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Working Paper Series

SoMWP-0803

**The Diffusion of HRM Practices in East Asia: Chinese
Workers in Multinational Retail Firms from Japan**

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July 2008

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ISBN: 978-1-905846-16-0

Published by:

The School of Management,
Royal Holloway University of London
Egham Hill
Egham
Surrey TW20 0EX

The Diffusion of HRM Practices in East Asia: Chinese Workers in Multinational Retail Firms From Japan

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Abstract

Research on the diffusion of organisational practices in multinational enterprises has focussed largely on manufacturing firms in economically developed countries. This paper explores the transfer of human resource management and customer service practices to China by Japanese multinational retail firms. Such firms face competing pressures, the imperative and potential advantages of implementing the default position of taken-for-granted, well tried parent country practices are set against the necessity to gain legitimacy in host environments and to meet the needs and expectations not only of local employees but also customers. The findings highlight the complexity of transfer and indicate that local labour markets constitute a greater barrier to diffusion than cultural differences between multinationals' parent and host countries.

Key words China, multinationals, organisational practices, diffusion, Japan, service sector

THE DIFFUSION OF HRM PRACTICES IN EAST ASIA: CHINESE WORKERS IN MULTINATIONAL RETAIL FIRMS FROM JAPAN

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 differences between his firm’s operation in China and Japan)

Many studies have explored the diffusion of ‘Japanese’ management techniques (e.g. Kenney and Florida, 1993; Elger and Smith, 1994). However, the literature focuses primarily upon manufacturing firms with little attention devoted to service firms, even though employment in Japan’s wholesale and retail trade and food service exceeds that in manufacturing industries (Takashi, 1997). Similarly, studies mainly explore the transfer of practices to developed economies; few examine transfer to developing economies, exceptions include Harriss (1995) and Taylor (1999, 2001), both of whom focus on manufacturing plants.

Scant attention has been paid to the reception and experience of Japanese practices by host countries’ shopfloor employees. Exceptions are primarily 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. 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 are transferred practices interpreted and experienced by local employees?

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 such that Chinese firms might converge towards the Japanese model. Both countries shared an ideal of lifetime employment with 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 (Benson and Zhu, 1999; Ding et al., 2000). Divergences in income, for instance, have widened sharply, both at the firm and the macro level. By contrast, Japan has witnessed marginal changes in labour management systems, with relatively glacial shifts in its deeply entrenched socialist-style ethic (Dalton and Benson, 2002).

This paper first delineates the competing isomorphic pressures on overseas subsidiaries and highlights how these might impact upon Japanese retail multinationals in China. After an overview of the methodological approach and a brief introduction to China’s retail sector, the next section outlines firm-level HRM 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 HRM features 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.

COMPETING ISOMORPHIC PRESSURES – DEFAULT AND BEYOND

The profile of management practices in a multinational will be shaped by the interplay of opposing pressures for either internal consistency or isomorphism with the local institutional environment (Ghoshal and Bartlett, 1998). This section explores pressures derived from national institutional contexts, sectoral differences, extent of resource allocations, cultural differences, the impact of local labour market conditions, the nature of investment sites and actors' agency, and assesses their potential impact on Japanese multinational retail firms.

NATIONAL INSTITUTIONAL CONTEXT

National institutional contexts foster distinctive forms of business and market organisation to become established, and influence the way companies from different countries operate their international ventures (Whitley, 1992; Sally, 1994; Ferner, 1997). Firms from economically successful countries have an incentive to export to foreign subsidiaries practices seen as contributing to this success (Edwards et al., 1999). Whitley (1999, 2001) 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, institutionally cohesive 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's '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 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).

Firms more deeply embedded in domestic institutions of their home economy are considered more likely to transfer their parent country characteristics (Lane, 1998). Japanese firms, like German firms, are considered 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 demonstrates that Japanese manufacturing firms often replicate their *keiretsu* structures overseas (Belderbos, 1997; Wilkinson et al., 2001). 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 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 (Porter, 1990). Foreign subsidiaries of multinationals in multi-domestic industries rely primarily on inputs from the local environment and compete directly with surrounding firms. Dependence on local resources, including workers and customers, both increases affiliates' embeddedness and raises the necessity to achieve legitimacy in host environments. Such factors make it likely 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). A foreign business presence and imported HRM practices can also be politically sensitive. Given the historical relationship between China and Japan (see below), Japanese multinationals might seek to maintain a low profile and 'fit in' by imitating local practices.

Service sector multinationals 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 practices 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 sanctions, customers are essentially 'unmanageable' (Gabriel and Lang, 1995).

Several studies indicate that Japanese service sector firms transfer few of their parent country practices. 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 former a favourable local environment in terms of a loose labour market and supportive local government policies provided opportunities for the plants to develop Japanese-style HRM practices. In the service firms, by contrast, local labour market characteristics, industry features and economic conditions discouraged firms from transferring Japanese-style HRM. Instead, these firms sought to 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).

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). Expatriates constitute an important resource in the diffusion of standardized multinational practices, serving both a control function and acting as 'cultural carriers' (Edstrom and Galbraith, 1977). Japanese firms' heavy reliance upon expatriates

(Legewie, 2002; Gamble et al., 2003) might make affiliates more inclined to adhere to the parent's management practices.

CULTURAL DISTANCE

Cultural differences are considered to inhibit diffusion, and to enhance the need for local isomorphism (Rosenzweig and Nohria, 1994; Beechler and Yang, 1994). This strand of the literature has been emphasised in the Chinese context (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 as a key factor that constrains foreign investors from implanting new HRM systems (Goodall and Warner, 1997; Ding and Akhtar, 2001).

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. However, China's relationship with Japan is complex and, at times, fraught (Gamble, 2003a: 72). It is common to hear disparaging references to Japan with the country described as '*xiao riben*' (little Japan), and its people as '*riben guizi*' (Japanese devils), an antipathy sustained by education and frequent media references to Japanese activities in China during the Anti-Japanese War (1937-45) (see China Daily, 2004).

Looking across the Yellow Sea, Chinese people delight in highlighting perceived differences between themselves and their Japanese neighbours. They contrast the individuality of Chinese with Japanese people's communitarian and collective orientation. Chinese workers tend to regard Japanese firms as less desirable places to work than firms from the West (Gamble, 2000). The heavy reliance on expatriates, for instance, excludes local managers from decision-making processes and stalls their promotion prospects (Kopp, 1994).

IMPACT OF LOCAL REGULATIONS AND LABOUR MARKET CONDITIONS

Local labour market conditions, including laws and regulations, might impinge upon a multinational's transfer of its HRM practices to a subsidiary. High employee turnover, for instance, is likely to constrain Japanese firms from transferring their parent-style HRM practices (Beechler and Yang, 1994). The extent to which labour has become marketised in China is debateable. While Morris et al. (2001: 701) conclude that China lacks 'a real labour market', Gamble (2006) finds evidence of vibrant labour markets in major cities.

NATURE OF INVESTMENT SITES: GREENFIELD VERSUS BROWNFIELD

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

AGENCY OF ACTORS

Structural accounts, such as the national business system approach, tend to underestimate the degree to which both firms and individuals within them are active social agents (Edwards et al., 1999; Lane, 2001). Firms differ, for instance, in the extent to which they actively seek to disseminate parent country practices (Ferner and Varul, 2000; Taylor, 2001). multinationals are the locus of competing interest groups (Morgan, 2001). Subsidiary managers, for instance, have sources of power they can use to obstruct or encourage diffusion.

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

Japanese foreign direct investment in China has increased rapidly since the early 1990s. Between 1979-2000, Japan was China's second largest investor, with \$25.74 billion of utilised investment (contracted \$36.04 bn) in 19,137 projects (MOFTEC, 2004). Under pressure in saturated home markets, Japanese retailers have sought to establish themselves in Asia's emerging markets. Between 1958 and 1995, a total of 95 Japanese retail firms made investments in East Asia (Davies and Ferguson, 1995: 105). With its vast and increasingly affluent population China has become an increasingly important focus for investment by multinational retailers (Goldman, 2001). China's accession to the World Trade Organisation should increase its attraction as controls over foreign retail firms are scheduled for removal by 2005.

The opening of China's retail sector to domestic competitors and foreign investment has been paralleled by re-energised consumerism and shifts in both notions and expectations of the 'customer'. During the pre-reform era, customer choice was restricted to state-owned stores that offered poor customer service and sold the same limited range of products at the same prices. Nowadays, retailers must compete to attract and retain customers. Although rising prosperity and rapid commercialisation have transformed China into the world's most important emerging market it has proved a difficult environment for Japanese retailers, and several companies such as Sogo and Yaohan have been forced to exit from China.

METHODOLOGY

This paper adopts a case study approach, with both qualitative and quantitative data. Detailed case studies can illuminate the mechanisms whereby competing isomorphic pulls become translated into particular outcomes within multinationals (Ferner and Quintanilla, 1998). Diffusion literature has tended to compare firm practices in host environments against ideal types in the parent country. Though useful for heuristic purposes, ideal types gloss over diversity and tend towards a cryogenic embalming of particular patterns. To avoid such distortions this paper examines three matched pairs of

Japanese multinationals retail firms in Japan and China; an approach that should expose intra-sectoral divergences. By holding sector and firm constant, these aspects can largely be discounted in the analysis.

In 2001, 2002 and 2003, research in Japan included visits to three stores and interviews at head offices. During 2002, 2003 and 2004, research was undertaken at a total of six stores (JapCo1 – 3, JapCo2 – 1, JapCo3 – 2) in cities in north, central, west and south China. A total of ninety semi-structured interviews were conducted in China with a cross-section of local employees (76) and expatriate managers (14).

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. Utilisation of extensive interviews with participants is intended to provide a nuanced actor-centred approach (Bate, 1997). 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.

FIRM LEVEL PRACTICES IN JAPAN

JapCo1 and JapCo2 are both categorised as general merchandise stores (GMS), that is, they comprise a mixture of a department store and a supermarket. JapCo3 is a major department store. To an extent, the firms' practices matched the ideal type of Japanese HRM, a model drawn largely from manufacturing firms, such as preference for internal labour markets. However, there were also significant deviations both from the ideal and from each other.

JapCo1 hires new regular employees on an annual basis, 95 percent are fresh graduates. The recruitment process is lengthy and careful. In 2002, for instance, 15,000 potential recruits asked for a company brochure, 3,000 took a paper test and after three rounds of interviews 150 were recruited. 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. 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 '*arbeits*' and the former '*parto*'. They receive one day of training, mainly focussed on customer service, and begin work the next day. Salary differentials are quite flat, with increases in pay for seniority up to the age of 35, by which time this proportion accounts for 30 percent of salary. There is a trend towards an increase in performance related pay.

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%), and 130 category managers (5%) were female. JapCo1 is the least

internationalised of the firms, expansion to China in 1997 was its first overseas operation. By late 2003, JapCo1 had five stores in China.

JapCo2 faces an intensely competitive home market, including increased competition from 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. Between 2000-4, to counter increased competition and to help achieve its ambitious plans to become a major global player, the firm introduced organizational changes. The hierarchy was flattened and promotion ladders shortened. Seniority pay was cut back; an executive remarked, "the time has gone where if you stay longer you get more." Where before the seniority element of pay increased each year, it is now restricted to four years. Concurrently, the proportion of performance related pay has increased. Demotions from managerial posts were introduced for those with poor appraisals. Job rotation was usual but appeared to have a more voluntary element, especially compared to JapCo3, with employees able to request preferences for transfers.

Following national trends (Gottfried and Hayashi-Kato, 1998; Broadbent, 2003), 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, a JapCo2 store manager complained that each month he recruited 50-100 part time staff, but almost the same number left.

JapCo3 also has three categories of employee, regular, *maido* and part-timers called "*sometime*". Regular employees are graduates. Job rotation for regular employees takes place every three years. The category of hourly paid "*sometime shain*" was introduced in the mid-1980s. "*Maido*" were introduced in 2000; they work as customer assistants and are on annual contracts. JapCo3 is proud that it never lays off regular employees, in contrast to several competitors. In 2000, "role pay merit" was introduced with the intention to increase pay differentials between "out-performers" and "under-performers". The company does not have seniority pay.

FIRMS' CHINA OPERATIONS

The retailers all had an explicit strategy to replicate their parent country operation, including store layout and procedures, employment relations and customer service. JapCo3's deputy GM stated, 'when JapCo3 decided to set up a store in China they wanted to make everything the same.' 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. Visible signs of diffusion included use of office space. Where Chinese companies tend to have separate departmental offices and senior staff large offices, the multinationals' offices were small and cramped with several departments in one room.

Taylor et al. (1996) identify three generic strategic international HRM orientations in multinationals: adaptive, exportive and integrative. While 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 philosophy: 'we need to constantly consider, what do Chinese think and need? We need to understand Chinese

habits and customs, bring the good Japanese ones and mix these with the good Chinese ones and then create something new.'

The firms made greater use of expatriates than comparable European and American firms. They also relied upon a personalistic form of integration and coordination; communication with head offices in Japan, by phone, fax, e-mails and visits was intensive. Both these features are indicative of the influence of the national business system (Ferner, 1997; Legewie, 2002).

Senior positions were held by Japanese staff including all store manager roles. At JapCo1, 10-15 Japanese employees were posted to China to manage the first store, this compared with two at a UK-invested retail firm (Gamble, 2003b). Expatriate numbers have reduced gradually; the fourth and fifth stores 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 sought volunteers for transfer. Meanwhile, locally recruited Chinese staff received short periods of training in Japan. JapCo2 adopted a rather different approach to expatriation; there were fewer senior expatriates, instead five young Japanese trainees were assigned to the store. Among the expatriates interviewed, and several others encountered in during 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 that limited part time staff to four hours per day. Only JapCo1 employed part time staff in China, and then far fewer than in Japan. This can be attributed to lower labour costs in China. Additionally, flexibility was built in through 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; they received an hourly rate (7 yuan), with no other benefits. Moreover, in all the firms the employment guarantee for regular employees was less secure than in Japan.

EMPLOYEES' PERCEPTIONS OF WORK IN THE JAPANESE STORES

"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)

National stereotypes were echoed in employees' comments as they reflected on their experience of working for the Japanese. They noted many contrasts between themselves and Japanese managers. Japanese were said to stress process (*guocheng*) and to pay attention to detail (*xizhi*), while Chinese look only to the outcome. Japanese methods were considered more 'scientific', and to involve a strong team spirit (*tuandui jingshen*). A customer assistant at JapCo1's in-store fast-food restaurant had previously sold refrigerators in a state store. She recalled that, 'it was really easy-going...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... This is the Japanese management style.' A Chinese manager at JapCo1

concluded, 'Japanese employees are very hard-working and obedient, but may not always have an efficient outcome.'

Japanese expatriates' perceptions of differences between themselves and Chinese people presented a mirror image of these portrayals. They perceived Chinese as more individualistic, and less inclined to engage in team work. JapCo3's general manager considered, '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 problematic areas Japanese employees explained 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.

Employees remarked on the firms' strict discipline. A fish section assistant, previously employed in a state 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.' Another fish section assistant 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.' 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 Chinese manager at JapCo1 stated that working hours were longer than in her previous employer, a SOE. Evidence from the survey confirms this view. The mean working week at JapCo1 was 44.79 hours (n = 245), compared with a mean of 40.90 hours at the SOE (n = 98). Additionally, 21.5 percent of employees at JapCo1 worked 50 hours or more, compared to just 1 percent in the SOE.

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.' JapCo2 paid less attention to job rotation and had not transferred rotation for local managers. A Japanese expatriate explained that Chinese managers preferred to specialise in functional areas.

PATRIARCHAL MANAGEMENT

A dimension not replicated in China was firms' male dominated nature in Japan. In China, for instance, over 50 percent of JapCo1's 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 women had proved better at the role. 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 supported by the tax system. In China, full-time employment for women has been promoted since the early days of the People's Republic and supported by widespread provision of nurseries.

LIFETIME EMPLOYMENT AND RELIANCE UPON INTERNAL LABOUR MARKETS: FROM IRON RICE-BOWLS TO FOREIGN RICE-BOWLS

A concomitant of China's economic transition is a rise of job insecurity (Morris et al., 2001), and many workers cited security of employment as a motive to seek employment at their firms. Although none transferred lifetime employment as such, the firms 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 '*mairido*' category at JapCo3 in Japan.

Employees could be laid off in some circumstances. In 1998, JapCo1 recruited 1,000 employees with the intention to open two stores. When the second store was postponed 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 graded E were asked to leave, and also those who received D grades in two consecutive years. Approximately ten percent of employees who left the firm did so as a result of company decisions.

Despite these lay-offs, in China's transitional economy these Japanese 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' (Table I). Workers were also asked whether they were prepared to stay in their firm for the next three years (Table II). These figures indicate that workers both felt greater employment security at the Japanese firms and were more inclined to remain in this employment than at a comparable SOE; an indication of the extent to which SOEs have lost their status as 'iron rice-bowls'.

Table I – Security of employment

Firm	Mean	n
JapCo1	3.49	221
JapCo2	3.50	145
JapCo3	3.28	67
SOE	3.01	93
JapCo1a*	3.54	126

* Result from store in same city as SOE

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

Firm	Not willing (n)	Don't know (n)	Willing (n)	Total (n)
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

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, “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’s training. Training was comparable to that in Japan, but slowed by the necessity for interpreters. A Chinese manager at JapCo1 provided an insight into selection criteria when she described the difficulty involved in recruitment, “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. They also need to be able to cope with pressure.”

JapCo3 attempted to replicate its parent country graduate recruitment. When one store opened in 1993, a cadre of university graduates was recruited as middle managers. By 2002, however, they had all left the firm. 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 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.’

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, trained and developed have gone to other companies to get a better salary.’ The firm did not offer these quitting employees financial incentives to remain. Instead, managers emphasised long-term rewards that would accrue in terms of promotion prospects and job security. They also employed moral persuasion, telling them how disappointed 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. It was problematic in that, 'those with ability leave, while those without ability stay.' More positively turnover reduced labour costs, staff could be recruited when needed and appointed 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.

RELATIVELY SLOW PROMOTION

Promotion at the Japanese stores was slower than in a comparable UK-invested firm (Gamble, 2003b). However, promotion was faster than in the parent country (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 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 for internal labour markets, underscored by a perceived lack of suitable candidates; this left firms with no option but to increase the pace of promotion. Additionally, staff trained in Japanese firms were in demand from other stores; promotion could act as a retention device.

The Japanese multinationals' 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 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; it did not pay this kind of bonus in Japan. While the average customer assistant received a total income of 1,300-1,400 yuan per month, those with the lowest bonus received 1,000 yuan 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 China have shifted from previous egalitarian norms (Goodall and Warner, 1998; Gamble, 2003b), with a trend to introduce performance related pay. This tendency also mirrors trends in Japan, although its more widespread use in China might be linked to the weakness of trade unions in the latter. This may be an instance where firms introduced policies in China they might wish to implement more extensively in Japan, but were constrained from doing.

In a particularly interesting measure JapCo2 introduced seniority pay in China, just as the firm curtailed such payments in Japan. 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 staff. By contrast JapCo1, which has seniority pay in Japan, paid only a negligible amount for each year of employment.

COMMITMENT TO HIGH STANDARD OF CUSTOMER SERVICE

“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)

The multinationals all sought to disseminate their parent country style of customer service to their Chinese subsidiaries. The firms all 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 become ‘an object of civic pride, an attraction in itself and a validation of the city’s 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) remark that foreign multinational subsidiaries are not necessarily expected to be completely isomorphic with other local organisations. In the Chinese context, indeed, this would defeat the state’s objectives; foreign direct investment has been encouraged, in part at least, to introduce role models for local firms and to encourage them to upgrade.

The multinationals all transferred the rhetoric of the sovereign consumer (Du Gay and Salaman, 1992). Meanwhile, the approach to customer service interactions was prescriptive and detailed. Despite the volume of customers employees were expected to bow and welcome each one. 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.”

Correspondingly, training was intensive and relatively extensive, and often provided by expatriates. At JapCo1, recruits appointed before store openings underwent three months’ training, recruits who joined an existing store received one week’s training. 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, behaviour and bowing.

The firms all had greeting and farewell ceremonies for the first and last customers of the day. Each morning at JapCo1, for instance, Japanese executives and a group of local staff form two phalanxes to greet customers. As the 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 sales manager at JapCo3 recalled that, ‘we were the first store to bow and say “*huanying guanglin*” (welcome to the

store); then the customers were a little afraid. Now they expect this customer service and enjoy it.' A floor manager added that initially 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.

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 at JapCo1 cited instances where they had been subjected to anti-Japanese prejudice. A customer told a checkout assistant she should not bow, 'because it's a Japanese custom, not a Chinese custom.' A cosmetics section customer assistant reported that customers who witnessed the farewell ceremony had made disparaging comments such as, 'it's all copied from Japan' (*dou gen riben xuede*), or more harshly, 'traitors' (*maiguozei*).

As with Japanese manufacturing firms' overseas transplants (Munday et al., 1995), the presence of foreign retailers provided 'demonstration effects' and spurred local stores to upgrade. 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 evidence of mimetic isomorphism as local firms sought to model their own approach to customers on the practices that appeared central to the Japanese firms' success. Expatriate managers noticed that local competitors had 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 it had to struggle hard to retain this status.

JapCo1's employees knew that surrounding stores were attempting to copy their form of customer service, and were proud they could not match them:

"Previously all department stores were state-owned and customer service was really awful... 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, there's also a lack of continued training." (JapCo3 customer assistant, female clothing section).

Chinese staff acknowledged that Japanese style discipline and training underpinned their superiority. Employees undertaking of the imported form of customer service appeared to go beyond 'ceremonial adoption' (Kostova and Roth, 2002). A men's clothing section customer assistant at JapCo1 reflected, '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.' Such comments demonstrate employees' pride in providing high quality service, even if the activity itself could be a source of exhaustion and, on occasion, provoke abuse.

DISCUSSION

Even though these multinationals 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. The findings

demonstrate the extent to which HRM in multinational enterprises 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 produce diverse outcomes, organisational forms that neither replicate those in the parent country nor mimic those in the host. 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, such as the introduction of performance related pay. This 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 were rather unsuccessful attempts to replicate Japan’s internal labour markets based upon recruitment of graduates for lifetime 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 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 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 low-cost management practices were transferred to Japanese multinational subsidiaries in Australia. He attributes this to the peripheral nature of these subsidiaries. The multinationals’ 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 run counter to institutional features such as the nature of local labour markets are much harder to implement. Thus firms were able to transfer cultural practices such as Japanese style customer service even though 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 stressful and 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.

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. This paper has highlighted that an array of HRM practices underpinned the successful dissemination of Japanese style customer service, these included the selection and recruitment of those with customer-orientated values, training and socialisation, disciplinary measures, surveillance and incentive strategies. Particularly crucial was the

availability of an abundant labour supply. As with Japanese automotive transplants in the US, the potential to effectively implant Japanese methods relied heavily upon the ability to carefully select workers (Florida and Kenney, 1991).

In the Chinese context, the imported style of customer service was relatively novel. It was perceived as superior to prevailing domestic styles and thus to possess competitive advantage. Workers took pride in providing a level of customer service they considered superior to that of competitors, be they locally- or foreign-owned. This practice also meshed with broader changes in China's retail economy.

Discipline and training also played an integral role in the transfer of Japanese practices. These aspects were linked to ample labour supply. 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.' 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 warning. These cards were not used in Japan.

The firms sought to codify and stipulate the behaviour required in detailed training manuals and employee handbooks, 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). JapCo1's employee handbook 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 handbook included injunctions not to laugh at customers, lean on counters or 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 the perception that practices were culturally embedded and tacit in nature contributed to the necessity for a relatively large contingent of expatriates. The task was made harder since this knowledge included not only business practices but also ways of being and behaving. The goal for these firms then was to inculcate a 'Japanese' style habitus (Bourdieu, 1971) in Chinese employees. In this way, 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.

Rosenzweig and Nohria (1994) suggest that affiliates might increasingly come to resemble the local environment. This paper demonstrates 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 copying stores' customer service, employees noticed that SOE floor managers now did more regular floor inspections, and expatriates noticed that local stores no longer permitted their staff to eat meals while on duty (a practice one expatriate described as 'unimaginable').

The findings contrast with those of Taylor (1999), who reports that Japanese firms did not rely upon expatriates to ensure the transfer of Japanese management style. The retail multinationals depended heavily on expatriates to facilitate the transfer of specific ownership advantages. Legewie (2002) argues that reliance on expatriates inhibits Japanese firms' ability to respond flexibly to rapidly changing market conditions since the lack of autonomy given to local staff precludes them channelling essential information to their superiors. Undoubtedly an expatriate-heavy structure risks demotivating ambitious local managers, 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 labour intensive and densely social in character. Moreover, Japanese managers scrutinised EPOS figures, matched sales trends against local holidays and changes in the weather, regularly patrolled shopfloors, 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) 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 each store.

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 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 use of expatriates might be related to the firm's parent country organisational history. Where JapCo1 and JapCo3 both developed through gradual endogenous growth, JapCo2 has grown rapidly through acquisitions.

Setting up in a new location offers both firms and 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. Campaigns included a smiling contest and '*arigato undo*' (being thanked) contest, with winners featured in the company magazine. These findings support Morgan (2001) and Lane's

(2001) reflections on the nature of actors in multinationals, and the need to take 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 HRM practices that Japanese firms rarely transfer their seniority pay systems to overseas subsidiaries (Gill and Wong, 1998). 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, and as such are amenable to transfer (Florida and Kenney, 1991).

CONCLUSION

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. Gill and Wong (1998), for instance, attribute Japanese firms' failure to transfer lifetime employment and seniority systems to Singapore to '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. Similarly, in China specific features of the host labour market encouraged the introduction of seniority pay at JapCo2.

Gamble (2003b) showed how a UK firm was able to transfer its flat organisational hierarchy to China, even though this was seemingly at odds with local norms. Similarly, some long-term expatriates from Japan 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, for instance, it might be subject to similar transformations, and the imported practices understood and interpreted in accordance with local norms and patterns of behaviour. It is probable, for instance, that the nature of interactive service workers' encounters with customers will vary in different cultural and institutional contexts, a topic worthy of further study and attention.

ACKNOWLEDGEMENTS

I would like to acknowledge the support of the United Kingdom ESRC/AHRC Cultures of Consumption programme award number RES-143-25-0028, and also the Daiwa Foundation and the Japan Foundation Endowment Committee.

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