

# “Implementation” of management philosophy overseas:

## Case Study of a Japanese retailer in Hong Kong

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### 1. Introduction

This paper aims to identify potential challenges a company could face during the overseas implementation process of its management philosophy and in employees' response to that process. A Japanese retailer in Hong Kong, here called *Ichii*, is used as a case study to better understand the research questions. “Implementation” in this paper indicates the process through which a company tries to “implement” the management philosophy formed in its own cultural background to overseas markets.

This paper examines one of *Ichii's* significant management principles—providing customers with a high level of service—in Hong Kong. Based on long-term participant observation, this paper argues that store managers, rather than the company system, largely determined the progress of the company's implementation of its management philosophy. Because of store managers' various management focuses, the progress was not standardized but rather localized.

This paper discusses the finding that many store managers interpreted customer service differently, mainly because they doubted the objectivity of the company's customer service evaluation system. They created their own ways to maintain or improve their evaluation scores, which eventually resulted in uneven levels of customer service. Moreover, because store managers had promotion authority, employees generally followed store managers' orders, which were based on the opinions of store managers. This paper aims to examine the factors that influence the implementation progress of the company's management philosophy, arguing that the research angle is not limited to cultural aspects but rather addresses system imperfection.

Early studies on Japanese companies' management philosophies have mainly been based on the quantitative research methodology. Most of the studies argue that Japanese companies had a late start in the localization of human resource management and faced difficulties recruiting good talent because they stood firm in their traditional

management systems rather than adjusting to the different cultures of different places (Seki and Han, 2003; Huruta 2004; Yahagi 2007). These studies simplified the complex reality, since every company has a unique development history influenced not only by culture but also by the surrounding economic environment.

Anthropological researchers conducted fieldwork in various types of companies and studied the dynamic informal power relations inside the companies that influenced the implementation of their management philosophies (Hioki and Nakamaki 2003; Sumihara, Mitsui and Watanabe 2008; Mitsui et al. 2013). This type of research allows us to understand that the company plays the role of a community; however, there is limited literature on stores where employees interact directly with customers.

Data for this paper are based on fieldwork conducted from August 2010 to February 2011. The names of the company (*Ichii*) and the people used here are fictitious to protect personal information. This paper also refrains from citing any data that might lead to the identification of the company or people.

This paper starts with an introduction to *Ichii's* management philosophy, particularly its customer service theory and its historical formation. Next, this paper provides general information about *Ichii* Hong Kong and how the company started a series of practices to improve its customer service level. In the third part of this paper, the case of TKO store is introduced to provide a picture of how store managers influence store employees in terms of their customer service performance. In the last part of the paper, the challenges *Ichii* faces overseas during the management philosophy implementation process are discussed.

### 2. Introduction to *Ichii*

*Ichii* is a retailer with a specialty store retailer of private label apparel (SPA) business model, which means the company is responsible for product design, manufacturing, and retail. *Ichii's* parent



company, *Ichi* Group, achieved 1 trillion yen in sales by the end of July 2014, and *Ichi* had particularly high profits overseas; the growth rate exceeded 65% for fiscal year 2013.

One of the characteristics of *Ichi's* overseas expansion was the globalization of the company through standardization of its management philosophy, which was based on the company's various experiences in the domestic and overseas markets. *Ichi* expanded its business overseas in 2001; its first market was London, United Kingdom. In the next year, the company started its business in China. The company failed to earn a profit in either the United Kingdom or China for the first several years.

The turning point for *Ichi's* overseas business was its unexpected high profit in Hong Kong in 2005. A Chinese *Ichi* executive who was responsible for the operation in Hong Kong at that time commented in many interviews that the high profit resulted from the fact that *Ichi* Hong Kong faithfully followed *Ichi's* philosophy, which was represented in the high quality and high standard of customer service. Because the Hong Kong market was the first overseas market to be in the black, the company announced a policy called "Global One," which aims to provide customers all over the world with high-quality products and a high standard of customer service. Employees were encouraged to share the best practices so that the company could implement a best way that would allow them to become a so-called real global company.

This paper focuses on the process of standardizing *Ichi's* customer service overseas. *Ichi* clearly announced that the company wanted to export the high level of customer service from Japan to the overseas markets rather than adjusting its level to local situations. In other words, the company expected employees to follow the unified *Ichi* style of customer service rather than engaging in the local style of customer service for local customers.

In order to standardize the level of customer service overseas, *Ichi* understood that it was necessary to "persuade" local employees that the company had good reasons for expecting them to perform in the same way so that they would put their hearts into their work; however, the company assumed that it might be rather difficult for locals to perform in exactly the same standardized way from the outset. Therefore, *Ichi* Japan's head office creates a customer service manual, and every local

branch had a translated version of this manual.<sup>1)</sup>

*Ichi* also included the evaluation of employees' customer service level as an important promotion criterion; promotion criteria were based on the manual. *Ichi* believed that the customer service manual would allow employees to gain proper and objective evaluations, since all criteria were described in detail.

One of the significant findings based on a review of the customer service manual is that employees were evaluated based on their external performance, which was "convenient" for evaluators, as they could easily determine whether employees behaved according to the customer service manual. For instance, employees were required to "smile" at customers, "use proper language" with customers, "greet" customers, and so on. Therefore, if an evaluator found that an employee did not smile at customers or used inappropriate words, that employee would receive a lower score. Moreover, the customer service evaluation was an "instant evaluation," which means that the evaluation was determined whenever the evaluator saw the employee. Therefore, employees' customer service evaluation was not based on long-term observation but rather on momentary evaluation.

Another finding is that many criteria in the customer service manual might result in subjective evaluation because the descriptions are ambiguous and misleading. In other words, employees' evaluations might be distorted. In fact, a number of employees, including managers, felt this way. Take "smile," for instance. There was no specific definition of "smile" in the customer service manual, and so every evaluator might interpret employees' smiles differently. Moreover, some employees were confused, as they were not sure what kind of smile could allow them to get higher evaluation. Some employees received quite uneven evaluations even though they did not change much about their performance. Therefore, a number of full-time employees doubted the objectivity of the customer service manual.

As the above description shows, standardizing *Ichi's* customer service level was difficult because of the ambiguous descriptions and imperfect evaluation system. Some store employees were discouraged from working hard on the level of customer service because they might receive undesirable evaluations anyway. To address employees'



concerns, *Ichi* introduced a series of practices in 2011 to improve the level of customer service. After explaining these new practices in the following section, this paper provides a picture of how store managers influenced store employees in terms of customer service.

### 3. Introduction to *Ichi* Hong Kong

Starting in 2005 when *Ichi* entered the Hong Kong market, the company opened two to four stores every year. At the end of July 2014, *Ichi* operated 21 stores in Hong Kong. According to the manager of *Ichi* Hong Kong, from 2005 to 2011, the Hong Kong operation was always in *Ichi* Group's Top 10 for contributed profit. Therefore, the Hong Kong operation has always been regarded as a role model for standardization in other Asian markets, such as Mainland China and Taiwan.

There were two major influential factors that led *Ichi* Hong Kong to introduce a series of new practices to achieve a higher level of customer service; were these events closely tied to the increasing autonomy of store managers.

#### 3. 1 Series of practices introduced in 2011

*Ichi* introduced new practices to improve customer service in 2011, which might be the first major change in its Hong Kong market to address customer service issues after *Ichi* announced "Global One" in 2008. The major reason for this change was the disappointment of top management who were sent from the Japanese headquarters to evaluate the level of customer service of *Ichi* Hong Kong in 2011. Feedback from these top managers was quite important, as they were a group of people who knew *Ichi*'s core principles based on their long and rich experiences working at the company. One of the supervisors of *Ichi* China commented:

Before the investigation in 2011, we all believed that *Ichi* Hong Kong must have a higher standard of customer service, as the sales and profits were incredibly high there. We imagined that Hong Kong must be quite ahead of us (*Ichi* China), and we were eager to know why. But the 2011 investigation broke the myth of Hong Kong.

Based on reports from top management, *Ichi* introduced

two new types of practices in Hong Kong. The first practice was to offer bonuses to both full-timers and part-timers to motivate them and to facilitate the standardization of customer service. In March 2011, *Ichi* Hong Kong began to introduce a bonus system called "Good Performance" for both full-timers and part-timers. The assessment largely depended on the evaluation of employees' customer service practice. Full-timers who were selected for the bonus would receive HK\$500 a month, and part-timers would receive extra HK\$5 per hour for that month.

Employee performance evaluations, although designed to be objective, differed according to the various store managers. Although the extra bonus could motivate employee performance, this motivation was lost once the employee found out that the evaluation was unfair and in favor of the store manager. In a store at which I conducted fieldwork, during the first month of the Good Performance system, many part-timers were motivated; several of them attempted to improve their work performance dramatically to obtain a considerable bonus. However, after the first monthly performance evaluation results came out, many of these employees were disappointed, as most of those who received bonuses had been working in the store for a long time and were "friends" with the store manager. The main reason for dissatisfaction was the ambiguity of the written and unwritten criteria and lack of review by a third party.

Second, in April 2011, *Ichi* introduced a monthly customer service checkup, performed by a mystery shopper from Mainland China, to monitor the progress of and facilitate the standardization of customer service. This practice was introduced in the Hong Kong market because it was considered effective in improving customer service in Mainland China. The unique point of this evaluation was that employees had no right to question the legitimacy of the result. It is interesting to note that because of stores had doubts about the evaluation by the mystery shopper, there were a number of conflicts between the head office and the stores; these conflicts may even have resulted in confrontations between the office and the stores. Although this practice was intended to monitor the progress of and facilitate the standardization, mystery shoppers evaluated employees based on the customer service manual, which frequently resulted



in a subjective result.

From the above description, we may find that while the head office was quite motivated to standardize customer service practices in Hong Kong, stores had opposing responses because the latter believed that the evaluation system did not provide subjective and fair results. In the following, we discuss how store managers largely contributed to directing the stores.

### 3. 2 Role of store managers

Store managers gained excessive authority and autonomy at *Ichii* Hong Kong mainly because of the lack of supervision from the local head office and because of their doubts about the objectivity of the customer service evaluation.

In 2008, in order to manage and facilitate the company's standardization process overseas, *Ichii* Japan sent Mr. Mizuno to Hong Kong as one of the operations managers. The Hong Kong operation was led by its CEO, and Mr. Mizuno worked with another Japanese operation manager. When Mr. Mizuno was assigned to Hong Kong, the CEO of the Hong Kong operation was responsible for not only the Hong Kong operation but also the operations in Mainland China and Taiwan. This resulted in his making limited visits to Hong Kong, which more stable and had better growth than Mainland China and Taiwan at that time. Therefore, basic operations matters in the Hong Kong market were handed to the two Japanese operations managers.

Mr. Mizuno was mainly responsible for taking care of issues at stores, including store layout, working shifts, and even personnel relocation, while another operations manager dealt with other issues, such as delivery contracts, plans for store openings, and so on. According to Mr. Mizuno, it went smoothly in the beginning, as he had sufficient time to visit the stores and to learn more about what was happening onsite. Mr. Mizuno also became the one who needed to make immediate decisions when there were problems at the stores, as the CEO of the Hong Kong operation, who was frequently absent, was not able to deal with every detail.

Store managers started to show their true colors in 2009, when the frequency of Mr. Mizuno's store visits decreased. Mr. Mizuno's increasing workload resulted in the limited frequency of store visits. After another operations manager was transferred to Taiwan, Mr. Mizuno had to fill two

jobs at the same time, as *Ichii's* Japanese headquarters did not send a replacement to Hong Kong. Mr. Mizuno was able to reduce part of his workload by reassigning a Japanese manager to his division; however, his workload was still quite large, so he had to decrease the frequency of store visits.

The major reason that Mr. Mizuno's store visits influenced store employees' performance was because *Ichii* management depended largely on "people" rather than the system. This is shown in two major ways. One of the major evaluation methods for the customer service level at *Ichii* was "instant evaluation" of "external" performance. Many full-time store employees tried to show their best performance when Mr. Mizuno came to the store, as they knew that it might be an occasion for them to impress Mr. Mizuno, who had strong authority over personnel relocation.<sup>2)</sup> With the decrease of Mr. Mizuno's store visits, their tension was generally reduced and so was their insistence on the company's standard.

Another factor influencing store employees' customer service was the existence of informal store rankings that determined the focus of Mr. Mizuno's store visits. According to a local store manager, the idea for this informal ranking was presented by Mr. Mizuno as a way of assigning store managers.<sup>3)</sup> Because of the limited frequency of store visits, Mr. Mizuno needed to focus on the stores that were more "important" for the company in terms of the company's investment and expectations.

Informal store rankings largely determined the status and autonomy of each Hong Kong store and the career paths of the employees. This was an informal method, since the company had claimed that each store should be treated equally. When I asked one of the Japanese store managers in Hong Kong about this informal ranking, he answered:

I believe that the leader and other executives would say that your understanding is not correct. But, honestly, it is hard to comment on that. I understand your claim, but our company specializes in standardization and simplification. So I am quite sure that top-ranked employees basically would not admit that there is a difference in importance between large stores and smaller stores.

There were three levels of stores in Hong Kong in



2011, and the store I worked at for more than eight months was ranked at the lowest level. Based on my observation, Mr. Mizuno or the person in charge of the store that I worked at only visited the store once or twice over two to three months, while they visited higher-ranked stores at least once a month. Mr. Mizuno's were quite closely related to the motivation of store employees. Store employees tried to perform the unified style of customer service not only to impress Mr. Mizuno but also to improve the evaluation of the store so that Mr. Mizuno and other superiors would give them more opportunities.

Above, I explained why the Hong Kong head office introduced a series of new practices that aimed to improve the level of customer service. I also provided a picture of how store managers gained a certain degree of autonomy because of the limited frequency of store visits by Mr. Mizuno after 2009. It is important to note that Mr. Mizuno and headquarters managers did not intend to transfer a higher degree of authority to the store managers without sufficient supervision; however, an imperfect system to some extent resulted in the "localization" of customer service.

In the following section, an *Ichi* store—the TKO store—is introduced to provide the picture of how the level of customer service differed because of the various directions of store managers, and how store employees enhanced and maintained these changes.

#### 4. Employee behavior patterns at TKO store

The TKO store is located on Eastern Kowloon Island, Hong Kong. The TKO store ranked in the middle of *Ichi* Hong Kong stores in terms of size, with relatively low total sales.<sup>4)</sup> Seventy percent of employees at the TKO store, as at other stores, were part-timers, and the rest were full-time employees. Every store manager's major role at the TKO store was to improve sales, particularly the level of customer service.

In this section, Jenny and Lisa, who worked as store managers for one year and half a year, respectively, at the TKO store are introduced to analyze the factors influencing the degree of standardization of employees' customer service (see Table 1).

##### 4.1 Jenny

Jenny was born in Hong Kong in 1977. She had relatively more years of service at *Ichi* by the end of 2011 than other store managers in Hong Kong. She was married, and her husband worked at a local company. She said she could have a child in the future and might consider resigning. Before coming to *Ichi*, Jenny worked as a salesperson at a local fashion retailer, Bossini, and moved as a senior salesperson to another local fashion giant, Giordano. She resigned from Giordano because the company required her to work early in the morning at the store, which was quite far from her apartment.

Table 1 Characteristics of two Store Managers in Ichi Hong Kong, TKO store (Aug 2010 - Aug 2011)

Date	Aug 2010 – Jan 2011	Feb 2011 – Aug 2011
Name of Store Manager	Jenny	Lisa
Gender	Female	Female
Year of Birth	1977	1982
Entry to <i>Ichi</i>	2007	2007
Management Focus	improve the customer service level	increase the sales and profit
Introduction of New Practices	limited	Series of new practices from head office
OJT (on-the-job training)	Insufficient	Frequent
Employee Behaviors	Work hard on improving the level of customer service	Spend more time on learning practical skills and paid little attention on customer service



Jenny joined *Ichi* as a mid-career employee in 2007. She started as a senior salesperson at the store in Causeway Bay, Hong Kong, working there for three years. With a strong recommendation from the local supervisor, she became the store manager and was assigned to work at the TKO store at the end of February 2010. Jenny was reluctant to become the store manager because she believed the workload was quite heavy and she wanted to avoid long working hours. Although Jenny had concerns, she eventually took the position because she understood that *Ichi* employees were not expected to stay in the same position forever but rather to develop their careers. She thought her action might benefit her career in the future, as she favored the local supervisor.

Jenny worked at the TKO store from February 2010 to February 2011 after being promoted to store manager. She had a strong desire to stay at the same rank rather than pursue a higher rank, and her interpretation of customer service and her career orientation influenced her relationship with subordinates. Jenny focused largely on the practice of customer service because she clearly understood that one of the criteria for store managers to maintain their positions or be promoted was the practice of customer service. Thus, she attempted to use and focus on this to, at least, secure her current position. Improving the practice of customer service at the TKO store was not an easy task. Most employees did not usually practice customer service, and their consciousness of this practice was poor; thus, changing their mindset within a short time was hard. More importantly, Jenny thought that it was nearly impossible to ask employees to achieve the level of customer service that *Ichi* required. Jenny once said to me:

I think Giordano had great customer service because most employees were trained, experienced employees, not mobile employees like the majority of employees at *Ichi*—part-timers. I have found it is so hard to train part-timers because most of them do not plan to stay at *Ichi* for a longer period of time, so they can just ignore our training.

Jenny understood the difficulty she faced at the TKO store, but she tried to achieve the goal through her own methods, which involved having

harmonious relations with subordinates who had higher levels of customer service, but disliking those who did not. For instance, Jenny favored two full-time salespersons, Chris and Roy, during daily operations. Jenny treated them with a kind attitude and frequently spent time with them. She also praised them in front of others; moreover, she assigned them to manage a team to improve customer service. This practice to some extent improved the level of customer service.

Another of Jenny's strategies was to keep employees with poor levels of customer service "out of sight." Jenny publicly criticized employees who did not practice customer service well, particularly a full-time salesperson, Oliver, who was rebellious toward Jenny. Jenny required Oliver to follow the "*Ichi* Style," but Oliver did not follow this order because of the strong pressure from Jenny. Moreover, Jenny frequently asked him to smile at customers when he was working on the shop floor. When Jenny realized it was hard for Oliver to follow the *Ichi* requirements, she only assigned him to work in rooms without customers, such as the back room or the break room.

Jenny particularly focused on the practice of customer service without paying attention to increased sales; therefore, Jenny was less motivated to train employees in practical skills that might influence sales, such as store layout, stock control, and so on. Many employees were eager to learn practical skills that would be useful for their future career paths, and many employees had an implicit conflict with Jenny, but most of them could not speak out or rebel against Jenny, as Jenny had strong influence over their career opportunities, even though she was only able to promote only one candidate during her time as store manager.

From the above description, we can see how Jenny tried various strategies to improve the store's level of customer service. During my fieldwork period, I witnessed many occasions on which employees said bad things about Jenny behind her back. I felt that Jenny might be not their favorite store manager. However, what I observed was that even though employees implicitly had conflict with Jenny, most of them stayed quiet and followed her orders. When Jenny required employees to greet customers at a louder volume or smile at the customers, employees followed these orders and tried to work harder on improving their customer service. Some employees



were rebellious toward Jenny, but, in general, they followed her orders, which resulted in facilitating the implementation of *Ichii's* management philosophy in Hong Kong.

We may presume from the above that the implementation process of *Ichii's* management philosophy was in fact moving forward when Jenny worked at the TKO store, although the pace was slow and it may have been against the employees' will. The second store manager, who had quite different a management focus from Jenny, is introduced in the following to examine the reasons for employees' different behaviors.

#### 4. 2 Lisa

Lisa was born in 1982, and she was the youngest store manager without a university degree by the end of 2011. She was married and had two children. Before joining *Ichii*, Lisa used to run a fashion shop with her twin sister. She said they spent more time with friends than with family members. After giving birth to her second child, Lisa wanted more time with her family members and a more stable life; thus, she chose to work at *Ichii*. Lisa worked at four different stores, including two A-ranked stores (according to the informal ranking).

Both Jenny and Lisa were junior store managers, and the TKO store was their first store. When Lisa arrived at the TKO store in March 2011, many employees noticed her difference from Jenny within several days. Although Lisa worked at the TKO store for only half a year, she had a strong influence on employees' consciousness of customer service.

Lisa formed a team to improve customer service and assigned several full-time employees to take care of employees' performance, mainly because the head office introduced a series of new practices and expected store managers to manage them. However, Lisa personally paid little attention to this issue, and even she practiced little customer service. Moreover, Lisa did not push employees to practice customer service unless they needed to improve their efforts to get a promotion opportunity. She was also disappointed that store managers were not allowed to question customer service evaluations. When the TKO store got a poor evaluation from the mystery shopper, Lisa spoke out and questioned the head office about the legitimacy of the evaluation; however, she soon she

realized that the head office was not flexible enough to change the evaluation, even though some of the staff at the head office might have agreed with her.

Lisa focused mainly on shop floor elements such as layout and stock control because she believed those elements contributed more to sales than did customer service. Lisa required subordinates to pursue an attractive shop layout by making frequent adjustments. One day, Lisa came to my assigned area and asked me to switch the color of the clothing because it was unattractive. She emphasized the importance of efficiency, and required employees to organize the equipment in the back room to increase job efficiency, which was not an important issue during Jenny's time.

Lisa allowed more full-time employees to be promoted than Jenny did. She wanted to help as many employees as possible, and she asked the supervisor whether positions at other stores were available so that part-time employees could be relocated and become full-time salespersons. When Lisa conducted face-to-face interviews with store employees every month, she carefully learned what her subordinates wanted and tried her best to help them. When I wanted to be relocated, she also helped me to ask the supervisor whether there were any other store openings available for me.

Under Lisa's command, employees started to focus more on practical skills, and most of them were eager to learn because they were not able to do so during Jenny's time. Lisa gave the employees various assignments and required them to finish on time. In order to finish their assignments on time, most employees cared more about their work rather than customer service. I remember clearly that when I went to the store in the middle of day for work, no one was greeting customers. The store was so quiet that I could not believe it was open. I was very surprised since it was the first time I had encountered such a situation. Full-timers who were assigned to take care of improving customer service during Jenny's time also focused more on improving their practical skills. One of them said that he had waited so long to learn skills other than customer service.

With Lisa's hard work, she was considered by store employees to be a role model. She interacted more with front-line employees and allowed them to see how she worked in the store. Lisa sometimes sacrificed her break to work. She usually started



work five minutes earlier than required when she had lunch in the staff room. Many store employees felt that it was not easy for a female worker raising two children to dedicate so much to her work.

Store employees seem to respect the store manager more than they did during Jenny's time, and they voluntarily learned what Lisa expected them to do. Although store employees followed orders from both Jenny and Lisa, their intentions differed.

#### 4. 3 Analysis

Based on the above comparison, we may conclude that the level of customer service at *Ich*i Hong Kong was largely influenced by the management focus of store managers, and that their behaviors to some extent determined the implementation progress of *Ich*i's management philosophy in Hong Kong. During Lisa's time, employees paid decreasing attention to the customer service level, although the new policy was introduced to enhance the progress of the company's customer service standardization. Opposite to Lisa, Jenny managed to motivate employees and increase the awareness of the importance of customer service. When Jenny worked as store manager at the TKO store, employees generally put great effort into greeting customers or smiling at them to get higher customer service evaluations, while employees rarely did that when Lisa managed the store. These examples may lead us to two conclusions.

First, store managers had various interpretations of the company's customer service practices because most of them questioned the legitimacy of its evaluation process, which was supposed to be fair and objective. Even though store managers doubted the fairness of the system, as long as they were in the system, they needed to find a way to "adjust" to it. Some store managers, such as Lisa, focused more on the core store operations such as store layout, sales numbers, and efficiency to prove to the head office that they in fact contributed to the company as well as those whose stores that had a higher customer service level, as the store did under Jenny.

Second, store managers' various management focuses were ensured and stressed by "supportive" employees. This is because the imperfect promotion system gave store managers the authority to force employees to rely largely on their recommendations to secure their futures with the company. Ties

between the store manager and subordinates became stronger when the latter respected the former more. Lisa promoted many employees who failed to get promotions when working with Jenny. Because of this, many employees at the TKO store worked harder to be favored by Lisa, who paid little attention to customer service. As a result, the degree of standardization of customer service at the TKO store during Lisa's time was lower than that during Jenny's time.

#### 5. Conclusion

This paper discussed challenges the company faced overseas during the process of implementing its management philosophy. By examining the process of standardizing the level of customer service at Japanese retailer *Ich*i in Hong Kong, this paper concludes that store employees did not facilitate the standardization process mainly because of the imperfect customer service evaluation system. The customer service manual *Ich*i created to enhance the standardization process ironically resulted in the delay of its process because of its ambiguous descriptions and "instant evaluation" system that might have caused subjective and distorted evaluations.

Some store managers who were unintentionally given the power to control the direction of store operations doubted the objectivity of customer service evaluations, which discouraged them from actively meeting the company's expectations. Based on various management focuses, store managers tried to find their own ways to secure their future career paths rather than improving customer service. As a result, the level of customer service was uneven in Hong Kong; in other words, there was a "localization" process. This variety was ensured and maintained by store employees, who had close ties with store managers.

This paper suggests that the company needed to balance the authority and autonomy of store managers, who had large influence on the company's operations. In addition to the imperfect system, the lack of supervision and support from the head office also had a negative influence on store operations. It is also significant to discuss the company's overseas human resource management challenges based on cultural perspectives. *Ich*i's case shows us that the imperfect system played a more important role in preventing the company



from achieving its goals than did cultural issues, as this phenomenon was not limited to Hong Kong but was actually also seen in Mainland China. For organic and better future development, the company must inevitably face and reexamine these issues.

#### Notes

- 1) Hong Kong had a different version from the Mandarin one for the Mainland China stores because of its different language system.
- 2) Many part-time employees who did not pursue careers with *Ichii* cared less about Mr. Mizuno's store visits than did full-timers, as the former normally did not expect to receive promotions, which were to some extent influenced by Mr. Mizuno's evaluations through store visits.
- 3) Mr. Mizuno assigned employees who had higher evaluations to new stores so that they could learn more skills.
- 4) According to a Japanese store manager, the Hong Kong operation in general had higher sales, so even though the TKO store had lower sales, this does not necessarily mean that it actually had low sales. In some cases, sales at the TKO store were higher than at many stores in Japan.

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