.

Understanding production norms and scheduling weekly/monthly meetings between the head of departments and the workers to discuss targets and outputs, results in the workers being

actively participative which further benefits the head of departments and the management to evaluate the capacity of each worker and analyse the quantum of burden faced by each of them, in order avoid excessive work pressure and health related repercussions (such as chronic back pain, etc.) in the long run.

This will result in curbing the formation of a frustrated and overworked workforce, which usually results into an aggressive and malicious mob instigating, coercing and engaging in unfair labour practices and preventing the company from suffering loss of goodwill, decrease in customer orders, disruption in business operations and other catapulting effects, which, if continues in a prolonged manner may result in stoppage of operations followed by closure of business operations permanently.

It has been observed that some of the key concerns of the workers are having a clear channel to approach the management with their requirements, production norms and targets, wage/salary increase and bonus amongst other factors such as reporting late due to any emergency, leaves, accidental and health benefits, to name a few.

Other circumstances

Unfortunately, there are circumstances wherein, despite of or even if the human resource department falls short of their proactive initiatives as described above by a small margin, there are workers who take advantage of such short falls and fuel their malicious intentions of breaking up the workforce and causing harm to the survival of the company due to various reasons including personal vendetta.

There have been instances wherein, it has been observed that, by using human resource failure in the company, certain trouble making workers resorted to unfair labour practices, leading to aggressive protests and eventually resulting in committing severe acts of crime, as an attempt to cause the employer company to collapse so that the company is compelled to shut down its business and the workers receive a hefty closure compensation under applicable provisions of calculating closure compensation under the Industrial Disputes Act, 1947 along with *ex-gratia* amount which they intended on demanding from the management by painting a narrative of

Japanese suppression in the company and lack of complete understanding of the Indian work culture and the rights and conditions of the workers.

Other instances of external representatives or politically driven entities/unions using communication gap between the human resource department and the workers and depleting trust in the management due to the said reason by the workers, have managed to create a crevice between the management and workers by certain manipulative tactics and feeding of false information to the workers, thus, resulting in absolute loss of trust in the management. These external bodies tend to exaggerate and create issues and circumstances by exploiting the law and the right of the workers to affiliate themselves to registered trade unions for media attention and to advance their political career in the long run. They exploit the workers' lack of awareness and knowledge of the labour laws and instigate them to carry out violent and spiteful acts to ensure the company suffers major losses.

There have been politically driven unions and other external advisors to the workers who have abetted in spreading ill-repute of Japanese companies setting up subsidiaries in India to impose Japanese work culture on the Indian workforce and to obtain such output at a cheaper rate since labour in India is cheaper in comparison to other nations. They have further assured and made the workers to believe that is only the external body who will protect the workers from such atrocities committed by Japanese companies.

Such disbelief towards the management, results in the workforce turning hostile if human resource intervention is not ensured with immediate effect and constantly.

Intervention from Government bodies

There have been instances when, the disputes and the consequences therein have turned illegal, hostile, aggressive, and violent that, the labour department of the state government was compelled to intervene and initiate talks before its authority, if not acting in furtherance of a complaint filed by workers – severally and/or collectively.

In such cases, when the workers and their representatives come for talks with the management of the company before the labour authority, various issues from the past come to light along

with a concoction of certain false and exaggerated allegations made against the management by the workers which enables the labour authority to grasp the main issue, which commonly turns out to be ineffective communication on the part of the human resource department.

Hence, when the talks, occasionally leading to settlement of disputes, are held, it is suggested by the authorities and strongly advertised by the workers that the human resource department be altered, have a new point of contact *vide* fresh recruitment or be penalised with disciplinary actions by the management for enabling the issues and disputes to reach to a point of major escalation.

Therefore, in order to avoid such criticism, the human resource department should be efficient, monitoring all the aforementioned areas in such manner, so as to being in a credible position to defend any such allegations of ineffectiveness or inefficiency and to ensure that authorities do not hold the management liable, especially the Japanese management liable due to lack of understanding and awareness as grounds of complete disregard to Indian industrial practices.

This further capacitates the labour authority to justify the management without allegations of biasness against the workers or accusations of being aligned with the management for personal and wrongful gains; such allegation being made by the workers who feel victimized due to lack of better understanding and awareness.

Conclusion

This article therefore aims at concluding that even though human resource engaged in a company is required to be pro-active and efficient at bridging the gap between the management and the workforce, it is all the more important to be so in Japanese companies where the stigma and allegation of foreign culture imposition in Indian industrial work culture is rampant and easy to implicate, thus leading to a stronger requirement of a well built adept human resource department, supported by strong legal advisors to ensure compliance at all times and to help concur productive strategies to combat such instances as elucidated in detail in this article. Such a consolidation of the human resource department and legal advisors well versed with the corporate business world and the labour and employment laws and regulations, along with

knowledge possessed with respect to the Japanese culture and ethics would safeguard the Japanese management from the possibilities of facing the stigmatization described herein.

Endnotes

ⁱ India received highest FDI from these seven countries: See the full list here, 29 August 2022, (<https://www.businesstoday.in/latest/economy/story/india-received-highest-fdi-from-these-seven-countries-see-the-full-list-here-345875-2022-08-29>) (Last visited 28 March 2024)