

# Reexamination of Japanese Companies Overseas: Anthropological Critiques of Ethnocentric Management

Yi Zhu

University of Tsukuba

## Abstract

This paper attempts to challenge the theory claiming the existence of ethnocentric management at Japanese companies overseas from anthropological perspectives. Ethnocentrism in this research indicates Japanese-centered management, including a gap of income and allowances and the number of expatriates. Participant observation at a Japanese fashion retailer in Hong Kong, here called Ichi, shows that there is rational reasoning behind the company's practices, many of which were not ethnocentric but resulted from an incomplete and overtly standardized system. Ichi aimed to use Japan-standard salary and allowances to attract Japanese employees who were reluctant to go overseas, which created the income gap. This gap had limited influence compared to the glass-ceiling phenomenon of promotion as portrayed by the local employees. This research identified three major causes: the limited promotion space caused by the market maturity and limited turnover rate of the top management; design of a promotion system that does not fit the local situation; and institutional control that suppressed opinions from locals. Evidence from this study demonstrates that the general assumption that Japanese companies are ethnocentric in nature must be reexamined, as some business decisions are rational and others are associated with problems of institutional design and control. This research implies that it is necessary to take a holistic approach to Japanese management without underestimating the specific context of the company's system, the local market, and the employees.

**Keywords:** ethnocentrism, promotion, institution, management, Japan

## 1. Introduction

The Japanese socioeconomic situation has transformed substantially in the post-war period. Following the series of economic breakdowns and prolonged so-called "Lost Decades," both scholars and media have pointed to the necessity to redefine management in Japan so as to regain economic power and adapt to the globalized business environment. Japanese companies, especially manufacturing companies, started to go overseas in the 1980s, and the number of Japanese companies overseas is continuously increasing. At that time, compared to previous decades, more small and medium-sized companies moved aggressively overseas, and their destinations shifted from developed countries to developing countries such as Mainland China and countries in South East Asia (Yanagawa 2011). Many companies felt the urgent need to restructure their management in light of increasing exposure to foreign markets and talents, and many stressed the necessity to transform their traditional management.

This paper analyzes how a Japanese fashion retailer, here called Ichi, manages local employees in a cross-cultural setting based on the reexamination of the relationship between its practices and the notion of ethnocentrism. It starts with an introduction to early works on Japanese management and ethnocentrism and then describes why this research is based on participant observation. This paper uses pseudonyms for the informants and refrains from citing any sources that might result in the identification of the company.

### 1.1 Transformation of Japanese management

Both academic scholars and business practitioners have conducted a significant number of

studies on Japanese management, which was one of the most popular research topics when Japan experienced post-war economic growth. It has been claimed that Japanese management is closely linked to the culture of Japan, which makes it extraordinary and “unique.” The study of the Japanese “economic miracle” prompted the emergence of the *nihonjinron*, a Japanese theory that stresses the idea that the cultural distinctions inherent in Japanese culture are the most influential factors for the country’s business success (Abegglen 1956; Christopher 1983; Curtis 1969; Drucker 1971; Gibney 1998; Ouchi 1981; Reischauer 1977; Vogel 1979). Literature related to *nihonjinron* claims that industrial familiarism, represented by harmonious worker relations, a focus on workers’ welfare, collectivism, and so on, has formed the ideology of the Japanese company.

Meanwhile, some scholars in the field of management studies argue that the theory of *nihonjinron* over-emphasizes cultural aspects and neglects the rationality behind company practices. Scholars such as Kazuo Koike (1984) and Masahiko Aoki (1986) have published a number of articles claiming that the distinctive feature of the Japanese employment system is rooted in an economic perspective. Later, some anthropologists published “anti-*nihonjinron*” literature, noting that the methodology used by *nihonjinron* scholars over-simplified the idea that every Japanese company has distinctive features and does not fall under an overarching type of management. Ethnographic studies written by scholars including Clark (1979), Fruin (1983), Noguchi (1990), Kondo (1990), Hamabata (1990), Wong (1999), Graham (2003), and Mitchell (2003) have contributed to the deconstruction of the simple cultural explanation.

The trend of admiring Japanese management has faded away not because of the efforts made by many scholars to suggest a holistic approach to the subject, but rather because of the economic climate of Japan, represented by its bubble economy and prolonged recession afterwards. Addressing the undesirable financial results of Japanese companies, many scholars pointed out that the elements that were claimed to benefit Japanese organizations in past years, such as lifetime employment, seniority-based promotion, and familiarism, seriously influenced their efficiency. Some claimed that reconstruction and localization were necessary. A few scholars, such as Takahashi (2010), claimed that the core principles remained in Japanese companies with desirable financial results, such as exploring employees’ potential through job rotation to increase their happiness.

As an increasing number of Japanese moved overseas, many studies started to examine how the Japanese type of management system works there. Among business sectors such as marketing, manufacturing, and finance, scholars seem to favor human resources. Studies of Japanese management have claimed that it is ethnocentric, with a lack of sufficient local empowerment, a limited number of local top managers, and so on (see Huruta 2004; Legewie 2002; Seki and Han 2003; Shiraki 2005; Sun 2015). Kumon (2005) suggested that Japanese manufacturers needed to implement a more Westernized system more suitable in the context of China.

The following section attempts to clarify the definition of ethnocentrism from an anthropological perspective in the context of management. It then analyzes why this research has to rely on the anthropological method or participant observation.

### *1.2 Anthropological approach to ethnocentrism and management*

Ethnocentrism is not an easy issue to crack, although anthropological research might provide some insights for the understanding of ethnocentrism and how it relates to management. Ethnocentrism is closely linked with the notion of ethnicity. Sullivan (2015) claimed that ethnicity is a “group identity based on a sharing of beliefs, norms, traditions and practices,” and Lachenicht (2015) gave a similar definition, saying that ethnicity is a group characterized by “a distinct sense of differences owing to culture and descent.” Ethnicity is a dynamic phenomenon, as it develops through interactions with others (Jenkins 1997). From these definitions, we could also suggest that ethnicity involves groups of people who share similar cultural logics. The discussion of the case of Japanese companies is unique, because in many cases, scholars and business practitioners indicate only Japanese nationals of Japanese ethnicity and tend to exclude

others, including foreigners of Japanese descent, overseas returnees, and so on. This applies to the fieldwork case. Most of the time, “Japanese” in this paper refers to those who were born and raised in Japan and are of Japanese descent.

Based on the definition of ethnicity, the notion of ethnocentrism adds a notion of superiority. Herskovits (1948) claimed ethnocentrism is a feeling of superiority regarding one’s own culture or way of life. Murdock (1949) defined it as a “tendency to exalt the in-group and to depreciate other groups” (83–84). McGee (1900) used the term “ethnocentric” to describe the dominant orientation when comparing it to more primitive thoughts and actions. To combine early literature on ethnicity and ethnocentrism, we could suggest that ethnocentrism is a sense of superiority of one group of people who share similar cultural logic when they face or interact with other groups. If we apply this definition in the context of management, it means that the groups of Japanese who share similar cultural logics and backgrounds present in a way that they are superior to the others.

Early studies on ethnocentrism and its management could provide us with some empirical findings. Some scholars have argued the “feeling” of superiority embedded in Japanese expatriates, and that they utilize it as a tool to distinguish themselves from others, seriously influences Japanese management. Based on a series of interviews with Japanese expatriates in Asian developing countries, Shimizu (2014) argued that the “real” challenges for many Japanese companies in these countries are based on a Japan-centered ideology, based on which the Japanese employees and companies tended to “look down” on the local employees by feeling superior as Japanese. After his long-term observation of a Japanese megastore in Hong Kong, Wong (1999) argued that Japanese employees used their sense of ethnic superiority to distinguish themselves from local employees on occasions such as social gatherings and in human resource management. These studies showed that some Japanese employees and companies do use an ethnocentric ideology overseas; however, they do not specify the other elements that cause local–Japanese conflict, beyond the notion of superiority.

Management studies scholars have identified Japanese companies overseas as ethnocentric based on the scientific fact that they selected disproportionately more Japanese people than local employees for higher management positions (such as Kopp 1994; Tung 1982). Take Kopp (1994) for example. Kopp (1994) argued that Japanese companies are ethnocentric in the sense that they place a higher number of expatriates in top management positions in overseas subsidiaries when compared to their Western counterparts (594). These studies based their claims on mass questionnaires and limited interviews that may have resulted in an oversimplification of the complicated issue of ethnocentrism, such as whether the number of Japanese nationality holders alone indicates ethnocentrism.

Some studies provided a relatively deeper analysis of what Japanese companies and expatriates felt about their ethnicity overseas, and others showed the insufficient local empowerment by a limited number of local top managers. This paper chooses Ichi, where the number of Japanese expatriates is limited comparing to traditional Japanese companies, aiming to explore why, in such a seemingly “local-favored” environment, locals still found it hard to be promoted and felt less empowered, and how their feelings relate to the concept of ethnocentrism. It was not difficult to find a relatively superficial gap; however, the fundamental issues, which were not easy to discover from the outside, have significant influence as well. This paper relies on data gathered through participant observation, aiming to determine the fundamental issues through the observation of what was *really* happening onsite.

### *1.3 Participant observation as a method*

In-depth participant observation allows researchers to understand the human behaviors beyond the corporate ideology, such as a written management philosophy, in order to gain a broader picture of the institutional culture of Ichi. The ethnographic approach has allowed us to illuminate and provide a rich understanding of specific organizational phenomena; moreover, it could help us to build a better theory (Barley 1983; Schein 1990; Van Maanen 2011). Ethnography requires “thick description,” as Geertz claims (1973: 5), so that direct observation

is the preferred research method.

Although it might be possible to “observe” human relations from outside, this approach may prevent us from understanding the distinctions between what subjects *say* and what they actually *feel*. During fieldwork, researchers encountered numerous occasions in which subjects complained about their subordinates or colleagues to try to justify their own status. However, researchers found that these same subjects behaved in contrast to their statements, showing a completely different picture of the workplace. In an organization such as a company, researchers were given the opportunity to meet various employees with different educational and family backgrounds and observe the different faces they displayed on various occasions. It was quite hard for researchers to divide the subjects into specific categories and connect coherent pieces together. During the classification process, researchers must understand the difference between what people *say* they do, which reflects their justifications, and what they *actually* do, which shows in their behavior in practice. The two might differ drastically.

Researchers are able to take a broad view when they examine the changes between employees and organizations by conducting fieldwork (Moeran 2005). This advantage results in finding the connections between unrelated aspects and permits the use of data to understand dynamics at work in general, which differentiates fieldwork-based research from the work of scholars in management schools, especially in terms of data analysis.

Most of the data in this paper came from 2009 to 2011, when participant observation was conducted at Ichi Hong Kong, and from the follow-up interviews afterwards. As much of the time was spent at Ichi retail stores, the focus is on the store managers and the managers who supervise store operations. This paper examines the company’s managerial practices in the context of ethnocentrism from human resource management and the relationship between headquarters and the store. This paper starts with the introduction of the business operations of Ichi and then moves to a description of how locals interpret the rather “apparent” gaps, such as salary and additional financial support between the Japanese and local employees. In addition to exploring the superficial gap and its underlying logic, this paper goes deeper to address the fundamental and core issues that created the so-called glass ceiling phenomenon from the locals’ perspective.

## 2. Ichi and its global policies

Despite the challenging market environment in Japan, Ichi’s mother company, Ichi Retailing, was ranked tenth among Japanese retailers and first among apparel companies in the domestic market. Given its net sales of 1.6 trillion yen in 2015, Ichi Retailing’s presence gradually became apparent in the world market. The company founder’s overall wealth of \$133 billion made him Japan’s richest person in 2013.

Ichi Retailing comprised three major operations—Ichi Japan, Ichi International, and Global Brand. In fiscal year 2015, Ichi Japan, with 841 stores, achieved 46.4% of total net sales with 780 billion yen. Ichi International, comprising all overseas operations, with 798 stores, had net sales of 603 billion yen. Global Brands, comprising one local and three overseas brands and operating 1,339 stores (including franchise stores), had net sales of 295 billion yen. Among these three business operations, the growth of Ichi International was the most apparent, with a growth rate of 45.9% for net sales and an increase of 165 stores compared to the previous fiscal year. Japanese retailers with such achievements overseas were uncommon because only 78 out of 2,769 Japanese companies overseas were retailers (Toyokeizai 2012). Increasing the share of Ichi’s operations overseas and the number of stores pressed the company to recruit more employees abroad. Ichi increased fourfold the number of full-time employees and reached 41,646 staff in 2015. The growth was especially prominent in Mainland China, where the company operated 467 stores in fiscal year 2015.

Ichi launched a series of global policies in 2008, aiming to become a *real* global company, which from Ichi’s perspective is a company that operates under the standardized system without compromising its unique character as a Japanese brand. Global policies include the establishment of a standard structure and Japanized customer service. The standard structure

includes the system of human resource management, control of inventory, and other store operations. Ichi created a series of manuals to facilitate the implementation of the standard system and the practices of Japanized customer service. Promotion of employees was closely linked to how well they contributed to the implementation of the standardization. This paper focuses on the standardization of human resource management and why this standard causes a glass ceiling for promotion.

One of the methods Ichi used to facilitate the process of standardization was to send Japanese managers overseas. Ichi launched an agenda in 2010 aiming to send Japanese managers overseas to help establish independent and well-managed stores and global headquarters. Ichi planned to send approximately 800 Japanese store managers and 100 Japanese managers to Ichi branches abroad for at least three years. This policy allowed lower-ranked managers such as store managers to be sent to overseas markets such as Hong Kong, rather than only higher-ranked managers such as operations manager and area managers who supervise stores.

Sending a large number of managers overseas was not a small investment, and it shows Ichi's strong expectations that these managers would facilitate the process of Ichi's standardization. This practice brought seven Japanese store managers to Hong Kong in early 2010. One out of the seven Japanese store managers was a woman, and the managers' years of tenure varied from five to 10 years. Their levels of English varied as well, as some of them had relatively higher language skills. The Japanese store managers were in their mid-thirties, except for two store managers who were in their late twenties. When the Japanese store managers were sent to Hong Kong, local store managers dominated in all stores, and almost half of them were female. Therefore, the Japanese store managers were expected to "consult" with local store managers rather than competing with the locals. The Japanese store managers worked closely with the local store managers, and negotiations on minor work-related issues were basically conducted between the two.

The Japanese store managers were considered to be in an equal position to the locals because in Ichi's global standard promotion system, they were ranked at the same level as the local store managers. Local employees dominated the area manager positions, ranked above store managers, meaning that some Japanese expatriates were ranked lower than locals. Another characteristic is that Japanese store managers worked in an environment surrounded by local front-line employees and customers, meaning that they had more opportunities to interact with locals. Ichi's situation in Hong Kong was uncommon based on studies of traditional Japanese management overseas. In the manufacturing and electronics companies that dominate Japanese companies overseas, technicians and experts from Japan were expected to have more knowledge than the locals and be capable of "teaching" them. Therefore, the position of the Japanese expatriates was, from the company's and expatriates' points of view, considered to be higher than and superior to those of locals, and their work environment was mostly within the office rather than in stores or directly interacting with customers.

The above reviewed Ichi's overseas business and described the company's policy of sending a large number of Japanese managers abroad. The practice of sending out employees of Japanese nationality should not be simply concluded to be ethnocentrism because this practice was aimed at standardizing practices across markets rather than favoring Japanese; however, this does not mean that the company did not have any gap between Japanese and locals. The following discusses how local employees interpreted the gap between them and the Japanese expatriates in terms of monetary issues.

### **3. Gap in the monetary income between Japanese and local employees**

Ichi Japan and Ichi Hong Kong used almost the same promotion system, which means that Japanese and Hong Kong store managers were ranked the same. There was a salary gap between the Japanese expatriates and the local employees, although the local manager roles were ideal career paths for many local employees owing to their desirable income. In addition, the salary of some Japanese store managers was only slightly higher than that of their local counterparts if the exchange rate was undesirable. Compared to the issue of salary, the rent

allowance and child education allowance that Japanese were entitled to gained more attention from locals.

The company's financial supports for rent and child education have been the two most frequently discussed issues among locals. One of the serious problems for many locals was the high rent in Hong Kong, which was the most expensive place in the world to rent office space (Sito 2015) and housing. According to the Japanese expatriates that I interviewed in 2010, most of their rents were from HKD 15,000<sup>1)</sup> to HKD 20,000, excluding one unique case where rent was around HKD 30,000 owing to the large number of family members.<sup>2)</sup> This amount was almost equal to the average monthly salary for a full-time non-manager employee and half of the salary for the store managers of Ichi. This shows that many local employees found difficult to fully support their housing without any additional help. This gap shows that while the local employees were struggling to find a way to pay for their housing, Japanese store managers were entitled to full housing allowances for apartments arranged by the Hong Kong headquarters.

In addition to housing allowance, the child education support to which Japanese store managers were entitled was the envy of local employees. A Japanese store manager was able to send his daughter to the local international kindergarten at the company's expense. The fee per semester at the kindergarten nearby was almost equal to the monthly salary of a local store manager. From many local employees' perspectives, getting their children into a prestigious international education institution would represent a higher social and monetary status and brighter future for their children. It has been quite difficult for local employees to get their children into these schools unless they could gain support from their family members.

If scholars examined Ichi based on the above information, they might conclude that these practices were ethnocentric management because only Japanese were entitled to these allowances; however, we also need to include the perspective of the company as well. Besides the fact that Ichi regarded this as common practice in Japan, Ichi, same like many other Japanese companies, had to offer better allowances for expatriates because many young people were reluctant to be sent overseas. One of the female Japanese store managers who was sent to Ichi Hong Kong commented that her supervisor almost begged her to go to Hong Kong because very few candidates were willing to do so. This is not limited to the case of Ichi in particular. According to a 2014 report published by the Japan Management Association (JMA), while more than half of new employees had positive expectations for the impact of globalization on Japanese companies, 57.7% of them did not want to be sent overseas because they worried about security, the food environment, and language barriers (JMA 2014). The number of young employees with a domestic focus has increased from 2011 to 2014, and more than half of them had pessimistic attitudes towards being sent overseas (Mishima 2014). This forced Japanese companies, including Ichi, to be attractive with their allowances. In another words, if Japanese employees were more willing to be sent overseas, the company could offer them the same salary and allowances as the local employees, which could cut a huge amount of costs.

Expatriate costs such as rent were in fact a burden for Ichi Hong Kong, and this was considered by many Japanese expatriates as one of the "excuses" for sending them back to Japan. The company announced that every Japanese expatriate would stay overseas for at least three years; however, this actually only applied to limited number of expatriates. Among seven store managers, only one or two worked in Hong Kong for three years. Some of them were sent back to Japan after only one year. Except for one Japanese store manager, who resigned, the others had no significant performance difference from local based on their monthly and annual evaluations. The child education allowance for one of the Japanese store managers was an exceptional case because it was the fruitful result of long-term negotiations with the Japanese headquarters.

This paper does not deny the existence of a gap between Japanese expatriates and locals in terms of salary and allowances. However, the early return to Japan and difficulty of getting child education support showed that the gap local employees interpreted was not due to the ethnocentric management but was based on the negotiation between rational (to attract unwilling Japanese youth) and irrational (huge cost) decisions by the company. In addition to these "apparent" differences, the local employees found it difficult to be promoted because of the glass-ceiling phenomenon in Hong Kong, which the next section analyzes in detail.

#### 4. Analysis of the glass ceiling of promotion at Ichi Hong Kong

Ichi was eager to promote local managers to higher positions not only to create a globally friendly environment but also to promote its local business, which was not uncommon in many Japanese companies overseas. Ichi seemed to be on its way to accomplishing this task because there were a number of local top managers; however, this does not necessarily mean that there were no obstacles for the locals.

There were 14 stores by the end of 2010, and each store has 20 to around 100 or more employees including part-timers, depending on the size of the store and the season. Ichi's career ladder within each store was as follows, from lower to higher: full-time salesperson, advanced salesperson, senior salesperson or management trainee (the two are the same position, with the latter indicating fresh university graduates), assistant store manager, deputy store manager, and store manager. Employees who were ranked above full-time salesperson were considered managers. Employees with bachelor's degrees in general started as management trainees, which was the third-highest job title. Headquarters was in charge of operations such as marketing, finance, stock control, human resources, and store operations. Area managers in the store operations department had the closest relationships with the stores because they would visit their assigned stores every week or even on a daily basis. It was systematically possible to transfer from the store to headquarters or vice versa; however, only employees who were ranked above store manager experienced this arrangement.

Employees were evaluated based on various checklists. On every evaluation checklist, a reference page number for the company's manual would be listed where the objectives of those practices were described in detail. These checklists were designed to evaluate how well the employees mastered the skills Ichi expected. They were divided into seven categories: customer service, on-the-job training, sales floor, sales plan, work schedule, management, and cost control. The first two criteria, customer service and training subordinates, were the requisite criteria for promotion for all employees except the store managers, who were expected to accomplish all the requirements.

Each part of the evaluation checklist had detailed requirements, and every requirement was worth two to three points. The rank was determined as either "definitely practiced (○)" or "needs improvement (×)." The checklists for all staff were evaluated on a 100-point scale and each staff member in general needed to earn more than 70% to be qualified as a candidate for promotion.<sup>3)</sup> In addition to the evaluation sheet, employees needed to take written examinations about the management philosophy and their knowledge on Ichi's business operations.

There were inside and outside evaluators, who in general employees monthly and annually. The final judge for every employee at the store was the store manager. There were three evaluators for the store managers and each store's general performance: area managers, other managers from headquarters, and mystery shoppers. The stores evaluation not only influences that of the store manager but also that of other employees because the store evaluation was believed to represent the store employees' performance. Managers from headquarters indicated high-level managers in Hong Kong as well as the Greater China Area (Mainland China, Hong Kong, and Taiwan) and Japan. Mystery shoppers were assigned by headquarters in the Greater China Area and were expected to evaluate the level of customer service offered by the employees. They used the same sets of evaluation checklists as were used to evaluate employees' customer service performance.

Ichi's standardized promotion system was established based on its rich business experiences in Japan; however, it seems not to work in Hong Kong because of three major factors: market- and company-specific environments (number of opportunities for promotion); system design (criteria that are impossible to satisfy); and "healthy" relationships (keep quiet and be obedient).

##### *4.1 Market- and company-specific environments: Limited opportunities for promotion*

Limited opportunities for promotion caused by company- and market-specific variables were

one of the major causes of demotivation for local employees. This paper examines the market variable based on market maturity, and the company-specific environment based on the limited turnover rate of local top managers and adjustment of job rankings.

One of the influential market factors was the market maturity of Ichi in Hong Kong. The number of new stores was limited, meaning that the space for promotion was very limited. Employees felt hopeless because there was nothing they could do about this. Ichi used to have wide space for promotion. Many of my informants recalled that when they joined Ichi in the first several years after the company launched the first store, it was far easier to get a promotion because the company proactively promoted employees to address the lack of labor pool. A local store manager who witnessed the changes in promotion opportunities at Ichi agreed that fast promotion was indeed one of the major attractive points of Ichi at that time. The lack of labor turnover in the top management of Ichi Hong Kong is another cause of decreasing promotion opportunities. While lower-ranked employees frequently changed jobs, Japanese and local top management had a low turnover rate. During the participant observation, only one or two top managers resigned.

Facing limited promotion opportunities in Hong Kong, local employees envied the situation in a market very close to them—Mainland China. Ichi Mainland China was able to attract sufficient applicants with its seemingly faster ladder to management posts mainly because of the quickly growing number of new stores. It was said that many bachelor degree holders could be promoted to store managers within less than a year in Mainland China, which was quite difficult in Hong Kong. This was not due to a lack of work ability among local employees; rather, it was a matter of promotion space.

Ichi Hong Kong tried to increase promotion opportunities by sending store managers to Mainland China. Three local store managers were assigned to work in Mainland China in late 2010 as a trial. Through this arrangement, it was also expected that highly evaluated Hong Kong store managers could train employees there. This trial failed with the resignation of three store managers who were dissatisfied with Ichi's imperfect system. Top managers at Ichi Hong Kong commented they would never try this arrangement in the near future.

In addition to the attempt to send store managers to other markets, the Ichi Hong Kong headquarters added more functional titles to the list of rankings in the career ladder to increase motivation. Advanced salesperson (one rank above full-time salesperson) and deputy store manager (one rank below store manager) positions were added to the system; however, this had limited or even negative effects on employee motivation because most of them interpreted it as a way to prolong the promotion period.

This section shows that the limited promotion opportunity was not directly caused by favoring Japanese but was instead due to market maturity, limited turnover among top managers, and the additional implementation of job titles into the system. It created a workplace that locals viewed as “unfriendly” for them. When employees gained opportunities for promotion, such as when they satisfied the required scores on the evaluation checklists, they found they still had a long path to success.

#### *4.2 System design: Lack of localization*

The second influential factor for local employees' promotion is the design of the promotion system, and, in particular, one of the promotion criteria: being multifunctional and following the Ichi manual, which was not adapted to the local situation. “Multifunctional” meant that workers were expected to acquire a wide range of skills rather than specializing in one particular area. The skills at Ichi include but are not limited to stock management, subordinate training, and organization of clothes, and each category of job is described in the Ichi manual. A local store manager who used to work at Ichi and an American Apparel shop once told me that there must be more than a thousand requirements in the Ichi manual, which was quite different from the jobs for managers at many global fashion retailers, to increase profit (personal communication, April 2012).

It is not easy to acquire the skills and to memorize each specific requirement without



proper training. Ichi follows the traditional Japanese management style of on-the-job training (OJT) and frequent job rotation rather than regularly organizing intensive training. To allow superiors to teach their subordinates proactive, OJT requires sufficient training time. This section focuses on an examination of how the time for OJT was limited in Hong Kong owing to the unique contents of the Ichi manual and the characteristics of the customers.

Take organizing the clothing for an example. The Ichi manual had specific requirements for organization from how to fold particular products to how to organize colors and sizes, and the description were more than dozen pages long. If an employee did not work at the store frequently, he or she would easily forget these details. Full-timers would get used to these details in a relatively short time because of their frequent work shifts compared to the part-timers; however, they were expected to master literally *all* of the detailed requirements. Ichi evaluated employees by judging how well the products were organized based on the ranking system that the company created. The rankings were, from high to low, S, A, B, C, and D. D indicates failure. B was the minimum rank required by the company, indicating there was no clothing off of the product shelves, every piece of product was folded (the width of the products was not necessarily aligned), all the products were properly in plastic bags if applicable, the colors and sizes were property arranged, and so on. The company required the store to keep a B-rank at all times because the company believed this was the lowest condition about which customers would not complain. The evaluation of a store influenced not only store managers but also other employees, especially when the externals evaluated them.

Keeping the organization of products at a B-rank was not a challenging task for any employees who had worked for several weeks; however, customers' shopping behaviors prevented them from getting better evaluations because they increased the employees' workload. In Japan, where the Ichi manual was based, in general, customers would put the products back in their original state or at least very close to that situation after checking the products, so that their behaviors would not cause troubles for the store or because they simply felt this was the appropriate behavior. The shop floor would get "messy" in overcrowded stores in Japan as well; however, the percentage of resulting problems in such a situation was quite limited not only because of their shopping customs but also because the number of customers was smaller. Some customers in Hong Kong, on the other hand, would open the plastic bags, open the products, and then "squash" the products into the plastic bag. During the summer, when the store sells T-shirts, many customers would pull out one T-shirt from the middle of the pile of T-shirts, which often threw it off-balance. Employees had to rush in to fix these issues because they had to follow the standard manual, and this happened in every corner of the store during this season, which made it difficult for employees to take care of issues one by one. Customers did not behave in this way to increase employees' workload; they simply wanted to check if the products they were looking at were properly made. Organizing products was a simple job and there were many other jobs for employees to master, as the company expected multifunctional workers.

A "messy" shop floor, in other words, represented the popularity of the store; however, no matter how great Ichi Hong Kong was at increasing its net sales, a shop floor that was below the standard would not get a high evaluation. Evaluators from Japanese headquarters who did not consider the local conditions would give negative evaluations because they blamed local employees for the result. The company believed that every market was based on the same manual and system, so that every staff member should be evaluated under the same standard, which most of the time is the standard in Japan. They believed that the store in Japan should be the standard for every store across all markets, although they seemed to ignore the fact that Ichi stores in Japan were also quite "messy" when the company was receiving overwhelming attention. They also ignored the fact that Ichi Hong Kong was "new." One of the local managers told me repeatedly that the starting line differed between Ichi Japan and Ichi Hong Kong because while the former had more than 25 years of history, the latter only had five years; unfortunately, the Japanese evaluators did not realize that or chose to ignore that during the evaluation.

The example of organizing clothes shows again that it was not ethnocentric management

that prevented local employees from learning but rather the insufficient time for OJT and diverse customer behaviors. The lack of sufficient OJT prolonged promotion timing because employees had to work for a longer time to master the skills. The Japanese executive visit showed that they rarely cared about the local situation but instead focused on standardization, which could show their "feeling" of superiority; however, this paper focus more on how the local employees interpreted the glass-ceiling phenomenon than on the perspectives of Japanese employees. Lack of localization became an obstacle preventing locals from being promoted; however, did this mean that all employees who were multifunctional could be successfully promoted? Not necessarily. The following section explores another major criterion for promotion—"healthy" relationships, which local employees found it difficult to satisfy.

#### 4.3 "Healthy" relationships: Keep quiet and be obedient

The third element creating a glass ceiling for promotion of local employees was their ability to create and sustain "healthy" relationships with colleagues and, in particular, the relationship between headquarters and the store. This section introduces one representative example of the interactions between a local store manager, Kathy, and the managers from Hong Kong headquarters to reveal how the concept of "healthy" was in fact absolute obedience of the former to the latter, which differs from what locals' perspective on "healthy," which is an open relationship based on trust. The example of Kathy does not represent all the cases at Ichi Hong Kong; however, this case well represented what the company values in terms of the headquarters-store relationship. The relationship between store managers and top management was significant for many local employees whose dream was to become managers, as they would imagine their futures by observing the store manager, Kathy.

Kathy started her career at the bottom and gained a good reputation in Hong Kong because of her expertise on store operations. Kathy was also well known among the locals for her "aggressive" ways of expressing her opinions. Mystery shoppers report on the level of customer service at the store. Mystery shoppers were selected at the Mainland China headquarters from outside and were asked to evaluate employees' customer service performance based on the evaluation checklist that was used for internal evaluation. Mystery shoppers took notes and photos if necessary during the investigation and kept themselves anonymous. After the mystery shoppers finished their reports, they would reveal their identities and give feedback to the store manager. Mystery shoppers could not make changes to the report after the feedback. Their reports would be sent directly to the Hong Kong headquarters, and the result would become public during a monthly meeting of the top managers including the store manager, area managers, and other managers from the headquarters.

The negative report on the store Kathy was in charge of claimed that she was not doing her job but instead "chatting" with another store employee on the shop floor with an attached photo showing they were "smiling" at each other. According to Kathy, she was furious when she heard the result because she was discussing a work-related issue with the store employee and believed the report was "distorted." Kathy questioned the legitimacy of the report to both Japanese and local top managers at the Hong Kong headquarters during the meeting by claiming that the mystery shopper did not report this (the "chatting") to her during the feedback. This means that the mystery shopper wrote it down afterwards, which was not in the protocol. Kathy expected headquarters to at least consider this possibility; however, according to her, not only the Japanese managers but also local top managers seemed to care little about the accuracy of her claim, simply replying, "Do not use that as an excuse." Not waiting for Kathy to finish, the managers asked her to keep quiet during the rest of the meeting. She initially tried to argue back but then chose to keep quiet.

One of the Japanese store managers who was at the scene with Kathy described how she was very "aggressive" and had "less feeling of remorse" about her actions. Kathy's behaviors were considered "inappropriate" for a store manager and surprised not only the Japanese expatriates but also local top managers. The Japanese store manager confessed that sometimes the report might have been distorted, but it was their job to improve it the next time rather than

questioning its accuracy.

This paper has no intention of discussing whether Kathy's claim is correct or not but aims to point out that the store managers were expected to *accept* the evaluation report conducted by the mystery shopper that was assigned by the headquarters. This shows the definite authority of headquarters and how the store managers had to obey their rules without questioning them. It also shows how headquarters value the *attitudes* of the store managers rather than their claims. In fact, this was not the first time a local store manager questioned the legitimacy of the evaluation report and to be asked to be silent. There were many other cases of store managers who demanded explanations for their evaluation results or to ask for promotion opportunities.

The example represented by Kathy does not indicate that the store managers were not allowed to ask any questions but rather shows how they were discouraged from questioning authority. Kathy's behaviors, from the top managers' point of view, were regarded as rebellious, uncooperative, and inappropriate, so that they were not regarded as those that could build up a "healthy" relationship. As matter a fact, Kathy was not even listed as a promotion candidate for a higher position because she was too "unique." The "healthy" relationship requires employees to keep quiet so as to show their nature of obedience and loyalty. The example of Kathy and the narratives of the Japanese store managers point out that this type of institutional control was shared by both Japanese and local top managers, which does not exactly fit the theory of ethnocentrism. In this case, the locals and the Japanese were treated fairly in the same manner, which was to respect any decision headquarters made even though they remained unconvinced about the results. However, it is highly possible that the Japanese were more aware and accustomed to this type of behavior comparing to the local store managers.

Top-down management and the institutional training to follow orders prevented store managers from proactively sharing what was really on their minds even if some of their ideas could benefit local operations. Some local managers told me that Japanese executives at the Japanese headquarters were always wondering why the local top managers were so quiet during the meetings. From the perspective of Japanese executives, the Hong Kong employees should be very active, at least compared to the Japanese. This depends on the specific situation and personalities; however, this type of institutional control paralyzed their ability or reduced their willingness to speak up. These constructed mindsets would, in the long term, slow down the improvement of local operations because the local employees would provide and share less information about what was really happening there, although this might help create more "standardized" or "Ichi-specific" stores.

## 5. Conclusions

This paper did not try to reject the existence of gap between the Japanese and local employees in terms of their income and allowances provided by the company, but rather aimed to provide alternative explanations of these gaps and the hidden glass-ceiling phenomenon of promotion beyond the theory of ethnocentrism. Based on the ethnographic data gathered through long-term participant observation at a Japanese fashion retailer, here called Ichi, this paper critically examined the assumption that Japanese management is ethnocentric and claims that the company favored Japanese nationality holders simply because they were Japanese. This paper argued that the company paid Japanese employees the same amount of salary they would receive in Japan and offered "better," from the locals' perspective, allowances because without this treatment, it was significantly difficult to attract Japanese employees to go overseas owing to the recent declining view of working overseas. The case of Ichi Hong Kong showed that the company had to send expatriates back to Japan not only owing to their undesirable results but rather because of the overly high expenses. In other words, sending expatriates overseas and offering them "better" salary and allowance was not rational, and the company eventually realized this.

This paper further analyzed Ichi's promotion system, aiming to explore what was *really* preventing locals from being promoted on site. It identified three factors that created a

glass-ceiling phenomenon for locals. First were the limited opportunities for promotion, which were not caused only by the system prioritizing Japanese nationals but also the market maturity and limited worker flow of Japanese and local top management. The Hong Kong headquarters attempted to motivate employees by adding more rankings to the career ladder and sending managers to other markets such as Mainland China; however, these practices did not create great outcomes. Therefore, the lack of promotion space was becoming more serious. This had limited linkage with the ethnocentrism because it was more related to the issue of the market conditions of Ichi in Hong Kong and the flow of labor.

The second factor was the company's system design, which was not adapted to the local situation. Ichi aimed to educate multifunctional workers who acquired a wide range of skills through OJT. Employees were also required to work within the framework of the Ichi manual, which had detailed explanation for numerous types of job. The example of organizing products on the shop floor showed that the employees were not able to gain sufficient time to learn owing to the heavy workload caused by differences in local customers' shopping behaviors and the detailed requirements of the Ichi manual. This system design did not consider well what was happening in Hong Kong but asked employees to follow the standard created based on Japanese experiences. This was an issue of authority and power rather than simply a matter of favoring one particular ethnicity.

The last factor was the company's expectation of building a "healthy" relationship. This paper introduced the example of a local store manager to illustrate the vertical relationship between headquarters and stores. The case showed how the local store managers discouraged questioning the legitimacy of the authority but had to "respect" their evaluation results under all conditions. The concept of "healthy" in the context of Ichi was absolute obedience of authority. This, in many local employees' interpretation, was equal to limited freedom of expression; however, for many Japanese expatriates, this was not uncommon. This type of institutional control would influence the progress of localization by absorbing ideas from local employees, helping to create standardized stores with employees who would be institutionalized to follow orders. This type of institutional control was practiced by both Japanese and local employees, and it had no clear indication of one ethnicity being favored over another.

This research did not find clear and direct evidence of the company's ethnocentric management but found that every phenomenon was closely linked to the specific context of the company and the local situation. Early literature on ethnocentrism has been largely based on "scientific" data such as the number of top managers and the income gap; however, the case of Ichi Hong Kong shows that every company faces different problems, and some of them not only originated from the unique local situation but also from the company's system and goals. This paper implies that it is crucial to conceptualize the relationship between instructional control and local context as one of mutual conditioning rather than explaining the phenomenon as a matter of ethnicity.

#### Notes

- 1) The exchange rate was provided by IMF (1 HKD = 11 JPY in 2010).
- 2) The rent was high in this case because the Japanese store manager had a wife with three children that required at least four bedrooms including one for the domestic helper. The Japanese store manager needed to negotiate for a long time over the rent with Japanese headquarters, which discouraged him from bringing his family to Hong Kong.
- 3) Some positions required more than 80%, such as full-time salesperson and advanced salesperson.

#### References

- Abegglen, J. (1956). *The Japanese Factory: Aspects of its social organization*. New York: Free Press.
- Aoki, M. (1986). Horizontal vs. Vertical Information Structure of the Firm. *The American Economic Review*. 76 (5): 971-983.
- Barth, F. (ed.). (1998). *Ethnic groups and boundaries: The social organization of culture difference*. IL: Waveland Press.
- Barley, R. (1983). Semiotics and the study of occupational and organizational cultures. *Administrative Science Quarterly*. 28:393-413.
- Beechler, S. and Zhuang, Y. J. (1994). The Transfer of Japanese-Style Management to American Subsidiaries:

- Contingencies, Constraints, and Competencies. *Journal of International Business Studies*. 25(3): 467-491.
- Christopher, R. C. (1983). *The Japanese Mind: The Goliath Explained*. New York: Linden Press.
- Clark, R. (1979). *The Japanese Company*. MA: Yale University Press.
- Curtis, G. (1969). *Election Campaigning: Japanese Style*. New York: Columbia University Press.
- Drucker, P. F. (1971). What we can learn from Japanese management. *Harvard Business Review* (Mar-Apr): 110-122.
- Fruin, M. W. (1983). *Kikkoman: company, clan, and community*. MA: Harvard University Press.
- Geertz, C. (1973). *The Interpretation of Cultures*. New York: Basic.
- Gibney, F. (1998). *Unlocking the Bureaucrat's Kingdom: Deregulation and the Japanese Economy*. Washington: Brookings Institution Press.
- Graham, F. (2003). *Inside the Japanese Company*. London; New York: Routledge Curzon.
- Hamabata, M. M. (1990). *Crested Kimono: Power and love in the Japanese business family*. Ithaca: Cornell University Press.
- Herskovits, M. J. (1948). *Man and his works*. New York: Knopf.
- Housing in Figures (2015) Retrieved from Hong Kong Housing Authority on April 6, 2016. <https://www.housingauthority.gov.hk/en/common/pdf/about-us/publications-and-statistics/HIF.pdf>
- Jenkins, R. (1997). *Rethinking Ethnicity: Arguments and Explorations*. London: Sage.
- Koike, K. (1984). Skill formation systems in the U.S. and Japan: A comparative study. In Aoki, Masahiko (eds.), *The Economic Analysis of the Japanese Firm*. Pp.47-75. North-Holland: Elsevier Science Publishers B.V.
- Kondo, D. K. (1990). *Crafting selves: power, gender and discourses of identity in a Japanese workplace*. Chicago: The University of Chicago Press.
- Kopp, R. (1994). International human resource policies and practices in Japanese, European and United States multinationals. *Human Resource Management*. 33(4): 581-599.
- Lachenicht, S. (2015). Ethnicity (Atlantic History). Retrieved from Oxford Bibliographies on May 8, 2016 <http://www.oxfordbibliographies.com/view/document/obo-9780199730414/obo-9780199730414-0022.xml?rskey=8cyauM&result=2&q=ethnicity#firstMatch>
- Legewie, J. (2002). Control and coordination of Japanese Subsidiaries in China –Problems of an Expatriate-Based Management System. *The International Journal of Human Resource Management*, 13(6): 901-919.
- Levine, R. A. and Campbell D.T. (1972). *Ethnocentrism: Theories of conflict, ethnic attitudes, and group behavior*. New York: Wiley.
- McGee, W. J. (1900). Primitive numbers. *Bureau of American Ethnology Annual Report* 19: 821-851.
- Murdock, G. P. (1949). *Social structure*. New York: Macmillan.
- Noguchi, P. H. (1990). *Delayed Departures, Overdue Arrivals: Industrial Familiarism and the Japanese National Railway*. Hawaii: University of Hawaii Press.
- Ouchi, W. G. (1981). *Theory Z: How American Business can Meet the Japanese Challenge*. Reading: Addison-Wesley.
- Pil, F. K. and MacDuffie, J.P. (1999). What Makes Transplants Thrive: Managing The Transfer Of “Best Practice” At Japanese Auto Plants In North America. *Journal of World Business*, 34(4): 372-391.
- Reischauer, E. (1977). *The Japanese*. Cambridge: Belknap Press of Harvard University Press.
- Sedgwick, M. W. (2007). *Globalisation and Japanese Organisational Culture: An ethnography of a Japanese corporation in France*. London: Routledge.
- Schein, E. H. (1990). Organizational Culture. *American Psychologist*. 45(2): 109-119.
- Sito, P. (2015). Hong Kong retains title of most expensive place in the world to rent office space. Retrieved on June 18, 2016 from <http://www.scmp.com/business/article/1867782/hong-kong-retains-title-most-expensive-place-world-rent-office-space>
- Sullivan, T. (2015) Ethnicity (Geography). Retrieved from Oxford Bibliographies on May 8, 2016 <http://www.oxfordbibliographies.com/view/document/obo-9780199874002/obo-9780199874002-0112.xml>
- Tung, R. L. (1982). Selection and training procedures of US, European, and Japanese multinationals. *California Management Review*. 25(1): 57-71.
- Van Maanen, J. (2011). *Tales of the field: On writing ethnography*. IL: University of Chicago Press.
- Vogel, E. (1979). *Japan as Number One*. MA: Harvard University Press.
- Wong, H. W. (1999). *Japanese Bosses, Chinese Workers: Power and Control in a Hong Kong Megastore*. Richmond: Curzon Press.
- 岸田民樹 (1987) 「日本の経営と国際化：東南アジアにおける日系企業 6 社の事例研究を中心に」 『経営行動科学』 2: 99-106.
- 九門崇 (2005) 「企業のケーススタディ」 ジェトロ編『中国進出企業の人材活用と人事戦略』 日本貿易振興機構: 123-193.
- 桜井克彦 (1979) 「日本の経営とその国際的適用可能性」 『研究年報』 20: 63-74.
- 清水勝彦、PwC Japan (2014) 「日系企業のグローバル化に関する 共同研究：新興国での成功への示唆に向けて」 <http://www.pwc.com/jp/ja/japan-knowledge/archive/assets/pdf/kbs-keio-globalization140131.pdf>, 2016年5月1日アクセス

- 白木三秀 (2005)『チャイナ・シフトの人的資源管理』白桃書房.
- 関満博、范建亭編 (2003)『現地化する中国進出日本企業』新評論.
- 孫豊葉 (2015)「海外子会社と日本本社の人事制度の比較: A社の事例研究」『国際ビジネス研究』7(1): 97-113.
- 高橋伸夫 (2010)『虚妄の成果主義 日本型年功制復活のススメ』筑摩書房.
- 東洋経済新報社 (2012)『海外進出企業総覧 [国別編]』東洋経済新報社
- 日本能率協会 (2014)「2014年度 新入社員会社や社会に対する意識調査結果」『日本能率協会』  
[http://www.jma.or.jp/news/cms/upload/release/release20140417\\_f00255.pdf](http://www.jma.or.jp/news/cms/upload/release/release20140417_f00255.pdf), 2016年6月3日アクセス.
- 古田秋太郎 (2004)『中国における日系企業の経営現地化』税務経理協会.
- 三島一孝 (2014)「海外赴任イヤです！止まらぬビジネスのグローバル化、新人のドメスティック化」  
『Monoist』<http://monoist.atmarkit.co.jp/mn/articles/1404/17/news141.html>, 2016年6月5日アクセス.
- 柳川太一 (2011)「日本企業のグローバル化再考: グローバル化への4つのハードル」『ファイナンス』11:  
50-58.
- 山下 彰一 (1988)「東南アジアにおける日本的経営の受容性」『国際経済』39: 132-137.