

**Introducing Western-style HRM practices to China: shopfloor perceptions of employment in a multinational**

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## **Introducing Western-style HRM practices to China: shopfloor perceptions of employment in a multinational**

### **ABSTRACT**

The management of host country employees is often portrayed as a particularly fraught dimension for multinational firms. The problems involved are considered exponentially greater when there are substantial institutional differences and “cultural distance” between the host country and a multinational firm’s parent country, as is assumed to be the case for Western firms operating in mainland China. Based upon detailed case study research conducted at a UK-invested firm in China between 1999 and 2003 and a comparative study of a Chinese state-owned firm, this paper explores the veracity of such assumptions. The findings indicate that Western human resource management practices can be transplanted successfully and questions the degree to which foreign-invested enterprises need to adopt “the Chinese way of doing things”. Indeed, such practices can be innovative in the Chinese context and provide a competitive source of differentiation for multinationals as employees.

Key words: China, multinationals, human resource management, expatriates, retail sector

## INTRODUCTION\*

Since the late 1970s, China has sought to attract foreign direct investment (FDI). The intention is that FDI will bring not only updated products, equipment and technology, but also advanced management expertise and human resource management (HRM) systems and practices (Child, 1991). China has been enormously successful in attracting investment; between 1980 and the end of 2004 the country utilised US\$562 billion in FDI. However, researchers have observed limits to the introduction of new HRM systems (Goodall & Warner, 1997; Ilari & La Grange, 1999; Warner, 1999; Ding et al., 2000), and Western training practices are regarded as potentially inappropriate in the Chinese context. More generally, the management of local employees has been reported as the greatest challenge facing foreign-invested enterprises (FIE) in China (Child, 1991; Jackson & Bak, 1998; Sergeant & Frenkel, 1998; Björkman & Lu, 1999; Ahlstrom et al., 2001).

To avoid difficulties analysts advise FIEs to adapt their HRM practices to the local context and to deploy expatriates with appropriate linguistic skills and understanding of Chinese culture. This paper focuses on the instance of a UK-invested retail firm in China that imported a relatively unmodified version of its parent country HRM practices. Moreover, their relatively open and consultative practices, **which included a comparatively flat hierarchy and mechanisms whereby managers actively sought workers' opinions and were responsive to employee feedback**, appeared antithetical to local norms. Despite this, not only does the firm appear to be performing extremely well but also, as will be shown, its local employees responded positively to the imported HRM regime. Given the firm's apparent disregard of "received wisdom", this paper sets out to investigate the factors that

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lay behind this intriguing success story. In particular, the paper explores the following questions: Can Western multinationals transfer successfully their parent country HRM practices? How do Chinese employees' experiences of employment in such a firm compare with that in state-owned enterprises? How do they respond to a relatively open and consultative HRM regime?

### **MULTINATIONAL FIRMS AND EMPLOYMENT PRACTICES IN CHINA**

Multinational firms face a choice between seeking to implement global HRM policies and adapting to local practices. In the Chinese context researchers argue that Western multinationals must make adaptations to local practices (Tsang, 1994; Verburg, 1996; Jackson & Bak, 1998; Sergeant & Frenkel, 1998; Björkman & Lu, 1999; Ahlstrom et al., 2001; Björkman & Fan, 2002). Verburg, for instance, advises that “designing suitable strategies of employment management in a non-Western country like China is not just a matter of implementing well-established HRM-practices but a process of shaping such designed practices to the specific context” (Verburg, 1996: 524). Similarly, Jackson & Bak suggest “it may be naive...to think that Western managers can enter China with an armoury of motivational techniques which have proved useful back home” (Jackson & Bak, 1998: 23).

All but one of 30 foreign managers in Chinese joint ventures interviewed by Child & Markóczy (1993) observed a great difference between their home country personnel practices and those they were obliged to follow in China. To some extent the legislative framework provided barriers to innovative practices; for instance, FIEs faced restrictions on recruitment and it was difficult to fire unsatisfactory workers (Child & Markóczy, 1993; Tsang, 1994). At a deeper and more pervasive level “organizational inertia” has been considered to constrain foreign investors from implanting new HRM systems and practices (Warner, 1999). Ding et al. conclude that the potential to “implant new human resource management systems and techniques is constrained by the Chinese context, particularly the cultural and institutional heritage of the SOE” (Ding et al., 2000: 219). In their estimation,

key impediments are the “mind-sets” associated with organisational dependency that “became deep-rooted and...difficult to modify or change” (218).

Child & Markóczy (1993) explore these features in detail, and identify similarities between the behaviour of local managers in Chinese and Hungarian equity joint ventures. Shared dimensions included local managers’ reluctance to make decisions or to accept responsibility for their actions. They were also unwilling either to share information with subordinates and other departments, or to inform their foreign partners of problems. Local managers also tended to insist on strictly defined tasks that they then followed narrowly, to the detriment of communication and flexible working. More generally, researchers observe difficulties in “the recruitment, development, and retention of a competent work force” (Ahlstrom et al., 2001: 59). Problematic aspects are reported to include lack of a committed workforce (Verburg, 1996), a poor work ethic and bad work habits especially in firms that were joint ventures with former SOEs (Sergeant & Frenkel, 1998).

Child (1991) and Child & Markóczy (1993) suggest potential explanations, which although focussed on managers, also help to account for the behaviour of Chinese workers in general. These include the system of industrial governance, resistance to change and national culture. Child & Markóczy consider the system of industrial governance and the corporate environment it established as the most pertinent explanation for host country managerial behaviour in both China and Hungary. Under state socialism managers learned to cope with systems characterised by paternalism, resource dependency, verticality and restrictions on free competition. Such systems fostered “defensive, conforming, behaviour” (Child & Markóczy, 1993: 617), that included avoidance of personal responsibility and a lack of independent thinking, initiative or customer orientation. Resistance to change was also encouraged in an environment where enterprise managers could face sudden changes in regulations and personal sanctions.

National culture has often been proposed to account for the values, beliefs and behaviour of workers in different countries (Hofstede, 1984). In the Chinese context, characteristics singled out include respect for hierarchy and the importance of relationships (*guanxi*). Lockett (1988) considers that such cultural factors would preclude implementation of Western HRM methods. Based on comparative research conducted at UK and Chinese firms, Easterby-Smith et al. conclude, “there are strong cultural factors which limit the adoption of many features of HRM in China” (Easterby-Smith et al., 1995: 56). Similarly, Lockett (1988) suggests that Western management methods must be adapted to fit better with Chinese conditions and culture. By contrast, this paper suggests that it might be detrimental if firms too readily adopt “the Chinese way of doing things”. In the process they might squander valuable resources that differentiate them as employers in China’s labour market.

This suggestion parallels a trend towards increasing standardisation in multinationals’ approach to HRM in China (Björkman & Fan, 2002). Where early Western FIEs tended to adapt their HRM practices to the Chinese environment (Child 1991, Goodall & Warner, 1997), during the 1990s the trend was to introduce more Western HRM practices (Björkman & Lu, 1999). Björkman & Fan (2002) suggest that this is because recent FIEs have greater control over joint ventures than those set up in the earlier period. State firms are themselves also placing greater emphasis on training and performance-based rewards. Additionally, China’s business environment is undergoing substantial change.

Since the late 1970s China’s formerly autarkic and uncompetitive economy has opened steadily to commercial pressures, with intensifying competition between domestic and multinational firms. SOEs are expected to become profitable; those that cannot may be sold off, or declared bankrupt and closed down. The number of SOEs in China fell from 102,300 in 1989 to 42,900 by mid 2002 (*Financial Times*, 11 November 2002, p.9). The labour market has decentralized and become more flexible, and the nature of enterprises’ role in workers’ lives has changed considerably. Reward systems are being reformed with

a trend towards performance-related systems, and benefits such as company accommodation and free medical care replaced by a commercial housing market and contributory medical schemes. Since 1986 a labour contract system has been adopted, and controls over recruitment and firing substantially removed. Nowadays, both employees and employers have a choice, respectively, in selecting which firm to work for and who to recruit. Job mobility has increased to such an extent that FIEs now report the retention of key staff to be a major problem (Tsang, 1994; Sergeant & Frenkel, 1998; Weldon & Vanhonacker, 1999; Wong et al., 2001). This paper suggests that these structural changes in the Chinese economy increasingly permit Western multinationals to introduce relatively unmodified versions of their parent country HRM practices.

#### **CHANGING BEHAVIOUR AND ATTITUDES IN CHINESE WORKPLACES**

Child & Markóczy (1993) investigate the conditions under which managerial learning can take place in joint ventures. Although their study focuses on managers, their remarks could apply equally to shopfloor workers. Child & Markóczy outline several possible forms of host country managerial learning in foreign joint ventures; these include non-learning, imitation and integrative learning. With non-learning no significant cognitive or behavioural change occurs. With imitation there is behavioural change but no cognitive change; actions may change but understanding is limited. In the case of integrative learning local managers change both their cognitive framework and behaviour. Integrative learning may come about “through both sides endeavouring to express and share their underlying understandings and behavioural norms” (627); this requires receptivity and readiness to change and learn on the part of both host country and foreign managers, mutual trust is critical. Integrative learning is seen as the most effective means to develop managerial competence and culture, thus enabling local managers to take over from expatriates at an early stage.

Mentoring and the introduction of consultative and more open HRM regimes might be viewed as a means to facilitate integrative learning. However, Weldon & Vanhonacker (1999) question how far such Western training methods can be transferred to the Chinese context. For instance, they anticipate that cultural differences between foreign mentors and protégées may impede informal relationships. Similarly, Björkman & Lu (1999) remark that “shadowing” systems and teamwork with expatriate professionals and managers might constitute important development strategies, but add that few of the 65 foreign firms they studied reported success with these methods. They suggest that this may be attributed to the performance pressures on expatriates, and also to their inability “to create close and trustful personal relationships with their Chinese colleagues and subordinates” (317).

By contrast, Ahlstrom et al. (2001) report instances where mentoring was helpful. It is also considered important that foreign managers set a good example (Tsang, 1994; Jackson & Bak, 1998). Tsang is convinced of “the importance of personal coaching in inculcating local managers in the correct way of doing things” (Tsang, 2001: 45). However, he adds that if the perceived social distance between expatriates and locals is high, transfer of knowledge is likely to be impeded, and argues that this requires expatriate managers to “possess language capability and be culturally sensitive” (45). Like Tsang, Walsh et al. (1999) suggest that the potential to transfer Western management practices rests heavily upon the quality of daily personal interactions between foreign and Chinese staff. It is important to build common interests and a relationship of trust. Such trust appeared absent in the US-invested firm they studied; local and foreign managers’ mutual perceptions were largely negative and likely to preclude integrative learning.

Some studies, however, indicate that differences in cultural background are less hindrance to knowledge transfer and harmonious working relationships than might be expected. In a study of 42 hotels in the Shanghai area, Leung et al. (1996) tested the hypothesis that Chinese employees would show a higher level of job satisfaction in firms where the cultural background of overseas managers was more similar to theirs. Contrary to expectations they

found that “similarity in cultural background between expatriate staff and local staff seems not to be a major factor in determining job satisfaction” (959). As Leung et al. point out, it is easy to attribute difficulties encountered in joint ventures to cultural differences, and to neglect analysis of non-cultural factors. Similarly Li et al. (2001) found that despite larger cultural distance between Western firms compared to firms from East Asia, the former possessed other sources of competitive advantage in China. They suggest that firms can overcome the difficulty of large cultural distance by sending to China expatriates “who understand both cultures well” (129).

There is relatively little research evidence to indicate how Chinese workers respond to open and consultative HRM regimes. However, Leung et al. found that distributive justice was positively correlated with job satisfaction and suggest that FIEs should focus both on pay and seeking “to establish decision-making processes that are consultative, open and responsive to feedback and suggestions” (Leung et al., 1996: 959). In a study of two Chinese firms, Wong et al. (2001) report organisational commitment to be a predictor of both job satisfaction and turnover. The authors recommend that firms should try to build positive, long-term relationships with their employees. Since trust plays an important part in determining organizational commitment, it is argued that “foreign investors may benefit by incorporating more human resource management practices that emphasize more transparent, open and fair procedures for communicating with employees and for allocation of material rewards” (Wong et al., 2001: 337). This paper explores in detail to what extent a multinational can introduce such an HRM regime and how Chinese workers respond.

## **METHODOLOGY**

Most research data on HRM in multinationals in China derives from surveys or interviews with senior managers and professionals. There are few in-depth case studies and little attention has been paid to the experiences of shopfloor employees. This managerialist

perspective neglects the voice of those at the receiving end; all too often managers are requisitioned to speak on behalf of their workers.

Several studies explore the extent of divergence or convergence between “traditional” Chinese HRM and Western-style HRM practices (e.g. Warner, 1997). Typically, analysts compare the adoption of Western practices against an ideal type model of SOE practices. The detailed case study approach employed in this paper enabled the author to elicit employees’ reports of their own experiences of differing employment regimes. As Nichols et al. observe in the context of Turkey, FDI provides “a means of comparison for those workers who can see both foreign and indigenous managers in their everyday work lives” (Nichols et al., 2002: 740). The firm selected for this research, “UKStore”, is particularly suitable to elicit such comparisons since its explicit strategy has been to replicate as closely as possible its parent country HRM practices (see Gamble, 2003b). The UK side of the joint venture has full operational control over the stores, and there was no established workforce. The firm’s preference to recruit those with work experience ensured that most employees had worked for at least one other firm, including SOEs, collective and private firms and other FIEs.

Both qualitative and quantitative data were collected. An in-depth study was conducted of UKStore, and research was also conducted at a comparable state-owned store. The latter, a leading retailer in Beijing, provides a control against which to measure the findings from UKStore.<sup>1</sup> In over 120 interviews a cross-section of employees was asked to contrast their experiences at UKStore with those in their previous firms. In 1999, research was undertaken at the first Shanghai store, in 2000 at the two Shanghai stores, and in both 2002 and 2003 at one Shanghai store and one in Suzhou. A total of six employees were

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<sup>1</sup> It would have been ideal to compare firms in the same part of China. However, gaining access to SOEs proved extremely problematic. This said the Beijing-based enterprise constitutes a meaningful comparator since it operates in a similar metropolitan environment and is a prestigious local store. Similarly, respondents to the questionnaire at both firms were at similar levels in the hierarchy and undertook similar job roles.

interviewed at the SOE during research visits in 2002 and 2003. The author's previous experience (e.g. Gamble, 2003a, 2003b, 2006) and facility in Chinese permitted interviews to be conducted on a one-to-one basis without a translator and for them to be transcribed directly by the author during the interview - tape-recording interviews would have inhibited interviewees' readiness to speak openly.

Undertaking longitudinal research provided a diachronic perspective that was useful to trace emergent trends. Repeat visits also fostered a basis of familiarity and trust between the researcher and interviewees. Interviews were semi-structured, that is, a pre-arranged set of questions was used but space allowed for respondents to digress and for these digressions to be followed. The intention was not to impose the researcher's own pre-formed opinions and expectations. Most interviews were conducted in the workplace, in an area where they could not be overheard by workers' colleagues or managers.

A survey-based questionnaire was completed by a cross-section of employees at three UKStores (two in Shanghai and one in Shenzhen) and the SOE. Response rates were high (98.6% for UKStore and 99% for the SOE) since the questionnaires were distributed and collected by the firms' personnel officers. The questionnaire is based partly upon the United Kingdom Department of Employment's Workplace Employee Relations Survey; as such it is a well-tested and robust research instrument. Specific questions and translations were discussed with several Chinese colleagues to ensure their comprehensibility and applicability in the Chinese context.

## **INTRODUCTION TO UKSTORE**

In 1999, UKStore opened its first store in mainland China in Shanghai. A second store, also in Shanghai, opened in 2000. By the end of 2003 a further eleven stores had opened in various cities, with the intention to open a total of 60 stores by the end of 2007. The first store had 190 employees and the second 185 employees; 68% were male and 32% female

with an average age of 27-28. By comparison, the average age of employees at the SOE was over 30, with 67% female and 33% male.

For the first year of operations, two expatriates filled the assistant store manager and store manager roles. Contrary to analysts' recommendations neither of these expatriates possessed Chinese language skills or received preparation for China posting. The store manager had no experience in Asia, and his colleague had had just a few months exposure to Chinese business when stationed in Taiwan. Since 2000, responsibility for management of the two original stores and all subsequent stores has been transferred to locally recruited managers. The HRM regime can be considered open and consultative in various respects. UKStore has single status uniforms and first name terms are used across the firm. Additionally, employees' opinions are actively sought through consultative mechanisms that incorporate grass roots staff. The organisational structure is relatively flat: under the store manager are two to four assistant store managers, each trading department has one supervisor, one or two deputy supervisors and between four and thirty-five customer assistants. The results in Table 1 indicate the degree to which UKStore had implemented a consultative HRM regime. In all dimensions UKStore provided a more consultative HRM regime than the SOE. It is notable that consultation over salaries showed the least divergence and was the least negotiable aspect at both firms.

[TABLE 1 ABOUT HERE]

### **THE VIEW FROM THE SHOPFLOOR: EMPLOYEES' EXPERIENCES OF EMPLOYMENT IN A MULTINATIONAL**

Local employees observed a range of divergences between the HRM regime at UKStore and their former SOEs (see Table 2). Unless otherwise stated, all employees quoted had previously worked in a SOE. UKStore also had a better physical working environment, and employed more up-to-date retail technologies. Surprisingly, given China's background as a command economy run through Five-Year Plans, employees appreciated the clear and

“long-term” perspective at UKStore which was communicated to the workforce. Firm strategy at SOEs was depicted as opaque, ad hoc and changeable.

[TABLE 2 ABOUT HERE]

UKStores employees displayed a higher level of satisfaction with a range of HRM practices compared to the SOE (see Table 3). UKStore had also fostered a high degree of commitment in a short space of time (see Table 4). For all three of these variables in this table one can reject the null hypothesis that there is no significance between them and the firm type. As mentioned above, the retention of trained staff is a challenge for many foreign firms in China. However, when asked whether they hoped to be in their firm in three years time, 73% of employees at UKStore, compared with 49.5% at the SOE stated that they were “willing”. By contrast, just 2.7% of those at UKStore, compared to 13.4% at the SOE stated that they were “not willing”. The following investigation explores the factors which might lie behind this sense of satisfaction and organisational commitment.

[TABLE 3 ABOUT HERE]

[TABLE 4 ABOUT HERE]

### **Motives for joining**

Employees were attracted to work at UKStore by the expectation that a Western multinational and especially one that was expanding rapidly would provide better pay, conditions, and training and promotion prospects than local firms. Salaries at UKStore were generally higher than those at local retailers. The average monthly salary of those surveyed was 1,246 yuan (US \$151) at UKStore and 1,163 yuan (US \$141) at the SOE. Recruits were also attracted to work for a large foreign enterprise. A customer assistant who had previously worked in a state store for one year remarked, “I applied to work here because it’s a foreign enterprise, it’s large and has prospects and because it’s modern

(*xiandaihua*).” Employees often referred to UKStore’s management approach as “modern”, for this employee it meant “there are clear guidelines on what to do.” In the more recent research, as the firm has become better known, respondents cited UKStore’s company culture as an aspect that had attracted them.

### **Security of employment**

Many employees attached considerable importance to the security of employment they felt at UKStore. It was not uncommon for employees to have worked in several firms. An electrical department deputy supervisor recruited in 2001 outlined his career. In 1992 he graduated from middle school and began work in an electronics factory. In 1996 this firm suffered from poor performance and his contract was not renewed. He did several part-time jobs before finding work in a state store. Two years later he left this store, it too had poor performance – “perhaps you can’t find this work unit now...”. He worked at a private store for 6 months before joining UKStore. A newly recruited customer assistant who had previously worked in a glass factory, a canteen and a real estate agency remarked, “we were told in training that if you work hard you can stay here for good. In many jobs you feel a pressure as they might get rid of you. There’s a feeling here between the company and employees, this makes employees willing to work hard.” This comment indicates the perceived sense of a Japanese style “psychological contract” between employees and the firm. The survey data illustrates this sense of security (see Table 5). At UKStore 65 per cent of employees felt that their jobs were secure, compared to 32 per cent at the SOE. Ironically, in China’s transitional economy workers perceived this foreign firm as a more secure “rice bowl” than the SOE.

[TABLE 5 ABOUT HERE]

The desire for security was most apparent among older employees. Generational differences are reinforced by traditional family structures; while younger employees usually live with their parents, those who were married with children have heavy burdens including

the high cost of education. As a consequence, where younger employees were attracted by training and rapid promotion opportunities, older employees were more likely to seek security. As the security of state-owned “iron rice bowls” has eroded, multinationals such as UKStore constitute a life raft of stability. While China’s economic reforms have brought unprecedented opportunity and choice for many citizens, others face the threat of unemployment and income insecurity. In 1997, the State Commission for Economic Restructuring estimated that 54 million SOE workers were surplus to requirements, almost half the total workforce. By 2000, urban unemployment was officially 3.1%, but some estimates put the true figure at around 8% (*Economist*, 2001).

Although FIEs tend to avoid older employees, fearing that they will bring bad habits from SOEs, they can also introduce greater stability. Older employees frequently contrasted their own stability with its relative absence among their younger colleagues. In the survey, 71.2% (n=151) of those at UKStore with no children stated that they hoped to be in the company in 3 years time, for those with children aged 0-4 years this rose to 78.4% (29), with children aged 5-11 years to 83.3% (20), and for those with children aged 12 to 18 years to 100% (7).

### **Work pace**

Employees from SOEs compared the leisurely work pace at these units with the more intense pace at UKStore. A deputy supervisor who had previously worked in a state hardware store remarked, “you have to walk a bit faster here.” A supervisor in the paint and decorations department who had worked in another state store commented, “here work time is work time, in my previous job we only worked 2-3 hours per day.” A customer assistant who had worked in a state grain store for many years after graduation from middle school in the early 1980s recalled, “that job was more relaxed, as Communist Party management is comparatively relaxed.” The statistical data did not fully support this perception of intensified work effort at UKStore compared to the SOE store, although UKStore’s employees appeared more likely to worry about their job outside work time (see

Table 6). Additionally, the average working week at UKStore (42 hours 40 minutes) was almost two hours longer than at the SOE (40 hours 54 minutes).

[TABLE 6 ABOUT HERE]

The image of Communist regimes is as harsh and repressive, but for many employees work in a FIE constituted a trade-off between greater work effort and the loss of some personal freedoms in return for higher pay and enhanced career opportunities. The sense of security discussed above comes at the price of intensified effort (see Table 7). In UKStore there was a statistically significant correlation at the .01 level between the variable “I feel that my job in this company is secure” and all three of the variables “I have to make a lot of effort to finish my work”, “I always have a lot of work to do”, and “I worry about my job even after work time”. There was no such correlation for any of these variables among SOE employees.

[TABLE 7 ABOUT HERE]

### **Company rules and procedures**

Rules, regulations and procedures in SOEs were depicted as relatively uncodified with discipline dependent upon particularistic relationships with individual managers, a portrayal that replicates findings presented by Child (1991). A buying manager with ten years' experience as an engineer in a glass factory did remark, “state enterprises have many rules”, but added, “not much notice is taken of them.” By contrast UKStore had extensive and regularised procedures, as codified in its Standard Operating Procedures. UKStore's rational, bureaucratic style was evident in a service desk supervisor's comment that “the unanimity of management is very pronounced. In state enterprises when leaders change many other things change too, for example, they bring in a whole new group of people.”

Given the historical backdrop of foreigners perceived as meeting out unjust and harsh punishments to Chinese (Gamble, 2003a: 71), local employees appeared, ironically, to desire a more rigorous system of discipline than that introduced by the British managers. This accords with the perception that Chinese managers tend to emphasise negative discipline (Child, 1991). A warehouse employee who had previously worked in a Taiwanese-invested supermarket considered, “regulations here are very lax, foreign companies take more time to discipline people, it’s a bit too slow.” A supervisor in the loss prevention department felt, “management is not strict enough; if an employee drops something and breaks it they should be fined.” In 2000, under pressure from local managers, the expatriate managers entered into discussions to decide whether to introduce fines for breakages, in the UK the company bears the cost. The company was also perceived as “weak” in the face of unreasonable demands from customers. A customer assistant explained, “we need stricter rules. Customers see that we’re a joint venture, so they put forward many unreasonable requests.” However, workers were also extremely critical of firms, and especially FIEs, with unduly harsh disciplinary regimes; FIEs are perhaps best advised to pursue their home country approach to discipline as far as possible.

### **Opportunities for promotion and individual development**

*“At the state enterprise you’d never feel, ‘I haven’t finished my work yet, I should stay and get it finished.’ Here you feel that if you still have something to do, you should stay and get it done. At UKStore there’s a comparatively large space for individual development and a higher demand on oneself. There were no expectations of you at my state enterprise. Here, when you expend more, you get something back.”* Decorative materials deputy supervisor

Many employees stated that they joined UKStore to develop new skills and to further their careers. Other researchers too have noted Chinese employees’ readiness to learn (Björkman & Lu, 1999). Far from seeing such service sector work as dead-end “McJobs” (Ritzer, 1993), employees anticipated that they would learn from the experience (see also Gamble, 2006). A showroom deputy supervisor explained, “I applied here because I saw

that it was an Anglo-Chinese joint venture with a management that was blazing new trails, so I came here to learn.” Similarly, a gardening materials assistant buying manager commented, “as UKStore grows I can increase my quality (*suzhi*), in the state enterprise I didn’t learn anything.” Compared to state firms, UKStore employees perceived a “greater expectation of oneself”, “space to develop oneself” and “great opportunities for individual development”. The potential to show individual initiative and enhanced opportunities was also allied to the extent of training offered by the firm.

Employees described promotion at SOEs as dependent on seniority with personal connections (*guanxi*) playing an important role; at UKStore it was potentially rapid and ability-based. A customer assistant, formerly a kitchen assistant in a state restaurant, observed, “in a state enterprise the master (*lao shifu*) is always the master, in a joint venture good people get promotion.” Such prospects appealed particularly to the young and ambitious and the firm attracted relatively well-educated recruits; this enabled UKStore to select those best matched to its working environment and corporate culture. In early 2000, for instance, 1,000 applicants responded to a recruitment advert, fewer than 20 were offered jobs. With UKStore’s rapid expansion, promotion prospects are good as new posts are continually being created.

It is notable that satisfaction with pay levels is only marginally higher at UKStore compared to the SOE (see Table 8). Additionally, the average salary figure for UKStore is distorted by the relatively high pay levels at the Shenzhen store; average pay at the two Shanghai UKStores was lower than that in the SOE. This suggests that other factors underpin workers’ positive evaluations such as the consultative HRM regime, the sense of achievement from work and promotion prospects.

[TABLE 8 ABOUT HERE]

Aspects of corporate culture chimed with rising individualism in China. A service desk supervisor highlighted the firm's slogan, "You can do it!", as a distinctive feature of its corporate culture. In a country where individual ambition had been subordinate to collective goals, such a slogan has a revolutionary tenor. Similarly, a hardware department deputy supervisor remarked, "in state enterprises competition is very limited, if you do your job well or not doesn't make much difference. Here I feel that I help myself, it's a great impetus." UKStore was said to be *ren wei ben*, "people-centred", a term employees understood in various ways. A gardening department supervisor stated that it meant "individualistic (*gexinghua*), for example, to get a customer satisfied, provided you don't go beyond the company rules, you can do the job in your own way." Other employees related the term to the perception that promotion was based upon ability rather than seniority or *guanxi*.

In China's transition from a socialist command economy to a market-orientated economy, market based employment relations have developed strongly. Morris et al.'s conclusion that China lacks "a real labour market" (Morris et al., 2001: 701) seems already outdated. Employees at UKStore knew the market value of their labour, which was enhanced by employment in a FIE, and readily expressed the option to quit if their expectations were not met. This is a potent threat since UKStore's rapid expansion plans are dependent upon a strong internal labour market and the retention of work-related skills. Problems of this nature could arise if the firm's growth slows. There were intimations of this at the Suzhou store where promotion prospects were forestalled since the firm only had one store in the area.

### **Relationships with co-workers**

Relationships with co-workers were generally depicted as good in both SOEs and FIEs. However, some employees commented that relations had been poorer in their former SOEs due to favouritism or interpersonal rivalries. Employees attributed harmonious relations between co-workers at UKStore to the company culture, the relative youth of employees,

and regular sports and leisure activities. A customer assistant with 24 years experience in a SOE believed, “relationships between workers are better here than in state enterprises as all employees are new, they have no previous influence.” A supervisor considered, “the spirit of unity emanates from the top levels down and spreads outwards, people help each other.” The daily storewide morning briefing sessions, which involved active contributions by shopfloor staff, were seen as beneficial including as a means to prevent vertical divisions between departments.

Workplace based friendships extended into the private sphere. Most departments organized out-of-work leisure activities, and these were especially popular among younger, unmarried staff. A deputy supervisor remarked, “there’s a spirit of unity with work colleagues, we go out for meals and link up. At my last job [she was in a SOE for 8 years], each person looked out for themselves, we just worked together and then each to her own.”

These findings indicate the importance of measures designed to reduce distance between departments as well as the value of social activities to develop a positive corporate culture. Supervisors described it as part of their role to encourage teamwork, they did this by “showing concern for employees’ personal lives”, being alert to changes in their mood and helping to organise regular social activities. As will be shown in the subsequent section, the example set by managers is also of vital importance.

### **Relationships with superiors and expatriates**

*“In my previous job it was, ‘I’m a leader, you’re a worker’, it was a very clear divide.”  
Gardening customer assistant*

At SOEs, hierarchies were portrayed as fine grained and clearly demarcated, with minimal interaction between different levels. At UKStore, staff described workplace relations as “equal” (*pingdeng*), “fraternal” (*xiongdian guanxi*), with a “spirit of unity” (*tuanjie jingshen*), and an “extended-family atmosphere” (*da jiating fengwei*) or a “family-like feel” (*qinqi*

*ganjue*). In the survey, 74.2% of UKStore employees described relations between managers and workers as “good” or “extremely good”, compared to 41.2% at the SOE. Conversely, just 1.3% of UKStore’s employees described these relations as “poor” or “very poor” compared to 5.1% at the SOE (the remainder responded “neither good nor poor”).

In the first year of operations, local employees were impressed by the self-presentation of the two expatriate managers. These managers operated as they had done in the UK, they spent much time on the shopfloor and were approachable. They also sought to develop team spirit through participation in out-of-work leisure activities such as karaoke, go-karting and bowling. Initially, one expatriate had found that compared to the UK “everyone here is very conscious of their level, they don’t question those above them.” However, he added, “this is changing gradually as we get the message across.”

Employees with previous work experience contrasted UKStore’s expatriates favourably both with other foreign managers and Chinese managers they had encountered. A decorative materials department deputy supervisor stated, “the UK managers are very polite, we like working with them, they’re easy going and treat us as equals. Chinese managers in other companies are separated from the masses and aren’t willing to interact with workers.” Similarly, a showroom customer assistant remarked, “there’s not a feeling of distance between workers and leaders, we feel close. Leaders have a feeling for us, this encourages workers; it makes people willing to work hard.”

Chinese staff referred to the first two expatriate managers either by their Christian names or as “*women de laowai*” (“our foreigners”). The dictionary term for foreigner is “*waiguoren*”. In this context, the colloquial term for foreigners, *laowai*, implies less distance and is more intimate than *waiguoren*. The use of the possessive also indicates a sense of inclusiveness that is in marked contrast to the case described by Ailon-Souday & Kunda (2003) where Israeli employees in a US-Israel joint venture used references to “Americans” as a means to maintain boundaries and distance between the two groups. A

store manager recalled how, as a supervisor, he had trained every day for three months alongside the first two expatriates. The deep impression this had left on him was clearly evident four years later. He was impressed by their attitude to work, the skills they had taught him and the personal concern they had shown for his career development.

This study indicates, then, that mentoring and the example set by expatriates can be effective even if they lack local knowledge. However, it is important to ensure that expatriates regard developing local managers as a top priority and receive incentives for successfully doing this (Björkman & Lu, 1999; Wong & Law, 1999). At UKStore it was part of both expatriate managers' and their local successors' evaluation to develop their successors. Firms with operating units across China can set up a scheme of "local expatriates" (Tsang, 1994). This strategy, adopted at UKStore, can help retain talented local staff and reduce the high costs associated with foreign expatriates.

Employees cited visible symbols of company culture such as the single status uniform and use of English first names for all staff as both indicative of the close relationship between the hierarchies and as factors that fostered such an ethos. A customer assistant previously employed at a state department store noted, "at [...] the grades were sharply demarcated. Here from the store manager to the customer assistants everybody has one uniform so it's easy to link up, just like with friends."

In contemporary Shanghai where managers now generally wear suits and ties to differentiate themselves from shopfloor staff, UKStore's use of a single status uniform constitutes a reversion to the Maoist era norm. A customer assistant recruited from a state store remarked, "when I first came here I was amazed to see that the store manager wore an apron and a name badge." Similarly, in Chinese companies lower ranking staff generally address staff senior to them in a formal manner, using both surname and job title. In this context, UKStore's company-wide use of first names constituted a radical innovation. The absence of managerial signifiers extended to managers' office space. Managers in SOEs

tend to have large offices which they rarely left. At UKStore offices are small, open plan and quite spartan. Senior managers occasionally expressed dissatisfaction at the absence of managerial perks considering, for instance, that they should wear suits.

UKStore introduced its in-house consultation system “Grass Roots” in which shopfloor employees are encouraged to voice grievances. Details of subsequent action taken and decisions reached are fed back to employees. A trade desk customer assistant who acted as her department’s representative reflected, “Grass Roots gives us a feeling of being on an equal level, the company wants to know what employees’ think.” In daily morning briefings and the company magazine UKStore provides its workforce with information on details ranging from sales targets and daily turnover to company strategy. By contrast, SOEs tend to be secretive, with information retained both by higher levels and within departments. An assistant store manager agreed, “the company culture is very open, SOEs are not open and their bosses have more authority and are more likely to abuse power.” However, in his estimation this “diplomatic” approach meant that, “it can take longer to reach a decision”. He considered this disadvantageous in the retail sector where fast reactions are necessary. While the data generally demonstrate the potential to introduce a relatively open and consultative HRM regime, such comments indicate that this might meet resistance from local managers.

### **Favouritism/particularistic ties**

In the business literature many researchers delineate the role and importance of *guanxi*, “connections”, in Chinese society. Employees with previous experience of SOEs appeared to endorse these depictions. However, they responded positively to an environment where particularistic connections were subordinate to merit:

*“The work environment here is relaxed; relationships are just work-based. In state enterprises there are lots of complicated guanxi; here it’s all for work and the customer.”*

*Hardware deputy supervisor*

*“The management approach is completely different to my last danwei. There everything depended on guanxi and ‘human feelings’ (renqing). Here it depends on your brain and your own efforts.” Showroom customer assistant*

A new recruit to the checkout was attracted to UKStore since in applying for work, “I didn’t want to rely upon *guanxi* and currying favour”, adding, “UK management is via competition and not *guanxi*.” An assistant store manager who had previously worked for a state-owned department store commented, “in state enterprises relationships are more complicated. In foreign firms *guanxi* is much less relevant, instead there’s good management. It’s a real nuisance to be concerned with who is who’s cousin.” Whereas some researchers argue that Western firms should focus upon *guanxi* development (e.g. Luo, 1997), the remarks of these employees indicate not only an acceptance but also a positive endorsement of bureaucratic and market based employment relations.

One store manager was among the first generation of Chinese at his level who had no experience of working in a SOE, rather he had worked for a number of FIEs. In his estimation he would now be unable to work in a SOE “because relationships in them are too complicated”. He expressed a strong preference for the presence of expatriate managers in daily store operations. He explained, “I like working with foreigners. I don’t like the Chinese way... Expatriates aren’t tied in to infighting, there’s a big advantage to coming in as an outsider.” Similarly, FIEs constitute “outsiders” in the Chinese context. By virtue of their financial strength and prestige, large multinationals in particular can operate in innovative ways in host environments.

In a study of Australian firms in China, Hutchings & Murray (2003) found that unlike smaller firms, large firms did not need to adapt so much to local practices, such as the reliance upon *guanxi*. More generally, Guthrie (1999) argues that foreign firms are fostering the emergence of formal rational structures and systems in China. The findings

from UKStore tend to support this view. Employment relations there go beyond the “partial weakening of the ‘patron-client’ relationship” Warner (1999: 14) reports in his investigation of high-tech Chinese firms. Employees who move to a foreign firm can place “distance” between themselves and wider Chinese society. This can help them adopt a strategy of “*guanxi* avoidance” (King, 1991) that separates specifically economic exchanges from diffuse social exchanges.

## CONCLUSIONS

There are risks in reading too much from micro-contexts, of overburdening the facts with a theoretical weight they cannot bear. It is difficult to know how far the findings are dependent upon UKStore’s short history, the stores’ location in the most economically developed areas of China, the firm’s specific culture and practices and the particular expatriates involved. Employees’ positive evaluations of management methods may diminish over time as the newness of the experience wears off. It may be, as Rosenzweig & Nohria (1994) suggest, that as the firm becomes more embedded in the local environment it will increasingly take on the practices that prevail locally. Perhaps over time recourse to the use of *guanxi*, for instance, will surface as an issue as the density of relationships “thickens”. It is critical too that UKStore has a business model and product that dovetails with the needs and aspirations of Chinese consumers. The sustainability and efficacy of the imported HRM practices will be tested in the event of a business downturn or even just a slower pace of expansion when employees’ expectations for individual advancement are less likely to be fulfilled. Despite these caveats, this exploration of ways in which host country employees respond to HRM practices in a British multinational enterprise indicates the potential to transfer relatively unmodified Western practices.

### Theoretical dimensions

The divergence between UKStore’s HRM practices and SOE norms lends support to the notion of substantial institutional and “cultural distance” between the UK and China.

Where UKStore has a flat organizational hierarchy, rational and bureaucratic procedures and a relatively open and consultative HRM regime employees depicted SOEs as suffused by entrenched hierarchies, widespread recourse to particularistic relationships and favouritism and the retention of information. These representations, along with expatriate managers' observations on their workforce, indicate a high power-distance relationship (Hofstede, 1984). However, as Leung et al. (1996) found, "cultural distance" did not present an insurmountable barrier to the introduction of HRM practices from the UK. Moreover, not only did the firm transfer some HRM practices that were antithetical to local practices and norms, Chinese employees responded positively to these innovations.

While national cultures undoubtedly "generate predispositions towards certain behavioural patterns" (Child & Markóczy, 1993: 622), it is evident that changes to structural and organisational features can have an impact on apparently deep-rooted cultural values. This indicates the processual nature of "culture"; cultural values are not static and unchanging as, for instance, Hofstede's model appears to suggest but a shifting, fluid repertoire "in which existing meanings are constantly being contested in rough-and-tumble fashion, renegotiated, and redefined by the parties" (Bate, 1997: 1159). Recent studies provide evidence of changes among young well educated Chinese towards a more individualistic and materialistic value system. Studies undertaken by Ralston and colleagues indicate trends towards increased individualism among younger managers and those in coastal regions of China more exposed to new economic and social forces. Ralston et al. (1996) surveyed the values held by managers located in six Chinese cities. They found that "individualistic" attitudes were more prevalent among "cosmopolitan Chinese" located in regions exposed to foreign influence than among "local" Chinese in less globally integrated cities. A study on the work values of Chinese managers and professionals found systematic differences between generational cohorts (Ralston et al., 1999). The "New Generation" of managers aged 40 years old or younger was more individualistic and less collectivistic than older cohorts.

These wider, societal level changes can help facilitate acceptance of new working practices, just as experience in multinationals can reinforce these trends. In a study of 62 Chinese-Western joint ventures and wholly owned subsidiaries, Björkman & Fan (2002) report a “strong effect” of performance-based rewards and individual performance appraisal on organizational performance. They take this as evidence of the way foreign companies have successfully used such approaches to influence the behaviour of their local employees. Working in a multinational enterprise is an iterative process, people can and do change; from the dialectic of global firms and local labour a new synthesis emerges. Moreover, changes might take place quite rapidly. Soon after UKStore opened in China, the senior expatriate manager likened his job to “pushing water uphill”. The following year his verdict was different, a view endorsed by his junior colleague who reflected on managers recruited from SOEs, “even though people like [xxx] haven’t been out of China, they’ve adapted very well, they’re now closer to us in terms of how they run things.” Another expatriate brought in for his technical expertise remarked, “in China, people adapt to change very quickly. In the UK, there’s a real reluctance to change, people say, ‘we’ve always done it that way’. In China, you just explain the logic.”

Hierarchy is generally perceived as a key constituent of “Asian values”. However, local employees’ positive evaluation of UKStore’s compression of status differences indicates that such cultural dimensions are not indelible. The persistence of organizational and political structures that underpin and maintain high power-distance relationships does not equate to a positive endorsement of such arrangements by those at the receiving end. While employees might be accustomed to centralised top down decision making in SOEs, the evidence in this paper suggests that Chinese employees respond well to consultative employment regimes. Notably, the most critical voices were those of senior local managers who objected to the paucity of accoutrements of managerial status.

Management practices developed in one cultural and institutional environment and transferred to alien environments do not enter a void. The way host country employees

respond to them is coloured by unique configurations of experiences, norms and expectations. UKStore's introduction of "Grass Roots" and its flat organizational hierarchy to China are instances of the way transferred practices can be transformed in subtle and unexpected ways. Unintentionally the firm had done something radical in the host-country context, the ordinary and mundane became extraordinary and innovative. The transfer of its flat hierarchy and consultative mechanisms to a country accustomed to entrenched hierarchies increased the degree of divergence from local norms, a deviation that leveraged the competitive advantage of this approach with respect to UKStore's position as an employer in China's labour market.

### **Managerial implications**

Getting the organisational structure right is critical to the success of any joint venture. In the case of UKStore, it is hard to imagine that so much could have been achieved with so few resources if the UK side had lacked full managerial control. Western firms in joint ventures without a dominant position can find it hard to introduce Western style HRM practices (Björkman & Fan, 2002). Additionally, unlike many earlier joint ventures UKStore was effectively a "greenfield" operation; it could recruit those best suited to the firm's needs and did not have to contend with the expectations of employees recruited from a Chinese partner.

The business environment is also undergoing radical change; the previous Chinese SOE HRM practices have become de-institutionalized. China is in the fourth decade of transition from state socialism, and the main props of organisational dependency that Child & Markóczy (1993) considered most pertinent to explain the behaviour of local staff have been jettisoned or eroded. These trends seem set to continue as China's "socialist market economy" appears inexorably to grow less socialist and more market driven. A cohort of workers has reached maturity since the formal adoption of the "socialist market economy" in the mid-1980s, and many lack the experience of coping with state socialism. In this fluid and shifting environment employees might be particularly receptive to innovative HRM

practices; this may account for the divergence between UK and Chinese workers noted by the expatriate IT expert.

Björkman & Fan (2002) report that investments in HRM had a positive impact on organizational performance. UKStore's example is suggestive of a similar outcome; expatriate managers were pleased with the firm's financial performance and employees' enthusiastic commitment to the enterprise helped ensure they provided the level of customer service required to underpin this. It is difficult to determine which specific measures were most efficacious to this positive outcome. Pay alone, while it is vital to set the rate at a competitive level, is clearly not the whole answer. Security of employment and good working conditions were important. Workers also appeared to respond positively to UKStore's relatively open and consultative HRM regime. The findings also underline the importance of management by example (Walsh et al., 1999; Tsang, 2001), and the potential for expatriates to act as mentors even when they lack cultural knowledge of the host environment.

A conjunction between company rhetoric and practice is imperative, and fairness is important, with respect to both rewards and the implementation of company rules and regulations. Good internal communications play a vital role; these can facilitate the clear, consistent and frequent repetition of company aims and objectives. Chinese workers who join FIEs can be extremely ambitious and expect rapid promotion. It is important to communicate clearly the possibilities for training, promotion and career development, and equally essential to fulfil these expectations. Internal promotions can maximise employees' prospects, although this strategy enhances the risk that staff are over-promoted. Such an approach requires investment in training; this will bring benefits not only in terms of improved performance, but also as a motivational mechanism and to promote retention.

The example of UKStore highlights that assigning sufficient expatriate managers to China, especially at the initial stage of operations, seems to be necessary to facilitate learning

among Chinese managers (Tsang, 2001: 40). Moreover, the human agency and subjectivities of the particular expatriate managers involved were critical to the apparent success of this transfer. Although contrary to analysts' advice (e.g. Li et al., 2001; Tsang, 2001) the first two expatriates lacked local knowledge or specific preparation for their posting, they were selected carefully on the basis of their technical skills, business experience and suitability for expatriation. Expatriates with appropriate technical and personal skills can create close and trustful personal relationships (Björkman & Lu, 1999), and thereby reduce the "friction" of cultural distance. Their presence enables an ongoing, everyday dialectic of mutual learning and compromises, and allows the trust to develop that facilitates integrative learning. Conversely, sending inappropriate managers would have risked the venture's failure. More generally, the human element is critical at all junctures; selecting unsuitable local successors would create major difficulties. Developing means to recognise and develop talent are essential; a problem in this respect is that expatriate managers tend to equate competence in English with overall competence.

Through carefully designed HRM policies and management example UKStore had created a rather novel employment regimen in China. However, effort was required to prevent a reversion to the leisurely pace and practices of SOEs. Ironically, pressures to recreate this environment may manifest just as state sector "iron rice-bowls" are vanishing as SOEs are forced to become profit-orientated. Moreover, although local staff responded positively to the imported labour regime, some behaviour appeared particularly resistant to change. In terms that parallel Child & Markóczy's (1993) findings over a decade ago, an expatriate manager remarked on the way Chinese managers retained information, adding that "we need to prize information out from store managers, they don't pass on good practice or tell us about problems." There were also some dimensions that did need to be tailored, meal allowances and welfare benefits being pertinent issues at UKStore. UKStore's President acknowledged the risk that the rapid localisation of store-level management would dilute the corporate culture. However, he emphasised that "culture is all about living it day in, day out, the only way to get culture is by living and breathing it." Accordingly, the firm

stressed processes such as the use of Grass Roots, daily storewide briefings and a policy for the firm's Vice Presidents to regularly spend one day working in a store.

A positive lesson that emerges from this paper for foreign firms is that much of the mystique and mythology surrounding the complexity of dealing with human resources in China is exaggerated. The message is a simple one. The senior expatriate manager summed up his approach as "managing fairly and getting the best out of people". Whilst some adaptation to local conditions might be necessary, best practice management translates remarkably well across cultures. Rather than struggle to develop complex adaptations to the Chinese environment, firms would be better advised to hone and refine their managerial skills and technical expertise.

### **Future research agenda**

This paper has indicated the potential for Western firms to transfer their global HRM models to China. More research remains to be done including detailed longitudinal studies on FIEs in China. This will help to assess, for instance, the extent to which imported HRM practices are modified over time as firms become more deeply embedded in host environments and as expatriate numbers reduce. Similarly, research is required to explore which facets of host country behaviour are most resistant to change, and whether changes attributable to the workplace environment have wider social or political repercussions. It would also be valuable to assess the extent of regional variation in the acceptance of Western HRM policies.

Detailed ethnographic studies of HRM regimes in foreign invested firms might be best suited to elucidate the more subtle changes involved. With both interview and survey based research, for instance, it can be difficult to differentiate between the various forms of learning delineated by Child & Markóczy (1993). As an example, it can be difficult to discern between behavioural and cognitive change and the extent to which the latter become sustainable and self-replicating. It would be valuable to try and link specific HRM

variables to behavioural changes and performance outcomes. Similar comparative research is required on not only Chinese state-owned enterprises but also the new private and hybrid forms that are rapidly taking their place. To understand the parameters of emergent HRM practices in China, analysts need to assess whether these firms continue SOE style practices, mimic Western HRM practices as Guthrie (1999) suggests or develop new models of HRM.

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Table 1 Contrasts between UKStore and SOE: Extent of consultation with employees

Managers in my company consult employees about...

		Never (%)	Occasional ly (%)	Sometimes (%)	Frequently (%)	n =
Future plans for the workplace	UKStore	2.1	20.1	51.4	26.4	288
	SOE	17.0	25.5	39.4	18.1	94
Work arrangement	UKStore	1.4	14.4	45.6	38.6	285
	SOE	10.6	26.6	39.4	23.4	94
Changes to working procedures	UKStore	2.8	20.8	52.1	24.3	284
	SOE	11.7	30.9	47.9	9.6	94
Salary issues	UKStore	38.9	28.8	29.1	3.2	285
	SOE	46.2	31.2	20.4	2.2	93
Workplace health and safety issues	UKStore	3.8	16.7	37.3	42.4	287
	SOE	17.0	29.8	35.1	18.1	94

Table 2 Contrasts between SOEs and UKStore: Human resource management regimes

<b>HRM dimension</b>	<b>UKStore</b>	<b>State-owned enterprises</b>
<i>Work pace</i>	Faster, more intense. Fewer employees	Slow, leisurely. Over-manning
<i>Company rules and procedures</i>	Extensive SOP, regularised Dependence on systems and structures Clear division of labour	Minimal, ad hoc Dependent upon individual managers Wider job roles for managers
<i>Discipline</i>	Rather lax, but equal treatment	Variable, dependent upon relationship with managers
<i>Strategy</i>	Long-term planning	Opaque, ad hoc, changeable
<i>Communication with workforce</i>	Information sharing. Briefing on sales targets and company strategy	Secretive, information retained by higher levels and within departments
<i>Relationships with co-workers</i>	Generally good, often cross over into private sphere	Generally good, potential favouritism problems
<i>Relationships with superiors</i>	Often close and harmonious Casual, informal - First name terms - Accessible managers - Open-plan offices - Same uniform for all employees	Limited and distant Formal, hierarchical - Surnames and job titles - Remote managers - Offices enclosed - Formerly single status uniform now differentiated
<i>Favouritism/particularistic ties</i>	Minimal role, rational, bureaucratic	Dependence on individual in charge, arbitrary power

<i>Opportunities for promotion and individual development</i>	Ability-based, potentially rapid promotion Expected to take responsibility Training programmes	Seniority-based, slow, <i>guanxi</i> important Not expected to take responsibility Minimal training
<i>Security of employment</i>	Good in return for commitment	Deteriorating
<i>Non-wage benefits</i>	Limited but improving Meals benefits provided after much debate	Previously extensive but deteriorating. Canteens

Table 3 Contrasts between UKStore and SOE: Employee satisfaction

How would you evaluate your managers with respect to the extent they...

	Firm		$\chi^2$	<i>p</i>
	UKStore (n=288- 290)	SOE (n=93- 97)		
Promptly tell employees about changes to the workplace	4.07	3.71	22.859	<0.001
Motivate employees to develop their potential	3.88	3.13	57.508	<0.001
Provide employees with the opportunity to raise suggestions about proposed changes to the workplace	4.02	3.42	32.543	<0.001
Respond to employees' suggestions	4.03	3.52	38.858	<0.01
Solve employees' work-related problems	4.14	3.57	27.682	<0.001
Treat employees fairly	3.99	3.55	25.170	<0.001

1 = strongly disagree, 5 = strongly agree

Table 4 Contrasts between UKStore and SOE: Employee commitment to the company  
Independent samples T test and chi-square tests

	Firm		$\chi^2$	<i>p</i>
	UKStore (n=289-290)	SOE (n=93-94)		
I share the values of my company	4.04	3.56	33.57	<0.001
I feel loyalty to my company	4.27	3.81	30.72	<0.001
I am proud to tell people I work for this company	4.09	3.36	52.99	<0.001

1 = strongly disagree, 5 = strongly agree

Table 5 Contrasts between UKStore and SOE: Job security

I feel that my job in this company is secure

	UKStore	State owned enterprise
		(%)
Strongly disagree	0.7	4.3
Disagree	2.8	23.7
Neither agree nor disagree	31.7	39.8
Agree	49.7	31.2
Strongly agree	15.2	1.1
Total	n = 290	n = 93

Table 6 Contrasts between UKStore and SOE: Work effort and job security  
Independent samples T test and chi-square tests

	Firm		$\chi^2$	<i>p</i>
	UKStore (n=289-292)	SOE (n=93-94)		
I need to make a lot of effort to finish my work	4.08	3.91	5.567	ns
I always have a lot of work to do	3.65	3.62	2.764	ns
I worry about my job even after work time	3.70	3.35	28.337	<0.001

1 = strongly disagree, 5 = strongly agree

Table 7 Contrasts between UKStore and SOE: Correlation between job security and work effort (Spearman's rho)

Correlations between "I feel that my job is secure in this company" and...

FIRM		I have to make a lot of effort to finish my work	I always have a lot of work to do	I worry about my job even after work time
UKStore	Correlation Coefficient	.351**	.218**	.184**
	Sig. (2-tailed)	.000	.000	.002
	n	288	290	287
SOE	Correlation Coefficient	.070	-.077	.013
	Sig. (2-tailed)	.507	.466	.899
	n	93	92	93

\*\*, Correlation is significant at the 0.01 level (2-tailed)

Table 8 Contrasts between UKStore and SOE: Employee satisfaction levels  
Independent samples T test and chi-square tests

What is your level of satisfaction with?

	Firm		$\chi^2$	<i>p</i>
	UKStore (n=278-291)	SOE (n=94-99)		
Pay levels	2.77	2.71	2.28	ns
Welfare	3.12	2.70	19.48	<0.01
Sense of achievement from work	3.54	3.26	13.50	<0.01
Promotion prospects	3.13	2.86	13.74	<0.01

1 = very dissatisfied, 5 = very satisfied