Why a Globalizing Corporate Culture *still* Inhibits Localization of Management —— The Yaohan Case

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1. Introduction

It seems no exaggeration to say that the rice-paper ceiling has widely existed in the overseas subsidiaries of Japanese multinational companies for the past thirty years, and still persists nowadays. Kopp defined the rice-paper ceiling as 'the advancement barriers facing non-Japanese who work for Japanese firms' (Kopp, 1999: 108). The prevalence of the rice-paper ceiling in Japanese overseas subsidiaries implies that the localization of management in Japanese overseas subsidiaries has not been successful, which has been repeatedly confirmed by many previous studies (Westney, 1999). Paradoxically, researchers also reported at the same time that Japanese multinational companies always announced publicly that localization of management in overseas subsidiaries was their management goal. As Beamish and Inkpen quoted what Bremmer reported in 1997 that,

> Although Toyota's Chairman has conceded that making Toyota more multinational will take years, hiring more non-Japanese is one of Toyota's objectives (Beamish and Inkpen, 1998: 47).

Sony's executive vice president's comments on his company's expansion in Malaysia are also very illustrative with regard to the corporate policy of localization of management in Japanese overseas subsidiaries,

> It is a Sony policy to think global and act local….It is not economically viable for Sony to send people out to every country it sets up a production base in. Since we have already developed the local expertise in Malaysia a fair deal, we will boost this further to enable them to train others in the region. Sony intends to gradually decrease the number of Japanese expatriates working in Malaysia (Kaur, 1995, quoted in Beamish and Inkpen, 1998: 47).

Kopp summarized his observation as following,

> Japanese firms do not have formal written policies that bar locally hired employees from managerial posts. In fact, JMNCs [Japanese multinational companies] commonly endorse the goal of "localizing management," both to their employees and to outsiders. Yet they are frequently unable to make these statements a

reality — just as many American firms fail to achieve their stated goals of eliminating the glass ceiling (Kopp, 1999: 111).

How can this paradox be understood? This paper associates itself with the attempt to understand this paradox — firstly by briefly reviewing the two major sets of explanations of why Japanese multinational companies fail to achieve their goals of localizing management, to see where the problems lie.

The first set of explanations is the 'life cycle effect' explanation given in the 1970s. According to this explanation, going international is new to many Japanese companies in the 1970s, in the early stages of technological and organizational transfers Japanese companies can only rely on their own personnel in overseas operations (Westney, 1999: 17). This explanation implies that Japanese multinational companies would eventually localize management as their overseas operations become mature. Another set of explanations tends to blame the headquarters of the multinational companies in Japan. This is called the 'home country effect' explanation (Westney, 1999: 18). The distinctive organizational systems of Japanese multinational companies developed in Japan such as lifetime employment (*shūshin koyō*), job rotation, the seniority wage/promotion system (*nenkō*), and culture-intensive control system, according to the 'home country effect' explanation, give rise to the rice-paper ceiling in Japanese overseas subsidiaries (Baliga & Jaeger, 1984; Beechler & Yang, 1994; Jaeger, 1983; Sako, 1999; Tung, 1984). It follows that the rice-paper ceiling would remain prevalent in Japanese overseas subsidiaries if the headquarters in Japan do not reform their organization and management (Westney, 1999: 18).

The home country effect explanation seemed to be more convincing in academia than the 'life cycle effect' explanation, as scholars continued to see the rice-paper ceiling exist in Japanese overseas subsidiaries over the past thirty years. Scholars therefore have tended to attach more importance to the 'home country effect' in explaining the failure of Japanese overseas subsidiaries to localize since the 1970s (Westney, 1999:18).

The gist of the 'home country effect' explanation is to establish a cause-and-effect relationship between the parent company's management practices in Japan and the overseas subsidiary's failure to localize management. For example, in his recent article titled *Why Globalizing with a Conservative Corporate Culture inhibits Localization of Management — The Telling Case of Matsushita Electric*, Nigel Holden (2001) argued that the failure of the localization of Matsushita Electric in its overseas operations could be attributed to the conservative management objectives laid down by the company's founder, the 'God of Management' in Japan, Matsushita Konozuke, in the pre-war period when Japan was 'in a time of grave social and political tension' (Holden, 2001: 60). According to Holden, Matsushita Konozuke had been, and is so influential throughout the company's history that most of the company's management practices, including its philosophy of globalization, are derived from his management objectives. Holden described Matsushita's philosophy of globalization as ethnocentric at best and colonial at worst. This philosophy emphasizes and perpetuates the distinction between Japanese and non-Japanese staff in the company's overseas operations, with the former being the in-group because they spoke the Japanese language, 'the "natural" language of the company, the language of nearness to the company origins' (Holden, 2001: 67) and the latter being the out-group.

This asymmetrical distinction, as Holden pointed out, further resulted in frustration among local employees, tensions between Japanese and local staff, the occurrence of a rice-paper ceiling, and the domination of the management of overseas subsidiaries by Japanese expatriates; all these phenomena widely reported in the litera-

ture on overseas subsidiaries of Japanese corporations (Kopp, 1999; Westney, 1999). Therefore, it is the company's living tradition per se, that is, Matsushita Konozuke's conservative management objectives and the derived ethnocentric philosophy of globalization that inhibit the localization of the overseas subsidiaries of Matsushita Electric.

The major problem of the 'home country effect' explanation, as shown in Holden's article, is that the cause-and-effect relationship between the parent company's management practices in Japan and the failure of localization of management in overseas subsidiaries is always *assumed* rather than proved. For the actual process of how a certain management practice of the parent company in Japan like the Matsushita management philosophy in Holden's case study makes the localization of management fail in overseas subsidiaries is rarely demonstrated. Without this, such a cause-and-effect relationship appears somewhat arbitrary because we cannot know whether it is the parent company's management practice per se that inhibits the localization of management or it is in the processes of transferring the management practice from the parent company to, and implementing them in overseas subsidiaries — not to mention the receiving process of such a management practice among local staff — that makes the localization of management fail.

This paper argues that between the parent company's management practice and its effect on the overseas subsidiary enters a critical indeterminacy, lacking a fixed correspondence between them. Similar management practices of the parent company may have different effects in overseas subsidiaries, and the same effect may result from different management practices of the parent company. The essential condition of the critical indeterminacy is the social process in which the effect of parent company's management practices is produced through a series of mediations, which is never the only one possible. That is to say, it is impossible to say in advance what effect may be produced by any parent company's management practice because the specific effect does not depend on the formal character of the management practice but on *the way* such a formal character is symbolically taken up in the cultural process. That is why the methodology adopted by the scholars like Holden is erroneous because they regard the formal character of a management practice as the same thing as its effect. When they see a company's management philosophy as 'conservative', they immediately understand the failure of localization of management in overseas subsidiaries as the effect of such a 'conservative' management philosophy. It follows that an analysis of the formal character of the parent company's management practices alone would not be methodologically adequate, if not superficial, to provide a deeper understanding of the failure of Japanese overseas companies to localize. This paper thus calls for an intensive study of the specific dynamic of the social process mentioned above.

In the sections that follow, I shall introduce a case study of the Hong Kong subsidiary of a Japanese global supermarket chain, Yaohan. It is methodologically strategic to choose Yaohan as a case study here because Yaohan, not unlike Matsushita Electric, had had an extensive overseas operation since 1971. Its chairman Wada Kazuo enjoyed the same status and respect within the company as Matsushita Konozuke did in Matsushita Electric. Wada Kazuo was a firm believer of a new religion in Japan. Inspired by the teachings of the religion that all human beings are children of God and thus equal in the eyes of God, he devised a management philosophy that should facilitate localization in the company's overseas operations. Wada Kazuo himself always preached publicly that Yaohan's overseas operations should be localized. In fact, the company's Hong Kong subsidiary, Yaohan Hong Kong, unlike other Japanese retailers in the Territory, adopted a business model that treated local people as its major customers and adjusted its location strategy and merchandising policies accordingly. We would thus expect, to follow Holden's argument, the management of Yaohan Hong Kong would have also been localized. However, it turned

out not to be the case. Therefore, Yaohan can serve as an interesting case that enables us to review critically not only Holden's thesis in particular but also the general 'home country effect' explanation.

In more concrete terms, this paper investigates the social process in which the dual personnel system of Yaohan Hong Kong was signified as, and justified by, ethnicity. Following Comaroff and Comaroff (1992), I argue that we should not take the ethnic distinction between Japanese and Hong Kong Chinese employees of the company for granted. The ethnic identity of Japanese and Hong Kong Chinese employees was arbitrarily constructed to signify and naturalize the structured inequality between these two groups entailed in the dual personnel system of the company. Such a naturalization by ethnicity resulted in a social dynamics of the everyday life of the company, which had two structural features. First, both the Japanese and local employees organized important company-sponsored activities along the line of ethnicity. These activities functioned to maintain the ethnic boundary between these two groups, which was further perpetuated by the monopoly of the management of the company by Japanese expatriates. More importantly, the Japanese monopoly of management became a defining feature of the ethnic identity of Japanese expatriates, which made it difficult for the Japanese expatriates to delegate management power to the local staff because if they do so, they would lose their 'Japaneseness'. That is why the company's global management philosophy still could not make the localization of Yaohan Hong Kong successful.

Second, the strategies used by the local staff for upward mobility within the company were also dictated by ethnicity. The strategies — building a good relationship with, or favourably presenting themselves to, the Japanese expatriates — ironically reinforced the importance of ethnicity and reproduced the 'superiority' of Japanese expatriates. That is to say, the local staff also contributed to the failure of localization in Yaohan Hong Kong.

After I have clarified what I am going to do in this paper, I think it is equally important to be clear about what I do *not* set out to accomplish. This paper is not intended neither as another attempt to discuss the relationship between expatriate staffing and performance nor as a list which exhausts either the factors that determine multinational corporations' expatriate staffing practices in foreign subsidiaries or the conditions that expatriate staffing is preferred in multinational corporations. These topics have been dealt with in the works of others more capable than me (Belderbos and Heijltjes, 2005; Delios and Bjorkman, 2000; Harzing, 2001; Jaussaud, Schaaper and Zhang, 2001; Kobrin, 1988; Richards, 2001; Tan and Mahoney, 2004). This paper has a more modest aim: to examine why Yaohan still could not localize its management in its Hong Kong subsidiary even when the head of the company with all the power was so determined to do so; and when the company's success in Hong Kong was so contingent on the understanding of the local retail market.

2. Yaohan

Yaohan originated from a village grocery store established by Wada Ryohei in Shizuoka Prefecture of Japan in December 1930. It was this small grocery store that grew into an international conglomerate over the next 60 years. This sixty-year span was characterized by three major features. The first is the domination of the company's ownership and management by the Wada family. Such a domination gave Wada Kazuo, the eldest son of the family, the power to carry out his own mission. However, it is important to stress that the Wadas' domination was two-fold. It was as much as a matter of the politics of perception and experience as it was an exercise in formal management and ownership. The Wadas were explicitly trying to impose on the company's employees a particular

way of seeing and being, to colonize their consciousness with the signs and practices, the axioms and teachings of a new religion, *Seichō-no-Ie*[1] (House of Growth), of which the Wadas were firm believers.

The Wadas started to incorporate the teachings of *Seichō-no-Ie* into Yaohan's management philosophy in the second half of the 1950s. The core doctrine of this religion that '[h]uman beings are children of God; they have boundless power' (Taniguchi, 1962: xii) was the most important principle of Yaohan's management philosophy. Another important principle was the motto '*kansha* (gratitude) and *hoshi* (service)'. The employees of Yaohan, according to this motto, should feel gratitude to people all over the world because, as Wada Kazuo said, '[i]n the eyes of God, all people are equal, so I must love anybody belonging to any race in an equal manner' (Wada, 1992: 122). Gratitude expressed in action became service, which meant supplying customers all over the world with the best merchandise at the lowest price. This was clearly reflected in the Yaohan Declaration formalized in 1964. The Declaration reads:

> By studying and practising the Truth of Life's philosophies, the Yaohan International Group of Companies strives to create a company which will render better service to people all over the world and in so doing, hopes to become a model for other companies (Wada, 1992: 116).

The Declaration was originally written in Japanese and later translated into several other languages. Employees of the whole Yaohan group had to recite it in daily morning gatherings and at every important company ceremony. From 1964, every Japanese employee of Yaohan had been required to be a 'believer' in *Seichō-no-Ie*.

The domination of the Wada family over the management and ownership of Yaohan, and the imposition of the teachings of *Seichō-no-Ie* on the employees constitute a power structure which empowered Wada Kazuo as Yaohan's main historical agent, whose own life represented that of the company as a whole. More importantly, Wada Kazuo's personal missions always had a social consequence to the company in a way that his personal acts were metaphorically transposed to a higher level and became Yaohan's corporate activities. Wada Kazuo thus had a disproportionate historical effect on the destiny of Yaohan. 'If I [Wada Kazuo] change, the world will change too,' Wada Kazuo said (Wada, 1992: 23).

3. Yaohan's global expansion

At the beginning of the 1970s, Wada Kazuo adopted a strategy for survival different from that of other regional supermarkets. During the previous decade, while Wada Kazuo was building his chain stores within Shizuoka Prefecture, giant supermarkets such as Daiei and Seiyu started to go national, establishing stores throughout Japan. This expansion threatened the survival of many regional supermarkets including Yaohan.

Facing the threat from these giant retailers, Wada Kazuo chose to go overseas. Most of the employees, including Board members, opposed the plan at that time, arguing that the company should concentrate on its domestic market instead of spreading its already limited capital base by moving into unknown overseas markets. In the end, as the company's main historical agent, Wada Kazuo successfully suppressed the popular opposition from employees and Board members and started Yaohan's first overseas store in Brazil in 1971.

In spite of his subsequent withdrawal from Brazil in the second half of the 1970s, Wada Kazuo was deter-

mined to continue his overseas strategy, preaching to his staff that Yaohan should provide better service to people all over the world and it could only be done by continuing the company's overseas expansion. Through the ideological operation, Yaohan's overseas expansion, a purely business decision, became charged with a moral value which was used to convince the employees to support the company's continuous overseas expansion in the 1980s.

In 1990 Wada Kazuo decided to move the company's headquarters from Japan to Hong Kong, indicating his firm determination to transform Yaohan further into a truly global company. As Wada explained,

> In order to build up an international structure, I deliberated on whether it wouldn't be necessary to move the headquarters of Yaohan International Group abroad. As long as the headquarters were based in Japan, there would always be the risk of Yaohan employees continuing to think that the centre of the Group was Japan. This would be contradictory to the true meaning of an international enterprise (Wada, 1992: 15).

Having moved the company's headquarters to Hong Kong, Wada Kazuo further speeded up his overseas expansion from the beginning of the 1990s. In 1995, the company was operating 57 stores in twelve countries and regions.

Table 1. Number of Yaohan's overseas stores, 1995

Country	No. of Stores	Year of First Operation
Singapore	4	1974
Costa Rica	2	1979
Hong Kong	9	1984
U. S. A.	9	1985
Brunei	2	1987
Malaysia	5	1987
China	19	1991
Thailand	3	1991
Macau	1	1992
Canada	1	1993
U. K.	1	1993
Taiwan	1	1994
Total	57	

Source: This table is compiled by the author.

4. Yaohan's localization strategy

Finally, the Yaohan Declaration was also used to reinforce Yaohan's business strategy with a strong emphasis on local customers in its overseas operation, especially in Hong Kong. In contrast to other Japanese retailers such as Sogō, Daimaru, and Mitsukoshi which established their outlets in major retail areas in Hong Kong, considering foreign workers of multinationals including those of Japanese companies, Japanese tourists, and locals of up-

per class as their major customers and selling them European-brand goods, Yaohan tended to locate its chain stores in the shopping centres of densely populated new towns, supplying daily necessities to local shoppers of the middle and lower middle classes. Yaohan also ran more stores than these Japanese retailers. In 1984, Yaohan opened its first store in Hong Kong through its subsidiary, Yaohan Hong Kong. Over the next eleven years, the company increased the number of outlets to ten, one in Macau and the others in Hong Kong[2].

Table 2.   Chronicle of Yaohan Hong Kong's store opening

Year	Stores
1984	Shatin Store
1987	Tuen Mun Store
1988	Hunghom Store
1991	Tsuen Wan Store
1992	Yuen Long Store
1992	Lam Tin Store
1992	Macau Store
1993	Tin Shui Wai Store
1994	Junk Bay Store
1995	Ma On Shan Store

Source: This table is compiled by the author.

The Yaohan management philosophy helped reinforce such a business strategy. As Wada Kazuo said at a press conference in 1984, shortly before the opening of the company's Shatin store,

> [The Shatin store] will be more downmarket than the other Japanese stores operating in the Causeway Bay area, which go for more luxury goods aimed at the tourist trade. Emphasis will be on giving average income groups value for money. We want to serve the masses, not exclusive groups (Wong, 1999: 59).

We would expect that under the influences of such a global management philosophy, Yaohan's overseas subsidiaries should not be so dominated by Japanese expatriates. Wada Kazuo repeatedly said to the public that,

> [o]ur company must become an organization which goes beyond the borders of any nation. For this purpose, the first thing needed is to nurture "borderless" people of exceptional abilities. And in the long run, it is these "borderless" staff members who will form the primary base for Yaohan's management vision (Wada, 1992: 136).

In the line of this argument, Wada Kazuo emphasized,

> ……the Japanese staff are particularly careful not to introduce concepts of modern Japanese values and attempt to force them on to people, but rather to try to devise ways and means of bringing out the latent potential in the local staff. I think that in the long run it is by taking these kinds of pains that Yaohan has suc-

ceeded in nurturing a different type of local staff as compared with those to be seen in other Japanese firms (Wada, 1992: 133).

However, Yaohan's overseas subsidiaries were never staffed with 'borderless' employees but dominated by Japanese expatriates. Take the 1992 organization of the headquarters of Yaohan Hong Kong as an example. The organization consisted of a series of functional units, which were arranged in a three-tiered hierarchy: divisions, departments, and sections. There were four divisions: the Administrative Division, the Food Merchandising Division, the Non-Food Merchandising Division, and the Store Operation Division. Each division was further divided into sub-units: the departments. Within the Non-Food Merchandising Division, the Textile Department, the Variety Department, and the Specialty Department sourced different non-food merchandise. The Food Merchandising Division had three departments: Perishable Food, Grocery, and Food Service. The Administrative Division consisted of the Personnel and General Affairs Department and the Finance and Accounting Department. The Store Operation Division was formed by all Yaohan's outlets rather than being composed of various departments. It linked headquarters with the stores. The head of the Store Operation Division controlled the operation of all stores through the Store General Managers' Meeting, which all store general managers had to attend every week for the purpose of reporting to the division head. Departments were further divided into several sub-sub-units: the sections. For example, the Personnel and General Affairs Department included the Personnel Section, the Training Section, and the General Affairs Section.

Almost all major management positions in the headquarters of Yaohan Hong Kong were occupied by Japanese expatriates in 1992. Firstly, all members of the board of directors including the president and four directors were Japanese. Secondly, the four directors were also professional managers; each of them was in charge of one division. Thirdly, all departments except the Specialty Department in the Non-Food Division, Food Service Department in Food-Division, and the Finance and Accounting Department in the Administrative Division were headed by Japanese managers. Finally, three out of the four Store General Managers were Japanese. We can see that only a few local staff could reach senior management level.

The question now becomes: Why the localization of management, obviously encouraged by a global management philosophy and consciously endorsed by the top management, still could not be implemented in Yaohan Hong Kong?

5. Methodology

As mentioned above, this paper is to investigate the social process of how the Japanese and local staff of Yaohan Hong Kong experienced and understood the structured inequality entailed in the dual personnel system meaningfully. It also aims to examine how the Japanese expatriates interacted with local staff; what meaning the social interaction had for these two groups; and in what way they managed the everyday life of the company according to that meaning. The fundamental issue is thus the meaning (culture) of, and its relationship with the social behavior of Japanese expatriates and local staff. This requires a research mode like ethnography that can help capturing the meaningful dimension of social behavior and the realization of that meaning in social interaction.

My ethnographic fieldwork in Yaohan Hong Kong lasted for two years, starting from 1991. Over the course

of the first year, I chose to be employed as a full-time local staff member rotating among different departments in the company's outlets in order to become fully integrated into the organization and familiarize myself with the routine operation of the company. At the same time, I collected materials which were regularly circulated both for Japanese expatriates and local staff, administrative documents, correspondence, in-house public relations magazines, organizational charts, and so on. This written material helped me construct the formal organization of the company. I also attended as many meetings as I was permitted to. I formally interviewed people and taped-recorded conversations, but I relied more on informal conversations held in the course of everyday work, which I discovered were always more extensive and informative than the formal interviews.

Half of the second year of fieldwork was spent on conducting intensive research in one of the company's outlets. I interviewed all the local staff there and these interviews helped me build a database of their personal backgrounds. I actively joined their after-hour activities such as buffet dinners, picnics, birthday parties, welcome and farewell parties, and so on. By participating in these activities, I could identify members of factions, trace networks, and understand ambitious local staff's strategies for upward mobility within the company.

For the rest of the second year I focused on research Japanese expatriates. Again formal interviews were conducted to build up a base of personal data. Some Japanese expatriates, especially the married employees, declined my request for interview; others accepted but tended to be cautious concerning their real feelings towards the company. Luckily, however, those who were single, especially female employees, were very open and honest. They did not hesitate to express negative feelings towards, and opinions of, the company. Apart from these formal interviews, I also participated in the after-hours activities of Japanese employees. Not unlike other anthropologists of Japan (Moeran, 1989: 19), I gained much more information from these after-hours activities than from the formal interviews. As with those of the Chinese employees, these after-hours activities were useful in identifying members of factions, and discovering who belonged to which personal network among the Japanese expatriates.

6. Dual Personnel System

Dual personnel system is a general phenomenon in Japanese companies that employ non-Japanese staff (Kidahashi, 1987; March, 1992; Sumihara, 1992; Trevor & White, 1983). For example, March reports that employees of Japanese subsidiaries abroad are split into two classes: locals and Japanese expatriates, the latter tending to see themselves as superior to the locals (March, 1992: 88). This two-class system is reflected in job security, material rewards, and promotional chances (March, 1992: 121). The same dual personnel system was also adopted in Yaohan Hong Kong. At the time of 1992, the 28 Japanese expatriates and 1,800 local staff were placed into different ranking, salary, and promotion systems, with the former enjoying more economic benefit, higher social status within the company, and more discretionary power over personnel management than the latter do. Scholars tend to understand the dual personnel system of Japanese subsidiaries aboard 'as a typical concomitant of the process of adjusting to the host country, a process commonly called localization' (Kidahashi, 1987: 2-3). This paper, however, argues that the dual personnel system represents a structured inequality between two discrete social groups, that is, Japanese expatriates and local staff; and that it is this structured inequality and its symbolic signification as ethnicity that account for the failure of localization at Yaohan Hong Kong.

7. Signifying Dual personnel system: emergence of "ethnic consciousness" among Japanese expatriates and local staff

Such a structured inequality, as Comaroff and Comaroff argued in African context, requires meaningful signification, which takes the form of ethnic identity:

And, in a stratified, segmentary social environment, this entails marking out the social world into identifiable classes. Now these representations are not arbitrary: since they apprehend and rationalize the unequal distribution of material, political and social power by virtue of group memberships, they must, by definition,   ascribe such inequalities to the intrinsic nature of the groups concerned. It is thus that the "ascriptive" character of each becomes its "ethnic" identity — even though the groups themselves might only have been established, at least in their contemporary mold, in the very process of articulation which contrived that identity in the first place (Comaroff and Comaroff, 1992: 56).

Similar signification occurred in the context of Yaohan Hong Kong. Both the Japanese expatriates and local employees of the company experienced and justified the dual personnel system by ethnicity. However, their ethnic consciousness differs. The ethnic consciousness of the dominant Japanese expatriates took on an ideology that protected their privileged position by questioning the local employees' shared humanity. For example, when a female Japanese employee worked in one of the company's stores in her first year in Hong Kong, the general manager of the store taught her that she could treat and use the store's local employees 'like a machine'. Moreover, Japanese expatriates were sometimes even reminded by the company's president that local employees were like 'dog'. The same female Japanese employee recalled that when she was transferred to work in the headquarters as a trainer, the president advised her that she could train the local employees as she would train a dog, and freely order them to do whatever she liked. Given this top-down indoctrination, such an attitude was pervasive among the Japanese expatriates.

The local employees, as a subordinate group, reciprocated by calling into doubt the humanity of the Japanese expatriates. They called the Japanese employees 'radishes' because Japanese like to eat radishes. A Japanese anthropologist who had done fieldwork in a village in Hong Kong fifteen years ago told me that when he wore a red jacket, the villagers called him 'carrot'; when he was in green clothes, they called him 'green radish'. The local employees also referred to the Japanese employees as '*ka tsai*', a Cantonese equivalent of the English term 'Nips'. Some even called them '*pak ch'i tsai*' (idiot), or '*sei p'uk kai*' (go to hell) behind their backs. The ethnic identities of the Japanese expatriates and local employees 'entailed the complementary assertion of the collective self and negation of the collective other; it may call into question shared humanity; and its substances were likely to reflect the tensions embodied in relations of inequality' (Comaroff and Comaroff, 1992: 53).

Inequality within the company was also justified on putative cultural grounds. The Japanese expatriates tended to think the worst of their local employees and, even felt intimidated by them. They also tended to agree easily with one another that the local employees and by extension Hong Kong Chinese were irresponsible, lazy, incompetent, unreliable, prone to complain, unwilling to teach new staff, and unlikely to stay long with the company. In doing this, the Japanese expatriates created the ethnic images of the whole population of Hong Kong Chi-

nese. More importantly, these ethnic images served as a basis on which the Japanese expatriates constructed the substance of their own ethnic identity, which was the counter image of the local staff. In contrast to Hong Kong Chinese, Japanese were responsible, hardworking, competent, reliable, willing to teach new staff, and loyal to their company and therefore, Japanese are *intrinsically* superior to Hong Kong Chinese. In short, the 'superiority' of Japanese expatriates to local staff became one of what Barth called basic value orientations, which are defined as 'the standards of morality and excellence by which performance is judged, and to judge oneself, by those standards that are relevant to that identity' (Barth, 1969: 14). The "superiority" of the Japanese expatriates as a basic value orientation was the major ethnic marker that not only functioned to define the "Japaneseness" of the Japanese expatriates of Yaohan Hong Kong but also differentiated Japanese expatriates as an ethnic group from the local Hong Kong Chinese staff as another one.

Consequently, it was *natural* for the president to preach repeatedly to the Japanese expatriates that the 'inferior' Hong Kong Chinese, unlike the 'superior' Japanese, were not competent or reliable enough to be involved in the management of the company. Therefore, the role of the Japanese expatriates was to make corporate decisions and check whether their decisions were properly and efficiently implemented by the local employees, while the local employees were simply required to follow closely their Japanese superiors' orders. It was equally *natural* for individual Japanese expatriates to assert that local employees should not be granted any decision-making power. As one Japanese expatriate explained,

Hong Kong Chinese always exaggerate their ability. If they say they can achieve 100 per cent of the sales target, you should discount what they claim by 70 per cent. On the contrary, we Japanese tend to downplay our ability. When we say we can achieve 50 per cent of the sales target, we actually have the competence to fully achieve the target. Therefore, we cannot trust Hong Kong Chinese. Japanese should monopolize corporate decisions making power.

Moreover, since Hong Kong Chinese employees were considered to be unreliable, most Japanese expatriates tended to believe that only they were really in charge of the company. When the Japanese senior executive officer of one of the company's stores was told that some expensive merchandise had been stolen, he immediately reported the theft to the Japanese store general manager, who at that time was on leave. When I asked him why he did not inform the local deputy store general manager who, according to the organizational chart, was supposed to be in charge of the store when the general store manager was on leave, he explained that Japanese were the truly responsible persons, and therefore he did not inform the local manager. We can see that by questioning the shared humanity of, and asserting on putative cultural grounds their superiority to, local staff, the privileged Japanese expatriates denied similar privileges to local employees and legitimized their control over the company.

In light of the above discussion, we can regard Yaohan Hong Kong as a stratified dual ethnic system, in which the workforce of Yaohan Hong Kong was asymmetrically dichotomized into two distinct ethnic groups: Japanese expatriates and local Hong Kong Chinese employees, with the former being superior and the latter inferior.

8. Maintaining the ethnic boundary between Japanese expatriates and local staff

Ethnic identities, once established, had become a general social principle structuring the everyday life of the company. Important company-sponsored activities including farewell parties, welcome parties, end-of-the-year parties and New-Year parties were organized along the line of ethnicity.   For example, the company organized farewell parties, welcome parties, end-of-the-year parties and New-Year parties for its Japanese expatriates. Local employees — no matter how senior they were in the corporate hierarchy — were not invited to attend these parties and the company never organized such parties for its local staff. That is to say, local employees were not accepted as members of this collective entity. More importantly, these Japanese-expatriate-only activities functioned to cultivate and reinforce the solidarity among Japanese expatriates as a discrete social group. As a female Japanese staff member said,

> Yaohan is a family. All of us (Japanese expatriates) are brothers and sisters of this family. I really feel that way, especially when I welcome newcomers or see old members off at the airport and when I attend the New-Year party in our president's house.

These activities also helped maintain the categorical differences between Japanese expatriates and local staff as two distinct ethnic groups by the continuous 'assertion of a collective self and the negation of collective other' (Comaroff and Comaroff, 1992: 56) in the everyday life of the company, since the continuity of an ethnic group in a poly-ethnic environment, as Barth argued, depends on the perpetual dichotomization between insiders and outsiders (Barth, 1969: 14). In other words, the ethnic boundary between the Japanese expatriates and local staff of Yaohan Hong Kong was maintained by constantly marking the distinction between these two ethnic groups through preventing inter-ethnic interaction in the domain of important company-sponsored activities. This echoes what Barth argued that 'the persistence of ethnic groups in contact implies not only criteria and signals for identification, but also a structuring of interaction which allows the persistence of cultural differences' (Barth, 1969: 16).

9. The Monopoly of Management Resources

Given that the 'superiority' of Japanese expatriates to their local counterparts was the basic value orientation that functioned to differentiate the former as an ethnic group from the latter as another, such Japanese-only activities also had to indicate and confirm the asymmetrical dichotomization between Japanese expatriates and local staff. As one female Japanese expatriate told me,

> While senior local staff who are in manager grade or above are sometimes invited to attend the company functions. I, as a Japanese expatriate, am definitely invited, although I am not a manager. All these things make me feel that we Japanese are superior to local employees no matter which grade we are.

However, the *persistence* of such an asymmetrical dichotomization requires a differential access to social resources between dominant and subordinate groups. Barth argued,

Where ethnic groups are interrelated in a stratified system, this requires the presence of special processes that maintain differential control of assets. To schematize: a basic premise of ethnic group organization is that every A can act roles, 1, 2, and 3. If actors agree on this, the premise is self-fulfilling, unless acting in these roles requires assets that are distributed in a discrepant pattern. If these assets are obtained or lost in ways independent of being an A, the premise will be falsified: some A's become unable to act in the expected roles. Most   systems of stratification are maintained by the solution that in such cases, the person is no longer an A. In the case of ethnic identity, the solution on the contrary is the recognition that every A no longer can or will act in role 1 and 2. The persistence of stratified poly-ethnic systems thus entails the presence of factors that generate and maintain a categorically different distribution of assets: state controls, as in some modern plural and racist systems; marked differences in evaluation that canalize the efforts of actors in different directions, as in systems with polluting occupations; or differences in culture that generate marked   differences in political organization, economic organization, or individual skills (Barth, 1969: 28; italic the author).

That is to say, in order for the members of dominant groups to perform their 'superior' role required by their ethnic identity, they must have better access to assets than those of subordinate groups.

The same goes for the Japanese expatriates of Yaohan Hong Kong. In order to enable the Japanese expatriates to be 'superior', they must be given more control of management resources than their local counterparts. The most important mechanism that ensures differential control of management resources between Japanese expatriates and local staff was the monopoly of management positions by Japanese expatriates, as we have seen above. More importantly, Japanese expatriates held effective power. The local staff members were well aware that corporate power was monopolized by Japanese expatriates, rather than determined by positions within the corporate hierarchy. According to the author's survey, 41 respondents (77.4 per cent) thought the statement 'Japanese assistant managers are more powerful than local employees at the same rank' more or less reflected the real situation of the company, while only thirteen respondents (24.35 per cent) thought the statement 'Japanese deputy store managers are more powerful than local store general managers' did not describe the real situation. Moreover, 40 respondents (75.5 per cent) thought that the company's regulations were not applied to Japanese expatriates, and 32 respondents (60.38 per cent) thought that whatever a Japanese expatriate might say amounted to a regulation, as far as local staff members were concerned. Japanese, to the local staff, were *intrinsically* superior and powerful in the company.

The Japanese domination of management positions and power helped conform and thus perpetuate the 'superiority' of Japanese expatriates. It also defines the ethnic identity of Japanese expatriates. That is to say, to be a Japanese expatriate is to be a part of the company's senior management. Once the asymmetrical dichotomy between Japanese expatriates and local staff and that between persons with management power and those without had been mutually defined, it became almost impossible for the Japanese expatriates to delegate power to their local counterparts even though they themselves consciously thought that management should be localized. For if they did, the ethnic boundary between Japanese expatriates and local staff would, as Barth argued above, have to break down, and the Japanese expatriates would lose their "Japaneseness". That is why the localization of Yaohan Hong Kong failed even when the president and the top management were determined to implement localization in the company.

10. Perpetuating the asymmetrical dichotomization between Japanese Expatriates and Local Staff

The local staff also recognized the superiority and privileges of their Japanese counterparts, as the above survey had shown. They thus tended neither to engage in collective confrontation to eliminate structured inequality nor to find their way to disprove ethnic stigma as a legitimization of socio-political differences whenever they perceived it possible to alter the existing order. Instead, ambitious local employees sought upward mobility at the individual level by building a patron-client relationship with Japanese expatriates and 'proving' that they had become sufficiently like the Japanese expatriates through 'presentation of self'. We shall see that both of these strategies, whether successful or not, would only reinforce the relevance of ethnicity in company politics and thus help maintain the ethnic boundary between Japanese expatriates and local staff.

As mentioned above, local staff recognized well that Japanese expatriates monopolized management power including the power to promote local staff. They also knew that not only their promotions, but also how much corporate power they could wield when they were promoted, very much depended on relations with the Japanese expatriates. They also understood that whether they could successfully perform their job duties depended on cooperation and support from the Japanese expatriates. Therefore, viewed from within such a social context, building and maintaining good relationships with the Japanese could not but be understood by most ambitious local staff as the principal means to develop their careers within the company. For, at the experiential level, it did seem to be the relationship with the Japanese expatriates which facilitated promotion and secured corporate power.

Developing a consciousness and calculative 'presentation of self' to the Japanese expatriates is another important strategy for ambitious local staff, as they were well aware that their Japanese superiors did not understand the local language and often had to rely on their eyes alone to evaluate the local employees. It was the 'performance' the local staff manifested in everyday encounters with the Japanese expatriates which was monitored, evaluated, and linked to how they were treated by management. Therefore, local employees found it necessary to develop a strategy of manifesting properly compliant behaviour and attitudes. The proper compliant behaviour and attitudes had to be what a Japanese expatriate would display or what the Japanese expatriates thought they should display. Since the Japanese expatriates protected their exclusive cultural identity, and with it material and social power, by stressing ideologically the contrasts between themselves and the local employees, the local employees, at least from the actor's perspective, could remove these contrasts by showing that they had 'become' sufficiently like the Japanese expatriates.

All the above activities conducted by local staff, whether successfully or not, had two structural consequences. Firstly, these activities ironically reproduced the 'superiority' of Japanese expatriates and thus helped perpetuate the asymmetrical dichotomization between Japanese expatriates and local staff. The very fact that such activities aimed at establishing relationships with Japanese expatriates as well as the various strategies adopted by local staff to present themselves to their Japanese superiors confirmed the perception that Japanese expatriates were superior. This was more the case where strategies adopted and activities conducted were seen to have been successful. However, failure also tended to affirm Japanese superiority, because local staff would attribute such failure to their inability to communicate with Japanese expatriates and understand how to please them. Therefore, it is evident that the maintenance of the asymmetrical dichotomization between Japanese expatriates and local staff

was a function of the strategies of local staff to build relationship with, and present themselves to, Japanese expatriates to advance personal interests; and that this was the case as long as social activities continued to be pursued as if Japanese ethnicity was the key to the structure of inequality. That is to say, the responses of local staff served to perpetuate an asymmetrical dichotomization. Local staff, though unconsciously, contributed to the failure of localization at Yaohan Hong Kong.

Secondly, local staff did not consider playing their own game — that is, they accepted the 'superiority' of their Japanese counterparts as 'natural', and saw any attempt to challenge the Japanese superiority as 'unnatural'. Therefore, local staff felt that they had either to leave or to be obedient, and not to think of voicing their opinions. Ambitious local staff tended to 'perceive' that there was a limit to their promotion, no matter how competent they were. They were equally 'aware' that even if they were promoted to a higher position, they would enjoy less power and receive less benefit than their Japanese counterparts. In other words, the 'rice-paper ceiling' in Japanese companies is partially self-imposed.

11. Conclusion

I have examined the social process in which the structured inequality between the Japanese expatriates and local staff of Yaohan Hong Kong was symbolically signified as, and justified by, ethnicity. Ethnicity here should be considered as a form of ideological justifications, functioning to hide the arbitrary nature of existing power structure and suppress alternative power arrangements in the company. The existing power arrangement of Yaohan Hong Kong was not the only one possible in the company politics. It would have been equally possible to allocate management power to those employees who are competent regardless of their ethnic origins. However, ethnicity had made the existing power structure *natural* as if such a power structure were the *only* one possible.

Ethnicity, once established as a cultural category, had become a general social principle whereby both the Japanese and local employees organized the everyday life of the company. Important company-sponsored activities were organized along the line of ethnicity. These activities not only asserted the solidarity among the Japanese expatriates as a discrete social group, but also maintained the ethnic boundary between Japanese expatriates and local staff. Such Japanese-only activities also indicated and confirmed the asymmetrical dichotomization of Japanese expatriates and local staff, which was further perpetuated by the differential access to management resources between the Japanese expatriates and local staff, with the former monopolizing the management positions and power of Yaohan Hong Kong. More importantly, the Japanese domination of management in turn became a defining feature of the ethnic identity of Japanese expatriates, which made it difficult for the Japanese expatriates to delegate management power to the local staff because at the *experiential* level, they would feel that Japanese expatriates were intrinsically 'superior' to the local staff. Therefore, even though at the *policy* level the company's global management philosophy encouraged, and the chairman was determined to see, the localization of Yaohan's overseas operations, the Japanese expatriates of Yaohan Hong Kong still found it difficult to delegate power to the local staff. That is also why Japanese companies always could not achieve the goal of localizing management in their overseas subsidiaries even if they endorsed it publicly.

Ethnicity was also a general social principle that the local staff used to organize their strategies for upward mobility. The strategies included building a good relationship with, or favourably presenting themselves to, the

Japanese expatriates. However, these strategies ironically reinforced the importance of ethnicity and reproduced the 'superiority' of Japanese expatriates because they were pursued *as if* Japanese ethnicity was the key to the structured inequality between Japanese expatriates and local staff. In other words, the local staff also contributed to the failure of localization in Yaohan Hong Kong.

　　　　The major implication of this paper is that the crucial point concerning the localization of Japanese overseas subsidiaries, as this paper has shown, lies *not* in the formal character of the parent company's management practices, but in the social process in which such a formal character is symbolically mediated. In other words, it is the social process described in this paper rather than the parent company's management practices *per se* — in the case of Yaohan the management philosophy and the top management's determination — that is crucial because the effect of the parent company's management practices is always indeterminate and cannot be specified by the formal character of the management practice. Instead, it depends on the specific dynamic of the social process, which intervenes in the relationship between the management practice itself and its effect. That is to say, the effect of the management practice is socially specified and thus culturally constrained.

　　　　　　　　　　　(Associate Professor, School of Modern Languages and Cultures, The University of Hong Kong)

Notes

1)　Seichō-no-Ie was one of Japan's so-called new religions (*shinkō shūkyō*). *Seichō-no-Ie* started in 1930 under the leadership of Taniguchi Masaharu, formerly an active member of *Ōmotokyō*, another new religion from which *Seichō-no-Ie* can be said to have 'branched' (Thomsen, 1963: 153).

2)　However, the company's business began to decline from 1994. In November 1997 — two months after Yaohan Japan went bankrupt — Yaohan Hong Kong decided to close down all its stores in Hong Kong and Macau.

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