

**Turning Japanese? Chinese workers in multinational retail firms from Japan\***

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## **Turning Japanese? Chinese workers in multinational retail firms from Japan**

**Abstract** It might seem that nothing more remains to be said on the subject of Japanese firms' transfer of HRM practices to their overseas affiliates. Before Japan's economic bubble burst in the early 1990s, Japanese-style HRM was widely regarded as a key source of the nation's competitive strength. This assumption was seized upon by a plethora of researchers who produced a library of research on 'global Japanization' and related topics. However, the spread of multinational enterprises and the varieties of experience they provide are a defining feature of the modern world economy and will continue to provide innovative and vital contexts for research. Moreover, specifically with regard to Japanese firms, there remain untapped and fruitful avenues of research. Most of the research undertaken to date has focussed on manufacturing firms, much less attention has been devoted to service sector firms. Additionally, while qualitative case studies have been undertaken these have mainly derived from European and American locations. In the context of China, for instance, little empirical work has been conducted on the reception of Japanese management practices (or those of any other nation for that matter) by shopfloor level staff. This paper seeks to address these themes by exploring the transfer of HRM practices from Japan to China by multinational retail firms.

The data for this paper are derived from research carried out in 2001, 2002 and 2003 in Japan and 2002 and 2003 in China. Research in Japan focussed primarily upon company policy and strategy. In China, semi-structured interviews were conducted at six stores in different cities with a cross-section of local employees and expatriate managers. A quantitative survey of employees was also conducted. A case study approach enabled the author to explore a range of questions: Do Japanese retailers attempt to transfer their home country practices to China or do they perceive in such greenfield sites an opportunity to experiment with their approach to HRM? What factors facilitate or hinder the transfer of practices? How do local workers' experiences of employment in these firms compare with that in previous firms, especially state-owned enterprises? How are transferred practices interpreted and understood by local employees?

The paper sets these questions in context through a discussion comparing Japanese HRM practices with those in China. Japan is an economically developed nation with a settled political economy. China, by contrast, is a developing economy that is undergoing profound changes in its economic structure. In the post-war years, both nations developed systems of lifetime employment; whilst this tradition remains strongly entrenched in Japan's large firms, in China's state-owned enterprises the practice has eroded over the past two decades. Associated with this, China has increasingly flexible and fluid labour markets where skills are highly marketable; meanwhile Japanese firms continue to rely heavily upon internal labour markets. Japanese investment and the transfer of practices from Japan to China are also located in the context of complex attitudes in the host country towards its smaller neighbour. In addition to overlapping cultural forms and traditions, there is envy at Japan's economic success and persistent and deeply ingrained suspicion, derived especially from the enduring legacy of the Anti-Japanese War (1937-1945).

## Introduction

*'The workforce is different; we cannot expect the same diligence as in Japan. Vendors are different; it is common that they don't keep their promise. Customers are different; they do not know what a good consumer is.'*  
Japanese executive elaborating on the differences between his firm's operation in China and Japan

The experience of Japanese multinational retail firms in China demands the attention of both academic researchers and business managers. For two decades, the world's largest developing economy has enjoyed sustained high rates of economic growth. China has also become a major locus for foreign direct investment, including an increasingly important destination for multinational retailers eager to promote and benefit from the tremendous growth in consumption in that country. Meanwhile, even after a decade and a half of recession or low growth, Japan is still the world's second largest economy and a major exporter of capital.

This paper begins by delineating the competing isomorphic pressures on overseas subsidiaries and highlights how these might impact upon Japanese retail MNEs in China. After an overview of the methodological approach and a brief introduction to the retail sector in China, the next section explores broad patterns in human resource management in China and Japan. This provides an ideal type against which to investigate firm-level practices of three major Japanese retail firms both in Japan and in their Chinese subsidiaries. Attention then focuses on the nature and reception of transferred practices. In addition to an exploration of features of HRM such as lifetime employment, pay systems and job rotation, this paper also explores an aspect that is central to customer-orientated businesses, their customer service model.

Many studies have explored the diffusion of 'Japanese' management techniques (e.g. Elger and Smith, 1994). The literature focuses primarily upon manufacturing firms, with little attention devoted to service firms, despite the fact that even in Japan services now account for a substantial portion of the economy. By 1996, employment in the wholesale and retail trade and food service exceeded that in manufacturing industries (Takashi, 1997: 21). Moreover, studies mainly explore the transfer of practices to developed economies; few have examined transfer to developing economies, exceptions to this include Harriss (1995) and Taylor (1999a, 1999b, 2001), both of whom focus on manufacturing plants.

Service sector MNEs differ from manufacturing firms in significant ways. Firstly, their motivation to invest overseas is not impelled by a search for low-cost labour. Secondly, they are not located in an international division of labour but seek instead to operate as businesses that parallel those in the home country. In this sense, the overseas business and its workforce are not peripheral. Thirdly, they deal directly with host country customers on a daily basis. Transferring parent country business practises in retail firms may, then, be more problematic than in the manufacturing sector since they must deal not only with local employees, but also the differing expectations and cultural values of customers. While staff are selectable, can be trained and subject to numerous sanctions, customers are essentially 'unmanageable' (Gabriel and Lang, 1995). Japan is well-known for its high level of personal service

(Aaker, 1990). Studies that have been undertaken (Aaker, 1990; Beechler and Yang, 1994) indicate that Japanese service sector firms transferred few of their parent country practices.

Another characteristic of the literature is that limited attention has been devoted to the reception and experience of Japanese practices by host countries' shopfloor employees. Again, exceptions are devoted primarily to studies of manufacturing firms in developed economies (e.g. Delbridge, 1998). This paper seeks to provide actor-orientated perspectives of the experience of Japanese retail firms in China. It includes accounts both of Japanese expatriates and Chinese employees' consumption of imported management practices.

### **Competing isomorphic pressures – default and beyond**

The extent to which firms transfer their parent country business practices will be affected by diverse competing isomorphic pressures (Kostova and Roth, 2002). In their overseas subsidiaries firms are torn between pressures to pursue a standardised global policy, most likely based upon their parent country practices, and the need for local responsiveness and accommodation to local norms (Ghoshal and Bartlett, 1998). A range of organizational characteristics and host country environmental contingencies will determine both whether a company will want to transfer its parent country practices overseas and whether it will be able to transfer them. This section explores these pressures and highlights how they might impact upon Japanese multinational retail firms.

#### *National business systems and administrative heritage*

Different national institutional contexts encourage distinctive forms of business and market organisation to become established (Whitley, 1992). Substantial evidence indicates that these business systems influence the way in which companies from different countries operate their international ventures (Sally, 1994; Ferner, 1997; Lane, 1998). Sally (1994), for instance, found persistent national differences in the global strategies of French and German multinational enterprises. Similarly, Ferner and Quintanilla (1998) found evidence of a 'national' effect in German multinational corporations' overseas operations. Firms from economically successful countries have an incentive to export to their foreign subsidiaries those practices which are seen as contributing to this success (Edwards et al., 1999). It is also argued that when firms invest in more systemic and strongly institutionalised environments, such as that of Japan, they are more likely to adapt to local norms than those that invest in less developed and cohesive environments, such as that of China (Whitley, 1999, 2001). Doeringer et al. (2003) also found that national industrial relations systems affected the adoption of high-performance management practices and led to the formation of a variety of national Japanese hybrid management systems. Whitley (1999: 189) argues that Japanese firms are unlikely to change their distinctive character when they invest overseas unless host economies are politically, economically, and technologically at least as advanced and powerful as the domestic ones. From this perspective, the degree of Chinese host country influence on Japanese firms is likely to be relatively weak.

National features will influence but not determine firms' practices. Each firm has its own stock of knowledge, a set of habitualised routines and recipes based upon taken-

for-granted beliefs and values (DiMaggio and Powell, 1983). This 'administrative heritage' (Ghoshal and Bartlett, 1998) will influence the extent and manner in which they internationalise. Expatriate managers and headquarters have their own set of institutionalized views on what constitute efficient organizational structure and business practice and will incline to introduce these features in affiliates. Parent country practices are likely to constitute the 'default position'; firms seek to operate abroad as they do at home purely because this involves the transfer of familiar, tried and trusted recipes (Gamble, 2003b).

It has been argued that the more deeply embedded firms are in the domestic institutions of their home economy the more likely they are to transfer their parent country characteristics (Lane, 1998). Japanese firms, like German firms, are considered to be more strongly embedded in the domestic institutions of their home economies than, say, UK firms (Sally, 1994). The expectation might be that Japanese firms would transfer a relatively unmodified version of their domestic approach. Evidence from Europe (Belderbos, 1997), the United States (Kenney and Florida, 1993) and the Asia Pacific (Guyton, 1995; Hatch and Yamamura, 1996; Ernst, 2000; Wilkinson *et al.*, 2001) demonstrates that Japanese manufacturing firms replicate their *keiretsu* structures overseas. With respect to HRM practices, however, researchers report a less comprehensive pattern of transfer (Gill and Wong, 1998).

#### *Nature of the sector – multi-domestic vs. global*

Porter (1990) differentiates between multi-domestic and global industries. In global industries, a firm's competitive position in one country affects and is affected by competition in other countries. In multi-domestic industries, competition in each country is independent of competition in other countries. Foreign subsidiaries of MNEs in multi-domestic industries are relatively independent from the headquarters. They rely primarily on inputs from the local environment and compete directly with surrounding firms. Dependence on local resources, including workers and customers, increases both the extent to which an affiliate is embedded in the local environment and raises the necessity to achieve legitimacy in host environments. Such factors make it likely that they will be more responsive to the local situation and adopt more of the features that prevail in host country firms (Rosenzweig and Nohria, 1994; Ferner, 1997; Ghoshal and Bartlett, 1998; Kostova and Roth, 2002). As far as HRM is concerned, its role in multi-domestic industry will most likely be more domestic and locally responsive, and less international in orientation (Schuler *et al.*, 1993; Edwards *et al.*, 1999). A foreign business presence and imported HRM practices can also be politically sensitive. Given the historical relationship between China and Japan (see below), Japanese MNEs might seek to maintain a low profile and 'fit in' by imitating local practices.

While most studies on the transfer of business practices refer to manufacturing firms, a handful investigate service sector firms. Beechler and Yang (1994), for instance, compared five Japanese manufacturing plants located in Tennessee with five Japanese service companies in New York City. In the manufacturing firms, a favourable local environment in terms of a loose labour market and supportive local government policies provided opportunities for Japanese plants to develop Japanese-style HRM practices such as careful selection and on-the-job training. In the service firms, by contrast, local labour market characteristics, industry features and economic

conditions all discouraged companies from transferring Japanese-style HRM practices. Instead, these firms sought to Americanize or localize HRM practices. In the US context, whereas Japanese-style HRM was a distinctive competency for the manufacturing firms, it constituted 'a liability for the service firms' (Beechler and Yang, 1994: 486).

Aaker (1990) reports a similar situation in Japanese banking, hotels, and automobile firms in America. He found that, 'Without exception, the firms studied have decided not to export their Japanese service culture and systems to the U.S.' (Aaker, 1990: 57). Japanese managers attributed this absence of transfer to factors such as workers' lower levels of loyalty compared to Japan, different work habits and regulatory restrictions.

#### *Allocation of resources*

The extent to which subsidiaries are dependent upon and resources flow from the parent to the affiliate affects the extent to which subsidiaries conform to local practice or follow parent country norms (Ghoshal and Bartlett, 1998; Kostova and Roth, 2002). Whitley (1999) observes that Japanese firms are unlikely to change their distinctive character when they invest overseas unless, for example, a high proportion of firms' assets are located overseas. Expatriates constitute an important resource in the diffusion of standardized MNE practices, serving both a control function and acting as 'cultural carriers' (Edstrom and Galbraith, 1977). The greater the expatriate presence, the more likely are affiliates to adhere to the management practices of the parent (Rosenzweig and Nohria, 1994).

Cultural differences are considered to inhibit diffusion, and to enhance the need for local isomorphism. In particular, it has been argued that the greater the cultural difference between the parent country and the affiliate's host country, the less the affiliate will conform to local practices (Rosenzweig and Nohria, 1994). Conversely, the lower the cultural distance between parent company employees and the overseas labour pool, the more likely the MNE will be to transfer its parent-style HRM overseas (Beechler and Yang, 1994). This strand of the literature has been emphasised in the Chinese context (e.g. Lockett, 1988; Easterby-Smith et al., 1995). Easterby-Smith et al. (1995: 54-5), for instance, attribute Chinese companies 'very strong resistance' to linking rewards more closely with performance 'mainly to cultural factors'. Researchers cite the cultural and institutional heritage of state-owned enterprises, in particular, as a key factor that constrains foreign investors from implanting new human resource management systems and practices (Goodall and Warner, 1997; Ding et al., 2000; Ding and Akhtar, 2001). It is unlikely that management can diverge too far from workers' established expectations about employment relationships (Doeringer et al., 2003: 277).

#### *Impact of local regulations and labour market conditions*

Local labour market conditions are likely to impinge upon the degree to which an MNE can transfer its HRM practices to an overseas subsidiary. For example, unlike Japan, where labour markets are relatively tight and underdeveloped, labour markets in the U.S. tend to be highly developed and mobile, particularly in major metropolitan areas. High employee turnover rates are likely to constrain Japanese firms from transferring their parent-style HRM to an overseas subsidiary (Beechler and Yang,

1994). Chinese labour markets are undergoing rapid transition and the extent to which labour has become marketised is debateable. Where Morris et al. (2001: 701) conclude that China lacks 'a real labour market'; Gamble (2003c) finds substantial evidence of vibrant labour markets in several major Chinese cities.

Local laws and regulations often constrain the HRM practices of MNE affiliates (Rosenzweig and Nohria, 1994). The expectation is that host countries with a more highly regulated environment might exert greater coercive isomorphic pulls on subsidiaries (Ferner and Quintanilla, 1998). In China, state labour legislation, to the extent that it is effectively implemented and upheld, guides and constrains the actions of MNEs. An example of this 'coercive isomorphism' (DiMaggio and Powell, 1983), would be the 1994 Labour Law which limits the working day to 8 hours and stipulates that women enjoy the same rights as men (Warner, 1996).

#### *Nature of investment sites - greenfield versus brownfield*

Foreign affiliates that establish on greenfield sites are more likely to adhere to their foreign parents' operations than those acquired through acquisitions (Rosenzweig and Nohria, 1994). Typically, firms on greenfield sites have more leeway to establish and develop their businesses unconstrained by existing, institutionalised practices. The firms selected for this research operated mainly on greenfield sites.

#### *Agency of actors*

The national business system approach tends to underestimate the degree to which firms and the individuals within them are active social agents (Edwards et al., 1999; Lane, 2001). Firms, for instance, differ in the extent to which they actively seek to disseminate parent country practices (Ferner and Varul, 2000). In Japanese manufacturing firms in China, Taylor (2001: 614) reports that the degree to which firms actually wished to apply Japanese management techniques varied. It is helpful to view MNEs as the locus of competing interest groups and as 'sites within which multiple actors will play a role' Morgan (2001: 2). At the subsidiary level, for instance, local managers have various sources of power they can use to obstruct or encourage diffusion.

The profile of management practices in a MNE will be shaped by the interplay of these opposing pressures for either internal consistency or isomorphism with the local institutional environment (Rosenzweig and Nohria, 1994; Smith and Thompson, 1998; Kostova and Roth, 2002). Even a brief resume of Japanese retail firms operations in China indicates the potential for competing isomorphic pressures. Typically, Japanese firms are strongly embedded in their parent country; they also rely heavily upon expatriates. Set against this, as labour intensive businesses oriented to local consumer markets, retail firms have an imperative to embed themselves in host countries and to meet the demands and expectations of both local workers and customers.

#### **China's retail sector**

It is a timely point at which to focus on the transfer of human resource management and business practices by Japanese multinational retailers to their subsidiaries in China. China has been enormously successful in attracting FDI. Between 1978 and the end of 2002, China approved a total of 427,720 FDI projects (HKTDC, 2002). In

2002 alone, boosted by China's WTO accession in November 2001, a further \$82.77 billion of FDI was contracted. Concurrently, the economy has shifted from being uncompetitive and autarkic to one that is open to commercial pressures, with intense competition between private, state, collective and multinational firms. Japanese foreign direct investment increased rapidly in the 1990s; the proportion of Japan's overseas investment destined for China increased from just 0.6% of its total in 1990 to 17% in 1997. Between 1979-2000, Japan was the second largest investor in China, with \$25.74 billion of utilised investment (contracted \$36.04 bn) in 19,137 projects ([http://www1.moftec.gov.cn/moftec\\_en/dsbgx/yazhou/yazhou\\_en\\_13.html](http://www1.moftec.gov.cn/moftec_en/dsbgx/yazhou/yazhou_en_13.html)).

Retail firms' globalisation has increased steadily since the early 1990s (Stearns 2001). Under pressure from highly competitive and saturated home markets, retailers from economically developed nations have sought to establish themselves in the Asia Pacific's emerging markets. Japanese retail firms have made significant overseas investments. Between 1958 and 1995, for instance, a total of 95 Japanese retail firms made investments in East Asia (Davies and Ferguson, 1995: 105).

China has become an increasingly important focus for investment by multinational retail firms since foreign participation in the sector was permitted in 1992. In that year, the State Council approved the first foreign joint venture retail project, a \$100 million scheme by the Japanese company *Yaohan* to build a 120,000 square metre shopping centre in Shanghai's Pudong district. By 1997, there were 500-600 retail joint ventures in China (Goldman, 2001: 239, note 1). In Shanghai alone, by late 1999, over forty foreign chain stores had been set up with investments by companies such as *Carrefour* (France), *Isetan* (Japan), *Ikea* (Sweden) and *B&Q* (UK). With its vast and increasingly affluent population, China holds tremendous appeal for multinational retailers. This appeal is likely to increase now that China has joined the World Trade Organisation and the existing controls over foreign retail firms are due to be removed by 2005.

Although rising prosperity and a rapidly commercializing economy have transformed China into the world's most important emerging market, it has proved a difficult environment for Japanese retailers. Several companies such as Sogo and Yaohan have been forced to exit from China. Whilst these difficulties were sometimes due to problems in the parent country, a Japanese executive at one of the firms researched for this paper explained that, 'even if a Japanese firm does a very good feasibility study, there remain many invisible and unknown problems waiting ahead. For example, red tape, actually it is "rainbow tapes" since there are changing regulations and also different people interpret them differently. Sometimes officials directly ask for...'

The opening of China's retail sector to domestic competitors and foreign investment has been paralleled by the emergence of a vigorous and re-energised consumerism (Taylor, 1995; *Far Eastern Economic Review*, 1998; Chao and Myers, 1998; Davis, 2000; Gamble, 2001). China's rising popular consumerism has been accompanied by substantial shifts in both notions and expectations of the 'customer'. During the pre-reform era, customer choice was severely restricted; they could shop only in state-owned stores. These stores offered poor customer service and sold the same limited range of products at the same prices; there was little incentive for customers to

compare stores. Nowadays, retailers must compete to attract and retain customers. Foreign retailers have introduced novel and qualitatively different approaches to customer service into China, as well as the notion of systematic customer service training for store staff (Gamble, 2004a).

### **Methodology**

This paper adopts a case study approach, with both qualitative and quantitative data. Detailed case studies are the ideal means to explore the transfer of management practices (Ferner, 1997). In particular they can illuminate the mechanisms whereby competing isomorphic pulls become translated into particular outcomes within MNEs (Ferner and Quintanilla, 1998). In much of the diffusion literature research focuses only on transplanted firms. For this paper research was undertaken in both the host and the parent country. The comparison then is not of actual practices against an ideal type, but of the same company. By holding sector and firm constant, these aspects can largely be discounted in the analysis. Utilisation of extensive interviews with participants is intended to provide an ‘actor-centred’ approach (Bate, 1997). In contrast to more top-down analysis, such an approach provides essential ‘nuancing and shading’ (Marcus, 1995: 100). Additionally, studies in HRM often focus upon managers; workers’ perspectives are neglected. In international research, faced with access and language constraints, this neglect of the ‘view from below’ (Mabey et al., 1998) is all the more evident. The data presented derives from interviews conducted with both expatriate managers and local employees.

Research in China and Japan was undertaken at retail stores owned by three Japanese multinationals. In Japan, research in 2001, 2002 and 2003 included visits to three stores and interviews at the MNEs head offices that focussed on company policy and strategy. In China, research was undertaken during 2002 and 2003 at a total of six stores (JapCo1 – 3, JapCo2 – 1, JapCo3 – 2) owned by the MNEs in cities in north, central, west and south China. A total of eighty semi-structured interviews were conducted at the Chinese stores with a cross-section of local employees (68) and expatriate managers (12).

Interviewees were chosen randomly from different departments and every level in the firms’ hierarchy. Interviews in Japan were conducted in English or via an interpreter. In China, the author’s facility in Chinese permitted interviews with local employees to be conducted on a one-to-one basis. Japanese expatriates in China were mostly interviewed in Chinese with the aid of their Japanese speaking local interpreters and, in one case, in English. The research methodology is primarily inductive and ‘grounded in the everyday reality of the people it studies’ (Linstead, 1997: 95). Open-ended questions enabled informants to elaborate upon their experiences rather than imposing the researcher’s pre-determined categories. Questionnaire based surveys were conducted at two JapCo1 stores (243 responses), one JapCo2 store (146), two JapCo3 stores (69), and a state-owned store located in the same city (97) as one of the JapCo1 stores.<sup>1</sup>

### **Human resource management in Japan and China**

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<sup>1</sup> Pseudonyms are used for the firms included in this research.

China and Japan provide fascinating contrasts. Until recent years, it was possible to draw distinct parallels between employment regimes in these two countries. Chan (1997) considered the similarities were such that Chinese firms might converge towards the Japanese model. In both countries there was an ideal of lifetime employment and extensive company welfare benefits, privileges available to those in large firms. Similarly in both China and Japan, hierarchies were compressed, with a tendency for salaries to be linked to employees' needs rather than their contribution to the firm. However, HRM practices in China's transitional economy have been accelerating away from this model. Divergences in income, for instance, have widened sharply, both at the firm and the macro level. In little over a decade, China has moved from being one of the world's most egalitarian nations to one of its more unequal; its Gini coefficient, a measure of income inequality, now approaches that of the United States. By contrast, Japan has witnessed a slow and gradual shift in labour management systems, with relatively glacial shifts in its deeply entrenched socialist-style ethic.

#### *Service sector human resource management in China*

The study of HRM in China has generated a substantial body of academic research. However, little attention has focused on the service sector (although see Gamble, 2003b, 2003c, 2004a, 2004b), perhaps reflecting the widespread perception of China as the manufacturing 'workshop of the world'. This neglect overlooks the rapid rise of the service sector and retailing in particular as indicated in the preceding section. The developing body of work on China's retail sector (e.g. Letovsky et al., 1997; Goldman, 2000, 2001), focuses mainly on strategy or the technology of retailing rather than HRM.

Employment relations in China's service sector need to be understood in the context of the nation's socio-economic transformation. Since the mid-1980s, when China officially endorsed the 'socialist market economy', the nature of enterprises' roles in workers' lives has changed considerably. From the 1950s to the 1980s, in larger SOEs especially, features such as centrally planned job allocation, guaranteed lifetime employment, and extensive workplace-based welfare benefits tied workers into a system of 'organized dependency' (Walder, 1986). Over the past two decades, this model has steadily eroded as labour markets have decentralized and become more flexible (Benson and Zhu, 1999; Ding et al., 2000). Reports indicate that China's labour-management system is in a state of transition (Warner, 1997). Minimal labour mobility has been replaced by a system in which both employees and employers have a choice, respectively, in selecting which firm to work for and who to recruit. The recently emerged competition to attract and retain customers mentioned above is directly paralleled by the situation of retail firms with respect to employees.

#### *Human resource management in Japan's retail sector*

The stereotypical, ideal type model, of Japanese HRM has focussed on the so-called 'three pillars' of lifetime employment, seniority based pay and enterprise unions. Important associated elements include reliance upon internal labour markets, extensive job rotation, and a preference for on-the-job training (Whitley, 1992; Morishima, 1995; Sako and Sato, 1997). Staff selected for long-term employment are expected to progress steadily up company hierarchies taking on a variety of roles in various locations. Employees in this category are recruited with great care during an

annual recruitment round from universities and colleges, the majority are male. Firms carefully screen recruits and select those likely to fit with their corporate culture (Beechler and Yang, 1994; Dore, 1997).

While this category of workers has received most attention, they constitute a minority of Japan's workforce (Lincoln and Nakata, 1997). An increasingly large number of contingent employees are recruited as part-time or temporary staff, even though they might work for 30 hours or more per week and remain in the firm for many years. These employees are not expected to move location or to progress far up the hierarchy, the majority are female (Gottfried and Hayashi-Kato, 1998; Broadbent, 2003).

During the seemingly inexorable rise of Japan's economy researchers scrambled to make sense of this phenomenon. A common conclusion was that Japan's unique style of HRM was a key source of Japan's competitive advantage. With the burst of the 'bubble' economy in the early 1990s, researchers moved with equal alacrity to suggest that Japan's 'traditional' approach to HRM was a factor behind this decline. In an era of falling profit margins, an aging workforce, and changes in employee attitudes many of these HRM practices have come under pressure. Lifetime employment, seniority pay and an ageing workforce, for instance, combine to produce a high level of fixed costs. Meanwhile, young Japanese workers look increasingly to be promoted on the basis of skill and not seniority, and for pay to be based on merit.

A rising chorus of commentators urge Japanese enterprises to adopt more Western-style approaches to employment relations (Porter and Takeuchi, 1999). However, the extent to which change has taken place is debateable. There appears to be considerable resilience in adherence to these practices (Berggren and Nomura, 1997). Ornatowski (1998) found that while lifetime employment 'remains intact in most companies', there is less support for seniority-based pay and promotion system, with weakening even abolishment. Dalton and Benson (2002), report companies commitment to link promotion more closely to performance, but found evidence that despite pressures Japanese enterprises still employ seniority-based promotion and maintain lifetime employment systems. The proportion of part-time and temporary workers has though increased, while the number of full-time employees has contracted.

Retailers have been neglected in research on Japanese HRM. However, this labour intensive sector might be just the place to distinguish novel approaches to human resource management. This summary of HRM practices in Japan provides a baseline to explore the practices of actual firms. The following sections indicate how closely practices in Japanese retailers correlate to the pattern largely observed in and drawn from manufacturing plants. Before this, we investigate the presumption of low cultural distance between China and Japan.

### **China and Japan: a case of low cultural distance?**

*'Usually it is said that there are eastern and western cultures, but actually there are very big differences between Japanese and Chinese culture. Japanese style is very detailed (xi), this can lead to friction.'* Chinese manager

*‘When a Japanese baseball player went to America he said, “yaku and baseball are different games”, even though yaku is Japanese for baseball and the countries have the same rules. Similarly with Chinese and Japanese management, it is totally different to how things are decided and how to manage people. For example, Chinese people are very sensitive about losing face (mianzi). In Japan, I can say directly to somebody whose job is not done so well, but here you have to be very careful when you point out their mistakes. So I was warned not to shout or scold people in front of others.’*  
Japanese general manager

It is readily asserted that China and Japan share similar cultural values. Li et al. (2002), for instance, base their research upon the assumption of low cultural distance between these two countries, especially when contrasted with the differences between China and ‘Western’ nations. Such assumptions are, presumably, based upon geographic proximity and the work of Hofstede.

Whilst there may be some similarities there are also significant differences. In 2002, for instance, the author interviewed some 20 HR directors in Japanese retail firms. All were of a similar age, all were male, and each had been with the same firm since graduation. In an ensuing research visit to China, a similar number of Chinese HR managers were interviewed: most *had not* been with the same firm since graduation, some were considerably younger than their Japanese counterparts and women, whilst a minority, were at least represented. These divergences are paralleled by indigenous perceptions of substantial cultural differences between Japanese and Chinese people.

In the fashionable realm of post-modernity, with its free-floating, mix-and-match identities, nationalism seems passé. In China, however, it is rare for a foreigner (*waiguoren* literally an ‘outside country person’) to have a conversation in which the keenly and deeply held sense of Chinese nationalism is not in evidence. Chinese senses of the nation and nationalism are profoundly modernist, with notions of culture and race that are essentialist and positivist. As in the instance of the US bombing of the Chinese embassy in Belgrade, nationalistic feeling is an easily mobilized (if not so easily controllable) resource. Even Chinese citizens disinclined to believe their government on all other issues, readily believe any state rhetoric that locates China as a victim in relation to other nations.

The relationship between China and Japan is complex and, at times, fraught. In Japan, positive notions of China as the source of many cultural artefacts such as the use of *kanji*, Chinese characters, in the written language, exist alongside ambivalence at China’s emergence as a regional power, while Japan’s own economy contracts and hollows out. In China, it is common to hear disparaging even insulting references to Japan, with the country described as ‘*xiao riben*’ (little Japan), and its people as ‘*riben guizi*’ (Japanese devils). In the past year, for instance, there has been friction over rapidly increasing Chinese exports to Japan, a court case involving 300 Japanese businessmen who participated in a 3 day long sex party with Chinese prostitutes, and the unearthing of wartime chemical weapons that left one Chinese person killed and 43 injured (China Daily, 2004). While this antipathy may have deeper historical roots, it is kept alive by education and frequent media references to Japanese activities in China during the Anti-Japanese War (1937-45). Perhaps only the issue of Taiwan

possesses equal power to inflame Chinese nationalism than mention of Japan's wartime aggression against China.<sup>2</sup>

Looking across the Yellow Sea, Chinese people delight in highlighting perceived differences between themselves and their Japanese neighbours. Typically, they contrast the individuality of Chinese with the communitarian and collectively-orientated nature of Japanese people. A local rhyme sums this up: one Japanese is an insect, ten Japanese are a dragon. One Chinese is a small dragon, ten Chinese are a large insect (一个日本人是一条虫, 十个日本人是一条龙。一个中国人是一条小龙, 十个中国人是一条大虫。) These stereotypes were echoed in store employees' comments as they reflected on their experience of working for the Japanese. They noted many contrasts between themselves and Japanese managers. Japanese, for instance, were said to stress process (*guocheng*) and to pay attention to detail (*xizhi*), while Chinese look only to the outcome. A Chinese manager at JapCo1 concluded that, 'Japanese employees are very hard-working and obedient, but they may not always have an efficient outcome.' Japanese methods were seen as more 'scientific', and to involve a strong team spirit (*tuandui jingshen*). More generally, Chinese workers tend to regard Japanese firms as less desirable places to work than firms from the West (Leung et al., 1997; Gamble, 2000). The heavy reliance on expatriates, for instance, excludes local managers from decision-making processes and stalls their promotion prospects (Kopp, 1994; Ghoshal and Bartlett, 1998).

Japanese expatriates' perceptions of the differences between themselves and Chinese people tended to present a mirror image of these portrayals. They perceived Chinese as more individualistic, and less inclined to engage in team work. A Japanese general manager at JapCo3 considered that, 'in Japan, we're too concerned with process, with everything being in its right order. In China, they don't care, but they get results.' Expatriates noticed substantive differences between Japanese and Chinese employees. For instance, Chinese preferred strict job demarcations and were disinclined to exceed them. When asked to delineate any problematic areas Japanese employees would explain as many as possible, Chinese staff were loath to mention such issues. Chinese were also said to have a more autocratic management style, with a stronger sense of power based upon position rather than, say, seniority. The sense of distinction extended to embodied differences, one expatriate remarked on Chinese people's different sense of personal space compared with Japanese. He noticed, for instance, that customers would physically accost him, unthinkable in Japan, and also appeared to possess less awareness of others' physical proximity.

### **Firm level practices in Japan**

In the diffusion literature there has been a tendency to compare firm practices in host environments against ideal types in the parent country. Though useful for heuristic purposes, ideal types gloss over a wealth of diversity. Researchers have, for instance, noted significant intra-sectoral diversity in the management practices of both manufacturing firms (Taylor, 1999b) and service firms (Beechler and Yang, 1994). Ideal types also tend towards stasis with a cryogenic embalming of particular patterns. This paper attempts to avoid the potential distortions this might involve by examining

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<sup>2</sup> For more on indigenous Chinese stereotypes and perceptions of non-Chinese see Gamble (2003a).

three matched pairs of Japanese firms, in Japan and China; an approach that should expose intra-sectoral divergences. JapCo1 and JapCo2 are both categorised as general merchandise stores (GMS), that is, they comprise a mixture of a department store and a supermarket. Both firms aim at the widest possible market segments. The third company, JapCo3, is a major department store that aims to satisfy a fashion-conscious, mid-to higher-end customer base. JapCo1 is the least internationalised of the three companies, expansion to China in 1997 was its first overseas operation. By late 2003, JapCo1 had five stores in China.

To an extent, the firms' practices matched the ideal type of Japanese HRM. For instance, they all relied heavily on and had a preference for internal labour markets. However, there were also significant deviations both from the ideal and from each other. These similarities and divergences are highlighted in the following exploration of the firms' parent country practices.

JapCo1 hires new regular/permanent employees on an annual basis. Ninety five percent of these recruits are graduates; the remainder are generally recruited because they possess some specialist expertise, such as merchandising. The recruitment process is lengthy and careful. In 2002, for instance, 15,000 potential recruits asked for a company brochure. After a paper test taken by 3,000 applicants and three rounds of interviews 150 people were recruited. The company strongly favours an internal labour market; external recruitment of category, department and store managers is rare. However, this has not always been the case. In the 1980s, during the company's period of rapid growth, internal labour markets could not keep pace with demand and the firm had had to recruit externally.

New recruits undergo one-week's induction training, followed by three months' on-the-job training during which they work in three or four different sections. Short periods of off-the-job training take place after one, three and ten months. The expectation is that employees will move up a grade every five years. Each year the ten percent of store managers with the lowest performance are downgraded to the level of ordinary store employees. Each store recruits part time staff; these are mainly housewives or students, the latter called '*arbeito*' and the former '*parto*'. They receive one day of training, mainly focussed on customer service, and begin work the next day.

Japanese firms have typically been said to seek to strengthen organisational culture through out-of-work activities. However, JapCo1's senior personnel director stated that while the trade union may organise such activities the company did not. He added, 'my personal opinion is that the company does not want to get involved in employees' personal life, I don't want the company involved in my personal life.' A store manager echoed this view; he felt that both he and employees should be free of the company in their leisure time. Moreover, 365 day opening and complex shift arrangements precluded many activities. JapCo1, in common with the two other firms, held *chore*, regular store- and/or department-wide morning meetings of all staff on duty. *Chore* are designed to fulfil training, information dissemination, and motivational goals.

Salary differentials are quite flat with pay ranging from 10 million yen per annum for a store manager (*tencho*), 7.5 million yen for a department manager (*tokatsu manaja*), 6 million yen for a category manager (*tanto manaja*) and 3-4.5 million yen for customer assistants (*tanto-sha*). The average annual salary of all employees is 5.5 million yen. There are increases in pay for seniority up to the age of 35, by which time this proportion accounts for 30 percent of salary. There is also a trend towards an increase in performance related pay. Part time staff were paid an hourly rate of 850 yen per hour.

Faced with declining profits in a deflationary and extremely competitive market, JapCo1 has undertaken a series of experiments. With no store managers under 40 years old and no female store managers, in 2001 the firm promoted ten employees aged below 40 and three women to be store managers. In the firm's 180 stores, just 15 department heads (2.5% of all *tokatsu* managers), and 130 category managers (5% of all *tanto* managers) were female.

JapCo2 faces an intensely competitive home market, with competition from both domestic and, increasingly, foreign firms such as Wal-Mart/Seiyu. JapCo2 has a range of GMS stores in Asia and, by the end of 2003, three stores in China. Regular employees are college and university graduates, but between 2001-4 no recruitment took place. This was a cost-cutting measure as part of '*ristora*' (restructuring), the alternative would have been to lay-off middle-aged employees.

Between 2000-4, to counter increased competition and to help achieve its ambitious plans to become a major global player, the firm began a range of organizational changes. The hierarchy was flattened and in August 2002 measures were taken to shorten promotion ladders. Where previously it had taken regular employees an average of 10 years to reach managerial level, it should now take 6 years, allowing them to become store managers within about 12 years, that is, by the time they are aged 35-36.

Seniority pay has been cut back. An executive remarked, 'the time has gone where if you stay longer you get more.' Where before the seniority element increased each year, it is now restricted to just four years. At the same time, the proportion of performance related pay has increased. Another new policy was the introduction of demotions from managerial posts of those who received a poor appraisal in two consecutive years. Job rotation was a common practice, but appeared to have a more voluntary element (especially contrasted with JapCo3), with employees able to request preferences for transfers. JapCo2 operates its own Business School, paralleling a wider shift in Japan towards such off-the-job training (Dalton and Benson, 2002: 355).

The proportion of part time staff to regular employees has increased, approximately one-third of the firm's 90,000 headcount in Japan are part timers. Since 2000, part timers can be promoted to managerial level. Defying the image of low labour turnover in Japan, one of JapCo2's store managers outlined the difficulty he faced in recruiting part time staff. Each month he recruited 50-100 part time staff, but almost the same number left.

JapCo3 also has three categories of employee, regular, *maito*, and part-timers called '*sometime*'. Regular employees are graduates with four years post-secondary education. In 2001, 50-60 regular employees were selected from 2,000 applicants. Job rotation for regular employees takes place every three years. The category of '*sometime shain*' was introduced in the mid-1980s, since when their number has been quite stable. The category of '*maito*' was introduced in 2000, they work as customer assistants and are on annual contracts. '*Sometime shain*' are paid 800 yen per hour, before going on the shopfloor they have one day of training, with follow up training after three months and one year. Like JapCo2, JapCo3 has introduced more off-the-job training for managers,

JapCo3 is proud that it never lays off regular employees, in contrast to several competitors. A senior executive described this as a 'two-sided sword'; lay-offs would cut costs and give young people more challenge, but would mean the loss of senior employees' expertise. The policy was also considered beneficial for employee morale. Accompanying this strategic policy decision, and as a quid pro quo, in 2000 a system of "role pay merit" was introduced with the intention to gradually increase pay differentials between 'out-performers' and 'under-performers'. Regular employees receive two annual bonuses both dependent upon appraisal. The company does not have seniority pay.

An HR executive emphasised that applicants should possess 'heart to the customers' (*omoi yari*, 思い遣り - thoughtfulness) and, 'should be able to stand in the customers' shoes.' Commitment to customer service is omnipresent in the company's literature. In an address the company's president stressed the necessity to 'transfer the voice of the customers to the product'. This required front-end staff to be 'very polite and professional' and to provide high quality service, which includes 'smile, words, and technique of speaking to the customer.' Continuing his address, the president stressed that employees should 'assume the customer's point of view...never forget that customers are our guests, and we should always treat them with honour.'

### **Firms' China operations**

The retailers all had an explicit strategy to replicate as closely as possible their parent country operation, including not only store layout and procedures but also employment relations and customer service. For instance, an executive at JapCo1's Tokyo head office commented, 'we wanted the operation in China to be the same as in Japan. We have educated the Chinese employees about JapCo1's philosophy. We wanted to transfer the Japanese way. So in China we do the same customer service as in Japan.' Similarly, a deputy GM at JapCo3 stated that, 'when JapCo3 decided to set up a store in China they wanted to make everything the same.' Japanese managers often seemed to possess a missionary-like zeal to train and educate not only local staff but, wherever possible, their Chinese customers. This approach was facilitated by operating on 'greenfield' sites with no established workforce, and by the Japanese side of the joint ventures having full operational control over the stores.<sup>3</sup>

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<sup>3</sup> In one JapCo1 store, the Japanese held a minority share-holding, but still exercised managerial control. In some instances, small numbers of employees were recruited from Chinese joint venture partners. However, none of these were retail firms.

Taylor et al. (1996) identify three generic strategic international HRM orientations in MNEs: adaptive, exportive and integrative, to delineate firms that, respectively, adapt HRM systems for affiliates to reflect the local environment; export wholesale the parent firm's HRM system to overseas affiliates; and those that seek to integrate 'best' practices from both local and home country and use them throughout the organisation. While the comments of executives in Tokyo depicted an exportive mode, expatriate managers in China stressed a more integrative approach. For instance, a store manager at JapCo1 outlined his approach to running his store, 'we need to constantly think, what do Chinese think and need. We need to understand Chinese habits and customs and to bring the good Japanese ones and mix these with the good Chinese ones and then create something new.'

Characteristically, Japanese MNEs rely heavily upon expatriates in their overseas subsidiaries (Kopp, 1994; Beamish and Inkpen, 1998; Legewie, 2002; Gamble et al., 2003). This pattern was replicated in the retailers, they all made greater use of expatriates than comparable European and American firms. The firms relied heavily upon a personalistic form of integration and coordination, with intensive communication with head offices in Japan, including frequent phone calls, e-mails and visits in both directions. This can be seen as an indication of the influence of the national business system (Ferner, 1997; Legewie, 2002).

Senior positions were held by Japanese staff including all the store manager roles. At JapCo1, for instance, 10-15 Japanese employees were posted to China to manage the first store, this compares with two at a UK-invested retail firm researched by the author (Gamble, 2003b). Expatriate numbers have reduced gradually. For instance, in one city the firm initially sent 10 expatriates to run one store, there are now 5-6 Japanese personnel to administer two stores. The fourth and fifth stores in China each have just one expatriate, as store manager. Postings to China averaged three years, although some staff remained for up to seven years. Unlike JapCo3, where posting to China was treated as comparable to domestic job rotation, JapCo1 asked for volunteers to be considered for transfer. Meanwhile, locally recruited Chinese staff received periods of training in Japan. In 2002, for instance, 20 managers recruited for a new JapCo1 store spent 10 days in Japan. JapCo2 adopted a rather different approach in its use of expatriates. There were fewer senior expatriates, but the company sent five young Japanese trainees to the store. Among the expatriates interviewed, and several others encountered in the course of the research, only one could hold a conversation in Chinese, and one other could use English. Typically, each expatriate had his own local Japanese-speaking interpreter.

In China, as in Japan, JapCo1 has three categories of employee, regular (*zhengshi yuangong*), student probationers (*shixi xuesheng*), and labourers (*dagong*). With respect to the latter, from 1 October 2003, the firm had to adjust to a new regulation which stipulated that part time staff must not work more than 4 hours per day. The average monthly salary for all employees was 1,500-1,700 yuan, student probationers were paid 500 yuan. Only JapCo1 employed part time staff in China, and then far fewer than in Japan. This can be attributed to the lower labour costs in China. Additionally, flexibility was built in through the employment of categories such as student probationers and labourers. At JapCo2, for instance, temporary staff undertook heavier and dirtier manual jobs. These staff worked longer hours than

regular staff; 45 hours per week compared to regulars 40 hours. Many were migrant workers, about one third of all the store's employees were from outside the city, they received an hourly rate (7 yuan per hour), with no other benefits. Moreover, in all the firms the employment guarantee for regular employees was less secure than in Japan.

The stores had more employees than parent country stores of a comparable size. One JapCo1 store in China had 640 full-time and 300 temporary staff. A comparably sized store in Japan would have about 100 regular staff, 100 part-time 'arbeits', and 100 temporary staff. However, this JapCo1 also had two to three times more customers than a comparable store in Japan, with an average of 35,000-40,000 per day making purchases at the weekend and 25,000 on weekdays. Up to three times this number might pass through the store. Visible signs of diffusion included the use of office space. Offices were small and cramped, often with several departments sharing a single room. Chinese companies tend to have separate departmental offices and senior staff have large offices.

### **Motives to work in the Japanese firms**

Chinese employees were attracted to work for Japanese firms for a variety of motives. Many employees cited security of employment as an important factor. A concomitant of China's economic transition is a rise of job insecurity (Cook and Maurer-Fazio, 1999; Morris et al., 2001; Gamble, 2003c). Employees also referred to opportunities to learn and develop themselves through work in a foreign-invested enterprise. A clothing section customer assistant, for instance, who had joined JapCo1 in 2003 after graduation from university, saw it as 'an opportunity to train/temper myself (*ziji duanlian de jihui*).' Similarly a service desk worker stated that she joined the firm 'to learn about company culture. Here the customer is god, it's not like this in other [city name] stores.'

In the survey workers were asked to what extent they agreed with the statement, 'I can learn a lot of new knowledge from my job', using a five-point scale from 'nothing' to 'a great deal' (see Table 1). Workers at JapCo1 and an SOE in the same city were also asked how much training they had received in the previous 12 months (see Table 2). Additionally, workers were asked to what extent the knowledge they had learned would be useful if they transferred to another company (see Table 3), this time using a four-point scale ranging from 'no use at all' to a 'great deal of use'. The results clearly indicate that workers considered both that they learnt more at the Japanese-invested firms and that these skills were more transferable.

Table 1 – Knowledge learnt at the store

<b>FIRM</b>	<b>MEAN</b>	<b>N</b>
JapCo1	4.11	219
JapCo2	4.01	147
JapCo3	4.09	67
SOE	3.61	94
JapCo1a*	4.09	124

\* Result from store in same city as SOE

Table 2 – Duration of training in previous 12 months: JapCo1 store and SOE (% same city compared)

	NONE	1 DAY	1-3 DAYS	4-7 DAYS	8-15 DAYS	15-30 DAYS	OVER 1 MONTH	TOTAL
JapCo1 n =	6.9 (10)	6.9 (10)	17.9 (26)	13.8 (20)	9.7 (14)	13.1 (19)	31.7 (46)	100 (145)
SOE n =	16.1 (15)	1.1 (1)	33.3 (31)	18.3 (17)	16.1 (15)	10.8 (10)	4.3 (4)	100 (93)

Table 3 – Transferability of knowledge learnt

FIRM	MEAN	N
JapCo1	2.32	240
JapCo2	2.20	147
JapCo3	2.31	67
SOE	2.03	94
JapCo1a	2.32	145

\*See Table 1 above

### Employees' perceptions of work in the Japanese stores

A bread counter assistant had previously been a chef in a SOE; he joined JapCo1 after this company went bankrupt. In comparison to his SOE, 'JapCo1 has strict management'. Elaborating he explained that this encompassed:

*'Every respect, for example, the uniform, food hygiene. It wasn't like this in the SOE; it was very relaxed (songsan). At the SOE you could arrive late, here there are many restrictions if you're late. At the SOE, if you didn't go in at all it wasn't a big problem. Here you must leave home early to be sure to arrive on time.'*

For a fresh fish section assistant this was his first experience of work in a company. He had run out of money while fixing up his house and left his village home 120 miles away to seek work in the nearest big city. He confided, 'I really admire the Japanese work spirit (*gongzuo jingshen*). Chinese leaders give you an order and sit in the office reading the newspaper, here the Japanese work too.' Similarly, a supervisor with a university degree in computing, who had been promoted to this rank after 18 months, contrasted the way Japanese managers regularly checked the store, while Chinese managers stayed in their offices.

Employees remarked upon the strict discipline. Another fish section assistant, previously employed in a SOE factory stated, 'the work attitude is one that before I couldn't even have imagined. At the SOE we were lazy. Here it's very strict and full of challenge; it allows you to develop yourself.' A female clothing section recruit had recently joined JapCo1 from a rival state store. She was struck by the extent to which discipline was instilled in training. In her view this was positive, 'the requirements are high and constantly stressed. At my previous firm they just had the form of good customer service, but at JapCo1 it's really put into practice.' A former JapCo3 employee now working for a UK-invested store had job-hopped in the face of a glass

ceiling that rendered promotion unlikely. Contrasting the two firms' employee handbooks, she reflected, 'JapCo3's says, "You must do this and if you don't you'll get fined", it's very strict; [the UK store's] says, "You should" do something, but "You cannot" is less.'

A Chinese manager at JapCo1 stated that working hours were much longer than in her previous employer, a SOE. Statistical evidence from the survey undertaken at JapCo1 and a comparable SOE confirm this view. The mean working week at JapCo1 was 44.79 hours (n = 245), this compared with a mean of 40.90 hours at the SOE (n = 98). In addition, 21.5 percent of employees at JapCo1 worked 50 hours or more, compared to just 1 percent in the SOE.

A checkout assistant stated, 'JapCo1's training requirement is comparably strict. They ensure you know the rules very well so that when you begin to work you won't inadvertently make mistakes.' He added:

*'I like the management style; everything is very strict and polite, with a feeling of equality from the store manager to the shopfloor staff, like an extended family. I get on well with the Japanese, but there's a language difficulty, you just smile and say hello. In other places, managers have an arrogant attitude, Japanese are egalitarian. At my last job bosses wouldn't even look at you, let alone greet you.'*

The impression gained was that while working in a Japanese firm required hard work and adherence to strict rules managerial authority lacked the arbitrariness and potential favouritism of Chinese firms. Moreover, Japanese managers were respected for their commitment and industriousness.

#### *Job rotation*

Of the three firms, JapCo3 implemented the strictest form of job rotation in Japan. This practice was equally pronounced at the firm's Chinese stores. Shopfloor staff at JapCo3 and JapCo1, where job rotation was most common, appeared to welcome and appreciate this practice. A daily products customer assistant at JapCo1 remarked, 'I like the fact you get the chance to move to different departments and can learn more.' At JapCo2 the company paid less attention to job rotation and in particular had not transferred job rotation for local managers. A Japanese expatriate explained that Chinese managers preferred to specialise in functional areas.

#### *Patriarchal management*

A dimension that was not replicated in China was the male dominated nature of the firms in Japan. At JapCo1 in China, for instance, over 50 percent of supervisors were female compared to just 5 percent in Japan. The firm's China president admitted that originally men had been selected for this post, but that women had proved better at the role. He commented, 'women are better (*youxiu*), they can use their experience from everyday life.' Similarly, at JapCo2 in Japan most managers were male, but in China over half were female. A JapCo2 expatriate attributed this difference to the fact that 'in Japan females are quite conservative.' In Japan, the norm is that women leave full time employment once they marry or have their first child, a practice backed up by the tax structure. In China, full-time employment for women has been promoted since

the early days of the People’s Republic and is supported by extensive provision of nurseries for pre-school children.

*Lifetime employment and reliance upon internal labour markets: from iron rice-bowls to foreign rice-bowls*

As noted above, job security was one appeal of the Japanese firms to their local workers. Although none of the companies transferred lifetime employment as such, they stressed that they offered secure employment and wished to retain staff on a long-term basis. In all the stores, following practice prescribed by the Chinese authorities, regular employees were appointed on annual contracts equivalent to the ‘*maido*’ category at JapCo3 in Japan and could be laid off in some circumstances.

In one city, in 1998, JapCo1 recruited 1,000 employees with the intention to open two stores. However, the second store was postponed and the following year 400 of these employees were laid off to cut costs. JapCo3 operated an appraisal policy in which employees were graded from A to E. Employees who received an E grade were asked to leave, and also those who received D grades for two consecutive years. Around 20 percent of employees received a D grade each year; approximately ten percent of employees who left the firm lost their job as a result of company decisions.

Despite these lay-offs, in China’s transitional economy MNEs such as these Japanese retail firms offer relatively secure employment. In the survey, workers were asked to what extent they agreed with the statement, ‘I feel secure in my job at this company’, with responses on a five point scale from ‘not secure at all’, to ‘very secure’ (see Table 4). Workers were also asked whether they were prepared to stay in their firm for the next three years (see Table 5). These figures indicate that workers both felt greater employment security at the Japanese firms and were more likely to remain in this employment than at a comparable SOE; a clear indication of the extent to which SOEs have lost their status as ‘iron rice-bowls’.

Table 4 – Security of employment

<b>FIRM</b>	<b>MEAN</b>	<b>N</b>
JapCo1	3.49	221
JapCo2	3.50	145
JapCo3	3.28	67
SOE	3.01	93
JapCo1a*	3.54	126

\*See Table 1 above

Table 5 – Willing to stay in the same firm for 3 years (%)

<b>Firm</b>	<b>Not willing (n)</b>	<b>Don’t know (n)</b>	<b>Willing (n)</b>	<b>Total (n)</b>
JapCo1	3.3 (8)	38.7 (94)	58.0 (141)	100 (243)
JapCo2	3.4 (5)	25.3 (37)	71.2 (104)	100 (146)
JapCo3	4.3 (3)	42.0 (29)	53.6 (37)	100 (69)
SOE	13.4 (13)	37.1 (36)	49.5 (48)	100 (97)
JapCo1a*	4.1 (6)	36.7 (54)	59.2 (87)	100 (147)

\*See Table 1 above

The recruitment of shopfloor staff followed a similar pattern at all three firms. Before store openings the preference was for those with no work experience. A [Chinese] floor manager at JapCo3 explained that, ‘a clean white sheet is best when you open a store because you need them to do as they’re told (*tinghua*).’ In subsequent recruitment, the preference was for those with experience who could begin work as quickly as possible. Before one store opened in 1993, over 1,000 recruits joined the firm. Japanese managers had interviewed 2,000-3,000 applicants via an interpreter. Those recruited received two weeks’ initial training, with one further day each month. Workers recruited subsequently received one day of training. Training was comparable to that in Japan, but was slowed by the necessity to use interpreters. A Chinese manager at JapCo1 provided an insight into selection criteria when she described the difficulty involved in recruiting new staff, ‘it’s easy to find recruits, but not so easy to find suitable recruits. They need to be able to endure hard work (*chiku*) and be obedient (*fucong*); it’s no good if they have their own ideas (*ziji de xiangfa*). They also need to be able to cope with pressure (*chengshou yali*).’

JapCo3 attempted to replicate its parent country graduate recruitment process. When one store opened in 1993, a cadre of university graduates had been recruited as middle managers. By 2002, however, they had all left the firm, many having gone abroad. Similarly, in 1999, the firm scoured local universities for potential recruits. Some two hundred students received detailed information on the firm, and sixty took a written exam. Following interviews, sixteen recruits were selected. Each recruit received twelve days’ initial training, before spending one month on each of the store’s five floors, with one week in each section of each dept. By 2003, just two of these recruits remained. JapCo1 had experienced a similar situation, a personal manager recalled, ‘in the past we’ve selected some good people with a university background, but they’ve gone to Wal-Mart.’

Japanese expatriate managers were disappointed, even bewildered, by this behaviour. A store manager at JapCo3 expressed frustration at the level of labour turnover:

*‘It’s a problem. We’ve experienced many cases when people we’ve educated and trained and developed have gone to other companies to get a better salary. It’s a surprise to me; I thought that Chinese would be more giri-orientated; this is the country of Confucius. But nowadays Chinese people only think about money.’*

However, the firm did not appear to have offered these quitting employees financial incentives to remain. Instead, managers emphasised the long-term rewards that would accrue to them in terms of promotion prospects and job security. They also sought to employ moral persuasion, telling them how disappointed their friends and former expatriates who had trained them and now returned to Japan would be. The store manager commented ruefully, ‘it’s a kind of emotional approach, it doesn’t work.’

Turnover rates were particularly high among temporary staff. At one JapCo1 store, turnover among regular staff was 1.7-2.0 percent per month, but 20 percent among temporary staff. An expatriate at another JapCo3 store considered job-hopping ‘the biggest difference between China and Japan’. However, he saw both positive and negative aspects to this. It was problematic in that, ‘those with ability leave, while

those without ability stay.’ More positively, turnover reduced labour costs, since it enabled the firm to recruit staff when needed and to appoint them at a lower salary. He added that in Japan too job-hopping was becoming prevalent among Japanese ‘as they become more westernised’. It had also been common during the boom years of the 1970s. Moreover, labour turnover in his store was low by comparison with surrounding stores, with a rate of 10 percent per annum compared to 50 percent in some local stores.

#### *Relatively slow promotion*

Promotion at the Japanese stores was noticeably slower than in a UK-invested firm researched by the author (Gamble, 2003c). However, promotion was still faster than in the firms’ parent country stores (but, one might add, closer to the situation in Japan during the 1970s and 1980s). At JapCo1, promotion from one grade to the next typically required one to three years’ experience, although in some cases a customer assistant could become a supervisor after six months. At senior levels, all department heads were recruited from within the firm. The relatively rapid promotion can be attributed to the preference to rely on internal labour markets, underscored by a perceived lack of suitable candidates in a new environment; this left firms with no option but to increase the pace of promotion. Additionally, as a result of their careful training, JapCo1’s staff were in demand from other stores; promotion could act as a retention device.

The Japanese MNEs’ stress upon internal labour markets parallels their parent country practice, but appears to contrast with emerging patterns in China. In a sample of 400 joint ventures and SOEs, Ding and Akhtar (2001) report that 35 percent of the formers’ managerial vacancies were filled by external labour markets, and 17 percent in SOEs. These findings indicate a shift away from pre-reform era dependence on internal promotions. Further study on Chinese retail firms would, though, be necessary to distinguish sectoral norms.

#### *Pay systems*

In China the three Japanese firms placed greater stress on monetary incentives and sanctions than they did in Japan. At JapCo2 in Japan, for instance, cashiers’ salary was fixed, but in China extra payments were made for number of customers served and accuracy, with employees having to personally make good any shortfall. In China, JapCo3 paid a bonus dependent on sales; the firm did not pay this kind of bonus in Japan. While the average customer assistant received a total monthly income of 1,300-1,400 yuan, those with the lowest bonus received 1,000 while the highest received 1,800 yuan. The intention, as an expatriate manager expressed it, was ‘to clearly demarcate the good from the bad.’ These differentials appear to accord with emergent practice in China. Pay systems in reform era China have shifted from previous egalitarian norms (Goodall and Warner, 1998; Gamble, 2003b), with a trend to introduce performance related pay (Ding et al., 1997). The tendency to emphasise performance related pay, also mirrors trends in Japan, its more widespread use in China might be linked to the weakness of local trade unions. This may be an instance where firms introduced policies in China they might wish to implement more extensively in Japan, but were constrained from so doing.

In a particularly interesting measure JapCo2 had introduced seniority pay in China, at just the same time such payments had been severely curtailed by the firm in Japan itself. In theory, a customer assistant (who began on 1,000 yuan pcm) could overtake the starting pay of a deputy supervisor (1,900 yuan), while a deputy supervisor could overtake a supervisor's pay (2,800). The intention was to limit labour turnover and help retain long-term staff. Even with this policy, in the previous year, 82 out of 500 regular employees had quit; a rate which while high was lower than neighbouring firms. By contrast JapCo1, which does pay seniority pay in Japan, paid only a negligible amount for each year of employment.

*Commitment to high standard of customer service – smiling, bowing, polite phrases*

*In Japan they put the customer first, but in China to put the customer first is a new concept. The Japanese stress customer service, standing in the customers' viewpoint. Our offices are small, the space for customers is bigger. Before, at state-owned stores, staff ignored customers. Each time we get paid, we're told that the customers pay this salary. JapCo1 personnel manager*

*'The biggest difference between JapCo1 and other stores is the Japanese style customer service (rishi de fuwu). We have a strict requirement since it's a Japanese store, especially compared to state-owned stores.'* JapCo1 Trade desk customer assistant

*'JapCo1's management system is good, they provide China with a type of customer service it never had before. Before in China, customer assistants appeared to be really bad-tempered (shouqi), and you couldn't return faulty products. The management here is a bit strict, but the welfare benefits are good. Chinese management style is more relaxed. Before coming to JapCo1 I worked in a state store selling fridges, there employees often came in late, there was no time card, it was really easy-going (hen song), you could chat with colleagues whenever you felt like it during work time. You had no sense of responsibility. Here it's very different, everything has a set order (chengxu), everything has a system (zhidu), there are rules for everything, everything is very clear. You can't yawn or chat to colleagues or lean against the wall, you have to deal enthusiastically with the customers. This is the Japanese management style. At my last job, you could argue with customers, here you must put customer service before everything else.'* JapCo1 In-store fast-food restaurant, customer assistant

All three firms emphasised customer service as a source of differentiation from competitors. JapCo1's chief executive in China described politeness to customers (*daike de limao*) as the key feature that would attract and retain customers. At two stores in second tier cities in particular, firms linked themselves closely with China's modernisation project aiming, as their historical counterparts in America had done, to make themselves objects of civic pride, attractions in themselves and a validation of cities' stature and cosmopolitanism (Benson 1986: 83). A JapCo3 store manager, for instance, described the local city as a one of the firm's stakeholders, the intention was for his store to be 'a role model of a modern retailer'. Kostova and Roth (2002: 217) remark that foreign MNE subsidiaries are not necessarily expected to be completely

isomorphic with other local organisations. In the Chinese context, indeed, this would defeat part of the Chinese state's objectives; FDI has been encouraged, in part at least, to introduce role models for local firms and to encourage them to upgrade.

The approach to customer service interactions was more prescriptive and detailed than at a UK store researched by the author (Gamble 2004a). Despite the large volume of customers employees were expected to bow and welcome each one. Correspondingly, training was more intensive and extensive, and also more likely to be provided by expatriates than by local staff. At JapCo1, in 1997, the first set of 1,000 recruits was trained by 4-5 Japanese staff. Chinese staff have gradually taken on more responsibility for training, but expatriates still play a key role.

*'Customer service is different here. Here you must consider things from the customers' viewpoint (zhan zai guke de lichang kaolu). At my previous state-owned store it was really careless (hen suibian), we didn't say "huanying guanglin" (welcome to the store), this is our most basic language. Here we stand in customers' shoes. You should pick up rubbish, be careful of displays and keep the aisles clean to ensure it's not untidy for customers. You should answer carefully all the customers' questions.'* JapCo1 customer assistant, daily products

A JapCo1 checkout assistant who had previously worked in a state store remarked:

*'At the SOE we didn't emphasise customer service, here it's what we stress the most. Here customer service is number one. People there were lazy, we often ignored customers. The atmosphere wasn't good, because of the poor management style. The supervisors and managers stayed in their offices reading the newspaper and didn't come out, not like the leaders here.'*

At JapCo1, recruits appointed before store openings underwent three months' training (recruits who join an existing store receive one week's training). This induction included an introduction to company history, product knowledge, and job content as well as attention to aesthetic dimensions such as dress and appearance, use of language, appropriate gestures, posture and behaviour, and bowing. Detailed requirements included guidelines on hair colour, style and length, colour of lipstick and nail varnish, standing feet apart with hands folded, and pointing with the whole hand. Photographs on display in the back office showed front, side, and back views of the ideal appearance for male and female workers. A checkout assistant recalled, 'during induction we're told two rules: Rule one, the customer is always right. Rule two, when the customer is wrong please refer to rule one'. The appearance in a western Chinese city of this phrase, clearly echoing Philadelphia retailer John Wanamaker's slogan 'the customer is always right' (Benson 1986: 93), indicates the borderless promiscuity of such slogans. This sentiment, which would clearly resonate with indigenous conceptions in Japan, has ricocheted across time and space from the United States, via Tokyo to China.

The firms all had greetings ceremonies for the first customers of the day. Each morning at JapCo1, for instance, Japanese executives and a group of six local staff form two phalanxes to greet customers. As stores' main doors open they bow and

repeat 'Good morning, welcome to the store!' to the incoming customers. Customers' reactions were similar at the different locations. A category manager at JapCo3 recalled that, 'at first customers were afraid when we bowed and said "what are you doing this for?", they were curious. Gradually, our customer service is recognised (*renke*) by customers, now customers say hello and are really warm (*tebie qingie*).'

*'In 1993, when the store opened and we greeted customers, they were really astonished. Now many smile and nod. In 1993, they couldn't understand it, now they're used to it and like it. Other department stores copy us. We were the first store where customers could touch the goods. Now you can touch them at every store.'* JapCo3 floor manager

*'We were the first store to say "huanying guanglin" and to bow; then the customers were a little afraid. Now they expect this customer service and enjoy it. Other stores don't do this very well.'* JapCo3 supervisor

Another JapCo3 floor manager recalled that at first customers considered this aspect of their customer service 'strange', and some felt so embarrassed they took the lift directly to the sixth floor to avoid it.

Correct customer service was reinforced in post-induction training. At JapCo1 bowing and the 'six polite phrases' ('please wait a moment', 'I'm sorry', 'thank you' etc.) were practiced and repeated every morning at store-wide and departmental briefing sessions. Despite such reinforcement it was not always possible to maintain the desired level of customer service. A personnel officer remarked, 'we're a training school (*peixun xuexiao*) since we need to keep training and to check constantly that employees are doing what they're supposed to do.'

This form of customer service was provided despite its Japanese origins, to which its performance drew attention, and regardless of latent anti-Japanese sentiment. Employees, especially at JapCo1, cited instances where they had been subjected to anti-Japanese prejudice which was said to be strongest among older customers. In a relatively mild rebuke a checkout assistant had been told by a customer that she should not bow, 'because it's a Japanese custom not a Chinese custom.' A cosmetics section customer assistant reported that when employees lined up to see off customers (*songbing*) when the store closed some made disparaging comments such as, 'it's all copied from Japan' (*dou gen riben xuede*), or more harshly, 'traitors' (*maiguozei*). A service desk supervisor had been asked questions such as, 'Do you remember the Nanjing massacre?' and 'Do you hate Japan?'. Another checkout assistant had twice been upset by customers who cursed her as a 'Japanese running dog'. A customer who was refused extra plastic bags by a checkout assistant sneered at her, 'you're working for the Japanese, you're saving Japanese people's money!'

The presence of Japanese manufacturing firms which transplant overseas can have significant 'demonstration effects' for the host economy (Munday et al., 1995: 14). The presence of foreign competitors has spurred local stores to upgrade and compete with the foreign-invested firms. Expatriate Japanese managers noticed that Chinese customers had rising expectations of customer service. Demands on foreign firms were also higher than those upon local stores. Competitor stores had now improved

their customer service. A senior expatriate at JapCo1 recalled that when the first store opened it had easily provided the best customer service in the city, but now they had to struggle hard to retain this status. A store manager concluded, 'China has gone from a time when stores selected customers, to an era where customers select the store.'

As working environments, unlike most factories and offices, retailers are peculiarly open to public and competitors' scrutiny; their practices and procedures are readily copied. There was considerable evidence of mimetic isomorphism as local firms sought to model their own approach to customers on the practices that appeared to be central to the Japanese firms' success. Employees, such as a children's clothing department supervisor, who had been with JapCo1 since it opened recalled:

*'We were different to other stores, at first customers weren't accustomed to our customer service, now other stores copy us. I remember that when we said "huanying guanglin" people were surprised and put their hand to their mouth. Now they'd feel it was strange if we didn't do this. Now small private stores do this, and also big stores such as [a state-owned store], they copy the good things. It used to be that store employees had an obnoxious attitude (elie de taidu).'*

*'Previously all department stores were state-owned and customer service was really awful. We look at things from the customers' perspective. You mustn't yawn in front of customers, or lean on the counter or against something. Other stores copy JapCo3, but often it doesn't work very well, they might do it for a while, but then they relax the requirement on the employees, and there's a lack of continued training. JapCo3 customer assistant, female clothing section.*

Sales staff found provision of this emotional labour demanding and stressful. However, they also took pride in providing what they considered the best customer service available. JapCo1's employees knew that surrounding stores were attempting to copy their form of customer service, and were proud they could not match them. Chinese staff acknowledged that Japanese style discipline and training underpinned their superiority. A women's clothing section customer assistant remarked, 'here the approach to customer service has been transferred from Japan and also customer service training is very detailed.' Chinese employees undertaking of the imported form of customer service appeared to go beyond the 'ceremonial adoption' described by Kostova and Roth (2002).

*'Customer service is much better here than in my previous state-owned store. Japanese stress customer service, everyone says "huanying guanglin". Other stores start to copy us but it's difficult for them to do it so well. Previously, if you gave change to customers, you just gave it to them and didn't say anything.'* JapCo1 fruit and vegetables section, customer assistant

A men's clothing section customer assistant at JapCo1 reflected, 'there's a big difference in the rules here; the politeness requirement is especially strict. At [my former state-owned store], customer assistants said *huanying guanglin*, but very reluctantly. At first they didn't say it, then they did sometimes. Here no matter how busy you are, you still say it.' Her comment demonstrates employees' pride in

providing high quality service, even if the activity itself could be a source of exhaustion and, on occasion, provoke abuse.

### **Discussion and conclusions**

Even though these MNEs operate in a multi-domestic sector, contrary to expectations, in significant respects they did not follow host country practice. Conversely, while the research highlights strong country of origin effects, there is ample evidence of firms adopting and adapting in these new contexts (Morgan, 2001). The findings demonstrate the extent to which HRM in MNEs constitutes 'a nexus of differentiated practice, with specific practices shaped, to varying extents, by different forces' (Rosenzweig and Nohria, 1994: 248). The specific concatenation of variables in any given environment will differ and also act to produce diverse outcomes, organisational forms that neither replicate those in the parent country nor mimic those in the host country. This underscores the necessity to trace and analyse each HRM practice separately, rather than as a discrete whole (Lu and Björkman, 1997).

Practices in China were a collage of the strategic, the tactical and the reactive. In some respects, the transfer process was analogous to the repeated photocopying of a photocopy. The firms transferred a weak form of the commitment to long-term employment, an aspect that meshed with recent historical practice in China but is contrary to emergent norms. Some features matched current trends in the host country, such as the introduction of performance related pay. In this case, the same trend was evident in Japan itself, but the absence of a constraining union voice probably permitted its more thoroughgoing adoption in China. Another dimension in the potpourri was the transfer of aspects that were innovative in the Chinese context, such as Japanese style customer service. There was the rather unsuccessful transfer of attempts to replicate Japan's internal labour markets based upon recruitment of graduates for life time employment. In one instance there was a reversion to previous practices in Japan, with the introduction of seniority pay, a rational response to a localised problem of excessive labour turnover. Finally, the Japanese firms engaged in practices that were relatively novel for them, such as the extensive promotion of female employees to management positions. This was not a conscious strategy on the firms' part, but rather followed local labour market and social norms. Although reactive, it was also an approach that some of the firms, at least, saw as desirable in Japan.

Dedoussis (1995) reports that only relatively low-cost management practices were transferred to Japanese MNE subsidiaries in Australia. He attributes this to the peripheral nature of these subsidiaries. Stores in China were not considered peripheral, being seen as integral to companies' internationalisation strategies. However, in some respects the employment relationship at the China stores was analogous to that of contingent workers in Japan. In some instances, these relations were of a nature that the firms would, given the opportunity, like to institute in Japan. In other respects, practices were effectively forced upon companies, such as limited hours for part time staff, or constituted rational responses to novel problems.

The findings indicate that whereas it is possible to transfer culturally innovative practices, any that ran counter to institutional features such as the nature of local labour markets are much harder to implement. As an instance of this firms were able

to transfer cultural practices such as Japanese style customer service. This was despite the fact that bowing in particular was antithetical to local norms, being culturally alien and possessing the potential to arouse the latent resentment against Japan. It was also a practice that staff found physically exhausting. By contrast, an uncontroversial practice, JapCo3's hiring of graduates to train as a new management cadre, flourished on China's different institutional soil.

Three factors at least lay behind the successful dissemination of Japanese style customer service. Firstly, the availability of an abundant labour supply ensured firms could select those that would meet their requirements. Secondly, and linked to the ample supply of labour, firms could discipline those who failed to meet their criteria. Thirdly, in the Chinese context, this style of customer service was relatively novel; it was perceived as superior to prevailing domestic styles and thus to possess competitive advantage. Workers clearly took pride in providing a level of customer service they considered superior to that of competitor stores, be they locally- or foreign-owned. This practice also meshed with broader changes in China's retail economy.

Where Whitley (1999, 2001) stresses the nature and degree of organisation in host environments as a factor hindering or permitting the transfer of parent country practices the evidence from this study indicates a less sociologically elegant finding; the greater the available supply of low cost labour, the greater the potential to transfer parent country practices. The Japanese firms all sought to disseminate the rhetoric of the sovereign consumer (Du Gay and Salaman, 1992) and their parent country style of customer service to their subsidiaries in China. These notions were underpinned by an array of HRM practices including the selection and recruitment of those with customer-orientated values, training and socialisation, disciplinary measures, surveillance and incentive strategies. As in the case of Japanese automotive transplants in the US, the potential to effectively implant Japanese methods relied especially upon the ability to carefully select workers (Florida and Kenney, 1991). Chinese employees were recruited, trained and disciplined in such a way that their thoughts, feelings and behaviour might come to resemble those of their Japanese counterparts. Where possible, firms also sought to train customers in the appropriate (that is, Japanese style) means to consume in these new consumption venues.

Discipline and training played an integral role in the transfer of Japanese practices. At JapCo1, for instance, the author was told that some managerial staff had quit after they refused to bow. The imported style of customer service could only be maintained by constant pressure and reinforcement. An expatriate manager at JapCo3 commented, 'it's a great effort to keep all the sales people in line and to make them give good service every day. Perhaps they can today, but not the next day.' Fuller and Smith (1991: 3) argue that, 'Quality service requires that workers rely on inner arsenals of affective and interpersonal skills, capabilities which cannot be successfully codified, standardized, or dissected into discrete components and set forth in a company handbook.' Japanese expatriates would be unconvinced by this statement. All three firms did their utmost to codify and stipulate the behaviour required in detailed training manuals and employee rulebooks, with fines imposed for transgressions. This is a significant departure in China where, before the reform era, 'written organisational rules were rarely part of the work environment' (Guthrie,

1999: 45). In China, JapCo1's rulebook contained approximately three times more rules than that used in Japan. Store managers attributed the need for extensive and detailed rules to different behaviour standards in Japan and China. For example, rules such as those instructing employees not to spit were seen as unnecessary in Japan, since employees would observe this behaviour without instruction.

JapCo3's rulebook included injunctions not to laugh at customers, not to be sarcastic to customers, not to lean on the counters, and not to eat while on duty. The company had first prepared such a manual for its Singapore operation; a similar one was used in Taiwan. A different version was used in Hong Kong, and this provided the basis for the PRC manual. Compared to the manual used in Taiwan, where people were perceived as closer to Japanese, those for the mainland and Hong Kong were more prescriptive with clearly defined fines for transgressions. The firm's deputy GM explained:

*'We give workers a manual, the same as at MacDonald's. Without a manual it would be a big mess. New employees can see the manual and know what to do. So in China work "know-how" is in the manual; in Japan work "know-how" is in people, not the manual.'*

The attempt, then, was to disembodify and codify knowledge that was largely tacit in Japan, and to re-materialise it in the Chinese context. Undoubtedly, it was the perception of practices being culturally embedded and highly tacit in nature that contributed to the necessity for a relatively large contingent of expatriates. The task was made particularly difficult since this knowledge included not only business practices but also ways of being and behaving, what Bourdieu calls the habitus. Anybody who has accompanied a Japanese manager on a store tour is likely to have witnessed the way they automatically pick up rubbish and tidy up thoroughways. The goal for these firms was to inculcate this same habitus in Chinese employees. In this way the firms were socialising Chinese workers, including some for whom this was their first experience of work in a company, into the habits of (the Japanese variant of) modern capitalist enterprises. Japanese firms might also have a heightened sense of the skills involved in retail work compared to, say, UK firms (Gamble, 2004b). At JapCo3, for instance, an executive remarked that the average employee had been with the firm for 7.5 years, and that it took a customer assistant about 3 years to learn to do their job well.

To help ensure compliance, JapCo3 introduced a system of red and yellow cards. Employees shown one red card lost their job immediately, yellow cards served as a verbal warning, with two yellow cards equal to one red. Yellow cards were shown, for example, for yawning, chatting or ignoring customers, and incurred a 50-yuan fine. Only expatriate managers were empowered to show these cards, it was considered that allowing Chinese staff to issue them would be too disruptive of human relations in their departments. During 2000-2, ten employees had been shown red or yellow cards, numbers had been greater before this time. These cards were not used in Japan nor were fines, but workers could have their pay cut or be fired.

Rosenzweig and Nohria (1994: 235) suggest that affiliates might increasingly come to resemble the local environment. The evidence from this study is that in part, at least,

the local environment might also come to resemble the affiliate. This was particularly evident with respect to customer service, as local firms sought to mimic the practices that appeared to lay behind Japanese firms' success in the marketplace. Both expatriates and local staff observed isomorphic tendencies. In addition to the copying of stores' customer service, employees noticed that SOE floor managers now did more regular floor inspections. Expatriates in Shanghai noticed that local stores no longer permitted their staff to eat lunch while on duty (a practice one expatriate described as 'unimaginable'). A Japanese deputy general manager added:

*'We do our best to get them to do Japanese style customer service. Now they can. At first they never said, "I'm sorry" if they made a mistake, or "thank you". This is the hardest part to teach them. By 1995-6, after two or three years, it had become a habit. Stores beside us saw this and began to copy, now they say "huanying guanglin", before they had a very bad attitude.'*

The findings run counter to those of Taylor (1999a: 868), who reports that Japanese firms did not rely upon expatriates to ensure the transfer of Japanese management style. These retail MNEs depended heavily upon expatriates to facilitate the transfer of specific ownership advantages abroad. Legewie (2002) argues that reliance upon expatriates inhibits Japanese firms' ability to respond flexibly to rapidly changing market conditions. The argument is that the lack of autonomy given to local staff precludes them channelling essential information to their superiors. Undoubtedly an expatriate-heavy structure risks de-motivating ambitious local managers who feel frustrated by limited promotion prospects and lack of authority, but the firms were far from unresponsive.

Japanese expatriates might be socially distant from their Chinese employees, with lack of a common language being an obstacle. However, store work is highly labour intensive and densely social in character. Moreover, Japanese managers scrutinised EPOS figures, matched sales trends against local holidays and changes in the weather. They regularly patrolled the shopfloor, prepared written responses to customer complaints, and sought explanations from local staff. It is hard to tally this with lack of responsiveness. An expatriate-heavy structure with its need for a substantial supply of staff from the parent company does, however, stymie rapid expansion. The findings support Whitley's (2001: 50) insight that cooperative hierarchies will internationalise more slowly and incrementally than isolated hierarchies. Despite beginning operations in China earlier, the Japanese firms have been outpaced by retailers from France, the UK, and America. Firms from these nations generally operate their affiliates with either one or no expatriates in the stores.

Extensive expatriate use is consistent with the nature of the Japanese business system. In the case of these retail firms, then, a parent country effect influences the pace and scale of expansion. A long term perspective is also consistent with the business model of 'patient capital' in Japan. Similarly, the aim to inculcate in Chinese staff a 'Japanese' approach is redolent of long termism. JapCo2's rather different approach to the use of expatriates might be related to the firm's parent country organisational history. Where JapCo1 and JapCo3 had both developed through gradual endogenous growth, JapCo2 had grown rapidly through acquisitions.

Setting up in a new location offers both firms and the individuals within them space to experiment with novel modes of operating. Posting to China presented Japanese expatriates with greater latitude than in their home country roles where hierarchies were dense and multi-layered. Some expatriates clearly relished this increased responsibility and autonomy. One store manager, for instance, grasped the opportunity to design and introduce a range of monthly campaigns to improve customer service. He had observed that, 'in state-owned stores it seemed that the customer was the enemy. Merchandise was scarce so vendors felt they had the power to decide who to sell it to.' He noted a lack of politeness and smiling, 'I found that Chinese people rarely say "thank you". Greetings are different, smiling is rare. Through contests I want to make manners and good things to do, such as smiling, a habit.' 'Campaigns' included a smiling contest and '*arigato undo*' (being thanked) contest. Winners of these contests were featured in the company magazine.

The store manager was pleased to report success, he noticed a change in employees also, 'customers are changing, they're responding to the change in our salespeople, now they're smiling more. People smile back; it's a visible change. Now customers are accustomed to this Western style.' These findings lend support to Morgan (2001) and Lane's (2001) reflections on the nature of actors in MNEs, and the need for a focus that takes account of internal complexity and conflict. Clearly, Japanese managers were constrained by their domestic business system but at the same time they could develop creative spaces and enjoy new opportunities in novel environments. The introduction of red and yellow cards at JapCo3, was another instance of such agency.

It has sometimes been regarded as evidence of the difficulties involved in transferring HR practices that many Japanese transplants do not transfer their seniority pay systems. However, this overlooks the fact that within Japan itself many enterprises consider seniority pay outmoded. JapCo2's introduction of seniority pay in China, despite forestalling the practice in Japan, indicates the extent to which 'Japanese' HRM practices do not simply stem from traditional social values, but were rational responses to labour market conditions at a certain stage of Japan's capitalist development (Beechler and Yang, 1994; Berggren and Nomura, 1997; Sako and Sato, 1997), and as such are amenable to transfer (Florida and Kenney, 1991). Seniority based pay was largely the product of the post Second World War era, fought for by the trade unions and introduced as a means to secure labour peace and retain skilled workers (Ornatowski, 1998: 82). Specific features of the host labour market encouraged the introduction of this practice.

The findings indicate the potential malleability of cultural features. Rather than view culture as an essentialised and static entity it is more appropriate to adopt a process orientated perspective 'in which existing meanings are constantly being contested in rough-and-tumble fashion, renegotiated, and redefined by the parties' (Bate, 1997: 1159). It is tempting to attribute absence of transfer to a tautological black box labelled 'culture'; reference has already been made to this trend in the literature on China. Similarly, Gill and Wong (1998) state that the transfer of Japanese style lifetime employment and seniority systems to Singapore is problematic 'for cultural reasons'. However, Doeringer et al. (2003: 278) found that in the unlikely context of the United States, Japanese affiliates adopted no-layoff policies in some plants.

In an earlier paper (Gamble, 2003b) it was shown how a UK firm was able to transfer its flat organisational hierarchy to China, even though this was seemingly at odds with local institutional and cultural norms. Similarly, some long-term expatriates remarked that they might lose their 'Japaneseness' through being abroad too long. Findings in this earlier paper also indicated that diffused practices might be transformed in subtle and unexpected ways. Even though the form of Japanese-style customer service had been transferred, it might be subject to similar transformations, and the imported practices understood and interpreted in accordance with local norms and patterns of behaviour (Ferner and Varul, 2000: 137). It is probable, for instance, that the nature of interactive service workers' encounters with customers will vary in different cultural and institutional contexts (Gamble, 2004a). It appeared, for instance, that the rhetoric of the sovereign customer could provide a psychological 'safe haven' in stressful encounters with customers including when the unpleasantness was exacerbated by the anti-Japanese sentiment.

Finally, although not a focus of this paper, there was limited evidence of reverse diffusion. In some respects this is surprising, the heavy reliance upon expatriates coupled with the use of job rotation for expatriate postings ensures that knowledge of the China business is steadily infused and dispersed throughout parent country organisations. At JapCo3, for instance, around 30 head office staff, including one director, had experience of working in China. It might be that the influence of returnees is subtle and subterranean, and not a matter of conscious recognition. A willingness to make better use of and to promote female staff might be one outcome.<sup>4</sup> This is a topic worthy of further study and attention.

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<sup>4</sup> Florida and Kenney (1991: 187) report a similar instance of potential for reverse-diffusion at Honda's US assembly plant large numbers. In contrast to the all-male assembly-lines in Japan itself, many women worked on the US assembly line. The firm's ex-president of Honda America suggested that women should be allowed to work in Honda's Japanese car factory.

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