

Multinational Retailers in the Asia Pacific: UK and Japanese retail companies' subsidiaries in China

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Rising prosperity and a rapidly commercialising economy have transformed China into the world's most important emerging market. Multinational retailers have rapidly expanded their presence in China since foreign participation in the sector was permitted in 1992. This project explored the extent to which retailers from the UK and Japan transferred their parent country management practices and retail concepts to Chinese subsidiaries and how local employees and customers responded to them.

Listening to the store manager's address, Chengdu, 2004
Photo: Jos Gamble



remain embedded in historically and contextually specific patterns of behaviour.

HIGHLIGHTS

Multinational firms and employment practices in China
Both the UK home improvement retailer and the Japanese retail firms (one department store business and two general merchandisers) in this study adhere largely to their parent country management practices. By doing so, they positively differentiate their employment practices from local Chinese state owned enterprises. The retailers all had a strategy to replicate the store procedures, employment relations and customer service standards of their parent company. Subsidiaries of the UK firm provided higher salaries and more job security to their employees than local retailers.

The UK firm also introduced its in-house consultation system, called 'Grass Roots', that encouraged shopfloor employees to voice their grievances. One employee reflected on this system: 'Grass Roots gives us a feeling of being on an equal level. The company wants to know what employees think.' The way in which managers actively sought workers' opinions and were responsive to employee feedback was contrary to local norms and appreciated by employees. Despite their disregard for local management practices and adherence to parent country policies, the firm is performing extremely well.

Though the Japanese firms largely mirrored their parent country practices, there were a few notable exceptions. The China subsidiaries made much greater use of women at supervisory levels than their Japanese counterparts and adopted more rules and regulations. In comparison to the UK firm, the Japanese subsidiaries had far more expatriate managers. Typically, the UK firm's subsidiary stores had no expatriate staff while Japanese subsidiaries might have as many as ten in one store. Additionally, their approach to customer service

KEY FINDINGS

- In their China subsidiaries, UK and Japanese retailers made relatively few adaptations to local human resource management practices.
- Employees in these subsidiaries, and especially the British-owned ones, reported strong levels of approval for the imported management practices.
- Local labour markets constitute a greater barrier to the transfer of parent company management practices by foreign firms than cultural differences.
- Foreign investment in a sector often characterised as leading to de-skilling in fact provides meaningful work and opportunities to upskill.
- Chinese customers have rapidly become accustomed to imported retail formats and can be extremely demanding with respect to price and customer service.
- These customers have higher expectations of foreign firms than locally-owned retailers and place more demands on them.
- Interactions between customers and sales staff

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Bowing practice before the store opens, Chengdu, 2004
Photo: Jos Gamble



interactions was more prescriptive. Extensive customer service training was employed, prompting one Chinese personnel manager in a Japanese store to observe:

'In Japan they put the customer first, but in China to put the customer first is a new concept. The Japanese stress customer service, standing in the customers' viewpoint. Before, at Chinese stores, staff ignored customers. Each time we get paid, they tell us the customers pay our salary.'

Local firms have begun to copy foreign management approaches and customer-orientated practices. Expatriate managers reported that local competitors had improved their customer service, and employees noticed that state enterprises' floor managers now regularly inspect their shopfloors. Expatriate managers described how local stores no longer permitted their staff to eat meals while on duty.

The research exposes some of the mystique and mythology surrounding personnel management in China. The message is a simple one, reflected in advice given

by a senior UK expatriate manager who described his approach as **'managing fairly and getting the best out of people.'** While some adaptation to local conditions might be necessary, time-tested management practices translate remarkably well across cultures.

Consumerism and consumption

Chinese consumers now have more power than before as a result of the growing middle class and the shift from a sellers' market to a buyers' market. Many have sufficient income to buy goods that are beyond basic necessities. Additionally, the establishment of foreign retailers in China has led to an increase in customers' power. Both the UK and Japanese retailers seek to hire staff with customer-orientated values and inculcate in them, through socialization and training, the notion of the 'sovereign consumer'. Raising the status of the Chinese consumer has had interesting results, as one supervisor noted: **'In China, if somebody spends one yuan, they want one thousand yuan of service.'**

Chinese consumers were likely to shop at these foreign stores because they offer better customer

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Chinese supermarket,
food section, Chengdu,
2004
Photo: Jos Gamble



service, higher quality goods and a general sense that foreign things were more 'modern'. In addition, to appeal to Chinese shoppers some of these retailers found it necessary to use more elaborate store displays than would be used in the parent country

Both the Japanese and UK retail firms emphasized customer service. In the Chinese context, the imported styles of customer service were relatively novel. Employees perceived these styles as superior to prevailing domestic modes and as giving their stores a competitive advantage. Workers took pride in providing a level of customer service they considered superior to that of their competitors.

Customers and sales staff remain embedded in complex historically shaped institutional and cultural contexts. Relations between staff and customers present a microcosm of human relations outside the workplace; trust, for instance, must be built in similar ways. Both parties sought to create or at least replicate generally understood, valued and accepted categories of interaction. A typical instance was the comment by a timber department deputy supervisor at one of the UK firm's

stores that: 'Customers need to come three or four times and we train the customers. When they return, they feel that you're a friend.'

MESSAGES FOR POLICY AND PRACTICE

- While some adaptation to local conditions might be necessary, proven management techniques translate remarkably well across cultures. Rather than struggle to adapt to the Chinese environment, multinational firms would be better advised to hone and refine their managerial skills and technical expertise.
- The use of too many expatriates may hinder the growth and development of foreign subsidiaries in China. It was noticeable that, even though in some instances they began operations in China earlier, the more expatriate dependent Japanese retailers have been outpaced by retailers from France, the UK and the United States that generally operate with only one or no expatriates in their stores.
- Some adaptation to local conditions might be necessary, but choosing which local practices to adopt should be handled carefully. The British and Japanese

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retailers all followed local practice in their use of large numbers of vendor representatives, sales staff who work for product suppliers instead of directly by the stores. Vendor representatives and regular store staff work alongside each other, but operate under markedly different employment relationships. This dualistic system can create complex and fractious relationships between the two sets of workers and this can, in turn, undermine customer service.

● Chinese workers who join foreign subsidiaries can be extremely ambitious and expect rapid promotion. It is important to communicate clearly the possibilities for training, promotion and career development. It also important to develop retention strategies for key staff.

BACKGROUND TO THE STUDY

Multinational Retailers in the Asia Pacific was funded by the ESRC/AHRC Cultures of Consumption research programme and ran from April 2003 to April 2007 (grant number: RES-143-25-0028). The project – led by Jos Gamble with assistance from Qihai Huang – was based in the School of Management at Royal Holloway, University of London.

We conducted detailed case studies of British and Japanese multinational retail companies. After background research at the companies' parent operations in London and Tokyo, research in China included collection of over 1,000 survey questionnaires and interviews with over 200 staff and managers in 14 subsidiary stores in six cities: Beijing, Shanghai, Chengdu, Shenzhen, Tianjin

and Suzhou. Additionally, three months' participant observation research was undertaken in one UK retailer's China subsidiary.

PUBLICATIONS INCLUDE

- Gamble, J. *Multinational Retailers in China* (Basingstoke: Palgrave, forthcoming, 2008).
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- Gamble, J. (2006) 'Multinational Retailers in China: Proliferating "McJobs" or Developing Skills?', *Journal of Management Studies*, 43(7) (2006), pp.1463–1490.
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CULTURES OF CONSUMPTION RESEARCH PROGRAMME

The Cultures of Consumption Programme funds research on the changing nature of consumption in a global context. The Programme investigates the different forms, development and consequences of consumption, past and present. Research projects cover a wide range of subjects, from UK public services to drugs in east Africa, London's fashionable West End to global consumer politics. The £5 million Cultures of Consumption Programme is the first to bring together experts from the social sciences and the arts and humanities. It is co-funded by the ESRC and the AHRC.

The aims of the Cultures of Consumption Programme are:

- to understand the practice, ethics and knowledge of consumption
- to assess the changing relationship between consumption and citizenship
- to explain the shifting local, metropolitan and transnational boundaries of cultures of consumption
- to explore consumption in the domestic sphere
- to investigate alternative and sustainable consumption
- to develop an interface between cutting edge academic research and public debate.

For further details take a look at our website www.consume.bbk.ac.uk

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