

Human Resource Management Reviewing Japanese and Chinese Joint Venture Retail Department Stores in Southern China

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Abstract

The rising global economic role of East Asia creates the growing need to consider human resources management from a cross-cultural regional perspective. Human resources management practice forms the core part of the inter-links between the enterprise structure, processes and managerial leadership and ultimately determines the success of the business. This paper examines human resources management methods of large retail department stores in Southern China and compares some of the features of Chinese and recently introduced Japanese Joint Ventures. The paper documents exploratory China research and examines Chinese and Japanese business by applying a cultural-software-hardware model framework. The model relates social and cultural factors to enterprise processes and outcomes through management software. The paper highlights current evolving management software practices and investigates the extent to which Japanese stores parent country practices have been successfully introduced into the Chinese environment. In doing so it also indicates future research implications. In the field research chief executive officers of seven Japanese retailer stores and two major Chinese retailer stores were interviewed amongst numerous

other employees. The study identifies and defines key human resource strategies and management software practices as stated by practitioners. The study portrays some perceived cultural problems. Most significantly, it is found that a number of Japanese retail stores transferred and successfully implemented many parent country human resource management strategies, policies and practices without major modification. Further, it was found that successfully introduced processes were generally management software adapted to fit with the local social and cultural values. Further that many of these practices are being learnt and adopted by local Chinese retail competitors.

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I. Introduction

The impact of human resources management (HRM) policies and practices on business performance is an important topic. Research has confirmed the significant contribution that HRM practices make to performance (Huselid, 1995; Jones & Wright, 1992). Further, as enterprises develop their organisations internationally they must consider and establish HRM policies that fit different national systems and cultures. There has been considerable debate about the extent to which HRM models and practices are capable of being transferred from one country to another. In the late 1970s and early 1980s, Japanese HRM ideas and practices were often listed as key factors of Japanese economic success. These ideas were considered for adoption by many leading Western firms, but later during the 1980s, there developed a belief amongst both practitioners and academics that these ideas and practices might not be totally appropriate in other cultures. This led to a consideration of the relationship between culture and HRM practice and whether there were cultural limitations to wholesale transfer of these concepts from one country to another. (See also; Ouchi, 1981; Hofstede, 1987; Shimizu, 1989; Ishida, 1986; Drummond, 1993 amongst others).

With continuing internationalisation and globalisation of business it is increasingly important to understand how to establish HRM strategies which can deal effectively with considerable cultural and national differences. As Jain (1990) has suggested elements of HRM are culture-sensitive. This paper investigates the HRM practices of Japanese retail

stores operating in Southern China¹ and to what extent parent (Japan) country HRM practices were modified to fit the local host country environment. The paper also reviews two similarly sized local Chinese managed retail stores. An analysis is then made of the similarities, differences and the extent to which differences may be attributed to cultural or other contextual factors.

HRM in itself involves a broad area of managerial practice. It contains elements from strategy making to operational working arrangements. Most of the China orientated academic research (Warner, 1986, 1993; Child 1994; Laaksonen 1988 and others) has focused upon the broad overview of HRM in the perspective of government policies and their implementation across a wide range of organisations. This present study attempts to complement these by reviewing in some practical depth the range of human resource management provisions of several major organisations in the Chinese retail industry.

The first section of this paper outlines the research objectives followed by an introduction to the analytical framework methodology. A cultural-*software*-hardware model is employed to assist in the definition of the cultural context and the relationship to the management processes and organisational structure. This followed by a section which briefly reviews and the prescriptive and descriptive HRM literature. A *cultural* approach to comparative management (see Robinson, 1978) is then used to outline Confucian-based social and cultural values and resulting management systems that prevail and contrast Japan and Greater China². Finally, the paper discusses exploratory field research findings specifying differences in the context of the cultural and societal values and management software systems of the Chinese and Japanese. The paper concludes with a comparative description of department store management from a *software* perspective. A number of cultural sensitive management software benchmarks for conceptual equivalence or difference are presented within the model framework.

¹ Southern mainland China in this paper specifically excludes the local HRM policies and practices of the Hong Kong (SAR). Interviews conducted with offices in Hong Kong were in relation to those companies operations in mainland China.

² Greater China is most commonly defined to include the People's Republic of China (PRC), Hong Kong and Taiwan, but overseas Chinese businesses also play a dominant economic role throughout Southeast Asia and are a major force across the Asia-Pacific Rim.

II. Model Framework

The Japanese and Chinese HRM systems should be examined from the perspectives of their evolving corporate environment. A literature review reveals several schools of thought including the cultural school (Abegglen, 1958, 1973; Hanami, 1979) that suggests that East Asian firms have managed combine technology directly with culture. This is in contrast to the Asian traditional paternalistic benevolent labour-management system as a model of success advocated more recently by Fujimori (1993) for Japan based on the family (Uchi) unit society and by Warner (1993) for China. This paper presents an alternative approach to the management analysis. Researchers focus on the relative management behaviour of firms reflected by their cultural environments rather than purely descriptive culturally derived perspectives.

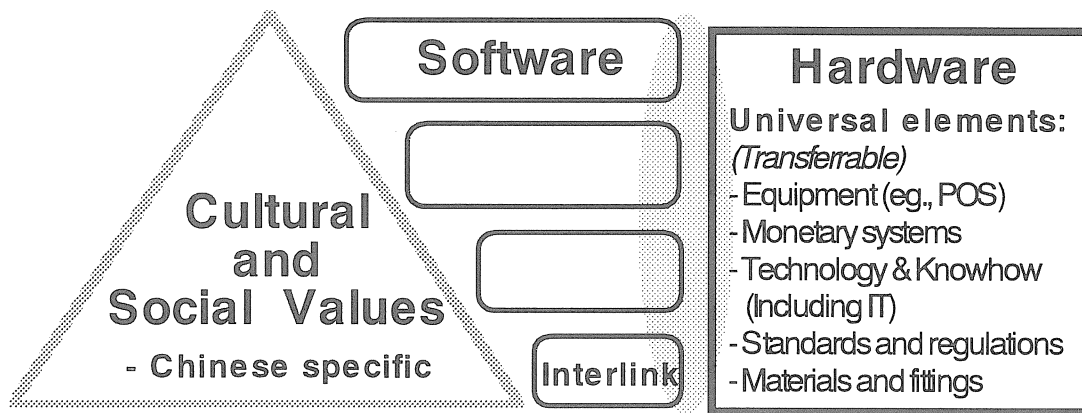
McMillan (1985) proposed a framework for business analysis that cross-tabulates software and hardware with organisational micro and macro factors. Drummond (1991) modified this framework and added a *cultural and social* perspective that enhances the cross-cultural capacity of the model. Adding this perspective provides a meaningful management context. Therefore the model has three major parts: *cultural and social values* (that vary from country to country), enterprise *hardware* (that is generally universal in nature), and enterprise *management software* that provides the inter-link between the cultural and social values and enterprise hardware.

It is generally accepted that every nation (and region) possesses an indigenous culture and social setting within which the enterprise interacts. This interaction needs to be considered in any description of the enterprise function. However, these cultural and social values are often intangible, subjective, and difficult to adequately define. In contrast the external and internal enterprise environment includes many fixed or static factors of a physical and structural nature (for example, technology, machinery, financial infrastructure, etc.). These visible elements, which are universally available and transferable between nations, are defined here as components of enterprise hardware. It is suggested to effectively connect the existing ill-defined cultural and social values to the common hardware components an enterprise introduces inter-linking software. These software elements or mechanisms are the systems, processes and practices that provide the fit or link and are unique to each environment. The effectiveness of the software fit will determine the health of

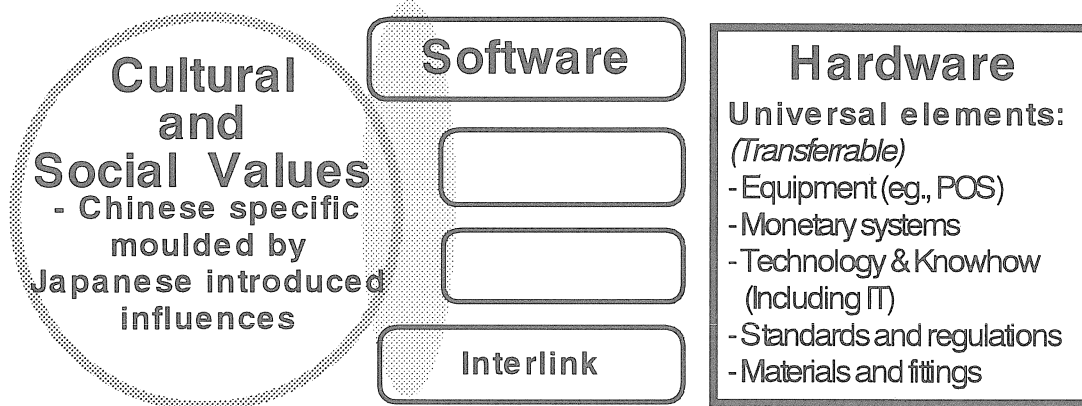
the firm and directly influence its medium and long-term performance. The most important aspect is that researchers can observe and describe management related software elements. In addition, software descriptions assist in the understanding and definition of corporate culture and social values.

This three-part model framework is comparatively illustrated in Figure 1. Drawn on the left-hand side of the model the upper and lower quadrants are two variant shapes each representing different cultural and social characteristics of different country environments. In the right quadrants, hardware elements for both countries are represented by two identical rectangles which reflects their basic transferability, similar content and structure. Linking each set of quadrants is the inter-linking software reflecting the unique social and cultural environment. (See Figure 1.)

For example, it is well known that generally Japanese industrial machinery (hardware) deployed overseas generally works very efficiently. However, the wholesale transfer of Japanese management systems (software) to other countries is often problematic and unsuccessful (Yamashita, 1991; Kobayashi, 1980; Ishida, 1984). Consider national railway systems: In many countries railways are consistent in the type and standard of railway hardware technology used, however, national railway systems are known to function at different levels of efficiency and effectiveness and this is a function of the social and cultural environment. Japanese manufacturers export to their South East Asian neighbours specialist machinery technology with exact technical translations of the original Japanese *operational manuals* (hardware) but even though local operators study and attempt to precisely implement the detailed *manual* instructions the machinery often malfunctions or does not perform productively. Investigation as to the actual reasons for these failures has identified a cultural relationship. In analysis it is found that local machinery operators could not accept or adapt to the people processes (software) that were expected by the *operation manuals*. Therefore, the *manuals* had to be rewritten and interpreted taking into account cultural and social specifics. In other words, an adjustment had to be made to the software and its focus to match the hardware with the cultural environment. The translated manuals had to be localised and made more specific about each operators instructions and responsibilities and allow for lower skilled social work teams. In other words, invariably it is necessary to build proper software bridges to match organisational hardware to the surrounding social and cultural environment. Applying the model framework, the suggested chief variables are the cultural and social



CHINESE COMPANY 'A'



JAPANESE CHINA COMPANY 'X'

Software Focus

Figure 1: Software Inter-links between Universal Hardware Elements and Variant Indigenous Cultural and Environmental Characteristics.

Source: Adapted from Drummond (1993).

values environment. The thesis being that organisational hardware cannot be introduced or transferred successfully into new environments without a process of considered software modification and adaptation to produce a fit with local conditions.

III. East Asian and Western Perspectives

Ever since the Chinese revolution in 1947 the concept of enterprise profit has been an abhorrence of Chinese nationalist society. It was reintroduced at the beginning of the 1980s but the culture of enterprise profit for the benefit of shareholders is still fundamentally a foreign concept. This is still being defined and redefined by China almost two decades since the 'Open Door' and the 'Four Modernisations' policies put in place at the end of the 1970s. Subsequently, it is very difficult to attain from many Chinese enterprises realistic and accurate statements of economic or standardised performance. Similarly, as overseas enterprise joint ventures are recent entrants to the Chinese market many are still in a start up phase of operation and are less concerned with actual profits and announcements of performance results. Further, the late 1990s Asian economic crisis has delayed the discussion of achievements to date. Nevertheless Japanese managers are sensitive and wish to ensure that irrecoverable losses are not incurred. They also believe for their China start up joint ventures that profits will not be likely for at least the first five years of operation and possibly later depending upon the Asian recovery.

Japan is regarded as a nation that is generally homogenous in its cultural and social structure. As agreed by many observers, Japan shares a strong sense of national spirit, identity and traditions. These are fostered by its historical past retold, distinct religious beliefs, the legacy of the samurai-merchant class bonding, and the economic challenges posed by its limited natural resources (Hayashi, 1988; Shimizu, 1989 and others). In terms of the enterprise-level software inter-connections, there is a stated belief that enterprises exist to serve society. Consistent with this view, Japanese management emphasises social values and cultural strengths in the stated goals of the enterprise, and so the role of organisational software is typically considered from the cultural perspective.

Similarly, despite Greater China's political diversity, empirical evidence suggests that China's social culture exhibits a high degree of cultural homogeneity compared to other

non-East Asian societies (Bond, 1986; Martinsons & Hempel, 1995).³ However, Chinese enterprise management has traditionally been concerned with State goals and tends to play a purely benevolent role in its attitude towards employees. Central government political ideology, regulation, planning and hardware policy has been a chief management concern. The influence of the centralised political system cannot be understated. Not until the recent market reforms and changes in attitude about corporate governance has enterprise management had the opportunity or responsibility to orientate itself towards the local expectations of employees, customers or the evolving surrounding economic market-place in which the business operates. Correspondingly in the past management software has *focused* upon the hardware system and the interface with which it operated. Organisational goals have also been framed by hardware policy. However, in the present climate there are clear signs of change to a new evolving hybrid management software structure and the social and cultural orientation of firms.

With the above in mind, the researchers also gathered data on HRM issues based upon senior management and staff statements about what was important to their operations in the present climate. While this is acknowledged as not being a complete scientific study, it is indicative and useful in the consideration of future research directions.

The HRM Strategic Link to the Environment

Chinese Employment Philosophy

China's "iron rice-bowl" employment policy was set up in the early 1950s and was based upon the Soviet socialist worker system. It was also partly shaped by pre-war Japanese employment practices in Manchuria. These were hardware systems originally intended for skilled workers but it spread to cover the majority of urban industrial employees. The introduced hardware system guaranteed workers jobs for life and welfare protection and has been referred to as a system where "everyone (was) eating out of one big pot" (Leung 1993). Personnel management was limited to job allocation, payment of wages and the provision of

³ Compared to the West, the countries and regions of East Asia are quite distinct in their cultural heritage and social fabric. In fact, the cultural distance measure used by Kogut and Singh (1988) shows the Japanese and Chinese as portraying several unique cultural qualities. This measure essentially aggregates the four dimensions documented by Hofstede (1980) and highlights differences in power-distance, individualism and collectivism.

supplementary welfare benefits. The government also fostered a central hardware orientated driven economy highlighted by its system of central planning. The recruitment and placement of employees were decided according to a process of labour quotas and workers were assigned jobs by local authorities. Wage structures were rigid and with lifetime employment the workers had little incentive to upgrade or diversify skills. There were minimal software related management applications and numerous inefficiencies existed.

The Chinese economic reforms of the 1980s led to a more market-oriented approach where there was recognition of market forces and the need to match the firm hardware with societal expectations. Subsequently management software was developed and implemented to enable the firm to better meet with both internal and external shifts. Since this period the economy has been open to outside investors and diversified advanced hardware technologies and software principles have been introduced. For example, in 1992 major HRM changes were implemented with the Enterprise Management Modernisation program. This directed management's attention to dramatically improving the labour contract system, promotion of training and the introduction of management development programs. The 1993 reforms focused on the implementation of the Contractual Labour System and suggestions that wages and bonus should be linked to growth of profits (Wu, 1992). The introduction of the new labour law required employees of all enterprises to enter into individual labour contracts that would cover terms of employment, remuneration, discipline and termination. The resulted in many foreign-owned and joint-venture enterprises recruiting their new employees with explicit labour contracts. In addition they added their own compensation systems. For example, a basic wage often supplemented with bonuses.

Most of these reforms began with the introduction of new technology-hardware and regulation. Changes have resulted in enterprises having considerable operational autonomy and greater freedom in its human resource management practices, including the means to improve employee morale and commitment. However, since contract employees have more freedom to choose their occupation and make comparisons between firms, this has also created a mobile labour market across and between foreign and state-owned enterprises and consequently contributes to industry labour turnover. Consequentially, as a result of the new competitive employment market it has become important for management to create and implement appropriate software solutions.

Chinese State-owned enterprises have also begun to use contractual terms of

employment. A problem that prevails concerns employees on previous terms. In principle under the recent reforms employee termination and dismissal are permitted however, the reality is that this is rarely practised (Zhu, 1995). This is another example of how software applications are implemented to reshape hardware to fit with cultural and socially expected norms. The omnipotent fear is that where employee redundancy occurs there would be considerable societal under-employment created which is not yet acceptable in a society which has been protected from market systems for over a generation. If allowed to become a significant factor this would become a political and economic burden for state and regional governments. Chinese state firms (hardware) policy guidelines currently allow that employees who do not perform to acceptable levels are subject to demotion or temporary suspension with continued basic pay allowances or alternatively internal transfer to other departments or units within the state-owned enterprise. This practice is known to affect between 5 to 10 per cent of employees annually and is adding to the labour mobility without unemployment.

Japanese Employment Philosophy

Japanese human resource management practice go beyond the simple software metaphors of "long-term" employment, seniority wages and promotion and extend to an emphasis on how to develop a motivated and skilled workforce (Aoki, 1988). While this certainly exists it is more of hardware related principle which is simple and readily observed. Japanese workers commonly bring to the workplace flexible and loyal attitude fostered by a philosophy that begun with the major introduction of Western hardware ideas during the Meiji restoration period (1860s). These hardware ideas were adapted to the Japanese cultural and social value system by creating Japanese software. This began during the Meiji period the popular slogan, "Japanese Spirit with Western technology," and typified the ideological behaviour that prevailed. Japanese industry built its principles focused upon largely societal values (Drummond, 1991). Later, management in co-operation with government also created economic hardware restrictions such as the seniority employment system to deter skilled employees from moving between firms and foster enterprise loyalty. Further, internally job assignments of employees was continually rotated. This system is described as a part of employees personal development and enhances worker attitudes and morale since it enables employees to learn new skills, expand their job knowledge and break away from repetitious work (Lincoln and Kalleberg, 1990; Drummond, 1991). In-house

training and career development of employees is also considered a pivotal function in Japanese large firms. It takes advantage of both on-the-job and off-the-job training since Japanese firms emphasize on what Koike (1993) calls "broad specialisation". In terms of compensation, when an employee enters the firm, starting salary is determined by an employee's education, occupation and experience (i.e., years of service). Further the amount of annual increase is decided by using a combination of merit and seniority-tied increments. Many fringe benefits are legally mandatory but other benefit levels do not vary greatly as a function of job classification or performance levels. The main purpose of these benefit programs is to increase employee loyalty to the firm and society. Internal promotion of employees is an incentive used to support of the corporate culture and loyalty of the firm similar to that in West however it should be noted for management positions it is rare to recruit externally. There is a strong corporate commitment to internal workers especially in the larger firms.

Employee termination or redundancies are also uncommon and this goes against the societal culture to which management is sensitive. This current employment system has been practised for many years. It is noted that due to the economic crisis that has affected Japan through the 1990s there is a great deal of discussion about enterprise restructuring. Many traditional or conservative employment practices have come under scrutiny and demands for change exist. Several significant firms are experimenting in alternative employment practices such as performance management appraisals and others but the adoption of these ideas is limited until these trials prove successful and convincing.

Cultural Characteristics

The theories and practices of HRM are heavily influenced by cultural and managerial traditions of any country. Chinese HRM practice and "thinking" are related and orientated to cultural traditions. Similarly, the unique Japanese cultural and geographical history affects its assumptions about employee behaviour and introduced Western management systems.

Japanese management philosophy emphasises customer-orientation and quality control and this has strongly influenced the software development of Japanese human resource practice. Commonly this experience and practice is accumulated as knowledge at the head office of the business enterprise.

Within the Chinese work context, management software approaches promote teamwork and harmonious relationships amongst employees. There is an emphasis placed upon seniority when considering promotion and authority in decision making. The company is regarded as an integral part of an employee's life.

These software characteristics are generally also true of Japanese companies except in the case of management decision making. In Japan, the decision making mechanism is commonly based upon consultation or collective decisions where seniority or authority is less emphasised (for example, U-shaped systems, see Drummond, 1991: Drummond and Martinsons, 1997). This provides the basis of information sharing between workers and management. This is in stark contrast to Chinese organisations where decision-making roles reflect the authority of the top-down multi-level hardware regulations of the firm. The following Table 1 summarises many of the above mentioned comparisons. (See Table 1.)

IV. Research Methodology

In this study, the mainland Chinese cities of Shanghai and Guangzhou were selected for investigation because of the recent significant capital retail investment and number of Japanese department stores that have similar size characteristics and employee numbers compared to their local Chinese retail store counterparts. Further, given the developed business environment and industry parameters it was expected that the exploratory field research data collected would form the basis for reasoned and balanced interpretations.

Another research aim in comparing Japanese and Chinese enterprises in China was to investigate the expected cultural and institutional influences, similarities and differences that exist because of the two parent countries cultures. Especially in the areas of subordinate relationships, group orientation and respect for hierarchy. The hypothesis being that HRM practice in China in Chinese compared to Japanese managed firms would show significant similarities and differences.

Field interviews were conducted with the Chief Executive Officers of ten major retailers and a number of their senior managers of both the Japanese and Chinese retail department stores. This was followed by interviews with the Chief Executive Officers or senior managers of a number of Japanese operation control or parent head offices outside of mainland China. These are listed in Table 2. (See Table 2.)

Table 1: Parent Country Chinese and Japanese Business Cultures Comparison

	Chinese	Japanese
Philosophy of work	Confucian work ethic	Confucian with <i>Nihonkyo</i> ethos
- of decision making	Holistic thinking	ditto - <i>as for Chinese</i>
	Intuition and experience	ditto
Orientation	Centre of the World	International outlook
Relationship to Environment	Belief that man must adapt to nature Situation accepting orientation	Belief that man is nature Pragmatic orientation
Attitudes to change	Respects and preserves tradition while adding selected new elements	Preserves tradition while incrementally adding the new elements
Uncertainty avoidance	Accept or tolerate uncertainty	Uncertainty intolerant
Power distance	High power distance	ditto
Social Order	Rule of Man	Rule of Society
Primary basis for trust	Personal and hierarchical trust	Inter-personal-group trust
Nature of communications	Implicit communications, high context	ditto
	Relationship-oriented expression	ditto
Basic social unit	Family Paternalistic	Group (Society orientated) Shared identity
Enterprise theme	Iron rice bowl (PRC) & family welfare belief	Social and Personal Credibility vital
Information flow	Top-down information system	Strong multi-layered networks

Based on: Drummond (1991, 1993), Hofstede & Bond (1988); Hsu (1970); Martinsons (1993).

Table 2: Retail Department Stores Management Offices Surveyed

<p>Japanese Retail Stores:</p> <p>Jusco Teem Stores Co., Ltd., Guangzhou</p> <p>Jusco Stores Co., Ltd., Shanghai</p> <p>Jusco Stores (HK) Co., Ltd., Hong Kong (Control Office)</p> <p>Jusco Co., Ltd., Tokyo (Parent office)</p> <p>Isetan, Mei Long Zhen, Shanghai</p> <p>Isetan, Huai Hai Zhong Rd., Shanghai</p> <p>Isetan, Hong Kong (Operations office)</p> <p>Isetan of Japan, Tokyo (Parent office)</p> <p>Mitsukoshi, Shanghai (Outlet)</p> <p>Mitsukoshi, Hong Kong</p> <p>Mitsukoshi, Tokyo (Parent office)</p> <p>Seibu Department Stores, Shenzhen (Since 1996 independent)</p> <p>Seibu Department Stores, Tokyo</p> <p>Tokyu Department Stores, Hong Kong (Asia Office)</p> <p>Yaohan-No. 1 Department Store, Shanghai</p> <p>Yaohan IMM, Nan Fang Shang Cheng Co., Ltd., Shanghai</p> <p>Yaohan Department Stores, Shanghai (Parent Office)</p>
<p>Chinese Retail Stores:</p> <p>Shanghai Orient Shopping Centre Ltd., Shanghai</p> <p>Shanghai New World Co., Ltd., Shanghai</p>
<p>Shanghai City Government, Retailing Department</p>

V. Field Investigation

In this exploratory study two popular and traditional large Chinese retail stores are examined: (1) The Shanghai Orient Shopping Centre Limited which was the first established joint venture retail store in Shanghai. This joint venture was formed between the Shanghai municipal government and a Chinese State-owned Hong Kong company. This store is managed by local Shanghai-Chinese. (2) The other researched retailer is the Shanghai New World Co. Ltd. This store is a Chinese State-owned enterprise and was selected by the Chinese central government in 1996 as China's "Best Performance Retail Store."

All the Japanese joint venture retail department stores existing in Shanghai and Guangzhou were included in this study. They were Jusco Stores, Isetan (two separate joint ventures), Mitsukoshi, Yaohan - No. 1 Department Store, and Yaohan IMM (two separate joint ventures) all operating in different districts of Shanghai and a Jusco Teem Store in Guangzhou.

In addition to the retail store management, the researchers interviewed the Chairman of the Commercial Commission of the Shanghai Municipal People's Government responsible for the retail industry in China in order to understand first hand the proclaimed human resource strategies of the Chinese government.

All interviews were conducted by the researchers in the native tongue of the interviewees (i.e., in either Japanese or Putonghua). Further, the researchers inspected the local operations of all the subject stores. Company information brochures and available documentation relating to the human resource function of the stores was collected. Particular attention was paid to areas of HRM practice which managers explained made a distinctive contribution, that is, (1) recruitment and selection; (2) training and development; (3) performance appraisal; (4) compensation; and, (5) dismissal powers. Written notations of each interview were cross-validated and summarised by the research team.

Joint Venture Management

The Japanese retailers attained their Chinese retail operating licences by entering into joint venture partnerships with local Chinese enterprises. It is noted by the researchers that the majority of the Japanese joint venture partners were the Chinese property developers where the store was located. Only in two cases did the Chinese business partners have any

experience in retail operations: (1) Yaohan-No. 1 Department Store in Shanghai⁴ and (2) the JUSCO Teem joint venture in Guangzhou where the partner also had interests in a retail competitor nearby.

The Japanese joint ventures were formed on the premise that operational management decisions were the explicit responsibility of the Japanese partner until otherwise agreed. However, this was not a unilaterally practised as in many cases it was found that a significant amount of management goodwill and confidence building activity existed between the joint venture partners and where possible a consensus approach to top management decision making was being adopted. For example, the Guangzhou JUSCO Teem partnership is most cohesive and two-way communicative management study groups are used informally to resolve ongoing management problems for either organisation. In this case mutual cross-organisational learning is viewed by management a key benefit of the partnership.

Recruitment and Selection

In Chinese state-run retail stores managerial appointments decisions are predominantly made jointly by the Senior Director and appointed Communist Party Secretary (Cadre). Political loyalty and beliefs are important criteria for executive level appointments.

For Japanese stores it is important to be conscious that they are recent or new entrants to the expanding Chinese market. In the survey all senior managerial appointments were Japanese expatriate managers on secondment from the parent head office. These senior managers were found to have either previous China managerial experience or have been involved in the research and development stages of establishment of the China ventures. This is clearly a technological (hardware) transfer of Japanese knowledge and know-how. All key positions at start-up are held by Japanese managers or in exceptional cases Japanese experienced local managers.

At the operational level, Japanese stores as a policy employ fresh graduates from universities who have no prior full-time working experience. This is the same policy they traditionally adopt in Japan. Surveyed Japanese CEOs stress that this is particularly important as recent graduates from the universities or polytechnics are more open to accept new and different corporate cultures. Graduate employees are expected to learn quickly and in a short

⁴ Yaohan during the research study period withdrew from China and sold its interest to No. 1

time be promoted to supervisory positions. This policy reveals a key HRM strategy of Japanese stores. They endeavour to foster and develop their own unique store culture based upon the Japanese parent blueprint.

For general grade employees, under the Contract Labour System (CLS), both the Chinese and Japanese retail stores have the same flexibility in selecting new workers and use defined labour contracts. The common recruitment method utilises newspaper advertisements, followed by interview selection and in some cases examination if special skills are needed such as languages or computer literacy. Recruiting staff from the provinces outside of the local area is resisted because these employees under the CLS are entitled to twenty days special home leave per year in contrast to local staff who only receive an entitlement of three days. This is a concern of management because of the significant staffing cost and the discrimination between equally ranked employees.

All stores surveyed reported that they have no particular difficulties in recruiting general grade staff. One Japanese store manager stated that, “recently the store advertised five positions and about one thousand people applied in response.” Japanese senior management’s foremost concern about recruitment is how to select persons who will be able to be trained to fit with the desired corporate culture. In other words, the software management fit. In the Japanese stores senior expatriate managers conduct the final recruitment selection interviews to foster employee corporate fit.

Training and Development

The State government continues to play a strong leadership role in promoting personnel training and development. Under the promotion banner of Enterprise Management Modernisation, the State government believes that “two wheels” are needed for Chinese development and in order to make the Chinese market reforms successful. The wheels of development are thought to be based upon sound financial investment and well trained human resources. Within the researchers’ framework the first wheel, investment, is a hardware characteristic and the second, trained human resources, software. This ‘two wheel’ plan is also comparable to the earlier mentioned 1860s Japanese Meiji government reforms.

In respect of human resources, the government has a planned program to expand its

Department Store, its joint venture partner.

training and development for both general grade employees and managers throughout China. This particularly applies to the retail sector. The government also openly acknowledges that domestic traders need to learn from international traders the successful hardware and software techniques and adapt them to the local environment. At the present stage of reform, priority is placed upon technical or knowledge hardware transfer. Further the central and district governments have funded local enterprises creation of their own training programs for internal staff. For example, a Shanghai enterprise founded its own (government-approved) university that also accommodates non-employee external students.

The Chinese retail stores surveyed provide on-going staff training. One store had a full time training director responsible for all training activities. Training includes skills learning from international retail experience especially in merchandising and marketing related fields. A General Manager of one Chinese retail store stated that their main training objectives is, “to move from being a labour intensive organisation to knowledge intensive, from physical to intelligent and from experiential to smart and innovative in thinking.” Again this indicates a change in emphasis from hardware focussed orientation to more cultural software.

Japanese retail stores offer locally engaged Chinese employees the opportunity to be trained locally or in Japan for one to three months. As a hardware policy, they also give basic orientation training to all the local staff when they first join the firm just as they do with staff in Japan. On-the-job training and periodic off-the-job training were found to be standard features. All Japanese stores reported that they normally have new workers participate in a one or two day induction orientation course. However, in the case of a start-up store, employees can be hired and be involved with training programs for up to six months in advance for supervisors and three months for regular employees. The researchers believe that this type of comprehensive training courses for retail operations never previously existed in China. It is also noted that while local Chinese stores currently do not practice this type of induction program it could be expected to be adopted in the near future as a ‘copy cat’ or ‘catch up’ program.

In contemporary Japan, quality customer service is an important part of the corporate philosophy and culturally reinforced. This philosophy is also an ideal being promoted by Japanese expatriate managers in China. Japanese managers stated that corporate philosophy transferred into China should create their future competitive edge in the local marketplace. As

evidence, Japanese stores in start-up phases since the mid-1990s have invested substantial time and efforts in attempting to modify the local Chinese employee attitudes towards the concept of quality service by ongoing “training, retraining and retraining.” This is an example of management induced software practice which attempts to mould the organisational culture to meet the expected hardware goals. From the beginning Japanese partners state clearly that their stores will operate in the “Japanese way” without major adaptation. They have zealously directly transferred from Japan many of their daily work culture practices: For example, having all the employees, from store managers down to shop floor assistants, all stand in line and personally greet the customers with verbal salutations during the store opening and closing times. Further, throughout the day there are always staff standing near the front main entrance and at various key locations in the store especially “welcoming” customers as they approach and pass. Again this is a Japanese practice adopted here as organisational software. From the Japanese parent and local management perspective, this is well received by the local Chinese and is setting a new standard of quality service for the local customers and the market environment.

To create the necessary capacity for stores to carry out technical and skills training, all Japanese stores in the start-up phase had a number of Japanese trainers visit from Japan and directly train the local staff for one to three months. This process generally began from up to six months in advance. Trained local staff are then utilised as a core group to train the next generation of recruits with the Japan based trainers acting as assistants or in a performance mentor role. For the Japanese stores, undertaking a pre-planned training program is not just part of their jobs but is an ingrained organisational culture. One local Japanese store president reported that both the Japanese and Chinese managers are responsible for training tasks, including the president himself who on occasion also presents classes to regular staff at all levels and on various subjects. Again this is a management software perspective which uniquely attempts to bridge the hardware requirements of the firm to the traditional local culture. This is also evidence of the general multi-skilling of staff and task sharing mentality of senior managers.

Japanese management were asked about the major differences in conducting training with the local Chinese. One Japanese managing director replied that, “it typically takes a longer time to train local staff than staff in Japan, but in long run, the trained local staff seems to exceed the performance levels initially expected.” Another Japanese general manager

commented that a major difficulty they faced with the local Chinese staff was that even though they may understand what they have been asked or told they just, “don't do it”, or, “return to their old habits after a short while.” It was found that confirmation and re-training is common and necessary on an ongoing basis with locally recruited staff.

Performance Appraisal

All stores reported that they conduct HRM performance appraisal as a tool to assist in the process of employee contract renewal and as the basis for bonus compensation. For Japanese stores, performance evaluation is mainly based upon two components: First, total store profitability; and: Second, section budget achievement or sales volume. However, managers observed that this was creating difficulties when attempting to evaluate team members individual performance contributions.

For the Chinese stores bonuses are calculated on the basis of individual contribution. This is in contrast to the belief that the Chinese are high on collectivism and maintaining harmonious group relationships. In practice, it was found that employees generally do not work well as a team especially where bonuses are calculated on the basis of each worker's individual performance. This is especially difficult for those who work on the retail sales floor. For example, a customer may return for the purchase of an item on another day after the sales work of a first person and is served by second salesperson that claims the sale. Another salespersons may be located in a better location in the store, or, are selling a more popular or advertised promotion item therefore attaining higher sales turnover and recognition. In addition, there is the question of how to deduct from department performance figures overstocked or unsold items which are a cost to the firm when evaluating the financial results and budgeted achievement targets. Depending upon the method of calculation these can all effect the way in which individual bonus figures. Top management in Chinese establishments periodically discuss these issues with workers unions but to date an equitable solution has not been found.

Like the Japanese stores the local Chinese stores use performance appraisal as the basis for any contract renewals, the bonus scheme and it also used as a personnel control measure. Although dismissal is allowed it is rarely practised. In order to ensure the performance of the workers, it is common for state-owned enterprises to have each year about two to four per cent of under-performing employees compulsorily stood-down onto a reserve

list based upon their individual performance appraisal. A stood-down employee here means having no functional occupation within the enterprise but they continue to receive the base pay allowances.

Chinese stores instead of evaluating individual performance based upon the sales figures attained consider individual contribution and overall team performance. Individual contribution may also include fluency in foreign languages such as English or Japanese. Team performance includes inventory control, quality control and the total sales volume within the individual's section. The Chinese stores included in this study practised a "Star Service Standard" system which awards sections a star grade from one star to five stars depending upon assessed performance. For sections that consistently produce outstanding performance results the upper five-star classification is awarded. In each section of the store a "Star Service Standard" plaque is placed visible to customers. This is a hardware item in support of a management software incentive system.

Compensation

The Chinese Cultural Revolution emphasised the maintenance of a strong egalitarian wages policy, however, after 1987 Chinese government leader Deng Xiao Ping revised government policy under the slogan, "to each according to his work". Wages compensation was thereafter determined on a basic wage plus bonuses for high performing employees. At this time the system hardware was strong and HRM management software very elementary. Deng's concept was developed further in late 1984 by the introduction of a "structural wage" hardware system comprised of four main elements: base wages, job-position set award wages, seniority supplements and bonus wages. However, the official (software) guidelines on the implementation and expectations of payments have never been specified leading to the creation of an employment market.

A Japanese senior deputy general manager responsible for employee compensation reported that in the early 1990s when his company first opened stores in China it was impossible to gather information and statistics on the local staff wages index because most businesses in China considered wages policy a company secret. Even the government had no public information or statistics on industry standards. As a result, based upon the limited information he did manage to gather he developed a Chinese store compensation system modelled on the Japanese wage system which included; basic salary, location allowance, bonus, overtime pay and various insurance allowances. These allowances included fringe

benefits such as extreme temperature day allowance and public holidays allowance which are not taxable up to a set limit and therefore are very sought after by the local staff. In summary, the compensation package comprised 80% direct wages and 20% bonus. Most of the Japanese stores in the mid-1990s instilled a similar compensation system based on this experience. Some retailers were found to remit bonuses monthly, others pay bonus two to three times a year. The Chinese store managers gave similar replies that: "compensation includes wages plus bonus and the amount of bonus pay is linked to the five levels of the 'Star Service Standard' which the staff had achieved during the appraisal period." It is surmised that the introduction of overseas competitors into the retail employment sector has created a need for all stores to standardise their compensation systems resulting in minimal differentiation.

Staff Turnover

Both Chinese retail stores reported that they have a staff turnover rate of around 5 to 10 per cent per year considered acceptable in the retail industry. The turnover rate within the Japanese stores was around 30 to 50 per cent per year for first year employees. According to some of the Japanese managers, this is an unfortunate result of market growth and the significant market competition for their skilled staff especially those who have gained experience in supermarket food operations. It is apparent that the training they receive is highly transferable and sought after. Other Japanese managers expressed the opinion that another contributing factor is often the high expectations that local workers have when joining foreign joint venture enterprises in terms of the status, pay package and fringe benefits which are not satisfied and causes disappointment and morale problems. Another reason suggested was the lack of long term job security in working for foreign joint ventures companies. Most of the Japanese managers commented that they often find local staff quickly change jobs once they become dissatisfied with their workplace or colleagues. This is quite different to the attitude of Japanese expatriates who exhibit greater corporate loyalty, consider matters over the long term and refer a personal relationship approach in dealing with others.

Another Japanese manager mentioned that to reduce the staff turnover rate he hires employees who have a sincere interest in Japan and those things Japanese. In his experience he had found this practice to have significantly reduced the turnover amongst first year employees especially administrative staff. In other words he seeks staff who have empathy

and assimilation to Japanese culture focus as a management software approach.

Employee Dismissal

Since the 1987 Chinese reforms it has been possible to dismiss employees in China especially if an individual's performance or conduct are clearly found to be remiss. Managers of the Chinese stores reported that workers who are on contract terms with unsatisfactory performance do not have their employment contracts renewed. Others who have unsatisfactory performance or are subject to disciplinary action may be stood-down or temporarily dismissed with only basic pay allowances provided (as mentioned earlier).

Japanese managers explained that they frequently dismiss staff for in-store shop lifting. It is understood that stealing is a cultural habit not regarded as unacceptable social behaviour. Most items taken are found to be of nominal value and small therefore making detection difficult. It is also known that other local staff do not necessarily report known instances or observations of co-worker pilfering. In order to discourage this practice, Japanese managers instantly dismiss staff members apprehended and have them escorted out of the store. Other than for shop lifting, dismissal is rarely practised. This is a clear hardware rule where a gap between cultural expectations and the need for appropriate management software is evident. This is an area for improvement through training and improved recruitment methods.

VI. Overview

The original premise of this exploratory research was to investigate the features of Japanese and Chinese department stores in Southern China with a focus on the transferability and acceptance of Japanese HRM practices.

In the area of recruitment and selection, it is clear that due to the contextual factors, all enterprises are using the same methods for hiring, but differ in terms of selection criteria ratings. In Chinese companies this process is entrenched as a worker-party responsibility. The recruitment of senior managers is a political decision deeply related to China's recent history. Whereas in recent Japanese joint ventures and as the market system in China evolves retailers have been found to be freer to engage practices which they believe to be important as the best hiring practice, for example, hiring fresh graduates from universities.

With the new China market reforms, the government is promoting considerable energy and resources into HRM training and development. This is a practice the Japanese retailers are already strong in internally promoting. There is no doubt that the Chinese authorities generally welcome the input and ideas of the Japanese managed stores to intensely train local staff. In respect to performance appraisal, the Japanese are trying to integrate performance-based management systems into Chinese society whereas, the Chinese still promote equality and harmony amongst workers and the moral behaviour and political thinking of the individual. In terms of compensation, the Japanese tend to follow the local job market practices with an emphasis on monetary rewards. Chinese managers realise that "face" is an important element in Chinese society, beyond providing acceptable monetary awards, they also publicise their staff's achievements through the "Star System" which is another explicit method to reward and motivate staff. Otherwise most HRM practices between the two countries appear to be quite similar or tending towards non-differentiation due to competitive market forces.

VII. Management Implications

Japan has been successful in becoming one of the world's leading and productive economies through effective and flexible HRM. This is founded upon their strong belief that people are the most important corporate resource. Over the last two decades of the Millennium, Japanese firms have domestically matured and begun to move their operations offshore. Many have attempted to transfer Japanese-styled management into their overseas organisations but often with limited success for various reasons. Now as Japanese overseas investment grows and overseas experience increases Japanese managers are more cautious about the wholesale transfer of their HRM practices aboard. However, this study has discovered that Japanese managers doing business in China consider that the transfer of home-country HRM practices into China as workable provided there is a "localisation of the spirit." Japanese managers emphasise that in localising the application of their Japanese HRM practice the important key is to discover the degree of adaptation necessary to have practices accepted. That is, adjusting the management software of these practices to strongly meld with the local culture.

Japanese managers acknowledge that historically China and Japan have had a long-

term inter-cultural influence. The cross-cultural influence makes the transition more understandable and in instances more culturally consistent. The Chinese also understand that there are many areas of management practice where they can learn from the outside world. It is suggested by the researchers that instead of trying to transfer the Japanese HRM model into China, China in its search for modernisation has attempted to add value to their existing HRM practices model by adding selected and attractive specific techniques from the Japanese HRM model and elsewhere. This structural innovation is also suggested to have some similarities with the Japanese Meiji period slogans for modernisation as mentioned earlier. Here in Southern China retailing it is suggested that there is a “Chinese Spirit with Japanese Technology.” This is illustrated in the Japanese stores examined by the way they follow the spirit of local human resource practices in areas such as recruitment. However, as many local workers lack proper or specialised skills and there is a “need” to offer supplementary Japanese technology training. This is not necessarily only seen as a “transfer” of the Japanese hardware technology but rather an addition to the spirit of practices already in existence: that is, primarily a software transfer. Another example is in the service quality perspective.

Since China has recently become a market-orientated economy both the concepts of quality and customer first service are fairly new. Japanese managers believe that educating the local workers in what is termed “quality service” and how to achieve a higher service standard will help to improve the general quality of life and become their contribution to Chinese society. Most of these Japanese practices are selectively and increasingly adopted. One Japanese manager stated that he does not believe in applying either Japanese or Chinese practices in doing business in China, rather he is searching for practices which are appropriate for the new emerging market-oriented situation. Moreover, in the long run, Japanese expatriate managers are expected to withdraw from the local operations as their presence is expensive. As local workers learn and develop the capacity to take on top management responsibilities the expatriates will leave. Subsequently, employing local staff and having them undertake appropriate career management training is an important program. The Japanese managers also stated, “More important, is that a continuous refinement of HRM practice takes place in China as it domestically moves further forward in its modernisation and market reform process.”

Cultural & Social Values

The similarities in cultural and social values based upon Confucian history and tradition are discussed. Both China and Japan are societies that have developed a central family tenet over many generations and this is reflected in the character and attitudes adopted by the firm.

Organisational Hardware

As defined by the framework model, hardware is the readily transferable aspects of business. The only significant hardware difference between China Japanese and Chinese operations pertained to external to the firm infrastructure differences such as store location, access to good quality public transport, the disposable income of customers, etc. Department store buildings, layout, fittings, accessibility to funding, policies for the most part were identical in all Southern China stores and also common to that of most developed economies.

Management Software

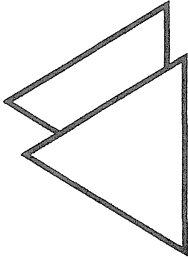
It is important to understand that for Japanese firms in Japan the software aspects related to the “total business relationship” are always emphasised. Particularly personal relationships are underlined as being critical to successful business. In step with this emphasis, software methods are used to achieve retailers standard hardware goals while correspondingly matching societies traditional cultural expectations and principles.

In China, Japanese business practice also takes into account the local cultural perspective and attempts to apply appropriate software modifications to suit the environment. These practices are moderately different to those practised in local Chinese managed operations that are a quickly adjusting to the new environment.

In general, management software adopted for retailing firms in Southern China is centred upon operational profitability. There is a separation of the human element from the identity of the enterprise, whereas, in Japan, it is the total credibility of the business and its people's relationship are viewed as being vital.

Table 3 comparatively summarises key corporate elements for Japanese and Chinese retailers applying the culture-software-hardware framework model as illustrated earlier in Figure 1. The table particularly highlights the respective major management software inter-links between the environmental cultural and social values and its corporate hardware.

Table 3: China: Japanese & Chinese Retailing HRM Software Inter-links Comparative Highlights

SOCIETY & CULTURE		SOFTWARE INTER-LINKS		HARDWARE	
JAPANESE		CHINESE			
<p><i>Perspective</i> International outlook Supportive and co-ordinated parent company relationships 'Quality customer service' orientation <i>Management Structure</i> Japanese expatriate top and middle management for short term <i>Human Resources Management</i> <i>Recruitment and selection</i> Expatriate management with local replacements in training New general grade employees: - sourced through local printed media advertising - all fresh graduates from university - locals only employed Contract Labour System Long-term internal promotion <i>Training and Development</i> Comprehensive training within firm initially using Japanese parent specialists & later locally developed HR specialist trainers Parent company knowledge & skills transferred with intention to add to local cultural expectations Employee training intensive and ongoing Training and developed corporate service culture believed to be competitive market edge <i>Performance Appraisal</i> Employee performance monitoring objective Bonuses determined upon combined store and section performance Non-performing employees are encouraged to leave. <i>Compensation</i> Basic wage, numerous allowances and periodic bonus based on performance appraisal above <i>Staff turnover</i> Significant loss:- 30 to 50% Highly trained employees sought after by competitors Corporate cultural differences too much for some <i>Dismissal</i> Possible with reason (Shop-lifting leads to significant number of instant dismissals) <i>Theme</i> People integration culture - software inter-link focus*</p>	<p><i>Perspective</i> Centre of the World, economic orientation Profit standard <i>Management Structure</i> Management specialist delineation Formalised delegation of responsibility <i>Human Resources Management</i> <i>Recruitment and selection</i> Political overtones and motivation Contract Labour System Personnel labour Agency can supply qualified employees but there is a trend towards the open labour market <i>Training and Development</i> Government sponsored programs to promote skills of general retail workforce International technology and skills transfer promoted both externally and internally <i>Performance Appraisal</i> Employee performance monitoring objective Bonuses determined by combined individual & section contribution 'Star service standard' used to determine section performance Non-performing employees are stood-down onto basic allowances with no job. <i>Compensation</i> Basic wage plus bonus based on performance appraisal above <i>Staff turnover</i> Not significant - 5 to 10% <i>Dismissal</i> Possible with reason Stand-down commonly applied as alternate (see above) number of instant dismissals) <i>Theme</i> Profit hardware - software inter-link focus*</p>	<p><i>Chinese Features:</i> Utilisation of retail technology good <i>Catch-up, follower class</i> <i>Japanese Features:</i> Retail technology "World-class" Leader in department store technologies</p>	<p><i>Perspective</i> International outlook Supportive and co-ordinated parent company relationships 'Quality customer service' orientation <i>Management Structure</i> Japanese expatriate top and middle management for short term <i>Human Resources Management</i> <i>Recruitment and selection</i> Expatriate management with local replacements in training New general grade employees: - sourced through local printed media advertising - all fresh graduates from university - locals only employed Contract Labour System Long-term internal promotion <i>Training and Development</i> Comprehensive training within firm initially using Japanese parent specialists & later locally developed HR specialist trainers Parent company knowledge & skills transferred with intention to add to local cultural expectations Employee training intensive and ongoing Training and developed corporate service culture believed to be competitive market edge <i>Performance Appraisal</i> Employee performance monitoring objective Bonuses determined upon combined store and section performance Non-performing employees are encouraged to leave. <i>Compensation</i> Basic wage, numerous allowances and periodic bonus based on performance appraisal above <i>Staff turnover</i> Significant loss:- 30 to 50% Highly trained employees sought after by competitors Corporate cultural differences too much for some <i>Dismissal</i> Possible with reason (Shop-lifting leads to significant number of instant dismissals) <i>Theme</i> People integration culture - 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software inter-link focus*</p>
<p>Confucian work ethic; holistic thinking Long, Shared history Challenge of new Japanese joint venture partnerships Select educated employees with interest in non-traditional employment Non-conflict cultural approach to management Large population High-density residential Multi-ethnic society Recent changing economic-cultural circumstances Multi-lateral information system</p> <p>- Refer Table 1 for a comparison of Chinese & Japanese parent country culture.</p> 	<p>International outlook Supportive and co-ordinated parent company relationships 'Quality customer service' orientation <i>Management Structure</i> Japanese expatriate top and middle management for short term <i>Human Resources Management</i> <i>Recruitment and selection</i> Expatriate management with local replacements in training New general grade employees: - sourced through local printed media advertising - all fresh graduates from university - locals only employed Contract Labour System Long-term internal promotion <i>Training and Development</i> Comprehensive training within firm initially using Japanese parent specialists & later locally developed HR specialist trainers Parent company knowledge & skills transferred with intention to add to local cultural expectations Employee training intensive and ongoing Training and developed corporate service culture believed to be competitive market edge <i>Performance Appraisal</i> Employee performance monitoring objective Bonuses determined upon combined store and section performance Non-performing employees are encouraged to leave. <i>Compensation</i> Basic wage, numerous allowances and periodic bonus based on performance appraisal above <i>Staff turnover</i> Significant loss:- 30 to 50% Highly trained employees sought after by competitors Corporate cultural differences too much for some <i>Dismissal</i> Possible with reason (Shop-lifting leads to significant number of instant dismissals) <i>Theme</i> People integration culture - 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software inter-link focus*</p>

The researchers find that Japanese joint ventures generally emphasise management software inter-links that feature cultural and society as the focal point. Whereas Chinese firms are more hardware focussed and describe their management software with greater reference to hardware perspectives. This is described in Table 3 and illustrated by the shaded eclipse area in Figure 1. Further presented within the model framework of the Table a number of cultural sensitive management software benchmarks for conceptual equivalence or difference. (See Table 3.)

Limitations

This research is exploratory in nature and the researchers are aware that there is a need for further field investigation to provide a more complete and comprehensive understanding. The study has been able to generally assess what is the current state of certain HRM practices in Southern China and created the basis for further investigation. In the future, it is suggested that a wider investigation on what satisfies local Chinese workers who are employed by Japanese firms may assist in assessing whether the Japanese are using the correct human resource management strategies in China and identify other areas for HRM enhancement. At this stage, the researchers conclude that Japanese management is acutely aware of their responsibilities and are searching for different cultural and environmental factors that may become the catalyst for unique management solutions. Japanese firms entering the China market have clearly been cautious in selecting appropriate HRM practices. Correspondingly, Chinese firms while also being cautious and selective in their introduction of new HRM methods have been successful at competitive organisation learning. Greater understanding of the Chinese labour market is essential and will assist in the encouragement and development of appropriate and indigenous HRM practices for the future. It is hoped this study has made some contribution towards this goal.

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