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Japanese Multinational Retailers
in Hong Kong

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A Study of Employment System of Japanese Multinational Retailers in Hong Kong

Abstract

This study examines the employment system of Japanese multinational retailing corporations in Hong Kong through two case companies - Morioka and Okadaya. The human resource management (HRM) practices - recruitment and selection, remuneration, and training and development - of the companies are studied. The different HRM practices applied to different groups of employees within each case company are compared using an employment systems model. The employment system is structured and multi-layered. The development of the structured employment system is then analysed in relation to the cultural and sectoral factors. It is shown that the cultural characteristics of the Japanese parent companies can only explain the ethnocentric management approach used in which Japanese personnel are employed in the internal labour market (ILM) and local employees are employed outside the ILM. Economic and labour market conditions in both parent and host countries and sectoral characteristics have also contributed to the stratification of the employment system among the local employees. The implications of this study are that the long-term development of Japanese multinational retailers will be weakened if the structured employment system persists.

Introduction

One of the competitive advantages of large Japanese companies is their employment system (ways of managing employees) at home which is based on the three pillars - lifetime employment, seniority pay and promotion, and enterprise unionism. Based on the three pillars of employment system, the human resource management (HRM) practices of Japanese companies has the following characteristics - periodic recruitment and selection, lifetime employment, consensus decision-making and company-wide welfare system which can be categorised as high-cost practices; job rotation, internal training, internal seniority promotion, small group activities and cross-functional job assignment which can be categorised as low-cost practices. Owing to the economic considerations of cost-saving, Japanese companies only transfer the low-cost practices to their overseas subsidiaries whilst adopting the local HRM practices such as external recruitment and selection at the same time (Dedoussis, 1991). Nevertheless, the adoption of the low-cost HRM practices which are considered as one of the Japanese companies' advantages at home become problems when they operate overseas (Abegglen and Stalk, 1985).

During the 1980s, many researchers have conducted investigations on the Japanese employment system overseas and its related international management problems (Bartlett and Yoshino, 1988; Dedoussis, 1991; Negandhi and Welge, 1989; Takamiya and Thurley, 1985; White and Trevor, 1983). Almost all scholars have focused on the study of Japanese multinational companies in the manufacturing sector and the blue-collar employees within those companies. Nevertheless, the existing studies could not reflect the particular employment situation in Japanese companies in Hong Kong because since the early 1980s Japanese service-sector companies, especially those in the retail sector, have been establishing a high profile in Hong Kong¹. Despite of the subsequent presence of Japanese retail companies in overseas labour markets², few studies have addressed the employment systems of these companies apart from Fukuda (1988). In Fukuda (1988)'s study, transferability of the Japanese-style management system to Hong Kong was evaluated. However, Fukuda (1988)'s

¹ For example, Japanese department stores take more than 50 percent market share of the total market share of Hong Kong department store industry as a whole in terms of total sales volume (Anonymous, 1995).

² The Japanese department stores employ 42.5 percent of the total number of employees employed in the retail sector of Hong Kong by June 1995 (Census and Statistics Department, 1990-95).

argument emphasised on the socio-cultural uniqueness of Japanese management and the irreconcilability of Japanese management with a different national environment. The establishment of casual linkages between socio-cultural factors and the development of specific HRM practices is far from adequate because of the omission of the sectoral and technological factors.

Furthermore, in the 1980s when the Japanese retailers rushed to invest in Hong Kong, the popular press commented that they posed challenges to the local and Western retailers by their advanced retail and marketing know-how (Sing Tao Business, 1986/87; Asian Finance, 1989). Nevertheless, since mid-1995, three Japanese department stores have been closed, and 1,000 local employees lost their jobs. There are also reports about the tremendous financial loss of US\$12 million between March and September 1995 by a leading Japanese retailer in Hong Kong (Cheng, 1996). Many Japanese retailers explained that the closing of Japanese stores was attributable to resource constraints faced by the parent company in the current post-bubble recession in Japan. On the other hand, people in the trade started to question the potential of Japanese long-term success overseas. This study was motivated by the following considerations:

- The employment system of Japanese multinational retailers in Hong Kong, and its potentiality of long-term development of Japanese retailers overseas.

Specifically, the purpose of this study is to investigate the international employment strategies of Japanese multinational retailers. It attempts to answer the following questions:

- How and under what human resource management conditions are different groups of employee employed within Japanese department stores overseas?
- What are the factors leading to the employment pattern?
- What are the implications for the long-term development of Japanese multinational retailers?

The Employment System Framework

The analysis of the employment system involves the study of the labour market structure. In this study, the employment system means a general process of assigning

employees to jobs and the way in which labour is deployed to yield a product or service. The labour market experience of employees differs according to the ways in which they are recruited, hired, promoted, supervised and paid. The reasons for the difference is because the objectives of an employment system are, first, to manage employees cost-effectively in order to carry out the business strategy; and second, to secure skills of these employees. The labour market structure, in turn, affects the employees' earnings, vulnerability to unemployment, working conditions, and opportunities for advancement (Ferve, 1992).

Some scholars suggest that a structured employment system occurs within a company which are related to the company's use of different HRM approaches such as recruitment, pay, training, and career practices to different categories of employee (Doeringer and Piore, 1971; Friedman, 1975; Hendry, 1995; Osterman, 1984; Piore, 1975). The employment system of Japanese overseas subsidiary cannot be understood without looking at the context of the Japanese employment system at home. The current trend of the resource constraints in the parent company may cause the overseas subsidiary to revise its employment policy.

Employment System in Japan

Almost all studies in Japanese management concentrate on large companies which employ lifetime employment. Nevertheless, large companies using lifetime employment system employ less than one-third of Japan's total labour force (Koike 1988, p.266). Since large and small companies are not in a stark contrast but in a continuous variation, i.e. there is a gradation rather than a dual economy (Clark 1979, p.64), the Japanese labour force is heterogeneous in nature, and the employment system in Japan is a multi-layered structure (Clark, 1979; Inohara, 1990; Kamada, 1994). Empirical evidence shows that large Japanese companies tend to employ different types of employee. They employ graduates from well-known universities who become core or *sei-shain* (regular employees). This group of employees are employed within the internal labour market (ILM). They are offered "jobs with relatively high wages, good working conditions and chances of advancement, equity, due process in the administration of work rules, and employment stability" (Piore 1975, p.2). The results is that this group of employees are:

more reliable and effective. Employees know one another and know the organisation's philosophy, and they develop behaviour and work characteristics which ensure dependability. This provides an environment or 'culture' which reduces the need for direct supervision. In return, the organisation manages work relationships through bureaucratic rules and procedures (Hendry 1995, p.228).

They perform a range of tasks and work flexibly across traditional skill boundaries in return for job security and relatively high pay. Since these employees are 'functionally' flexible, the company invests training and develops new skills in them, making them increasingly separate from the external labour market.

Large companies also employ graduates from less well-known universities and high school who are employed as non-regular employees (Clark, 1979). This group of employees are paid poorly, lack job security and have few advancement opportunities and career prospects. They are employed in the technical/industrial labour market (**TILM**). Because the skills required to perform their jobs can be learnt quickly, the employees in the TILM can be easily recruited and easily fired. Companies can vary their numbers according to the levels of activity. They are 'numerically flexible' (Hendry, 1995). Since they are employed in less favourable conditions, they tend to be more mobile in order to get higher pay and promotion by moving elsewhere. The high turnover of this group of employees creates a vicious cycle because companies will not invest more training in them.

Another group of employees is the professionals who are employed in an occupational labour market (**OLM**). The rapidly growing knowledge-intensive industries and professions, such as finance, securities, electronics, computers and retailing, during the economic boom in the 1980s have led to a sudden demand of technical specialists. Because of the sudden increase in demand, these knowledge-intensive companies do not have enough time to train and develop their own technical specialists but recruit mid-career employees from the external labour market (Befu and Cernosia, 1990). These employees tend to have a stronger occupational identity, and have more favourable attitudes to training. The professionals have considerably more influence in controlling the development of their skills and access to jobs (Hendry, 1995). Companies have limited control over training and are not able to regulate the

availability of these workers (Osterman, 1984). The employees of the OLM have more market power than employees of other labour markets.

The final group of employees are those who are employed in the external labour market (**ELM**), with lower-paying jobs, poorer working conditions, and less chance of advancement even compared with those who are employed in the TILM. The labour market during Japan's current post-bubble recession has witnessed an increase in the employment of temporary and part-time staff as replacement for full-time staff. The majority of the work force for temporary and part-time workers comes mainly from women. This suggests that women workers are increasingly employed in the ELM (Takao and Nemoto, 1995).

The Research Hypotheses

The changing Japanese economy has intensified the stratification of the Japanese employment system at home. This change at home indicates that the Japanese employment system overseas may be changing in a similar direction. Derived from the above-mentioned research objectives and literature review of Japan's employment system, this study aims to test the following three hypotheses:

Hypothesis 1: Japanese multinational retailers manage Japanese male expatriates by the ILM, female expatriates by the "attenuated" ILM, and the local employees by OLM, TILM, and/or ELM.

Hypothesis 2: High-cost core practices are applied to the employees of ILM; low-cost core and peripheral practices are applied to the "attenuated" ILM; high-cost peripheral practices are applied to the employees of OLM; selected low-cost core and peripheral practices are applied to the employees of TILM; and low-cost peripheral practices are applied to ELM.

Hypothesis 3: The cultural factors lead to the polarisation of Japanese and local employees, and the sectoral and technological factors lead to further stratification of local

employees within the local subsidiary of Japanese multinational retail companies.

The Research Study

The research to be reported here concerns two Japanese retailers - Morioka and Okadaya, both located in Hong Kong. Morioka is a wholly-owned Japanese general merchandising store (GMS)³ company established in 1974. It remained dormant until its first store opened in 1984. The parent company of Morioka moved its headquarters from Shizuoka, Japan to Hong Kong in 1989 and relocated to Shanghai, China in 1996. The company had opened a total of 11 store outlets in various new towns of Hong Kong, Macao and the border of China. It employed a total of around 2,000 employees in Hong Kong.

From 1995 onwards, Morioka incurred a considerable financial loss of US\$12 million between March to September 1995. Furthermore, the parent company's net profit plunged from US\$36 million in 1993-94 to US\$15 million in 1994-95 fiscal year (Cheng 1996, p.36-7). This made the parent company to implement various business strategies to overcome the economic setback, which included employing more part-time staff. Another case company, Okadaya is also a wholly-owned Japanese GMS company established in 1986. It had opened four store outlets in the new towns of Hong Kong and employed 1,000 local employees. The company had to close its electrical appliances stores in 1994.

The employment system of these two companies have been researched through 50 in-depth interviews. The profile of the two case companies is shown in Table 1. The sampling from each company was based on hierarchical levels (5 Japanese at managerial levels, and 20 local staff at managerial, supervisory and sales levels), and functional departments of apparels, households, food and administration. The primary data were supplemented by secondary data collection from the company's documents and reports.

³ GMS sell their merchandises mainly through self-service whereas department stores sell their merchandises by offering high level personal service, (Okada, 1988: 123-4).

Table 1
The Profile of Case Companies (as of mid-1996)

<u>Company</u>	<u>Morioka</u>	<u>Okadaya</u>
Year of Establishment	1974	1986
Year of First Store Opened	1984	1987
Length of Active Operation	14	10
Ownership	100% Japanese	100% Japanese
Modes of Entry	FDI*	FDI
Types of Operation	GMS**	GMS

*FDI: foreign direct investment; **GMS: general merchandising store.

Source: compiled by the author based on the company reports

The instrument used in the in-depth interviews was a semi-structured, open-ended interview schedule. As the employment experience of employees includes different ways in which they are recruited and selected, paid, trained and developed, the questions were set around these three sets of human resource management practices. The data collected from these practices were used to differentiate the employment practices experienced by the employees, with further questions concerned with their attitudes and satisfaction regarding the employment system.

Morioka and Okadaya Compared

Based on the empirical data obtained from the 50 in-depth interviews, this section describes the employment system of the two case companies regarding recruitment and selection procedures, remuneration and promotion policies, training and development methods and employment security. These practices highlight how and under what conditions different employees in Japanese retail companies overseas are employed, regarding whether the HRM practices are core or peripheral practices, and the cost incurred in practising these practices.

Recruitment and Selection Procedures

All **Japanese male-expatriate** managers of both companies were recruited to the managerial career track, and were recruited and selected by a high-cost core recruitment practice. They went through careful, lengthy and expensive recruitment and selection procedures, such as psychological tests, examination on essay writing, interviews by different levels of management, and background check. Morioka transferred 10 (22 percent) **female-expatriates** to its Hong Kong operation. The female-expatriates were recruited on a non-regular clerical status in the parent company by a simplified and less costly recruitment and selection method with only one interview and without any psychological tests and background check.

Morioka used mixed recruitment and selection methods for **local employees**. It recruited 10 graduate trainees directly from local universities each July, and all other local employees from the external labour market on a mid-career and non-periodical basis in order to fill up immediate job vacancies. **Local graduate trainees** were recruited and selected by a simplified method which incurred only 30 percent of the cost in Hong Kong as that in Japan. They only needed to submit an essay and attended one interview.

Okadaya recruited **local professionals** such as accountants, personnel managers and computer specialists to perform highly specialised and skilled jobs which required long-term professional training. They were mainly recruited through a professional association or job agency. They had to go through three selection interviews involving many high level interviewers. The first interview was conducted by a local personnel manager and respective superiors of the position, followed by two to three Japanese departmental managers, and finally by three Japanese top executives. This recruitment method was relatively high-cost.

A majority (over 60%) of both Morioka and Okadaya's **full-time local employees** whose skills were relatively easy to learn were recruited through newspaper advertisements. They were recruited and selected by only one interview conducted by the personnel manager and direct superior of the vacancy which therefore involved relatively low-cost. Morioka also recruited local employees in professional positions such as accountants and personnel

managers by this low-cost method. Finally, both companies recruited and selected the **part-time local employees** by walk-in interviews and referral methods which were low-cost recruitment and selection practices.

Thus, all case companies employed different recruitment and selection procedures to different groups of employee. A major difference in the recruitment and selection procedures was found in the professional positions between Morioka and Okadaya. Okadaya recruited and selected local professionals by a high-cost practice, and Morioka by a low-cost practice.

Remuneration Policies

The remuneration package for all Japanese **male-expatriates** of both companies was composed of a base pay, a monthly allowance, other allowances, two bonuses per year, and various types of fringe benefits according to the expatriates' status level in the parent company. Therefore, both companies practised a high-cost remuneration practice for all male-expatriates. The male-expatriates normally receive a total amount of remuneration which was at least 2.8 times of that of the local employees at the same grade and position. At Morioka, the **female-expatriates** were compensated by a basic salary based on a local scale, and a monthly allowance such as housing and transportation.

All full-time local employees were paid by a fixed monthly income, a bonus and fringe benefits. The basic salary was calculated according to the employees' functional responsibilities, qualification and experience. **Local professional staff** of Okadaya received relatively higher basic salary, and a bonus which was above the company's average. Furthermore, the professionals at the managerial grades received a grade allowance. Therefore, local professionals generally received remuneration of 20 percent higher than other positions of the same grade. The Managing Director of Okadaya explained that it was because of the professionals are short in supply as a result of the brain drain, and the nature of their work since they handled highly confidential and sensitive information which was crucial to the company's competitiveness and success. The Japanese did not want these professional staff to leave the company for a better pay elsewhere lest the company's information could be leaked

to competitors. Therefore, they were compensated with a relatively higher-cost compensation practice compared with the other local employees.

However, Okadaya's **full-time local employees** (whose skills were relatively easy to learn) were compensated by a remuneration of the going market rate, whilst all full-time local employees at Morioka were paid at the lower quartile of the sector. Thus, Morioka and Okadaya provided a low-cost pay practice to full-time local employees. The **part-time sales staff** of both companies received an hourly pay with minimum fringe benefits. According to the personnel officer of Okadaya, part-timers were mainly housewives living nearby. Compared with the full-time local staff, the part-time staff were relatively inexpensive since they were paid on an hourly rate, and were not entitled to any bonus or benefits.

Training and Development Methods

Training and development for **Japanese male-expatriates** was based on a lifelong basis according to their career ladder which aimed to upgrade their technical and morale level. Okadaya's *shokuno shikaku* (job-qualification grading) system (Figure 1) is a typical example for the training and development of Japanese male-managers.

Figure 1

Shokuno shikaku (Job-qualification Grading) System of Okadaya

<u>Head office level</u>	<u>Store level</u>
<i>Sanji</i>	<i>Bucho</i>
<i>Fuku-sanji</i>	<i>Kacho</i> (management positions upward)
<i>Shuji</i>	<i>Kakaricho</i>
<i>Fuku-shuji</i>	<i>Shunin</i>
<i>Shain</i> Class 3	
<i>Shain</i> Class 2	
<i>Shain</i> Class 1	

Source: from the data analysis.

After the initial induction training, all new male recruits were initially placed in Class 1, working on the sales floor. They had to sit for the first up-grading examination five months after their entry to the company. Success in this and subsequent examinations would raise their grade to class 3 by the autumn of the second year. Once at *shain* class 3, they were eligible to apply for entry to the company university. Then, throughout their lifelong career in Okadaya, they had to attend on-the-job based "Okadaya University" training and many up-grading examinations.

Once they reached *shuji*, they could apply for a two-part candidacy interview examination on management, business, understanding of the business policies and application of these policies to business practices. If they succeeded, they would be placed on a one-year candidacy for the grade of *fuku-sanji*. During this year, they had to submit an essay monthly on a given topic, and their progress was closely monitored by a panel of senior managers. At the satisfactory conclusion of this process, they would be upgraded to *fuku-sanji* which was the first management grade. It was only after passing this grade could Japanese male employees be assigned to work overseas. Basically, the parent company did not assign Japanese employees to work overseas for their first 15 years. This meant the Japanese expatriates should have already acquired a good knowledge of the operation and human network of the parent company before they moved overseas. Furthermore, the assignment to work overseas formed part of their lifelong training and development. All Japanese interviewees said that they received this type of high-cost lifelong training and development of generalist skill in a steady and progressive nature from the company.

The training provided for **female-expatriates** differed from that for the male-expatriates. The female-expatriates of Morioka were originally recruited as non-regular clerical staff, they neither received long-term training and development nor were sent to Hong Kong as part of their long-term career development. Their major role was to support the male-expatriate managers as interpreters or looking after the *gaisho* (Japanese clients). Therefore, they only received training on specific skills, such as language and customer services. The chairman of Morioka explained, "The Japanese female staff only work until they get married or have children. They are assigned to work in Hong Kong because there are more female staff willing to work overseas. We provide them with training in the specific jobs

they take up. Other than that, we will not train them as the male Japanese.” Thus, the female-expatriates received a low-cost ad hoc specific skill training.

The **local professionals** of Okadaya were sent to Japan to receive special generalist training in Japan in a regular interval. They were considered by the Japanese management as crucial members to the development and implementation of electronic point-of-sales (EPOS) system in the company. This is a high-cost training and development practice. Nevertheless, Morioka did not provide such type of training and development to their local staff in the professional positions.

The **full-time local employees** of both companies received a low-cost skill training which included morning meetings or from their supervisors on-the-job. Apart from the skill training, the local employees of Morioka also received a generalist training based on the chairman’s religious philosophy.

Both case companies provided a very limited amount of training to the **part-time staff**. They usually received a one-hour induction training only. Their training was mainly on-the-job. Therefore, most local staff, disregarding their levels and labour markets they belong to, received low-cost peripheral training.

Summary: The Structured Employment System of Japanese Multinational Retailers

From the empirical results, it appears that all Japanese male-expatriates were recruited and selected, paid and trained by high-cost core HRM practices, and were employed in the internal labour market (ILM) of the parent company. On the other hand, all female-expatriates were recruited by a low-cost and simplified recruitment and selection method, paid and trained by a low-cost HRM practices. Since they were employed by the parent company, they would be described as employed in an “attenuated” ILM career system.

The local professionals of Okadaya were recruited, paid and trained on more favourable conditions than their full-time local counterparts. Their treatment corresponds to employment in an occupational labour market (OLM). Morioka’s local full-time employees

who were employed at both the professional level and lower skill levels, and Okadaya's employees at the lower skill level were employed in the technical/industrial labour market (TILM). All part-time employees were employed in the external labour market (ELM). Thus, both companies exhibited a structured employment system with multi-layered labour markets within the same company. Table 2 summarises these features.

Table 2

Structured Employment Systems

	<u>Recruitment & Selection</u>	<u>Remuneration</u>	<u>Training</u>
ILM	High-cost core	High-cost core	High-cost core
A. ILM*	Low-cost peripheral	Mixed	Low-cost peripheral
OLM	Higher-cost peripheral	Higher-cost peripheral	Higher-cost peripheral
TILM	Low-cost peripheral	Low-cost peripheral	Low-cost peripheral
ELM	Low-cost peripheral	Low-cost peripheral	Low-cost peripheral

A. ILM*: Attenuated ILM

Source: from the data analysis.

Factors Leading to Structured Employment Systems

Cultural Factors

Both the Japanese male- and female-expatriates are employed in the ILM in the sense that their personnel and payroll records are still kept in the personnel department of the parent company, and they will be rotated back to Japan in future. The local employees are employed outside the ILM because their personnel and payroll records are kept by the personnel department in Hong Kong, and they will not work for the parent company since their employment status remains in Hong Kong.

Another reason why the Japanese expatriates are employed in the ILM is that they are homogeneous on the basis of ethnic background and they tend to follow a set of unwritten customs, rules and codes of behaviour which are predictable, and are less costly to control. Among the male-expatriates, they are even more homogeneous based on their attitudinal and educational background because they are recruited and selected on the same criteria, and trained and developed on the same career track. Thus, the parent company only trusts the Japanese male-expatriates to perform international management control over the overseas subsidiaries, and the female- expatriates to support them in the control function. The less favourable employment conditions of the female expatriates in an attenuated ILM can be traced back to the employment tradition of Japanese department stores in Japan which tend to employ a large amount of woman employees at the sales floor in lower hierarchy. Only recently have a few large Japanese department stores, such as the parent company of Okadaya recruited a limited number of women graduates. Although in principle woman graduate employees are employed as *seishain* (regular employees) and accorded lifetime employment in the parent company, few of them take advantage of the lifetime employment. Therefore, despite university education, they are expected to play a temporary supporting role in the department stores until they get married or have children. The female-expatriates are no exception, and the parent company of Morioka does not expect them to stay with the company on a long-term basis. Since the female-expatriates are seen as less likely to comply with the “employment continuity”, a majority of them can only perform supporting functions to the male-expatriate managers. Therefore, they are employed in an “attenuated ILM”.

Because of the heterogeneous background and the lack of long-term management-employee relationship, the Japanese do not trust the local employees who are always excluded from the ILM. This is reiterated by Abegglen (1985, p.283), “Japanese senior managers have no intentions to integrate local managerial employees into the Japanese corporate hierarchy [because] no one in Japan is prepared to consider the question [of] when foreigners will begin to take positions in the top management of the parent company”. This lack of trust of non-Japanese employees explains why local employees are excluded from the ILM.

Another reason for the local employees being excluded from the ILM is due partly to the poor impression the Japanese have of local graduates. All of the Japanese interviewees

commented that the local graduates are too aggressive and impatient with the Japanese management practices, such as slower pace of promotion and cross-functional job assignments. When asked whether they prefer to recruit graduates or non-graduates, 17 (85 percent) Japanese interviewees indicated that they prefer to employ non-graduate local employees. The Japanese pre-conceived bias against recruiting local graduates reinforces the tendency to recruit and select less competent local people who are easier to control since they are less likely to demand ILM employment status.

Sectoral and Technological Factors

Okadaya employs more professional staff in the departments of electronic data processing (EDP), inventory control and delivery, finance and accounting, marketing, sales promotion and personnel. Compared with other local employees, local professionals have more autonomy in making operational decisions in their jobs since the Japanese expatriates lack knowledge of local operations. From the empirical evidence, they are managed in a different HRM system - the occupational (OLM) system - since they are recruited, selected, paid and trained differently from their local counterparts.

Compared with Okadaya, Morioka is relatively more conservative in the implementation of sales technology and HRM. Morioka still uses traditional sales methods such as stock-taking and counting without using more advanced sales technology such as electronic point of sales. Owing to its minimal use of sales technology, Morioka employs very few professional staff. It does not employ any local computer specialists since it does not have an EDP department. Furthermore, even the staff employed in the professional positions such as finance, accounting and personnel department do not possess professional qualifications, but experience only. These local employees in the professional positions do not have much control of their work, pace of training and development, and command relatively low level of pay, compared with those in Okadaya. Therefore, the local staff in the professional positions in Morioka are managed in the manner of a technical/industrial (TILM) system.

On the other hand, the introduction of sales technology such as EPOS and electronic ordering system (EOS) has induced changes in the labour market within Okadaya by deskilling

jobs. First, the new sales technology has integrated the head office, distribution centres, central warehouse and individual branch stores which has not only increased efficiency and saved operating costs, but has also centralised control from the head office, and deskilled some jobs of the local employees, such as the store managers, buyers, warehouse staff and sales staff.

Second, before the introduction of EPOS and EOS, store managers of Okadaya used to make a lot of purchase decisions and stock records which are now performed by the centralised EPOS system at the higher management level of the head office. The EPOS and EOS systems help Okadaya centralise the responsibilities for planning, advertising, purchasing, store design, and overall recruitment and training. Store managers have been deskilled since their responsibilities have been limited to jobs such as maintaining the tidiness of the branch store, handing out work schedules to the staff which they receive from the head office, and communicating the necessary trading information to the head office for stock control and auditing purposes. Furthermore, store managers used to perform recruitment and training of staff. Nevertheless, now they have to devolve these personnel duties to the personnel department of the head office because head office wants to set a standard personnel procedure to ensure consistency throughout the branch stores. Store managers, therefore, have little part to play and have been largely automated-out.

Third, the buyers of Okadaya are deskilled by the introduction of sales technology. EPOS has enabled the department stores to carry lower inventories, and to concentrate on the fastest selling lines which helps reduce the number of lines. This suggests some deskilling of the buyers' craft. Furthermore, EPOS has enabled marketing managers in the head office to monitor regional and seasonal trends, the effects of price changes on sales, and to compare the sales of similar goods. That is, the head office can access the sales returns, and this has facilitated an automatic buying system.

Fourth, EPOS has also deskilled lower level employees, such as warehouse staff and sales staff. Before the introduction of EPOS, warehouse workers used to use their skills of memorisation to operate. Nevertheless, they have been deskilled by EPOS and therefore no longer need to retain their attention to the job since the computer prints the branch invoice in

the same sequence to the way the merchandises are laid out in the warehouse. As a result, the company can increase job flexibility since the skill profile of the jobs of lower level employees can be made more uniform throughout the store. Thus, the company can employ more part-time or casual employees who can learn the skill within a relatively short period of time to perform the jobs, and manage these through a "market" (ELM) employment system.

As a result of the introduction of sales technology, local employees of less skilled jobs in the technical/industrial (TILM) system have less bargaining power and are subjected to more job insecurity. It is especially so under the current economic downturn in Hong Kong, where Japanese department stores tend to reduce the full-time local employees in the TILM. For example, in its first branch store, Morioka has decreased the ratio of full time and part time staff from 2:1 to 1:1. Furthermore, Okadaya employs a so-called "man-hour management system" since 1994 which allocates human resources by the amount of working hours rather than the number of employees. This policy has made a fuller use of employees, and thus reduced the cost of their remuneration to a lower percentage (9.6 percent) of total sales revenue (Annual Report, 1995). Essentially, the local employees of TILM are subjected to more rationalisation and pressure to streamline their work.

Morioka employs less than 2,000 full-time employees for its relatively large operation of eleven branch stores in Hong Kong, and employs many part-time employees. The average ratio of part-time employees of Morioka was about 30 percent in 1995, and is expected to increase to 50 percent in the near future because the company prefers to use part-time staff during the off-peak period of weekdays. In this way, the company can implement a "three day policy" in which full-time sales staff can have three days off during weekday, but have to work on weekends. Okadaya has also increased the employment of part-time employees under the policy of the "man-hour management system" to cut down the personnel expenses. The overall part-time staff in 1995 was 30 percent of the total number of employees, which is expected to increase to 40 percent.

The increasing use of the open market system (ELM) by the case companies indicates the companies' efforts for further numerical flexibility through greater casualisation of local employees in the TILM. The casualisation of local employees is regarded as the most efficient

means to control cost and to address competitive pressure. In this way, the company can put less emphasis on training and career development, and more local employees will be trapped in the lower echelons of the retail industry.

Summary

From the empirical evidence, cultural factors have contributed to the polarisation of Japanese and local employees since the Japanese employees are trusted to be included in the ILM and the local employees are excluded from the ILM. On the other hand, the sectoral and technological factors have contributed to the stratification of local employees into the labour market for OLM, TILM and ELM. First, due to the implementation of retail technology, Okadaya employs many local professionals in the OLM. Second, due to both the retail technology which has deskilled the retail jobs of the TILM, and the general trend of casualisation of local employees in the TILM, both case companies are employing more part-time employees in the ELM.

Implications

The implications of this study are, first, that the exclusion of local employees from the ILM will hinder the long-term development of Japanese multinational retailers because the local professionals will demand an employment status on a more equal basis with the Japanese. Although Okadaya employs local professionals who have more favourable employment conditions, all of the local professional interviewees said that because of the nature of their jobs, they need to work with other professional staff of the company's overseas subsidiaries and the parent company. Nevertheless, they feel inconvenienced and frustrated because they have to go through their Japanese superiors and cannot handle the jobs directly with other professionals from the company's other overseas offices. They feel that they are not integrated at the international level and do not believe they will be integrated into the international staff of the company and have opportunities for advancement on a wider-than-national basis, not to mention opportunities for advancement in the parent company.

Second, when viewed in the context of the current changes in the economic and labour market at home, Japanese retail multinationals can be expected to follow the Japanese human resource management practices and replace the local employees of the TILM by the local part-time employees of the ELM in order to minimise labour cost. Moreover, the introduction of retail technology has further deskilled the local employees of the TILM. As a result, there is a general trend of casualisation of local employees in the TILM whose bargaining power has decreased considerably. The under-utilisation and casualisation of local employees have resulted in a general dissatisfaction among the local employees in the TILM. All interviewees in the TILM (16 in Okadaya and 20 in Morioka) said that they had problems with the Japanese expatriate managers. For example, some interviewees said they were demoralised because they felt dispensable as the company considered them 'numerically flexible'. Furthermore, some said that they would quit the company since they are employed in less favourable employment conditions than the Japanese expatriates and local professionals with few training and development opportunities and minimal pay level. The local employees of the TILM tend to have a higher labour turnover as they move to get higher earning and promotion elsewhere. The high labour turnover rate creates a vicious circle because the companies will not then invest more training in them. Some expressed dissatisfaction because they have to perform many cross-functional job duties other than those from their functional departments which have been deskilled. The fact that deskilled and casualised local employees are dissatisfied with their jobs will affect adversely the company's performance.

Finally, some employees expressed that the increasing employment of part-time employees will decrease the service quality and affect the image of the company. Thus, the casualisation of local employees in the TILM may weaken the company's internal competence for long-term development because the structured employment system has created many motivational and dissatisfaction problems among the local local employees in the TILM.

Conclusion

The empirical evidence shows that the two case-study multinational retail companies apply an employment strategy involving a structured employment system. The Japanese male-

expatriate managers of both companies are employed in the ILM and female-expatriates of Morioka are employed in the “attenuated” ILM. Local professionals of Okadaya are employed in the OLM, full-time local employees with easily acquired skills are employed in the TILM, and part-time employees are employed in the ELM. The results of the employment of Japanese expatriate managers in the ILM and the exclusion of local employees from the ILM support the cultural arguments of the Japanese ethnocentric approach to international management. Because of the economic recession in the parent company, labour shortage and increasing labour cost in the host country, both companies have employed more employees from the ELM to replace local employees of the TILM. Furthermore, the sectoral factors of retail technological changes such as the introduction of EPOS and the deskilling of retailing jobs resulting from the technological changes have further stratified the case companies’ employment system into OLM, TILM and ELM.

Further investigation of the structured employment strategy in other industries such as banks and other service industries is necessary because the focus of the existing studies of Japanese overseas management practices is mainly in transferability rather than employment strategy. Furthermore, comparison can also be made with retail companies in the other countries. Since retailing is a service industry in which customer flow is uneven and cannot be “smoothed” out, retail operators have to address this problem by introducing retail technology such as EPOS. Therefore, further investigation should be directed to find out whether retailers from other countries involve similar employment pattern by splitting employees into ILM, OLM, TILM and ELM.

While the present study provides detailed information on two Japanese retail multinational corporations, more extensive analysis with a larger and more diverse sample size would serve to strengthen conclusions on employment strategies within Japanese multinational corporations in the retail sector. Such research has a certain importance because of the increasing internationalisation of the service sector and the higher profile of Japanese companies within the retail industry, and therefore the importance of the employment strategies they adopt.

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