Multinational companies’ human resource management practices’ and their organizational culture impact on employees’ loyalty: Case of Japanese multinational company in Morocco

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Abstract

The Japanese economy has made a huge leap since WWII and strategically placed itself as one of the world’s leading powers. The Japanese Human Resources Management (HRM) system is thought to be the foundation of this growth. This article analyzes the Japanese HRM system, workers’ loyalty which is its backbone and its degree of transferability and alignment with the Moroccan values and culture. This qualitative research uses an exploratory case study a Japanese multinational company’s (MNC) subsidiary in Morocco. Findings from the extant literature are consistent with this study, which identifies the presence of loyalty among the Moroccan employees who are supported by both the company’s Japanese HRM practices and Moroccan supportive environmental traits.

Keywords: Japan; Morocco; HRM practices; Transferability; Loyalty.

1. Introduction

World economies are more connected now than any time before undergoing the positive and negative effects of globalization. The increasing rate of deregulation in almost all industries along with the elimination of boundaries between countries led to higher collaboration on the international level. Movement of capital has been facilitated by the advent of a more flexible global framework adopted by countries worldwide— the open market model. As a
result, organizations expanded beyond geographic borders to seize growth opportunities on the international level, creating MNCs. Within this context of expansion and growth, scholars and management professionals are investigating the opportunities and obstacles to manage a diversified workforce with the goal of increasing overall organizational performance.

In the early 2000s, Morocco adopted an open market strategy that aimed to boost foreign investment in the local economy and assist its modernization process. Besides the traditional French and Spanish investors, who have historical ties with Morocco, Japanese and German ones have shown increasing interest in establishing subsidiaries of their MNCs in the local market. Nevertheless, there is a significant gap in the existing literature that fails to depict the MNC challenges and opportunities in implementing their sites in Morocco, especially from a HRM perspective.

This article focuses on loyalty or employee commitment towards the organization as an aspect of Japanese HRM practices in MNCs in Morocco. Loyalty is highly valued by Japanese organizations because of its assumed positive impact on the overall stability of the company workforce. Furthermore, it investigates the current state of HRM practices in Japanese corporations in Morocco while concentrating on the local characteristics and Japanese HRM practices impact on the Moroccan employees’ loyalty and commitment towards the organization.

Starting with a brief introduction about the research framework and objectives. Then, the methodology is described. The third part is organized into two subsections. The first consists of insights about the Japanese contribution to HRM theory and description of Japanese HRM practices, focusing on loyalty, and ties these practices to illustrate the transferability of these practices outside of Japan. It also includes a discussion of Moroccan HRM practices and the most important cultural traits of Moroccan employees, especially values and behaviors of loyalty. The article concludes with the possible challenges and opportunities supported by the local environment.

2. Methodology

This qualitative research uses a case study analysis based on field research work performed at a Japanese MNC subsidiary operating in Morocco. Yin (1981) considers case studies to be a viable research strategy enabling a broader perspective of data collection and analysis that can combine both quantitative and qualitative data collection, without a restriction on the use of either of them. The strength of this strategy resides in the possibility to analyze “(a) a contemporary phenomenon in its real-life context, especially when (b) the boundaries between phenomenon and context are not clearly evident” (Yin, 1981, p. 59). In other words, one cannot isolate loyalty from its organizational nor environmental context. This case study serves as a preliminary exploratory tool to identify the presence of loyalty among employees of the Japanese MNC subsidiary in Morocco.

Furthermore, a deductive analysis, found on six interviews and site observations, is used to identify HRM practices and Moroccan socio-cultural traits that support loyalty. This decision is aligned with Yin’s study (1981) highlighting that case-survey method use is restricted by the identification of highly significant factors impacting the studied phenomenon. The case study section follows the general presentation guidelines proposed by Durepos, Mills, and Weibe (2010). After a description of the studied organization and its background in the case study section, data collected from interviews and observations is analyzed. The final section includes argumentation and discussion of the results with a continuous comparison with previous findings from the literature.

3. Literature review

3.1. HRM Practices in Japan and the work values: A Focus on Loyalty

Besser (1993) argues that Japanese employees are more committed to their work and companies. This is apparent in their low-level of turnover and absenteeism compared to countries such as the US. One the most important reasons for this high commitment among Japanese employees is the cultural context. Companies demand a level of commitment in the Japanese culture that does not necessarily correlate with personal worker commitment. The focus on employees’ commitment is very important since many researchers have concluded that workforce commitment and employees’ loyalty are interrelated. If the worker shows up to work more and changes jobs less often, he or she will yield better results than the counterpart who is absent or always changing jobs. This is a key component of Japan’s success in improving their economy.
In addition, Japanese companies offer a competitive compensation package that includes stable employment that assumed to be for life, good benefits and strong visibility within the organization (in the form of inclusion in decision-making). These benefits contribute to the high level of Japanese employees’ commitment and involvement in their companies. In turn, the company reaps the benefits of better outputs, and more efficiency from the workers (Besser, 1993, p. 873). Moreover, the high commitment of Japanese workers is due to the social environment of the country. The assumed life-time employment makes for better job security. Therefore, strong bonds are formed through the long working relationships with the same co-workers over their entire work life. Moreover, moving into a new company where everyone has those same primary relations would make the new worker feel like an outsider who would have difficulty fitting in (Besser, 1993, p. 874).

Furthermore, Besser (1993) highlights the importance of family and community factors. Japanese employees work harder and are loyal to their employers because of the social pressures of their families and environment. This is another point that makes the Japanese worker more committed but not necessarily “self-motivated” because of the company or the work performed. Rather, this stems from outside pressures and might be a negative commitment. On the American side, if the employees are committed to their company, it is because of the intrinsic value they get or see in the firm and hence might be better motivated to work. Nevertheless, the source of commitment is not of particular importance; instead, the fact that workers strive for perfect attendance and quality work can only positively impact the company, the worker’s family and the economy as a whole. This is why the Japanese model is considered by many as a cornerstone for their improved economy in the past few decades.

3.2. Transferability of Japanese HRM Practices Overseas: A Focus on Loyalty

Jain (1987) explains that Japan’s growth from a devastated country after WWII to a strong world economy has been mainly attributed to their HRM system which led to higher productivity and better products and services. Therefore, a lot of countries are trying to copy the Japanese success by implementing their HR model into their business practices. The Japanese HRM model is based on “welfare corporatism” which organizes the company similar to a family, creating an emotional relationship where the personal needs of the employees and their work team are tended to in order to create a familiar and harmonious work-environment. Given the universal belief that employees are the most important asset the company has, it does make sense to invest heavily in a worker to ensure motivation, happiness, and consequently loyalty to the firm.

In addition, Jain (1987) gives the example of “Ringi system,” which can be a clear example of the adaptation of the Japanese system in the Indian environment. Actually, Japanese firms do not use it in the Indian context because of the Indian Hierarchical set-up. Therefore, a top-down decision-making process takes place. But, in certain cases namely policy-making, the firm consults with employees of all levels in order to make decision. This illustration shows that it is important to adapt the HR management system to fit the country’s cultural and social context.

There is no guarantee that the Indian workforce will exhibit the same work commitment and loyalty values that their Japanese counterparts portray. There is higher absenteeism in India compared to Japan (Jain, 1987, p. 1033). One cannot simply adopt the Japanese system and hope for it to work seamlessly in a foreign country because of the big differences across cultures, laws and norms. However, the author quotes a study by Ishida that deems some facets to be highly transferable across borders: job security, bottom-up communication, and equal opportunity and treatment for all (Jain, 1987, p. 1034).

Teagarden and Von Glinow (1997) discuss the potential for the implementation of a HRM system across different cultures. They describe which practices can be generalized in a cross-cultural context and which ones are location-bound. MNCs that operate overseas can adopt one of three HRM design philosophies: The Control IHRM design is based on the hierarchical control of the employee’s comportment, namely by applying penalties, in order to obtain gains and an obedient, objective-oriented conduct (Teagarden & Von Glinow, 1997, p. 12). This approach gives very little power to the workforce, which might be detrimental to their loyalty and commitment levels. In contrast, it can increase performance and productivity due to fear of the punishments and compliance with the system in place. Alternatively, the Human Relations design notion is the most unrestricted, based on an advantageous but random recompense system, power being directed from the top, and compensation and advancement that is centered around superior’s benefaction (Teagarden & Von Glinow, 1997, p. 14). This allows
each unit to run its operations based on the cultural context from which it is based rather than having to follow universal procedures. However, it can produce inconsistencies in the output and quality between all the sub-groups that should be, in theory, integrated under one umbrella (that of the headquarters’ office).

Finally, the Developmental design principle aligns the company’s strategy and hierarchical structure to the incentives and inspirations of the workforce. This is based on a thorough compensation package that contains a range of socially and environmentally suitable benefits; a program for developing and retaining talent that lowers expenses, increases value, and helps the workforce reach its potential (Teagarden & Von Glinow, 1997, p. 14). This philosophy tries to adapt the company’s values and culture to meet that of the host nation. In addition, this approach is very flexible, depending on the context, rather than having pre-set guidelines that are implemented in the host country (Schein, 1980, p. 111).

4. HRM practices and evolution in the Moroccan context

4.1. Introduction to the Moroccan context

In an attempt to better understand the Moroccan context and how it affects employees’ loyalty, this section addresses the legal, religious, and social environments. From a legal perspective, the Moroccan labor code grants every employee a dismissal notice of 90 days. If the notice period is violated, the employer should compensate the employee (Gervais, 2010) and must give a valid reason for the dismissal. When an employee is accused of being incompetent or underperforming, solid proof should be presented. These assessments are subjective and difficult to establish. The Moroccan labor code benefits employees and makes the balance of power more inclined to their side. This empowering law can have a negative impact on loyalty and create a sense of rebellion.

From a religious perspective, Islam considers work as a religious act as important as prayer. Not only is work important in Islam, but also the tasks one does should be accomplished with dedication and minuteness that comes close to perfection. This is very apparent in the verse 105 of Suraat Al-Tawba of the Qu’ran: “And say Work so Allah will see your work and so will his Messenger and the believers” (Quran, 9:105). The prophet Mohammad also encouraged his followers to be loyal to their work, he said in a Hadith: “Allah loves someone who when working performs his work with perfection and excellence” (Ali & Bukhari, 1951). Moroccans, being for the majority Muslims, abide by what comes in the Quran and follow what the Prophet Mohammad teaching. Hence, it can be said that the work ethic of workers draws some of its principles from the religion.

From a social perspective, Morocco has management practices influenced by tribalism and family traditions (Al Arkoubi & Benson, 2006). Moroccans are more inclined to submission; they respect their hierarchical superiors and do not have a pre-disposition to initiate change. This can be explained by the fact that the traditional elite preach commitment and loyalty. Also, individuals in Moroccan families, learn at an early age to respect elders and people with authority figures. Overall, the social environment in Morocco favors values of conformity, loyalty and commitment over egocentrism and individualism (Al Arkoubi & Benson, 2006).

4.2. Important Moroccan Cultural Traits: Values and Behaviors of Loyalty

To be able to assess the degree of transferability of the Japanese HRM model to the Moroccan context, it is essential to examine the values and traits that make up the Moroccan culture to assess their impact on the potential success or failure of such implementation, as well as draw conclusions on what drives and motivates the workforce.

Colonialism, by the French and Spanish, had a major influence on the Moroccan managerial values. Through the years, Morocco has copied the French in terms of HRM, language and business norms (Ali & Wahabi, 1995, p. 95). Therefore, it is imperative to look at the French system and compare it to the Japanese model to gage the alignment level of the two and the possibility of a successful implementation.

In general, Moroccans are idealistic individuals because of the strength of religion in their daily lives and the relationship between religious beliefs, idealism, and humanism. According to Hofstede, Moroccan society is more feminine and exhibits high uncertainty avoidance, strong relationships, and is more sensitive, security-seeking and narrow-minded. This makes Morocco more of an idealistic country and less relativistic (as cited in Oumlil & Balloun, 2009, p. 462). The Moroccan workforce highly regards the place of employment and is less interested in
finding alternatives or trying to better themselves at the expense of the organization. This is another argument consolidating the idea that Moroccan and Japanese cultures are aligned to a certain degree, which could make for a smooth and successful implementation of the Japanese HRM system in the Moroccan context.

In addition, the family is a strong entity in the Moroccan society. “Individuals in traditional Moroccan families are taught to obey and listen to their elders and authority figure” (Ali & Wahabi, 1995, p. 89). In the Moroccan organizational structure, usually ranks and statuses correlate with age and seniority. It is important to note that this is a similarity that can be drawn between the Moroccan context and its Japanese counterpart; “the picture of the Japanese portrayed by Benedict and Nakane… maintained that an important value in Japanese culture is the stoic performance of duty to family, work group, and community, regardless of personal cost of gain” (as cited in Besser, 1993, p. 878).

Moreover, according to Al-Jabari, Moroccans are compliant and tend to maintain the current ways (as cited in Ali & Wahabi, 1995). Morocco’s conservatism perceives change as a threat. Workers will not look for other jobs, will not question their subordinates, and will thoroughly follow guidelines. While this does not directly stem from employees’ personal loyalty, it does have favorable outcomes similar to those of committed workers.

Furthermore, Moroccan citizens show a high degree of power distance, which is the level of acceptance of differences in power and authority. They also demonstrate high uncertainty avoidance to minimize uncertainty and its potential anxiety effects. These points make them hard-workers, compliant and attentive to directions (Oumlil & Balloun, 2009). This is, also, similar to the qualities portrayed in the Japanese HRM system. Another characteristic of Moroccan management is the involvement of important stakeholders in the decision-making process. Once decisions are reached, they are given and sometimes imposed on subordinates to implement. Workers do not contest a manager’s decision, because it would be conceived as inappropriate and both the manager and the employee will put their reputation at stake.

Finally, in the Moroccan culture, being part of a group is more important than the individual. Moroccans are less individualistic and show a need of belongingness in a group from which they cannot see themselves apart from (Oumlil & Balloun, 2009). This is an additional similarity with the Japanese context where a key measure that explains work-commitment is engrained from the team and community. Japanese employees work harder and are loyal to their employers because of the social pressures of their environment and their reluctance to let other teammates down (Besser, 1993).

To conclude, one can draw an array of similarities between the Moroccan and Japanese cultures such as following orders, respecting superiors, staying with one company, needing group-belongingness, hardworking and idealistic beliefs. This is of utmost importance because the more resemblance there is between the two countries’ social environments, the greater chance of a successful implementation of the new HRM system.

4.3. Challenges and opportunities due to the external environment

There are numerous challenges facing Morocco due to its cultural context that multinationals should be aware of before embarking on their foreign business journey. According to Hunt and Vitell, religion plays an integral part in ethical decision-making in Morocco (as cited in Oumlil & Balloun, 2009, p. 463). Moreover, one of the essential elements of Moroccan culture is orality. Speech bear considerable importance in controlling daily life in comparison with writing since communication is mostly channeled through unwritten languages. Moroccans tend to value verbal messages and give a weight to them virtually similar to actual contracts. Therefore, foreign companies doing business in Morocco might have a difficult time given the predominant nature of actual written agreements in western societies, and should develop methods of operating in a verbal way. This is explained by the population high illiteracy rate of over 40% (as cited in Sadiqi, 2008, p. 169).

Additionally, there is a high degree of multilingualism in Morocco, largely due to the strategic location of the country and its colonial historical background. The result is a society where many languages are mastered by a significant percentage of the population (Elboubekri, 2013, p. 1930). “Unlike in the Middle Eastern cultures where multilingualism is often considered a threat to Arab unity and identity, multilingualism is perceived in the Moroccan culture as a positive identity-builder” (Sadiqi, 2008, p. 171). In today’s globalized world, multilingualism can only
be viewed as a competitive advantage that differentiates Moroccans and would have positive impacts on external corporations operating within Morocco.

5. Case of the Japanese MNC subsidiary in Morocco

The Japanese MNC, studied in this research, is considered the leader in wire harness industry in terms of market share, with clients in more than 40 countries. In early 2000s, the MNC opened its first subsidiary in Morocco in Tangier’s Free Zone. The implementation of the new plant included both Japanese and Portuguese managers. Currently, the company is present in three Moroccan cities with a total workforce of more than 8,000 employees that is to reach 11,000 by the end of 2015. In addition, the three production sites are fully run by Moroccan management teams with very small presence of Portuguese managers in Tangier’s plant.

This case study was conducted in one of the Japanese MNC subsidiaries located in Meknes. The plant is a pilot one, launched in 2012, with a total workforce of 900, all of which are Moroccans. It is divided to three main areas. The first is the administrative department which is organized based on administrative tasks. The work environment includes open space structure with private offices for middle and top level managers, enforcing the hierarchical Japanese system. A big slogan marks the entrance stating “one for all and all for one”, illustrating the company’s philosophy. The second section is reserved for common services, where a restaurant, a place of worship, and common utilities are located. The third zone is dedicated for three production phases’ operations.

Within the production zone, operators are the ones performing the lower level and manual tasks and are visually managed by white color coats. Chain leaders or supervisors are distinguished through their orange color coats, and quality assurance agents have green ones. Employees are performing equally designed tasks in terms of complexity, time, and space. In case an operator faces a problem, two chain leaders intervene to support him/her so that the production chain is not halted. This reveals employees’ group spirit and solidarity. It gives the employee a significant feeling of belongingness to the group, which is similar to the family or union concept in the Japanese organizations. In order to ease the employees’ tasks, signs, flyers, and safety instructions are presented in Arabic, French, and English to remind employees to respect TQM standards. In fact, this plant is certified ISO 9000 that is provided for companies deploying TQM systems.

This case study included six interviews with three operators and middle level managers from three different departments: maintenance, production planning, and HRM. Operators’ interviews revealed that legal status within the company and salary were important drivers supporting their decision to join the organization. In addition, the social incentives system the company offers, such as free transportation, meal plan, and bonuses in religious holidays, is consistent with the Japanese benefits package system. Furthermore, employees’ empowerment is represented through enabling operators to scale up within the company’s hierarchy. They gave the example of an operator, in Tangier’s plant, who was gradually promoted to a managerial position. They argued that he has reached that position based on his performance and seniority along with the company’s training and funded educational programs. This employee represents the interviewees’ role model, which makes clear evidence of the importance of idealism in employees’ commitment. As a result, the company gains more credibility for its reward system.

Besides the financial and social incentives, middle-level managers stressed on the importance of the employees’ empowerment practices that the company opts for. It represents a significant driver for their commitment towards the company. They value their involvement in the decision-making process— the Japanese “Ringi” system. Moreover, they perceive the company as their small community, confirming both the presence of the Japanese family concept within this Japanese company, and importance of belongingness within the Moroccan culture. Moreover, the career opportunity within the company represents another commitment driver for middle-level managers. The current CEO of the plant was presented as their role model since he was in their position 10 years ago. Training and funded educational programs build a solid ground for their commitment and loyalty towards the company. It is perceived as another motivating factor to excel within the organization as they are certain that their loyalty and good performance will be rewarded and acknowledged.

The human resources manager stated that the company has 1.5 to 2% employee turnover rate, which reflects the employees’ high level of commitment and loyalty, and which is generally healthy. This information was confirmed by the two other middle-level managers. The latter added that they witnessed several cases of underperforming employees who received additional training and have been reoriented to other production lines instead of laying
them off. Thus, the Japanese concept of lifetime employment is present in this Japanese MNC subsidiary which matches the Moroccan employees’ need for long-term job security.

Interviewees confirmed that the evaluation system criteria included seniority, performance, ‘discipline’, and respect. The French term ‘discipline’ refers to the employee’s courtesy in the workplace vis-à-vis his/her colleagues and the company’s rules. Whereas, respect, underlines the necessity to show respect for higher status employees. These concepts are highly grounded in the Moroccan society through obedience and respect for elders and higher authority people. Furthermore, it is similar to the Japanese notion of respect enforced by the hierarchical status. As a result, the Moroccan environment supports the hierarchical nature of the Japanese organizations.

All in all, the case of this Japanese company reveals high level of transferability of the Japanese HRM principles and organizational values to the Moroccan context in general, and more specifically, commitment and loyalty. In addition, the company’s incentives package, Ringi system, employees’ empowerment, lifetime employment, and family or union principles mutually support the Moroccan employees’ commitment towards this organization, thus, reinforcing their loyalty. The Moroccan cultural, social, and religious cores represent a favorable framework for successfully implementing the Japanese HRM system, although with few limitations.

6. Limitations

This research was restrained mainly by the use of a single case study along with the limited access to data. The Moroccan business environment is still reluctant to collaborate with academia, unlike in developed countries where it is viewed as a success driver. The choice of the plant in Meknes, an agricultural region, may be an indirect factor that helps this Japanese company retain its employees. Since the agricultural sector is highly seasonal, employees prefer a more stable and secured job environment. Moreover, Meknes-Tafilalt region is known for its high unemployment rate of 12.6% which is 3% higher than the country’s average, due to the low level of both public and private investments (HCP, 2015). The obtained results from the case study may be subject to bias due to the absence of comparable alternatives for the company’s employees.

To cope with these limitations, the adopted research methodology uses an exploratory case study as a strategy. It represents a tool to evaluate the presence or absence of loyalty behavior among the Japanese company employees, while exploring the major supportive factor for this phenomenon. The literature was used to verify the significance of the case study results. In a system thinking approach, aggregating both the literature conclusions and the case study outcomes reduces the risk associated with approaching the results from a single perspective. The use of interviews conducted with employees from different levels within the company’s hierarchy diversifies the angles from which the studied concept was approached. Finally, interviews based on open-ended questions, instead of tabulating surveys, strengthens this study findings.

7. Conclusions and research implications

The increasing presence of Japanese MNCs in Morocco, especially the three Japanese global leaders in wire harness, triggered the interest of the research team to investigate the supportive and/or disruptive factors that affect the transferability of their Japanese corporate and HRM values and practices. The exploratory aspect of the conducted research revealed the presence of commitment and loyalty behaviors among the studied Japanese MNC subsidiary employees. Besides, the case study results highlighted the importance of the company’s Japanese HRM practices in creating higher level of commitment and loyalty amongst its employees. The research results are, also, aligned with the previous literature findings about the Moroccan socio-cultural traits supporting and strengthening employees’ loyalty behavior.

From a managerial perspective, the study represents an initial ground for Moroccan HRM to benefit from Japanese best practices in creating a more favorable work environment. The general tendency to negatively view the Moroccan socio-cultural environment as a major obstacle for development and success can be refuted as a result of this research. The Moroccan social, cultural, and religious values can be combined to create a supportive work environment that benefits both companies and employees. By offering an interesting incentives’ package, along with a strong community based environment, the company can gain its employees’ trust and increases their motivation.
Empowerment and involvement in the company’s decision-making process are highly regarded among middle management as well as lower level employees. Moreover, role models represent a fundamental driver for employees’ commitment and loyalty towards the studied company. Managers should, therefore, provide concrete employees’ success stories that can reinforce other employees’ loyalty.

The current exploratory research confirms the persistence of loyalty amongst Moroccan employees of the Japanese MNC subsidiary analyzed. It also reveals the supportive facet of the Moroccan environment enabling high degree of transferability of the Japanese HRM practices and values to the Moroccan context. In addition, this research reduces the significant gap in literature about the impact of the MNCs’ HRM practices and corporate culture on the Moroccan employees’ behavior. This research uses a single case study analysis that brings exploratory insights about the persistence of loyalty, and both its organizational and environmental drivers. Hence, it can be viewed as an initial unit analysis that can support future cross-case analysis (Yin, 1981, p. 60). The latter can benefit from the broader scale of cases including comparable Moroccan companies combining qualitative and quantitative data collection techniques to deduce more generalized conclusions. The high degree of similarity between the Moroccan and Japanese socio-cultural values can drive future research targeting other topics from different fields to take advantage from the Japanese success experiences.

References


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