



Working for Japanese Corporations in China: A Qualitative Study

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China's economy is emerging rapidly and foreign multinational corporations (MNCs) are playing an important role in this process. MNCs no longer view China just as a place for cheap production, but increasingly as a marketplace. This has led to increased interest in how to manage local white-collar employees and this article addresses this issue with regard to Japanese MNCs. Based on a qualitative exploration of the perceptions of local employees, the article develops a series of proposals in regard to the underlying factors and problems of human resource management (HRM) by Japanese MNCs in China. Local employees describe the management style of Japanese corporations as highly ethnocentric and despite Japanese management having been portrayed as an overall good fit for fast-developing economies, local employees voice discontent over several points, ranging from seating arrangements to incentive structures. This situation can be explained by an incomplete transfer of Japanese business practices, the heavy reliance on expatriate managers, and with the presence of multiple modes of competing management styles in the current rapidly developing Chinese economy. *Asian Business & Management* (2008) 7, 33–51. doi:10.1057/palgrave.abm.9200250

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Introduction

Japanese corporations have increased their presence in China significantly over the last decade and China has become for Japanese companies much more than just a cheap place for production. Seeing China as a market for their products and services, Japanese companies are transferring higher functions to China and need qualified manpower to fulfil them (Taura, 2005). However, Japanese firms report significant problems in this regard.

First, Japanese companies have to cope with high numbers of employees resigning from their positions. A survey by the Japan–China Investment Promotion Organization (NCTSK, 2005) found the separation rate for



regular workers to be 11.5 and 12.4 per cent for university graduates, with the latter staying, on average, no longer than 3.2 years with their companies. Second, they have problems when competing for the best employees. Surveys have indicated that Japanese companies do not rank among the most popular employers, and are even frequently named as those foreign companies that people would least want to work for (Zhang, 2003). In 2004, according to a Chinese recruitment website (www.chinahr.com), Sony, although the most popular Japanese company, was only ranked 24th; only one other Japanese company, Matsushita, made it into the 50 most popular companies (46th) (*Nikkei SangyōShinbun*, 21 December 2004: 24).

These observations provided the starting point for this study. What is it like to work for a Japanese corporation and why do Japanese corporations enjoy such low popularity among local employees? To answer these questions, this study followed a qualitative research approach by using in-depth interviews with Chinese employees. This approach was chosen to keep possible outcomes as open as possible. This seemed to be especially important, since the study was conducted during a time of intense political friction between the two countries, which resulted in mass and sometimes violent demonstrations against Japan in China.

Of course, this is not the first time that human resource management (HRM) by Japanese companies has been studied in the context of foreign direct investment. Indeed, since Japanese companies have come up with quite a distinct HRM model, the question has repeatedly been how and whether Japanese companies can transfer this model to their overseas operations (eg Komai, 1989; Beechler and Yang, 1994; Gill and Wong, 1998; Konomoto, 2000). The management practices of Japanese corporations in China have received less attention; however, this has been changing with the increasing engagement of Japanese companies there (eg Legewie, 2002; Tanaka, 2003; Taura, 2005). While all these studies have made important contributions to the understanding of the situation of Japanese subsidiaries in China, they have their limitations, as they were largely based not on actual fieldwork with Chinese employees, but looked at the issue from a macro and theoretical perspective instead. In addition, previous studies have mostly focused on blue-collar employees in manufacturing.

The HRM of Japanese corporations in China takes place in an interesting context. China is not only a rapidly emerging, but also a transitional economy. Researchers, reluctant to use the term 'human resource management', have described a model of so-called 'people management' for China's state-owned companies, often shortened to the 'iron rice-bowl', with the main characteristics being jobs for life, the importance of age, loyalty and seniority. While this 'traditional' management model of state-owned enterprises in China seems to



be changing, state-owned enterprises still preserve some of their former elements (Ding *et al.*, 2000; Hassard *et al.*, 2004). Other drivers of change in the management of people in China are foreign MNCs. Here the debate has, however, focused largely on the influence of so-called Western MNCs or Western HRM, Japanese companies largely being included in the Western group. However, at first sight, elements of the 'iron rice-bowl', such as secure employment or an emphasis on seniority, seem to resemble elements of so-called Japanese management; in addition, it has been argued that elements of Japanese management are still strongly present in Japanese overseas subsidiaries, and that such practices may even be more appropriate for countries that are developing economically (Wasti, 1998).

This study addresses the above issues through a grounded approach, by deriving proposals concerning the employment and management situation of Japanese companies in China, based on a set of interviews with Chinese employees working for Japanese corporations in China. Looking at highly qualified white-collar employees, the focus was put on the employee group most sought after by Japanese corporations and seen as of strategic importance for the future development of Japanese businesses (NKDR, 2006). Twenty-two informants from eight Japanese companies were interviewed in-depth. Companies chosen were located in Beijing, Tianjin and Shanghai. Interviews were semi-structured, and maximum care was given to allow informants to express their own perspectives. Thus, interviews were conducted in a conversational setting and flexibly. The interviewer was a Chinese national and the interviews were conducted in Chinese. Interviewees were not informed about the Japan focus of this research and terms such as 'non-Chinese' and 'foreign' were used during the initial stages of the interview. To assess the data, five people working in two Western companies were also interviewed. Data analysis was done in an ongoing and iterative (non-linear) manner. Before analysis, qualitative data were transcribed and meaningful segments coded so as to discover important themes and relationships.

Findings

In analysing the content of the interviews, the following issues were identified as being recurring themes: layout of workplaces, flexibility issues, working time, remuneration, career development and general sentiments towards Japan. The following introduction of findings will follow those themes. It will, however, soon become apparent that the topics are interlinked. Interviewees moved from one observation to another and thereby single interview excerpts may relate to several themes.



Lack of Privacy

All of us work in one big office, together with our section managers. We sit face to face on both sides of big tables just like in a meeting, and the section manager sits in front, facing his division like a teacher. Apart from the meeting and equipment rooms, there is only one small private office for the general manager. All the others sit closely together without any partitions. Actually, the office lay-out is very annoying, at least for me. (Interviewee JG, male, business executive, Japanese trading company)

Interviewees frequently brought up the layout of their workplaces. Japanese companies in China were described as using the same open-office layout as in Japan, where most offices are not partitioned and desks are arranged in sectional clusters. Seven of the eight Japanese companies from which employees were interviewed had an open-office layout, and other interviewees agreed with the negative assessment expressed in the above excerpt.

Whenever he [the Japanese manager] likes, he just watches us. That feeling is really bad. It feels as if we are being kept under surveillance. I can endure it when I am busy with my work, as I can just ignore him by concentrating on my work. But I am not an operator on a production line, whose performance can be judged by physical movements. Sometimes, I have to pretend to be busy by writing or typing even when I don't have that kind of work on hand, fearing that they might think that my workload is too light and that they will assign me more. (Interviewee JE, female, officer, Japanese bank)

Another interviewee finds it difficult to concentrate. Working in sales, she has to deal with clients over the telephone and has to do so in a foreign language. The lack of privacy also has implications for the way she deals with her clients, revealing a strong sense of competition with her colleagues, circumstances that she thinks her Japanese manager does not understand.

Very often, several people are making calls at the same time. As we sit so close to each other, we can hear each other clearly. Sometimes the interference is so great that it interrupts my chain of thought, especially when I am talking in Japanese with my clients, as I have to choose the appropriate expression in another language. It is difficult to concentrate. Although we work for the same company, each of us has his/her own customers. Nobody likes to share clients with someone else. Sometimes, when I want to call one of my clients to say something that I do not want the others to hear, I use my own mobile phone outside of the office. But I can neither do that often, nor stay outside for long, fearing that the Japanese manager might think that I am making private calls during office



hours...And it is hard to explain to them, as they just don't understand. (Interviewee JL, female, sales staff, Japanese electronics company)

The interviewees who worked for Western companies did not express similar problems. Both companies use partitioned offices and employees reported that they are allowed to bring private possessions to the office. While still having their thoughts interrupted by office noise, the office space allocated to them seems to be more generous, allowing for more privacy.

..., it is true that we can hear each other when using the phone ...but it is not so serious as to become a problem. Actually our space is big enough for each person. Everyone sits in his own corner with two big tables and two small cabinets. (Interviewee WE, senior engineer, European electronics manufacturer)

Process-Oriented

Another point that interviewees frequently brought up was the importance that their Japanese managers put on prescribed work procedures.

I put the finished file on his table and sent an email to notify him [her Japanese manager]. However, when he returned, he came to me and asked why I had not reported to him. I explained that he had not been in the office, so I had sent an email. But he said "you should have reported to me personally when I came back, email is not an appropriate way to report to superiors. I am not scolding you, I am just teaching you the correct way of doing your work." He said this in a kind manner, but I still could not understand his behaviour. (Interviewee JJ, female, general affairs administrator, Japanese electronics company)

Another interviewee complains:

In our company, almost everything is required to be registered, even the usage of the copy machine. We have to register how many pieces of paper we have used every time. (Interviewee JC, female, bill dealer, Japanese electric firm)

Finally, an interviewee talked about a training course organized by her company to teach employees how to keep files.

Two Japanese were dispatched to China for a whole month just to train us to do so! It is funny, isn't it? When the training was over, the Japanese would check the formal style first, before reading the content of whatever we report. (Interviewee JQ, female, general affairs administrator, Japanese automotive company)



Interviewees from Western companies described a more flexible and results-oriented work environment. An accountant with an American firm reported that her company allows her to have breakfast or even take a nap in her office:

It should be this way. My boss does not care about anything else but the results of my work. (Interviewee WB, female, accountant, American audit, tax, consultancy firm)

Working Time

Almost all informants brought up the topic of overtime during interviews.

Working overtime is a kind of culture in Japanese companies... I brand it a culture because overtime in Japanese companies is different from that in any other company. In western or Chinese companies overtime is not a rare occurrence, but only when necessary such as when it is required to finish the job on hand on time. However, in Japanese companies, it is simply because the others are still in the office. It has been a custom for people working in Japanese companies to stay in the office after 6 pm even if they have finished the day's work. Everyone behaves like this, thinking that if you leave on time, you will be regarded as the least diligent one. For this reason, if you want to work in a Japanese company, you have to work overtime. As a matter of fact, our Japanese managers do have the conviction that overtime equals hard work. They care much more about how long you have worked than about how much you have accomplished. (Interviewee JN, female, employee trainer, Japanese electronics firm)

However, some employees admit that overtime is also related to the amount of work.

Our workload is very heavy. And we have to be trained in new techniques all the time. Basically we have to work overtime, about 40–80 hours every month. (Interviewee JR, male, customer service engineer, Japanese semiconductor company)

The majority of informants, however, agreed with the first informant that much of the overtime was not necessary.

I thought that Japanese companies were all fast-paced. So I worked very hard to finish my work on time. At that time, my daughter was only 4 years old and every day I had to rush to the kindergarten to pick her up. However, soon my boss had a talk with me. He told me that I should work as hard as the others. However, all people in my department have the same workload. I could only leave the office on time because I worked faster and more efficiently than the others. How is it that spending a much longer time doing



the same amount of work can be taken as being more hard-working? Anyway, from then on I understood my situation and began to follow suit. Now I can get extra pay from the overtime work every month, but I still have the feeling that I have lost more. As far as my own feelings are concerned, I would rather be with my family and my child immediately after office hours. But I have no choice and have to spend much time doing meaningless overtime everyday. (Interviewee JQ, female, general affairs administrator, Japanese automotive company)

The fact that all companies paid overtime allowances based on Chinese labour law seemed to make overtime for some interviewees more acceptable. This was especially the case for *male* employees, while for many *female* interviewees overtime was a major point of concern.

A related issue was 'paid leave'. In China, most employees have contractual annual leave of between 8 and 20 days, and, in contrast to some of their Japanese superiors, Chinese employees seem to regard this as an entitlement.

We are required to state reasons when asking for leave. In the last few months I have taken leave several times, as only ten days of unused leave can be carried forward to the next year. I had accumulated eighteen days and I did not want to waste the rest, so I provided various excuses to apply for leave, such as physical check-ups. However, the Japanese [manager] told me that my reasons for applying for leave were not valid and it was not necessary for me to take leave... It's so funny. You give me the right to take leave, so it is none of your business as to how I use it, right? Then I told him honestly that I do not want to waste my leave. He answered: "Your attitude is not correct. You have the right to take leave, but you should always consider our company first. I also have paid leave, but I have not used it for several years". Eventually, he did not approve my application, and let me go back to think about his words. I cannot understand why I can't use my leave freely. (Interviewee JD, female, loan executive, Japanese bank)

Interviewees from Western companies reported a more flexible environment in terms of working hours and overtime, as the following interview excerpt shows.

Yes, sometimes we get really tired from so much overtime work, but we can get up late the following day and arrive at the office after 10 am. And we can also leave the office before 5 pm if we finish our work early. Luckily, our boss is not strict about it. When we are not so busy, we can also convert our overtime hours to paid leave. (Interviewee WA, female, financial advisory service assistant manager, American audit, tax, consultancy firm)



Remuneration

Asked whether they were satisfied with their pay, interviewees' opinions were split. About half of them were not satisfied, and some were looking for better-paying jobs.

Compared with my friends and classmates working in Euro-American companies, our salary is really low. It is over six years now, since after my graduation I began working in this company, but my salary has not increased much. The entry level salary in Japanese companies is much lower than that in Euro-American companies. Now, with the extra pay from the large amount of overtime work, my net monthly income is still far less than that of my friends working in American companies. Also, they can get a big annual bonus based on their own achievements and the profit of their companies, while we only have a fixed bonus equivalent to two months' salary, no matter how much we contribute to the company. I really regret beginning my career in a Japanese company ... There is no doubt that if I get the opportunity I will change jobs and develop a career in a Euro-American company. (Interviewee JA, female, HR executive, Japanese electric firm)

Indeed, most interviewees attributed their dissatisfaction with their income to the fact that they were working for Japanese companies. However, others were satisfied, because they felt that Japanese companies had at least given them the opportunity to start their careers.

It [the salary] is not so good, but still acceptable as we can get a considerable extra amount from working overtime. Although we are not highly paid, we are not in the bottom ranks either. I majored in Japanese, you know, it is not easy for me to find a good job in a non-Japanese company. Besides, most of the Japanese companies will give you more or less the same. (Interviewee JT, female, human resource executive, Japanese semiconductor company)

Others point to the willingness of Japanese companies to hire fresh graduates.

It would have been very hard for a fresh graduate like me to be recruited. Although the salary is a bit low, the Japanese companies are open to fresh graduates. Their entry requirements are not difficult for us to meet. At the moment, I will not try to change to a better-paid job, not until I have amassed several years of working experience. (Interviewee JE, female, officer, Japanese bank)

During the interviews, other topics frequently discussed were matters of salary increases and bonus distribution. Employees pointed out that the



distribution of salary and bonuses among employees of the same category was regardless of performance and qualifications.

Even if the manager has noticed that you are hard-working and given you a good grade in the evaluation, you can hardly get a decent increase in salary. Most likely at the end of the year, it will only be 50–100 CNY more than a slow worker. And the bonus is also almost the same. This is just what happened in state-owned enterprises in China twenty years ago. It is not a good place for those with strong ability and great ambitions. (Interviewee JU, male, IT support engineer, Japanese trading company)

Career Development

It is very hard to get a promotion in our company... After my graduation I joined this company as an assistant engineer, and two years later I became an engineer. Now, it is over five years since I began working here and I am a senior engineer. However, it has dawned on me that there will be no chance to be promoted to managerial level, even if I keep working here for another five years. (Interviewee JU, male, IT support engineer, Japanese trading company)

This engineer was not the only interviewee dissatisfied with his career development.

I joined the company for its relatively better pay, but it seems to me that from the career perspective it was the wrong choice. The problem is that most senior positions are occupied by Japanese. Even if a Japanese leaves for some reason and there is a vacancy, the parent company will soon send another Japanese to take over his position. As a Chinese, there is no chance for me to get a promotion at all. (Interviewee JF, male, IT manager, Japanese bank)

Among the eight companies that interviewees came from, only a semiconductor company based in Shanghai had hired an American–Chinese as its general manager. Otherwise, senior position holders were all of Japanese nationality.

Some interviewees also mentioned that they could not find self-fulfilment in their workplaces and related this largely to matters of participation and communication.

What we do is simply follow the direction of our parent company. They won't seek opinions from local employees in making any decisions. I tried to offer some suggestions on how to improve our work, but the superiors did not consider them at all. It seems they didn't want to change the rules which



had been put in place by the head office. They just expect us to be subordinates who will docilely follow their instructions. (Interviewee JM, male, product trainer, Japanese electronic firm)

By contrast, an employee of a European electronics manufacturer states that his company has been localizing by employing more Chinese managers in top management; interestingly, however, he still reports that there are not enough advancement opportunities for middle management employees.

All the managers in our company are Chinese. Before, 60 per cent of the management group was foreigners. But in recent years, our company localized and most foreigners went back. Now, the whole management group including the general manager is Chinese. ...

Well, actually it is relatively easy to be promoted to middle management, but it is very difficult for middle managers to have a further promotion to senior manager. Thus, there is a lot of job-hopping among middle managers. (Interviewee WD, male, production section manager, European electronics company)

Anti-Japanese Sentiments?

Most interviewees proved to be sensitive to the fact that they were working for a Japanese company. During the interviews, most informants would soon address this issue, attributing many of their observations, both positive and negative, to the fact that they were working for a Japanese company. Thus interviewees frequently used terms like *'the Japanese always.'* or *'Japanese companies usually...'*

You know, as a whole, the Chinese don't like the Japanese. From a historical perspective, we have all the reasons to resent them. But I would say that the ill feelings towards the Japanese have not had any effect on my work since I joined the Japanese company. In general, the Japanese in our company have behaved properly. Thus, for me, working with Japanese is not a problem. My dissatisfaction mainly lies in the poor money... My family also hopes for me to change to a Euro-American company, where I will be freed of excessive overtime work. (Interviewee JI, male, customer service logistics coordinator, Japanese trading company)

By contrast, interviewees from Western companies did not relate their observations very closely to the countries that their companies came from, as the following statement about an Australian superior shows.

Well, he is a nice person, very smart and professional in business... he just gives us instruction on our work, so regarding management style, I am not



sure what you are asking about ...but we do not have much communication other than about our work... Everyone does his work self-consciously; if we have any problems with the company, we will refer to the HR department. Our boss does not care about things other than our business. (Interviewee WB, female, accountant, American audit, tax, consultancy firm)

Still, overall the larger anti-Japanese sentiments that have been intensifying in China recently did not seem to have been a major issue for interviewees. In interviews, these were mostly expressed in a rather subtle way and clearly seemed to take a backseat when compared to the other issues that troubled Chinese employees at their workplaces in Japanese corporations.

Although we did have some unpleasant days in history, those are over. At present, the two countries should continue to co-operate with each other to our mutual benefit. And I would like to think for myself and to make a living rather than entangle myself in national issues. (Interviewee JJ, female, general affairs administrator, Japanese electronics company)

Discussion

Following a grounded theory approach, proposals can now be developed with regard to the situation of Chinese employees in Japanese corporations, as well as the HRM of Japanese corporations in China.

Development of Proposals

Proposal 1: The factors influencing workplace satisfaction of employees in Japanese companies go beyond the factors normally mentioned in this context, such as issues of training, remuneration, promotion and general feelings of antipathy towards Japanese companies and managers, and include issues such as workplace design, work processes and time management.

As mentioned in the Introduction, this is not the first study that has raised the problems that Japanese companies in China encounter in recruiting and retaining personnel. Other studies, however, have only attributed the dissatisfaction of Chinese employees to a limited number of factors, such as lower pay or lesser opportunities for promotion, although some also mention the existence of a certain antipathy towards Japanese companies and managers (eg Ma, 2000; Taura, 2005; NKDR, 2006 various chapters in JETRO, 2005; CKKSK, 2006).



In comparison, the grounded approach that this study has taken has revealed a multiplicity of factors, including some not mentioned in other studies at all, such as office design, daily relationships with Japanese managers and work-time issues. This is a significant finding, not only from the theoretical perspective, but also for the practitioner, since many of the above studies were actually conducted to help Japanese companies improve their situation.

Proposal 2: There seems to be a general mismatch between the expectations of Chinese employees who have chosen to work for foreign companies and the management style of Japanese corporations.

The findings of this study have shown that Japanese companies seem to have consciously or unconsciously transferred many of the management practices they use in their home operations to their subsidiaries in China. This starts with relatively simple elements like office layout and extends to working time, group solidarity, and what is perceived as egalitarian principles of remuneration and promotion. In doing so, however, they run counter to the expectation of local employees, who, having chosen to work for a foreign company, apparently expect a clear antithesis to the people-management practices of the previously dominant state-owned companies. While it has been described that Japanese companies seem to be able to apply their management style to the management of blue-collar employees in manufacturing (Legewie, 2002), this seems to be less the case for white-collar employees. Values and expectations of employees in terms of workplace privacy, competition with colleagues, working time, flexibility, remuneration and advancement seem to be very much in line with 'Western' practices. Actually, the sentiments expressed by Chinese employees mirror sentiments that were expressed by American employees working for Japanese subsidiaries in the US as much as 30 years ago (Harari and Zeira, 1974). In a rapidly emerging economy like China, where foreign companies play an important role, employees seem to position their expectations and perceptions within a complex reference system. Here, 'traditional' host-country values and expectations stand beside those brought in and promoted from overseas. China being not only a rapidly emerging but also a transitional economy, one also has to ask what 'traditional' values and expectations were in the first place.

Proposal 3: Chinese employees interpret many of the management practices of Japanese corporations negatively. This could be due to shortcomings in communication, but also be due to the way management practices are applied by Japanese managers.



Interviewed local Chinese employees spoke negatively of many elements of Japanese management, elements that could just as well be interpreted positively. For example, the seating arrangements in Japanese corporations were not seen by interviewees as an effective way to promote communication, teamwork or on-the-job training, but rather as a mechanism to tightly supervise subordinates. Employees also describe Japanese managers as being process-oriented and see this orientation not as an effort to carefully train employees, but rather as measures to stifle their creativity and independence.

This situation might be due to a lack of communication between local employees and their Japanese managers, which became apparent during interviews. Another reason might, however, be a lack of trust by expatriate managers in their Chinese employees. Surveys among Japanese managers in China (*Nihon Keizai Shinbun*, 5 January 2006) show serious concerns about trade practices and the legal framework in a rapidly changing environment, and this might lead to the perception that local employees need close supervision.

Proposal 4: While Japanese companies have transferred many of their management practices to China, this has not resulted in a coherent management style due to overreliance on expatriate Japanese managers.

One of the major complaints of employees was that they are not allowed to participate in decision-making processes and were not given flexibility and independence. Indeed, the Japanese management system has been described as a finely tuned system of checks and balances with its elements tightly integrated. For example, Itami (1994) argues that there exists an exquisite distribution of status, salary, authority and information within Japanese corporations that goes far beyond superficial impressions of seniority.

Hence with non-coinciding distributions, young people are rewarded by the quality of their work content, older people by status and salary. Here again, the essential point is the generation of a sense of fairness; everybody has his own flower, nobody monopolises the bouquet. (Itami, 1994: 85)

While this system is increasingly challenged in Japan itself, Japanese companies, despite introducing many elements of their management style, seemingly have not managed or even attempted to recreate the above-described balance in their operations in China, where Japanese expatriate managers dominate information, decision-making, status and financial resources. This situation has been described for overseas Japanese subsidiaries in general, and



Japanese companies have been diagnosed as being caught in a vicious circle of continued reliance on expatriate managers due to a negative image with local employees that prohibits them from recruiting highly qualified local employees (NKDR, 2006).

Proposal 5: General anti-Japanese sentiments did not seem to influence perceptions of Chinese employees significantly. They might, however, reinforce other negative perceptions with regards to Japanese corporations and their management style.

The negative image of Japan in general that is currently dominating the Chinese media has not been found to be a very pressing issue for Chinese employees currently working in Japanese corporations. It might, however, further aggravate the various problems outlined above. In a situation where Japanese companies are criticized in general, employees of Japanese companies might well interpret certain individual traits of Japanese expatriate managers as general traits of Japanese mentality. This might further worsen the image of Japanese corporations, and thereby add to existing problems in hiring new employees and retaining existing employees.

Further Contextualization of Findings

While it has already been addressed in part in the above discussion, the next points that need to be discussed are how this situation originated and how Japanese companies view this situation. In terms of the origins of this situation, the main issue that is being brought up is weaknesses in the development of the HRM function in Japanese subsidiaries in China. When Japanese companies first came to China, their main focus was to build up and operate low-cost, export-oriented manufacturing operations, which were modelled closely after existing operations in Japan, and after training their blue-collar workers functioned well (NKDR, 2006).

With the focus on low-cost operations, the management of human resources in the white-collar area was often neglected. Surveys show that expatriate Japanese managers in China largely come from a manufacturing or financing background. Only very few had a background in general affairs departments or even HRM (NKDR, 2006). With no expertise in the management of white-collar employees, it is understandable that managers of Japanese companies in China might resort to models they have become accustomed to in their home operations or even rely on their headquarters in Japan to design their HRM systems. However, headquarters in Japan are ill-equipped to do so (Fujita, 2005). Survey results from the Japanese Institute of Labour Policy



and Training show that a substantially higher number of Japanese subsidiaries in China have taken over personnel management practices from their headquarters than is the case for Japanese subsidiaries in Europe or the US (NRSKKK, 2006).

In addition, it has been pointed out that Japanese companies are often integrated into strong networks of other Japanese companies in China. While this can be an advantage in securing business partners and stabilizing businesses, it can also be a disadvantage, since it isolates companies and limits their access to information. Indeed, it has been critically remarked that this has led to a situation where Japanese subsidiaries have been mainly benchmarking their employment practices against each other and not against domestic Chinese companies or companies from Europe and the US (CKKSK, 2006; NKDR, 2006). This has led to little originality on the side of Japanese companies in coming up with measures to motivate and retain their employees, with employment practices largely resembling each other in geographical areas with a high Japanese presence. In addition, Japanese companies seem to have unwritten agreements not to poach employees from each other (CKKSK, 2006). This explains the coherence of views and feelings that was encountered in the interviews with the Chinese employees of Japanese companies and also the overall coherent image that seems to exist among Chinese people with regard to the employment practices of Japanese companies in China.

This orientation stands in contrast to the more knowledge-intensive operations of American and European companies in China, which necessitated a higher emphasis on the HRM function from the outset. In addition, it has been pointed out that it was easier for Western companies to localize, since they could often make use of Chinese–Americans or Americans who had studied in China as a first step towards localization (Ma, 2000).

With this study focusing on the viewpoints of employees, the next point that needs to be addressed is the position of Japanese companies. Going by the report from the Japan Business Federation (NKDR, 2006), which is based on a hearing survey among Japanese and American and European companies in China, there is an overall need for Japanese companies to reform their practices in every aspect. Indeed, the hearing survey has found some Japanese companies that have made steps towards changing their practices; however, the report still points out that Japanese companies are far behind European and American companies in this regard, and as in other reports (eg JETRO, 2005) it is the practices of those companies that are provided as a benchmark for Japanese companies.

However, it has also been pointed out that companies in manufacturing do not seem to have complaints about HRM issues as much as companies in other sectors (Legewie, 2002). It has also been pointed out that the issue



of recruiting and retaining employees stands besides other concerns, such as concerns about trade practices and the legal environment or concerns about increasing labour costs (NCTSK, 2005). The unwillingness to provide faster monetary rewards might actually be related to the perceived need to control labour costs; and indeed the unwillingness to provide formal outside training might be related to the high labour turnover. In addition, surveys show that Japanese subsidiaries in China are still more intensively integrated into Japanese business networks in and beyond China than Japanese subsidiaries in Europe and the US (NRSKKK, 2006). For some subsidiaries in China this situation might well continue, making it necessary for them to continue to train their employees to operate in a Japanese environment.

Thus, among all the advice that is provided to Japanese companies, the most important one is to come up with a systematic approach to managing their human resources in their overseas operations in China. Shinozaki (2005) demands that this process should start with a general review of management practices by assessing the need to localize for every business function, with the objective to establish the main points of communication and to what extent Japanese business practices still need to be followed. This approach might be more appropriate than just blindly adapting the principles of European and US companies, since such companies, while admittedly enjoying a much higher popularity as employers, are still also facing problems of high staff turnover (Survey by Hewitt Associates, reported in *Nihon Keizai Shinbun*, 3 October 2005).

Finally, the main limitation of this study — its relatively small sample size — needs to be addressed. Nonetheless, it is believed that the study has produced viable results, since it deliberately concentrated on white-collar employees, while at the same time ensuring a certain regional spread as well as distribution across industries. Interview results were very consistent and also largely fitted into patterns previously reported with regard to Japanese management overseas. Results were intentionally interpreted in the form of proposals and thereby should also be seen as interesting starting and reference points for further studies.

Conclusions

This study has used a grounded theory approach to investigate the employment situation of Japanese companies in China, with the aim of finding out why Japanese corporations are not perceived as favourable employers. Japanese management has been discussed more and more in terms of advanced management techniques, such as quality control or the exploitation of tacit



knowledge; however, using this approach has brought us back to some very basic issues of Japanese management, some of which might have become increasingly overlooked. Relatively simple issues like seating arrangements or overtime work have been shown to be significant for the work satisfaction of Chinese employees in Japanese corporations. Using a qualitative approach, it has also been shown how, for most employees, the different elements at their workplaces are closely interrelated. While other studies have come up with catalogues of issues standing in the way of work satisfaction for Chinese employees, this study has shown how the different elements aggregate to a larger image. It has also shown how complex the reference systems of Chinese employees have become in a rapidly emerging economy and society. This is especially so as foreign companies increasingly play an important role in China.

One avenue for future research should be pointed out before concluding this article. In a situation where Japanese companies are supposedly changing many of their HRM practices in their home operations, it needs to be asked why so-called Japanese practices are still so strongly represented in their overseas operations in China. Based on this, questions concerning the sequencing of innovation and change in HRM between home country and overseas operations in countries of various development levels can be developed.

Finally, this study, with its focus on the relatively low popularity of Japanese companies as employers in China, has naturally highlighted negative aspects. However, interviewees also mentioned some positive aspects, such as the willingness of Japanese companies to employ fresh, inexperienced graduates. Obviously, this should create some initial goodwill among employees. Based on the results of this study, though, unfortunately Japanese companies in China do not so far seem to have been able to turn this initial goodwill into sustained feelings of gratitude and loyalty.

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