

Adjusting to the Local Context: A Japanese Overseas Retailer in Guangzhou, China

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This is an anthropological study of a Japanese overseas retail group YOWA in China, with the main purpose to examine its localization process and strategies under the Chinese context. Through the investigations of YOWA's investment in Guangdong province, the business characteristics, as well as transformations it made in China, this paper have three main findings. All of the three findings were resulted from the process of YOWA's localization in varying degrees, reveal its efforts in adjusting to and aligning with the external economic and culture environment of Mainland China.

INTRODUCTION

Against the backdrop of economic globalization, internationalization is an important way for companies to develop. One of the most important questions for multinational enterprises (MNEs) possibly lies in: How can they most efficiently run business in different markets with separate local cultures? 'Localization' seems the key to this question. Localization is the process of adjusting a product or a company to a particular language, culture, and host-country markets. There are several localization strategies, such as production localization, material procurement localization, talent localization, company image localization, management localization, etc. (Wu, 2004)

This paper investigates the localization strategies of a Japanese overseas company under Chinese context, through the case of a famous retail enterprise named YOWA. Although China have opened its door to the outside world since the Open and Reform in 1978, the retail sector was still restricted until several pilot projects of joint-ventures were permitted in the year of 1992. YOWA was one of the early pioneers that embarked on a new adventure in Mainland China. Through fifteen years of management and localization in the Chinese society, YOWA had become a vivid and distinctive example to study.

My interest in the localization strategies of YOWA started from an anti-Japanese demonstration in 2005. I have witnessed that protestors headed to major Chinese cities during those two weeks in April. For Guangzhou, as an estimate, three thousand demonstrators marched to the Japanese Consulate in this city, attacking and damaging Japanese supermarkets and restaurants on the way.

The anti-Japanese demonstration of 2005 indicated that the downturn in Sino-Japanese relations would turn to a bad side of trade relationship as well as fairly negative influence on the overseas Japanese companies in Mainland China, especially the retail groups which connect inseparably with daily life and represent the country's products, life style and cultures. (The anti-Carrefour supermarket demonstration in 2008 was a similar case.) The demonstration convinced me that it is considerably important to study the retail sector which closely related to people's daily life and inspired me to probe into several questions: how do Japanese retailers adjust to the Chinese context? What business strategies will they choose to survive? What are the localization features of their overseas companies in the Chinese context? The present study of tracing localization strategies of an overseas Japanese retail organization YOWA in Mainland China can provide an empirical research anthropologically, and to answer the questions raised above.

LITERATURE REVIEW

In the late 1960s to 1970s, Japanese companies began outperforming their MNEs in the west (Taylor, 1999). Some studies discussed that the motives for internationalism of MNEs can be classified as 'push' and 'pull' factors (McGoldrick & Fryer, 1993). In the case of Japan, high cost of land and labor, increased competition at home and government restrictions on expansion (especially for retailing business) were considered to be the push factors. While the strong Yen and comparative advantages of Japanese companies and management were regarded as the pull factors. (Chen & Brenda, 1995; Horn & Cross, 2009).

When it came to the 1980s, Japanese MNEs experienced a rapid expansion (Horn & Cross, 2009) in East Asia, especially China. China traditionally linked tightly with the Japanese economics for reasons of history, geographic proximity and a common cultural heritage. Thus, a burgeoning number of studies have investigated the activities of Japanese MNEs in China. (Anand & Delios, 1996; Horn & Cross, 2009; Itagaki, 2009; Taylor, 1999; Wong, 1999; Wong & Hendry, 1999) There is a body of literature attributed the reasons of increasing investments in China to its abundance of materials and low cost labor, rather than market expansion. (Anand & Delios, 1996; Ministry of International Trade and Industry, 1997) However, with rapid economic integration and increasing economic linkages between the two countries, there is a growing literature to suggest that China is a prime production location and key market. (Taniguchi, 2005, cited in Horn & Cross, 2009:286). Moreover, Horn and Cross (2009) further concluded that China was influencing the transformation of corporate Japan.

The core issue of localization lies in understanding the local culture. To understand the local culture, consumption market and human resources pattern are the most important aspects to discuss. Thus within the literature of Japanese MNEs in Mainland China, scholars from the disciplines of business and economics have mainly focused on the issues of business environments, historical process, as well as future trends of this economic relationship, while scholars from the disciplines of management have usually concentrated on the localization of human resource management practices (HRMs) of all aspects.

Within this literature of HRMs, many studies have focused on the issue of expatriates' replacement (Beamish & Inkpen, 1998; Fryxell, et. al., 2004; Heim, 1997), since one of the most important merits management localization brought is the personnel outlay reduction (Beamish & Inkpen, 1998; Fryxell, et. al., 2004; Heim, 1997; Zhang, 2005). Japanese MNEs have long been criticized for lagging behind Western companies in the localization of management practices, as well as its persistence of expatriate-intensive management (Kopp, 1999; Pucik, 1999). This

standpoint may have stemmed from the fact that the majority of Japanese MNEs began their foreign activities later than their Western counterparts. (Itagaki, 2009). However, there are increasing studies challenging this standpoint by the fact of the decreasing number of Japanese expatriates and the increasing number of local managers. (Beamish & Inkpen, 1998; Fryxell, et al., 2004; Heim, 1997; Wong & Hendry, 1999)

The transferability of the HRMs has also received much attention. Kajima believed that Japanese firms (especially those weak firms at home) were more likely to relocate in less developed countries (say China) in order to exploit their comparative advantages. (Kajima, 1978, cited in Chen & Brenda, 1995) On the contrary, Taylor (1999) suggested that cultural proximity was the main reason for the ease of transfer of business and management practices. Zhu and Warner (2000) also pointed out that it was due to the sufficient similarities between Japan's model of employment relations and the industrial and labor system of China. (Cited in Horn & Cross, 2009) Nevertheless, due to the present fluctuate labor systems in both countries and unprecedented mobility in the workforce, especially among the younger generations in Mainland China (Itagaki, 2009), the problems of localizing employment practices in China might be magnified for Japanese companies. (Horn & Cross, 2009) Furthermore, some scholars have indicated that the work style and HRMs developed in their domestic operations were the major competitiveness of Japanese companies (especially for those manufacture companies), thus Japanese MNEs should find solutions of maintaining a competitive edge meanwhile localizing management. (Itagaki, 2009)

Obviously, the above literature has several limitations to understand the issues of management localization of Japanese MNEs in China. The first limitation of these previous researches has been the lack of attention to the context. This limitation would lead to some misunderstanding of the localization process and strategies of Japanese MNEs. Wang's study of effectiveness of Japanese joint-ventures in China (1994) found that among MNEs in different sectors, management styles and HRM patterns would be different from each other. In this sense, it is essential to examine the context of the partners as well as the host countries. Wong and Hendry (1999) also alerted that 'the central issue for international management is not to identify the best IHRM policy per se, but rather to find the best fit between the company's international environment, its overall strategy, its HRM policy and implementation, and keep all these dimensions in direct alignment.' (Wong & Hendry, 1999, p.118)

The second limitation is that these previous studies failed to involve wide-range of sectors into the studies of Japanese MNEs. To date, the majority of these works have been relating to the manufacture enterprises (see Anand & Delios, 1996; Horn & Cross, 2009; Itagaki, 2009; Taylor, 1999; Zhang, 2005). Comparatively, little attention has been given to raising our understanding of other sectors, like retailing, services, consulting, and so on. The third limitation of these studies has been the lack of empirical methods in investigating the Japanese MNEs. Recurrent to these studies was using the documentary research methods, namely, second-hand materials. As noted above, management localization of MNEs is a dynamic process which involves cultural conflicts, manipulation, resistance, as well as power and control. Thus, empirical and qualitative methods would play an important role in it.

The limitations of previous studies imply that the present approaches to management localization are still insufficient. In order to examine the localization features of Japanese MNEs, a more holistic, detailed, and empirical approach should be adopted.

METHODOLOGY

This is an anthropological study of a Japanese overseas supermarket. The methods used in this study contain participant observation, informal interviews, questionnaire, and secondary data.

Participant Observation

My six-month fieldwork as an ordinary employee of YOWA was conducted from September 2008 to February 2009, in SEICO Guangdong (SEICO GD), a subsidiary of YOWA, in Guangzhou, Mainland China.

The fieldwork was divided into four steps:

1. one month in the Human Resource department of the headquarters.
2. one month of rotation in four sections of a typical store. (One week for each).
3. three months in a particular section (the Bedding Section) in the store.
4. one month in the Personnel and General Affair Department of the store.

The ice breaking voyage was full of hardships. During the first month in HR department of the headquarters, I tried to develop networks, and familiarized myself with the routine operation, as well as the relationship between the headquarters and stores. I also attended meetings, activities and personal gatherings as much as permitted to, and collected written materials of all kinds, such as the organizational charts, correspondence, in-house publications, etc.

In late October of 2008, I was permitted to work in Sunny Store as a management trainee (abbreviated as MT). I started rotation among different sections in different departments of the store in order to build up an overall concept of the operation on the sales floor. During this one-month rotation, I had worked in four different sections of the store: the Perishable Section, the Grocery Section, the Boys & Girls Section and finally the Bedding Section for one week each. The rotation provided me a chance to draw an overall concept of the operation in the store and also helped me to find a more proper field site for the next step.

After the rotation, things gradually got better and I finally launched my research in all respects. I selected the Bedding Section in the Department of Household as the most suitable field site for another three months finally. I tried to build up networks during the previous one-month rotation and had made a more reliable relationship with the workers (including promoters and regular employees) in the Bedding Section.

I spent most time on informal interviews with the workers in SEICO GD after completed the jobs assigned by the section chiefs. I attended meetings, recruitment seminars, training courses and consultative activities like quality control circles as much as I could, and actively joined in social events on both sides as a photographer (promoters' side and regular workers' side) such as the MT outward bound, picnics, travels, sports day, new year parties, personal gatherings and so on. By participating in these activities, I built social networks gradually, broke down barriers and observed the life and work of the workers in SEICO GD lively in a context.

My final station arrived at the Administration Department in Sunny store where in charge of all the important administrative work including the training, promotion, ranking, attendance checking, and accounting, cashier, security, etc. I collected materials of all kinds, such as the employment statistics of the store over the past eight years, the detailed statistics of turnover rate and so on. Also I got some information about historical background of the establishment of SEICO in Guangzhou via several informal interviews with the store manager.

Informal Interviews

Most of the anthropological studies of organizations and consumers take interviewing as a basic anthropological technique (Jordan, 2003). Also according to Wong (1999), both the participant observation and intensive interviewing would contribute to understanding the context of the phenomena in question. There are several types of interviews, such as informal interview, highly structured interview and in-depth interview. Usually, the informal interview occurs during participant observation when one is asking about the work being observed. (Jordan, 2003) I primarily relied on the results gained from the participant observation through six-month of fieldwork and intensive informal interviews. Informal conversations held in the course of everyday work provided me a more dynamic and extensive view of the whole things happened around and helped figure out the context during the six-month fieldwork.

Questionnaire

Questionnaire, a quantitative method, was also adopted in this research project. A survey was conducted on my return visit in September 2009, which aimed at observing working and living conditions of the promoters. In my study, it was promoters who were responsible for daily merchandise sales in stores. Promoters worked as long-term workers and were completely under regular employees' management. Thus, to some extent, promoters should be viewed as non-regular workers here. The anonymous questionnaire consisted of five parts of contents, including personal information, lifestyles and life goals, employment relationship with suppliers, working conditions in the stores, and interpersonal communications, which were designed into the forms of gap filling, one-choice questions and multiple-choice questions. 300 copies of questionnaires were sent out and 167 copies were collected back within which 55 copies were from the bedding section where I have worked in.

Secondary Data

In this anthropological study, I also resorted to the secondary data. According to Blaxter (2006), secondary data, such as official statistics and governmental data are very valuable to researchers. Therefore I have used data and statistics from company documents and reports, various organizations, official websites and government publications. By comparing the secondary data with the primary information I collected from the fieldwork, some indications like historical changes and the future trends in Mainland China were observed in the research, such as the adjustments in employment patterns. Apart from the secondary data collected from the official organizations, I continue to read authoritative print media everyday such as *Guangzhou Daily* in order to examine the latest events happened in Guangzhou which might affect the operation of YOWA. Other electronic ways like Google Alerts were also used to remind daily updates of relevant topics that might concern. All these instruments and tools helped me analyze the current situation and future trends of Japanese retail groups in Mainland China without delay.

BRIEF INTRODUCTION OF THE COMPANY

YOWA (fictional name), which consists of YOWA Co., Ltd. and more than 150 group companies (as of February 2009), is a famous Japanese retail group based in the Greater Tokyo Area, Japan. With a long history that can be traced its origin back to 18th century, the modern corporation of this company was established based on three local supermarkets in KANSAI (關

西) region in 1970. This merger made it the third largest national chain store only smaller than Daiei and Seiyu in the retail sector of Japan then. When entered into the 21st century, the company officially changed its group name into YOWA from 'SEICO' due to continuous business expansions, and the previous SEICO companies had become subsidiaries and affiliates of YOWA Co., Ltd. by then. Several years later, YOWA developed into one of the biggest retail groups in Japan with revenues amounting to over three trillion JPY in 2003(Annual report). In 2010, YOWA was ranked around 130th in the Fortune Global 500 rankings, and ranked the first 20 in the top 250 global retailers measured by retail sales of financial year 2008 (Deloitte Development LLC, 2010).

The YOWA group runs various kinds of business including general merchandise stores (hereafter GMS), supermarkets, convenience stores, drug stores, specialty stores, financial services, shopping centers, internet shopping, merchandise procurement and food processing operations. Among all these business, GMS, multi-supermarket and food supermarket are the three major business of the company.

In the 1980s, taking the saturated domestic consumer market and the increasing tendency of population decline into consideration, YOWA readjusted its business strategies and started to focus on the overseas globalization. YOWA began its overseas expansion in the year of 1985, taking Malaysia and Thailand as original standpoints, and then penetrated into Hong Kong in 1990s. As the business in Hong Kong bloomed, YOWA finally entered into Mainland China in 1995, and established its first store in Guangdong province in 1996. According to the YOWA Annual Report 2009, by the end of February 2009, sixty stores in total had been opened overseas, in Malaysia (18 stores), Thailand (6 stores), China including Hong Kong and Taiwan (36 stores), mostly GMS stores and supermarkets.

Below we can see YOWA's stores in Mainland China. Currently (as of Dec.31th, 2010) there are 25 stores in operation, among which 4 stores in Guangzhou. (Table 1)

**TABLE 1
OVERVIEW OF YOWA'S STORES IN MAINLAND CHINA**

Company Name	Location of the Headquarters	Date of Establishment	Number of Stores (as of Dec.30 th , 2010)
SEICO Guangdong	Guangzhou, Guangdong	1995.12	10
SEICO Shanghai	Shanghai	1995.12	1(closed)
YOWA Qingdao	Qingdao, Shandong	1996. 3	7
YOWA Shenzhen	Shenzhen, Guangdong	2000. 5	6
YOWA China	Shenzhen, Guangdong	2004. 9	1
YOWA Beijing	Beijing	2007.4	1

INVESTMENTS IN GUANGDONG PROVINCE, MAINLAND CHINA

Japanese companies mainly invest in North China, Yangtze River Delta, and Pearl River Delta region. The Pearl River Delta region in Guangdong province has now become a major

manufacturing center and one of the most attractive regions for Japanese companies since the Open and Reform in late 1970s, owing to its open investment environments, integration of different cultures, and geographical advantages. In 1980s, many Japanese electrical and electronic companies invested in this region due to low labor cost, as well as comparatively developed secondary sectors. When it entered into 1990s, these companies gradually transferred to Yangtze River Delta for a larger market share. Instead, Japanese auto industry began to invest from the year of 1999. Since three auto giants Honda, Toyota, Nissan opened factories in Guangzhou, many auto-related companies and service companies had also established their overseas subsidiaries in this region (Guangzhou Daily, 2007). By December 2010, the registered members of the Guangzhou Japanese Chamber of Commerce and Industry have reached more than 600, including 545 companies, 63 individual members and 71 sponsor companies (the Guangzhou Japanese CCI).

YOWA established its first subsidiary and store in the Pearl River Delta region and at the same time devoted a great deal of capitals and human sources here. By the end of 2010 the company had set up three subsidiaries SEICO Guangdong, YOWA Shenzhen and YOWA China in Guangdong Province. The former two are joint-venture companies by YOWA HK and local retailers, and the last one is a wholly-owned company operated by the parent company YOWA Japan. As of Dec.31th, 2010, these three subsidiaries had run 17 SEICO GMS stores and supermarkets in seven cities along the Pearl River Delta. (Figure 1)

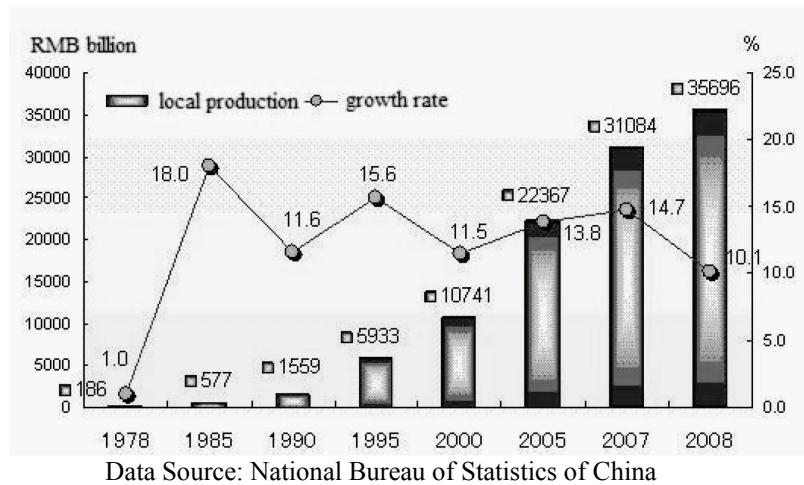
The open investment environments and good economic situation of Guangdong province is one of the attractions. Firstly, Guangdong province has been a pioneer in the Economic Reform, as well as a gateway to attract foreign investment throughout Mainland. Among the 11 original cities or special economic zones that had been approved for overseas capitals to enter into Chinese market by the central government in 1992, Guangdong occupied four, which made it the most proper site for YOWA's initial deployment in Mainland China. In addition, according to the National Bureau of Statistics of China, in 2008, the GDP of Guangdong province reached ¥3569.646 billion (US \$512.69 billion), increased by 10.1% compared to 2007.

FIGURE 1
CITIES IN GUANGDONG PROVINCE WHERE SEICO STORES LOCATE



Note: ■stands for GMS or multi-supermarkets ★stands for shopping centers

**FIGURE 2
LOCAL PRODUCTION AND GROWTH RATE OF GUANGDONG PROVINCE
FROM 1978 TO 2008**



As the Figure 2 demonstrates, from the year of 1995, the GDP of Guangdong province kept growing at a quite stable speed in spite of various growth rates in different years. The living standards in Guangdong province has been enhancing as well. Furthermore, according to the 2008 Provincial Census, the Pearl River Delta zone had a population of 47.7 million people. By examining the per capita disposable income of the urban households (Table 2) in the seven cities where SEICO stores located, we could find that from 2007, this statistic has been growing substantially in recent years and exceeded 20,000 RMB in seven cities except Huizhou, which shows high consumption capabilities of these cities.

**TABLE 2
PER CAPITA DISPOSABLE INCOME OF URBAN HOUSEHOLDS BY CITY (RMB)**

City/Year	2000	2005	2007	2008
Shenzhen	21577	28665	33593	26729
Dongguan	14226	22882	28209	30274
Shunde	14394	21015	25301	26433
Guangzhou	13622	18287	22469	25317
Foshan	11977	17680	21112	22494
Zhuhai	15376	18908	20516	20949
Zhongshan	-	17256	20317	21560
Huizhou	10328	15763	18770	19481

Data Source: Guangdong Statistical Yearbook 2009

Another attraction is the geographical advantage of Guangdong province, as a place closely links with Hong Kong, where the parent company YOWA HK locates. The transportation between any cities in Guangdong and Hong Kong is convenient. Take Guangzhou as an example, it is a port city alongside the Pearl River and locates about 120 km (75 miles) northwest of Hong Kong. The fact that it only takes 110 minutes to travel between the two cities makes it convenient

to transfer capitals, equipments and resources directly from YOWA HK to Guangzhou.

The final attraction might be the similar cultural influences between Guangdong and Hong Kong. Rooted from the same Cantonese culture, Cantonese people are willing to absorb foreign cultural goods and transform them into local uses as the Hong Kong people. In this way, the successful experience of doing business in Hong Kong enabled YOWA to realize its localization in Guangdong province without much difficulty than in any other cities in Mainland China. YOWA's operation and localization should be understood in this economic and society background.

YOWA'S BUSINESS CHARACTERISTICS IN MAINLAND CHINA

We might make this argument more clearly from a comparative perspective. Here I choose to take YOWA and another Chinese local GMS store Vanguard into comparison. Vanguard GMS store, which belongs to the CR Vanguard retail group, is ranked as No.1 chain store in Mainland China. This retail group is further controlled by the CR Vanguard group, a state-holding enterprise. Although both YOWA and Vanguard are doing business on GMS stores, they still vary greatly from each other.

In terms of the store numbers, the expansions of YOWA has been much slower and geographically limited compared with the local retailer Vanguard. As the statistics of 2010 (collected from the retailer's official website) shows, Vanguard owned 15 GMS stores in Guangzhou, while YOWA had operated 5 stores: one was food supermarket, and the other four were GMS stores. Geographically, the retail group of Vanguard owned 3200 stores (in various retail formats) in more than 100 cities of Mainland China, while YOWA only operated in Guangdong province (in the Southern China), Shandong province (Eastern China), Hong Kong and Beijing (in total 15 cities including Guangzhou, Foshan, Shunde, Shenzhen, Dongguan, zhuhai, Huizhou, zhongshan in Guangdong province; Qingdao, Yantai, Weifang, Weihai, Zibo in Shandong province; Hong Kong and Beijing).

In terms of location selection, all the YOWA stores in Guangzhou were located in major business districts where are directly connected to the subway. On the opposite, all of the 15 Vanguard stores were opened near residential communities. In terms of the overall company image, shopping environments, promotion strategies, quality of merchandises and service, YOWA was distinctive compared to Vanguard. Firstly, YOWA's overall image was impressive with its Japanese identity. There were many special signs and activities help to show its identity, such as the 'Japanese food street', the 'thankful footprint' action, the 'Astro Boy's cleaning action', the sales of lucky bags (fukubukuro, 福袋) as well as some environmental activities. These special activities with unique Japanese style were appealing to customers, especially those who have a certain affinity to Japanese culture.

Secondly, YOWA made great efforts on shopping environments than Vanguard. The YOWA stores were well-decorated with seasonal features and holiday atmosphere, and provide considerate hardware facilities such as clean wash rooms and mothers' lounge. And under the framework of the free-entrance concept, customers could feel free and enjoyable. Also the light music broadcasting in the stores made the shopping environment more relaxed and somewhat upper-class. Thirdly, YOWA's promotion strategies were diverse. It emphasized on good quality rather than low price as Vanguard. It acted quickly to catch the customers by changing the promotion themes and providing shopping suggestions according to holidays and seasons. Fourthly, the service quality of YOWA was relatively high. All the workers were trained to be

very polite and helpful. In addition, there were some extra services like free packaging (especially during the gift-giving season) and home delivery which were in favor of customers.

Finally, a difference which can be found from the above discussions is that YOWA and Vanguard targeted different customers. For Vanguard, it mainly tried to attract people living in residential communities nearby, with strong need of everyday necessities, in reasonable or low prices. In contrast, YOWA was appealing to customers with mid-to-high level incomes who had special demands in symbol consumption, such as quality, service, environments, and standards which lie behind the goods, and provided one-stop shopping experiences of higher level (Yohogi, 2007; Wang, 2009). From the comparison with a local retailer Vanguard, we can see the differences of location selection, overall image, shopping environment, promotion strategies, merchandises and service standards, and targeted customers made YOWA distinctive in Mainland China. It can be inferred that these differences were highly likely rooted in two profound reasons: one is YOWA's competitiveness and distinctiveness as a Japanese retailer and the other is YOWA's adjustments through the localization process in the Chinese context.

YOWA'S TRANSFORMATIONS IN CHINESE CONTEXT

There are two main transformations YOWA made in Mainland China. The first one is YOWA was operated with Chinese-intensive management and changed some of its human resource management strategies. And the other one is YOWA adopted the consignment mode and fully utilized promoters employed by suppliers as non-regular but long-term workers in an attempt to act similarly as its counterparts in Mainland, enhance its dominant position in the retailer-supplier relationship, and most importantly, reduce its labor cost. I will use the statistic of SEICO GD, one of YOWA's subsidiaries in Guangdong Province to demonstrate these two transformations. The company of SEICO GD included the headquarters in Guangzhou, and 10 stores in several cities in Guangdong province.

Human Resource Management Strategy

Japanese MNEs have long been criticized for lagging behind Western companies in the localization of management practices, and its ethnocentric practice, as well as the persistence of expatriate-intensive management (Kopp, 1999; Pucik, 1999). However, my study of YOWA shows a sharp contrast with these studies by the fact of a decrease in the number of Japanese expatriates and a massive increase of local employees. Furthermore, my study also indicates YOWA's changes in human resource management strategies to adjust to Chinese society by the positive use of local female workers, the status change of part-timers, and the new innovation of promoters as main labor force.

Firstly, through a detailed analysis of the employment statistics of SEICO GD in 2009, I found that among the total number of 2039 employees, there were only five Japanese expatriates at the top of the management hierarchy of this subsidiary, and the rest 2034 were local Chinese employees with majority (86.8%) born and educated in Guangdong province. Except for the five Japanese expatriates working in the headquarters, there were no other Japanese or Hong Kong employees working in SEICO GD, and all the rest managerial positions were occupied by Mainland Chinese, including the most essential position in stores: the 'store manager'. It helps to illustrate an orientation that local employees were greatly relied on in SEICO GD.

Secondly, also from the employment statistics, I found regular employees in SEICO GD were predominantly female, especially in stores. Take the Sunny store as an example, of the total 439

regular employees, 319 (72.7%) were women. In terms of gender distribution, the employment in SEICO GD has followed the overall pattern for chain stores in Mainland China that females are regarded as the major labor force rather than short-term commitment workers in Japan. Furthermore, among the 79 employees of the managerial rank in Sunny store, 60 (76%) were women and also, eight out of ten store managers were females. It helps to indicate that the roles female employees played in YOWA were distinctive compared to the parent company in Japan. Women were greatly relied on and placed in high managerial positions with good career prospects. YOWA noticed the differences between Japan and China in the female employment patterns, and adjusted its HRMs to it.

Thirdly, there was an important change in the number of part-time workers in 2008 which can help to understand YOWA's HRMs in Mainland. Part-time workers belong to the category of non-regular workers, those who return to work on a part-time basis or those who were not under the official labor contracts with the company. Part-timers were once the main labor force of YOWA, both in parent company and overseas subsidiaries. However, the new labor contract law which went into effect on January 1st, 2008 suggests: "Non-full-time labor refers to a form of labor for which the remuneration is generally calculated on a hourly basis, the average working hours of a worker each day shall not be more than four hours and the cumulative working hours per week for the same employer shall not be more than 24 hours." Due to legal reasons, the number of part-timers decreased into only one person in SEICO GD suddenly in 2008, and nearly all of them were transformed into regular full-time workers.

Finally, the fully utilization of promoters is also an important issue in discussing the HRMs of YOWA in Mainland China. The promoters in YOWA can also be identified as non-regular workers. They were sent by the supplying company which cooperated with YOWA, and worked in YOWA at the company's complete disposal. The latest statistics of January 2009 shows that there were 1333 promoters working in the Sunny store of SEICO GD. This phenomenon could be easily observed in any supermarkets in China, while hardly be discovered in chain stores in Japan. By adopting others' employees as long-term workers in the stores, YOWA once again made important changes to its HRMs in Mainland.

Consignment Mode and Promoter System

The consignment counter with promoters is a cooperate mode between retailers and suppliers. YOWA adopted this consignment mode and fully utilized promoters as non-regular but long-term workers through the localization process in Mainland China, which is seldom be found in its parent company in Japan.

Under the mode of consignment, YOWA sold merchandises as the dealer of the suppliers for a share of the profits or commissions. For the suppliers, goods on consignment equaled to the articles on a specialty counters inside the consignment store. The suppliers sent several long-term promoters into the stores and in this way had their sales well organized according to both their actual needs and the store's condition, such as sales promotion, tallying, ordering and receiving of the goods. While on the side of YOWA, it only provided space and facilities for the suppliers and arranged promotions occasionally under the name of YOWA. In return, a certain percentage of the total sales were given monthly as commissions by each consignment brand. Besides, an annual rebate of sales, warehouse rentals, utilities, miscellaneous expenses including entrance fees, sponsorships for new-store anniversary celebration, contract renewal fees, new membership fees, etc. had also to be paid to the company of YOWA. To some extent, YOWA here played the role of a lessor, while the suppliers were just like the tenants. The consignment mode in YOWA

exactly followed that of the department stores in China.

The phenomenon of promoters happened together with the consignment mode, it can easily be observed in most if not all supermarkets and department stores in Mainland. Promoters refer to people who were employed by the supply companies which cooperate with the retail stores, however work in the latter as sales clerks to improve the sales performance of a certain brand or a company. It is a win-win result of the market liberalization and the fierce competitions between suppliers. It provides more work opportunities in the society, improves the sales performance of the suppliers, reduces the personnel outlay of the retailers, and to some extent, guides the consumers to face massive merchandises. By utilizing promoters, YOWA acted similarly as the other local Chinese retailers, and successfully reduced its personnel outlay.

According to the director of SEICO GD, over 90% of the business of SEICO GD was operated in consignment mode, and virtually all the suppliers had to send promoters as free labor force. An employment statistic showed that in January 2009, there were totally 1333 promoters in one typical store of SEICO GD (93.9% of them were females), while only 279 regular YOWA employees in the same store. The proportion of 1333: 279 was expressive. In other words, there were almost five promoters out of every six workers on average. Therefore, promoters should not be viewed as peripheral or dispensable, but long-term major workforce of YOWA.

From a questionnaire survey of the working and living conditions of promoters, certain characteristics of these promoters turned out to be evident. In the term of age distribution, half of them were between the age of 26 to 35, which was an energetic, mature period of their lives, as well as an age of children rearing and family burden; Concerning their educational background, over half of the promoters graduated from high schools, while the other half were junior school graduates, which indicated a relatively low educational status among this group of workers; Considering the previous working experiences and working motivations, the promoters could be classified into two categories: the laid-off workers” (下崗工人) and floating labor (流動人口). The lay-off workers here refer to people who became unemployed at the age of 40 or older after the Reform of State-owned Enterprises in the 1990s and the 2000s, while the floating labor refer to people who left hometowns for big cities in order to get better life and opportunities, both of whom were working for supporting their families.

Promoters spread throughout the stores in every section, the basic working units in YOWA, and were under the supervisions of section chiefs and ordinary staff. They were involved into YOWA's organization in everyday operation. Recruited and paid by the suppliers, however worked under the total management of YOWA, promoters were actually subject to dual managerial control of several levels both the suppliers and retailers. Their job contents not only included the sales performance of their own companies, but also extra work assigned by YOWA. They were trained regularly about the service standards and corporate culture of the company, and were checked whether they had mastered through ‘mystery shopper’, which means a person goes in pretending to be an ordinary shopper and evaluates the customer service received by the store. The management skills towards promoters included both firm controls like fine punishments and conciliatory approaches such as helps on their sales, conveniences given to their personnel arrangements as well as spiritual encouragement and material rewards. By doing so, YOWA fully utilized this group of free labors and reduced its personnel layouts in Chinese markets.

The consignment mode and promoters' phenomenon are resulted in the imbalanced relation in the supply-demand and the transformation from the seller's market to the buyer's market in China at present. In an attempt to compete with its counterparts in Mainland, YOWA adopted the

similar strategies which were never taken in its own country. In this way, YOWA enhanced its dominant position in the retailer-supplier relationship, and most importantly, reduced its labor cost.

CONCLUSION

Through the investigations of YOWA's investments in Guangdong province, the business characteristics, as well as transformations it made in China, this paper examined YOWA's localization process and strategies. There are three main findings in this paper. Firstly, from the comparison with a local retailer Vanguard, we can see the differences of location selection, overall image, shopping environment, promotion strategies, merchandises and service standards, and targeted customers made YOWA distinctive in Mainland China. On one hand, these differences were highly likely rooted from its competitiveness and distinctiveness as a Japanese retailer and on the other hand, they were resulted from YOWA's adjustments through the localization process in the Chinese context.

Secondly, YOWA was operated with Chinese-intensive management and changed some of its human resource management strategies. Local Chinese employees sourced the overwhelming majority of the workforce and were placed in important managerial positions. Although the organizational system of YOWA in Mainland was transplanted from its parent company in Hong Kong with minor alterations, we still confirm this feature in the terms of employment pattern, which contained several interesting variations compared to the cases of Nagasakiya (Matsunaga, 2000) and Fumei (Wong, 1999). For example, the positive utilization of local female employees and management trainees, the employment status change of part-timers, the innovation of promoters as main labor force, and so on.

Finally, YOWA adopted the consignment mode and fully utilized promoters employed as non-regular but long-term workers in an attempt to act similarly as its counterparts in Mainland, enhance its dominant position in the retailer-supplier relationship, and most importantly, reduce its labor cost successfully. The employment statistics revealed that, there were five promoters out of every six workers on the sales floor, in a typical YOWA store in China. Promoters sourced vast majority of the workforce in the store and did not cost YOWA any money. All YOWA had to do was supervising and utilizing them.

All of the three findings were resulted from the process of YOWA's localization and in varying degrees, revealed its efforts in adjusting to and aligning with the external economic and culture environment of Mainland China. From the above discussions, we can found that adjusting to the local context is an important issue in localization of MNEs. This paper set out to contribute to the understanding of localization process and strategies of a Japanese overseas retail group in Guangzhou, Mainland China. Although the paper is based on only one case, the findings concluded may provide insight and relevant information to both academics and practitioners. Further researches based on a deeper analysis should be adopted to explore the interactions between the overseas company with Japanese employees, as well as the relationship among Japanese expatriates and local employees, which constituted the company's institutional culture.

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