

INTRODUCING WESTERN HUMAN RESOURCE MANAGEMENT PRACTICES TO CHINA: SHOPFLOOR WORKERS' PERSPECTIVES*

Jos Gamble

Royal Holloway, University of London, United Kingdom

ABSTRACT

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

Keywords: China, multinationals, human resource management, transfer, expatriates, retail sector

INTRODUCTION

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

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To avoid difficulties, analysts advise FIEs to adapt their HRM practices to the local context and to deploy expatriates with appropriate linguistic skills and understanding of Chinese culture. This paper focuses on the instance of a United Kingdom (UK)-invested retail firm in China that imported a relatively unmodified version of its parent country HRM practices. Moreover, their relatively open and consultative practices appeared antithetical to local norms. Despite this, not only does the firm appear to be performing well but also, as will be shown, its local employees responded positively to the imported HRM regime. Given the firm's apparent disregard of 'received wisdom', this paper investigates the factors that lay behind this intriguing success story. In particular, the paper explores the following questions: Can Western multinationals transfer successfully their parent country HRM practices? How do Chinese employees' experiences of employment in such a firm compare with that in state-owned enterprises? How do they respond to a relatively open and consultative HRM regime?

MULTINATIONAL FIRMS AND EMPLOYMENT PRACTICES IN CHINA

Multinationals face a choice between seeking to implement global HRM policies and adapting to local practices. In the Chinese context, researchers argue that Western multinationals must make adaptations to local practices. Jackson and Bak (1998: p. 23), for instance, suggest "it may be naive...to think that Western managers can enter China with an armoury of motivational techniques which have proved useful back home". All but one of 30 foreign managers in joint ventures interviewed by Child and Markóczy (1993) observed a great difference between their home country personnel practices and those they were obliged to follow in China.

To some extent, the legislative framework provided barriers to innovative practices. At a deeper and more pervasive level 'organizational inertia' has been considered to constrain foreign investors from implanting new HRM systems and practices (Warner, 1999). Ding et al. (2000: p. 219) conclude that the potential to "implant new human resource management systems and techniques is constrained by the Chinese context, particularly the cultural and institutional heritage of the SOE [state-owned enterprise]". In their estimation, key impediments are the 'mind-sets' associated with organisational dependency that 'became deep-rooted and...difficult to modify or change' (218). Child and Markóczy (1993: p. 617) also suggest potential explanations that help to account for the behaviour of Chinese workers. These include the system of industrial governance, resistance to change and national culture. Under state socialism, for instance, managers learned to cope with systems characterised by paternalism, resource dependency,

verticality, and restrictions on free competition. Such systems fostered 'defensive, conforming, behaviour'.

National culture has often been proposed to account for the values, beliefs, and behaviour of workers in different countries (Hofstede, 1984). In the Chinese context, characteristics singled out include respect for hierarchy and the importance of relationships (*guanxi*). Lockett (1988) considers that such cultural factors would preclude implementation of Western HRM methods. Based on comparative research conducted at UK and Chinese firms, Easterby-Smith, Malina, and Yuan (1995: p. 56) conclude, "there are strong cultural factors which limit the adoption of many features of HRM in China".

By contrast, this paper suggests that it might be detrimental if firms too readily adopt 'the Chinese way of doing things'. In the process they might squander valuable resources that differentiate them as employers in China's labour market. This suggestion parallels a trend towards increasing standardisation in multinationals' approach to HRM in China. Björkman and Fan (2002) suggest that this is because recent FIEs have greater control over joint ventures than those set up in the earlier period. Additionally, China's business environment is undergoing substantial change. Job mobility, for instance, has increased to such an extent that FIEs now report the retention of key staff to be a major problem (Weldon & Vanhonacker, 1999). This paper suggests that these structural changes in the Chinese economy increasingly permit Western multinationals to introduce relatively unmodified versions of their parent country HRM practices.

CHANGING BEHAVIOUR AND ATTITUDES IN CHINESE WORKPLACES

Child and Markóczy (1993) outline several possible forms of host country managerial learning in foreign joint ventures. These include integrative learning in which local managers change both their cognitive framework and behaviour. Integrative learning may come about 'through both sides endeavouring to express and share their underlying understandings and behavioural norms' (p. 627); this requires receptivity and readiness to change and learn on the part of both host country and foreign managers, mutual trust is critical. Integrative learning is considered the most effective means to develop managerial competence and culture, thus enabling local managers to take over from expatriates at an early stage.

Mentoring and the introduction of consultative and more open HRM regimes might be viewed as a means to facilitate integrative learning. However, Weldon and Vanhonacker (1999) question how far such Western training methods can be

transferred to the Chinese context. For instance, they anticipate that cultural differences between foreign mentors and protégées may impede informal relationships. Similarly, Björkman and Lu (1999) report on expatriates inability 'to create close and trustful personal relationships with their Chinese colleagues and subordinates' (p. 317).

There is relatively little research evidence to indicate how Chinese workers respond to open and consultative HRM regimes. However, Leung, Smith, Wong, and Sun (1996: p. 959) found that distributive justice was positively correlated with job satisfaction and suggest that FIEs should seek 'to establish decision-making processes that are consultative, open and responsive to feedback and suggestions'. This paper explores to what extent a multinational can introduce such an HRM regime and how Chinese workers respond.

METHODOLOGY

Most research data on HRM in multinationals in China derives from surveys or interviews with senior managers and professionals. The detailed case study approach employed in this paper enabled the author to elicit employees' reports of their own experiences of differing employment regimes. The firm selected for this research, 'UKStore', is particularly suitable to elicit such comparisons since its explicit strategy has been to replicate as closely as possible its parent country HRM practices (Gamble, 2003b). The firm's preference to recruit those with work experience ensured that most employees had worked for at least one other firm, including SOEs, collective and private firms and other FIEs.

Research was also conducted at a comparable state-owned store. This provides a control against which to measure the findings from UKStore. In over 120 interviews a cross-section of employees was asked to contrast their experiences at UKStore with those in their previous firms, for instance with respect to company culture, relations between managers and employees and extent of training. In 1999, research was undertaken at the first Shanghai store, in 2000 at the two Shanghai stores, and in 2002 and 2003 at one Shanghai store and one in Suzhou. Six employees were interviewed at the SOE during 2002 and 2003. The author's previous experience (e.g. Gamble, 2003a, 2003b) and facility in Chinese permitted interviews to be conducted without a translator. A questionnaire was completed by a cross-section of employees at three UKStores and the SOE.

INTRODUCTION TO UKSTORE

In 1999, UKStore opened its first store in mainland China in Shanghai. A second store opened in 2000. By 2005 a further 20 stores had opened in various cities. For the first year of operations, two expatriates filled the assistant store manager and store manager roles. Contrary to analysts' recommendations neither of these expatriates possessed Chinese language skills or received preparation for China posting. Since 2000, responsibility for management of all stores has been transferred to local managers.

The HRM regime can be considered open and consultative in various respects. UKStore has single status uniforms and used first name terms across the firm. Employees' opinions are sought through consultative mechanisms that incorporate shopfloor staff. The organisational structure is relatively flat: under the store manager are two to four assistant store managers, each trading department has one supervisor, one or two deputy supervisors and between four and 35 customer assistants. Table 1 indicates that in all dimensions UKStore provided a more consultative HRM regime than the SOE. Notably consultation over salary issues showed the least divergence and was the least negotiable aspect at both firms.

TABLE 1
CONTRASTS BETWEEN UKSTORE AND SOE: EXTENT OF CONSULTATION WITH
EMPLOYEES MANAGERS IN MY COMPANY CONSULT EMPLOYEES ABOUT...

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

SHOPFLOOR EMPLOYEES' EXPERIENCES OF EMPLOYMENT IN A MULTINATIONAL

Local employees observed a range of divergences between UKStore's HRM regime and their former SOEs. For example, UKStore had a better physical working environment. Surprisingly, given China's background as a command economy run through Five-Year Plans, employees appreciated the clear and 'long-term' perspective at UKStore which was communicated to the workforce. Firm strategy at SOEs was depicted as opaque and ad hoc. UKStore's employees displayed a higher level of satisfaction with a range of HRM practices compared to the SOE (Table 2). UKStore had also fostered a high degree of commitment in a short space of time (Table 3). For all three of these variables in this table one can reject the null hypothesis that there is no significance between them and the firm type.

TABLE 2
 CONTRASTS BETWEEN UKSTORE AND SOE: EMPLOYEE SATISFACTION

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

1 = strongly disagree, 5 = strongly agree

TABLE 3
 CONTRASTS BETWEEN UKSTORE AND SOE: EMPLOYEE COMMITMENT TO THE
 COMPANY INDEPENDENT SAMPLES T TEST AND CHI-SQUARE TESTS

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

1 = strongly disagree, 5 = strongly agree

As mentioned above, the retention of trained staff is a challenge for many foreign firms in China. However, when asked whether they hoped to be in their firm in three years time, 73% of employees at UKStore, compared with 49.5% at the SOE stated that they were 'willing'. By contrast, just 2.7% of those at UKStore, compared to 13.4% at the SOE stated that they were 'not willing'. The following investigation explores the factors which might lie behind this sense of satisfaction and organisational commitment.

Motives for Joining

Employees were attracted to work at UKStore by the expectation that a rapidly expanding Western multinational would provide better pay, conditions, and training and promotion prospects than local firms. Recruits were also attracted to work for a large foreign enterprise. In the more recent research, as the firm has become better known, respondents cited UKStore's company culture as an aspect that had attracted them.

Security of Employment

Many employees attached considerable importance to the security of employment they felt at UKStore. The survey data indicates a perceived sense of security. At UKStore 65% of employees felt that their jobs were secure, compared to 32% at the SOE; 28% considered their jobs insecure at the SOE, and just 3.5% at UKStore. Ironically, in China's transitional economy workers perceived this foreign firm as a more secure 'rice bowl' than the SOE.

Work Pace

Employees from SOEs compared the leisurely work pace at these units with the more intense pace at UKStore. A supervisor who had worked in another state store commented, "here work time is work time, in my previous job we only

worked 2–3 hours per day." The statistical data did not fully support this perception of intensified work effort at UKStore compared to the SOE store, although UKStore's employees appeared more likely to worry about their job outside work time (Table 4). Additionally, the average working week at UKStore (42 hours 40 minutes) was almost two hours longer than at the SOE (40 hours 54 minutes).

TABLE 4
 CONTRASTS BETWEEN UKSTORE AND SOE: WORK EFFORT AND JOB SECURITY
 INDEPENDENT SAMPLES T TEST AND CHI-SQUARE TESTS

	Firm		χ^2	<i>p</i>
	UKStore (n = 289–292)	SOE (n = 93–94)		
I need to make a lot of effort to finish my work	4.08	3.91	5.567	ns
I always have a lot of work to do	3.65	3.62	2.764	ns
I worry about my job even after work time	3.70	3.35	28.337	<000.1

1 = strongly disagree, 5 = strongly agree

The image of Communist regimes is as harsh and repressive, but for many employees work in a FIE constituted a trade-off between greater work effort and the loss of some personal freedoms in return for higher pay and enhanced career opportunities. The sense of security discussed above comes at the price of intensified effort. In UKStore there was a statistically significant correlation at the 0.01 level between the variable "I feel that my job in this company is secure" and all three of the variables "I have to make a lot of effort to finish my work", "I always have a lot of work to do", and "I worry about my job even after work time". There was no such correlation for any of these variables among SOE employees.

Opportunities for Promotion and Individual Development

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

Deputy Supervisor

Many employees stated that they joined UKStore to develop new skills and to further their careers. Far from seeing such service sector work as dead-end 'McJobs' (Ritzer, 1993), employees anticipated that they would learn from the experience (Gamble, in press). Compared to state firms, UKStore employees perceived 'greater expectation of oneself', 'space to develop oneself' and 'great opportunities for individual development'. Employees described promotion at SOEs as dependent on seniority with personal connections (*guanxi*) playing an important role; at UKStore it was potentially rapid and ability-based. Such prospects appealed particularly to the young and ambitious and the firm attracted relatively well-educated recruits; this enabled UKStore to select those best matched to its working environment and corporate culture.

It is notable that satisfaction with pay levels is only marginally higher at UKStore compared to the SOE (Table 5). This suggests that other factors underpin workers' positive evaluations such as the consultative HRM regime, the sense of achievement from work and promotion prospects.

TABLE 5
 CONTRASTS BETWEEN UKSTORE AND SOE: EMPLOYEE SATISFACTION
 LEVELS INDEPENDENT SAMPLES T TEST AND CHI-SQUARE TESTS

What is your level of satisfaction with ...	Firm		χ^2	p
	UKStore (n = 278–291)	SOE (n = 94–99)		
Pay levels	2.77	2.71	2.28	ns
Welfare	3.12	2.70	19.48	<0.01
Sense of achievement from work	3.54	3.26	13.50	<0.01
Promotion prospects	3.13	2.86	13.74	<0.01

1 = very dissatisfied, 5 = very satisfied

Aspects of corporate culture chimed with rising individualism in China. A service desk supervisor highlighted the firm's slogan, 'You can do it!', as a distinctive feature of its corporate culture. In a country where individual ambition had been subordinate to collective goals, such a slogan has a revolutionary tenor. Similarly, a hardware department deputy supervisor remarked, "in SOEs competition is very limited, if you do your job well or not doesn't make much difference. Here, I feel that I help myself, it's a great impetus."

Relationships with Superiors and Expatriates

In my previous job it was "I'm a leader, you're a worker", it was a very clear divide.

Gardening Assistant

SOEs hierarchies were portrayed as clearly demarcated, with minimal interaction between different levels. At UKStore, staff described workplace relations as 'equal' (*pingdeng*), 'fraternal' (*xiongdian guanxi*), with a 'spirit of unity' (*tuanjie jingshen*), and an 'extended-family atmosphere' (*da jiating fengwei*) or a 'family-like feel' (*qinqi ganjue*). In the survey, 74.2% of UKStore employees described relations between managers and workers as 'good' or 'extremely good', compared to 41.2% at the SOE. Just 1.3% of UKStore's employees described these relations as 'poor' or 'very poor' compared to 5.1% at the SOE.

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

Employees contrasted UKStore's expatriates favourably with Chinese managers they had encountered. A deputy supervisor stated "The UK managers are very polite, we like working with them, they're easy going and treat us as equals. Chinese managers in other companies are separated from the masses and aren't willing to interact with workers." Similarly, a customer assistant remarked, "There's not a feeling of distance between workers and leaders, we feel close. Leaders have a feeling for us, this encourages workers; it makes people willing to work hard." This study indicates, then, that mentoring and the example set by expatriates can be effective even if they lack local knowledge. However, it is important that expatriates regard developing local managers as a top priority and receive incentives for successfully doing this (Björkman & Lu, 1999).

Employees cited visible symbols of company culture such as the single status uniform and use of English first names for all staff as both indicative of the close relationship between the hierarchies and as factors that fostered such an ethos. In contemporary Shanghai where managers now generally wear suits and ties to differentiate themselves from shopfloor staff, UKStore's use of a single status uniform constitutes a reversion to the Maoist era norm. A customer assistant recruited from a state store remarked, "when I first came here I was amazed to see that the store manager wore an apron and a name badge." Similarly, in Chinese companies lower ranking staff generally address staff senior to them in a formal manner, using both surname and job title. In this context, UKStore's company-wide use of first names constituted a radical innovation.

The absence of managerial signifiers extended to managers' office space. Managers in SOEs tend to have large offices which they rarely left. At UKStore offices are small, open plan and spartan. Senior local managers occasionally expressed dissatisfaction at the absence of managerial perks considering, for instance, that they should wear suits. UKStore introduced its in-house consultation system 'Grass Roots' in which shopfloor employees are encouraged to voice grievances; details of subsequent action taken and decisions reached are fed back to employees. A trade desk assistant who acted as her department's representative reflected, "Grass Roots gives us a feeling of being on an equal level, the company wants to know what employees' think."

In daily morning briefings and the company magazine UKStore provides its workforce with information on details ranging from sales targets and daily turnover to company strategy. By contrast, SOEs tend to be secretive, with information retained both by higher levels and within departments. An assistant store manager agreed, "the company culture is very open, SOEs are not open and their bosses have more authority and are more likely to abuse power." However, in his estimation this 'diplomatic' approach meant that, "it can take longer to reach a decision". He considered this disadvantageous in the retail sector where fast reactions are necessary. While the data generally demonstrate the potential to introduce a relatively open and consultative HRM regime, such comments indicate that this might meet resistance from local managers.

Favouritism/Particularistic Ties

Many researchers delineate the role and importance of *guanxi*, 'connections', in Chinese society. Employees with previous experience of SOEs appeared to endorse these depictions. However, they responded positively to an environment where particularistic connections were subordinate to merit. A showroom assistant noted, "The management approach is completely different to my last *danwei*. There everything depended on *guanxi* and 'human feelings' (*renqing*). Here it depends on your brain and your own efforts." Whereas some researchers argue that Western firms should focus upon *guanxi* development (e.g. Luo, 1997), the remarks of these employees indicate not only acceptance but also a positive endorsement of market based employment relations.

FIEs constitute 'outsiders' in the Chinese context. By virtue of their financial strength and prestige, large multinationals especially can operate in innovative ways in host environments. In a study of Australian firms in China, Hutchings and Murray (2003) found that unlike smaller firms, large firms did not need to adapt so much to local practices, such as the reliance upon *guanxi*. More generally, Guthrie (1999) argues that foreign firms are fostering the emergence of formal rational structures and systems in China. The findings from UKStore tend

to support this view. Employees who move to a foreign firm can place 'distance' between themselves and wider Chinese society. This can help them adopt a strategy of '*guanxi* avoidance' (King, 1991) that separates specifically economic exchanges from diffuse social exchanges.

CONCLUSIONS

It is difficult to know how far the findings are dependent upon UKStore's short history, the stores' location in the most economically developed areas of China, the firm's specific culture and practices and the particular expatriates involved. Employees' positive evaluations of management methods may diminish over time as the newness of the experience wears off. It may be, as Rosenzweig and Nohria (1994) suggest, that as the firm becomes more embedded in the local environment it will increasingly take on the practices that prevail locally. Perhaps over time recourse to the use of *guanxi*, for instance, will surface as an issue as the density of relationships 'thickens'. It is critical too that UKStore has a business model and product that dovetails with the needs and aspirations of Chinese consumers. The sustainability and efficacy of the imported HRM practices will be tested in the event of a business downturn or even just a slower pace of expansion when employees' expectations for individual advancement are less likely to be fulfilled. Despite these caveats and the limited range of firms studied, this exploration of ways in which host country employees respond to HRM practices in a British multinational enterprise indicates the potential to transfer relatively unmodified Western practices.

Theoretical Dimensions

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

While national cultures undoubtedly 'generate predispositions towards certain behavioural patterns' (Child & Markóczy, 1993: p. 622), it is evident that changes to structural and organisational features can have an impact on apparently deep-rooted cultural values. This indicates the processual nature of 'culture'; cultural values are not static and unchanging as, for instance, Hofstede's model appears to suggest but a shifting, fluid repertoire 'in which existing meanings are constantly being contested in rough-and-tumble fashion, renegotiated, and redefined by the parties' (Bate, 1997: p. 1159). From the dialectic of global firms and local labour, a new synthesis emerges. Working in a MNE is an iterative process, people can and do change. Moreover, changes appeared to take place within a relatively short period. Soon after UKStore the senior expatriate manager likened his job to 'pushing water uphill'. The following year his verdict was different, a view endorsed by his colleague who reflected on managers recruited from SOEs, "even though people like [xxx] haven't been out of China, they've adapted very well, they're now closer to us in terms of how they run things."

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

Management practices developed in one cultural and institutional environment and transferred to alien environments do not enter a void. The way host country employees respond to them is coloured by unique configurations of experiences, norms and expectations. UKStore's introduction of 'Grass Roots' and its flat organizational hierarchy to China are instances of the way transferred practices can be transformed in subtle and unexpected ways. Unintentionally the firm had done something radical in the host-country context, the ordinary and mundane became extraordinary and innovative. The transfer of its flat hierarchy and consultative mechanisms to a country accustomed to entrenched hierarchies increased the degree of divergence from local norms, a deviation that leveraged the competitive advantage of this approach with respect to UKStore's position as an employer in China's labour market.

Managerial Implications

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

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

From a study of 62 firms in China, Björkman and Fan (2002) report that investments in HRM had a positive impact on organizational performance. UKStore's example is suggestive of a similar outcome; expatriate managers were pleased with the firm's financial performance and employees' enthusiastic commitment to the enterprise helped ensure they provided the level of customer service required to underpin this. It is difficult to determine which specific measures were most efficacious to this positive outcome. Pay alone, while it is vital to set the rate at a competitive level, is clearly not the whole answer. Security of employment and good working conditions were important. Workers also appeared to respond positively to UKStore's relatively open and consultative HRM regime. The findings also underline the importance of management by example (Tsang, 2001), and the potential for expatriates to act as mentors even if they lack cultural knowledge of the host environment.

A conjunction between company rhetoric and practice is imperative, and fairness is important, with respect to both rewards and the implementation of company rules and regulations. Good internal communications play a vital role; these can facilitate the clear, consistent and frequent repetition of company aims and objectives. Chinese workers who join FIEs can be extremely ambitious and

expect rapid promotion. It is important to communicate clearly the possibilities for training, promotion and career development, and equally essential to fulfil these expectations. Internal promotions can maximise employees' prospects, although this strategy enhances the risk that staff are over-promoted. Such an approach requires investment in training; this will bring benefits not only in terms of improved performance, but also as a motivational mechanism and to promote retention.

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

Through carefully designed HRM policies and management example UKStore had created a rather novel employment regimen in China. However, effort was required to prevent a reversion to the leisurely pace and practices of SOEs. Moreover, although local staff responded positively to the imported labour regime, some behaviour appeared particularly resistant to change. In terms that parallel Child and Markóczy's (1993) findings, an expatriate manager remarked on the way Chinese managers retained information, adding "we need to prize information out from store managers, they don't pass on good practice or tell us about problems." There were also some dimensions that did need to be tailored, meal allowances and welfare benefits being pertinent issues at UKStore. UKStore's President acknowledged the risk that the rapid localisation of store-level management would dilute the corporate culture. However, he emphasised that "culture is all about living it day in, day out, the only way to get culture is by living and breathing it." Accordingly, the firm stressed processes such as the use of Grass Roots, daily storewide briefings and a policy for the firm's Vice Presidents to regularly spend one day working in a store.

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

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