

Japanese Management in Hong Kong

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I Introduction

Being given no incentives for foreign investors but entirely freed from any extra legal constraints specifically levied on foreign capital in terms of personnel assignment, taxation, and procurement and remittance of capital, foreign business enterprises in Hong Kong are in a position to shape industrial relations practices along with their business objectives in their own way. This suggests that, among other countries, Hong Kong will provide us with an invaluable laboratory for clarifying how Japanese management copes with different locations and environmental settings. This may have some implications for the flexible nature of Japanese management which, in Japan, varies significantly with size or type of establishment despite the practically homogeneous socio-cultural environment, and has been considerably modified to adjust to environmental change through time to maximize economic rationality.

In addition to describing the findings of our survey, it will be interesting to examine the explanatory value of the two conflicting viewpoints concerning industrial relations in overseas business operations. The

“ethnocentric” hypothesis asserts that the management of corporations which are wholly owned by foreign nationals is, in effect, a cultural as well as an economic extension of the parent corporation [Perlmutter 1972: 21–50]. On the other hand, the “community-influence” hypothesis suggests that management has to adjust its practices to the social and cultural realities of the communities in which it operates [Parker 1967: 65].

II Unique Features of Hong Kong's Economy and People

Hong Kong is a highly urbanized, densely populated industrial, commercial and financial colonial port city with minimum administrative intervention. Its economy, with practically no natural resource endowments, rests upon an extremely narrow base and is vulnerable to fluctuations in the world economy. Its population of nearly five million are 98% Chinese with diverse geographical origins and background of settlement. From these characteristics two features important for industrial relations follow: the independent, individualistic nature of the people in terms of pursuing economic gains, and involvement in the interpersonal relations networks of Chinese communities.

Of a working population of about 1.8

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million in 1980, 50.1% were engaged in manufacturing, 24.8% in the wholesale, retail, import/export trades, restaurants and hotels, and 6.5% in finance, insurance, real estate and other business services. The major industries were wearing apparel, textiles, electric machinery, plastic products and fabricated metal products, which between them occupied 75% of the manufacturing labor force and 74.2% of total domestic exports (excluding re-exports) [Hong Kong, Census and Statistics Department 1981: 16, 61]. In these industries entry is generally easy and competition keen, and to survive they must compete against the products of the rest of the world. "Industries which are easy to enter are abandoned just as easily—without thought for the effect upon workers employed—if better opportunities for profit present themselves" [England and Rear 1981: 42]. Workers, on the other hand, are also ready to move from one firm to another, since there is little difference in the skill-mix between workers in different industries and the manual dexterity required by one industry can easily be transferred to another [*ibid.*: 40]. People are there to make money and buy freedom with it, hence consideration is given to their own interests and not to corporate performance. These attitudes among both employers and workers is further encouraged by a desire to make as much money as possible in case China takes over. Reportedly China's announcement in April 1984 that the status quo will be maintained for at least 50 years after 1997 is by no means accepted by many people as a guaranteed commitment [*Nihon Keizai Shinbun* 1984]. Thus, we

see a major concern to pursue short-term rather than long-term gain, through individual, not collective, efforts.

While basically individualistic, people in Hong Kong admit that interpersonal relationships are an important societal norm. Though it is said that about 60% of the population are of Hong Kong birth, their parents' districts of origin differ considerably, and most have an immigrant and/or refugee character. "As the great majority came from Kwangtung province, including Canton and its environs, Cantonese was (and is) very much the predominant language, but significant minorities spoke Hakka, Hoklo, Sze Yap, Mandarin, Shanghainese, and other Chinese languages which are sufficiently different from each other to create real barriers in communication" [England and Rear 1981: 59]. Diversity of the district of origin and perhaps inherited societal values, plus stage of settlement imply that the Hong Kong worker can hardly identify in a class or occupational sense [Turner 1980: 13]. Counterbalanced by an almost complete apathy towards community in a larger sense, high "context" interpersonal relations do exist within family groups and/or groups of people with the same clan or regional affiliation [Redding 1982: 13]. This personalistic nature is not to be ascribed to group orientation within organizations they belong to but rather stems from the more or less cohesive nature of people who expect support from their kinship group in hard times. In other words, the Chinese is so "situation-centered" that he seeks his appropriate place and behavior among his

fellowmen [Hsu 1981: 12]. This phenomenon is acute in firms which are run by groups of relatives, where an autocratic leadership style is said to be predominant.

III Features of the Sample

Surveys were conducted in November 1983. Professor Kunio Yoshihara and I visited 10 corporations (eight manufacturing firms, one bank, and one sogo shosha) and interviewed top Japanese managers and one local middle manager. Meanwhile, the Japanese Chamber of Commerce and Industry (Hong Kong) assisted us in sending and collecting questionnaires prepared for top Japanese managers and local middle managers. Forty-four top Japanese managers from 44 corporations (valid replies 42) and 36 middle managers from 35 corporations completed them. Some notable features were as follows.

Types of Establishment

Lines of business were diverse. Twenty-four corporations were engaged in commerce and other business services. Of these, 12 corporations confined their business activities either to sales of their own products imported from their factories in Japan and elsewhere, or to purchases of goods to ship to their Japanese counterparts for sale in Japan. The rest were more diversified trading firms, including two of the nine sogo shosha, retailers, including one department store, and other service companies such as forwarders, shipping agents, and ship repairers and leasers. Eleven corporations were involved in

manufacturing. Most of them assembling standardized labor intensive products such as watches and auxiliary goods, precision machinery, electric motors and electric plating. There were only three corporations which required considerable investment in plant equipment: two in textiles and one in lactic acid beverages. Seven corporations were engaged in banking, finance, and security exchange.

Number of Employees

The number of employees varied considerably. All of the manufacturing firms had more than 100 employees except one. Since only 3.2% of the total of 45,409 manufacturing firms employed more than 100 employees in 1980 [Hong Kong, Census and Statistics Department 1981: 18], most of the Japanese manufacturing corporations in Hong Kong can be regarded as fairly large by Hong Kong standards, although they are only equivalent to small to medium sized companies in Japan. On the other hand, companies engaged in commerce and other business services were fairly small, even by Hong Kong standards. There were three firms which hired only one or two local staff, namely, a secretary and/or a driver. Only 12 establishments could be regarded as medium to large firms by Hong Kong standards, i.e., employed more than 20 employees. The percentage of the 68,055 firms engaged in the wholesale, retail, import/export trades, restaurants and hotels of this size was 4.6% in 1980 [*ibid.*: 18-19]. At any rate the number of employees in our sample was the smallest of our ASEAN and East Asian samples (see

Question 10 in the questionnaire for a Japanese manager, hereafter referred to as QJ 10, in the Appendix at the end of this volume).

Ownership

Thirty-one corporations were wholly owned Japanese subsidiaries and five branch offices of Japanese corporations. Six corporations were joint ventures with Japanese majority equity, except for one in which two Japanese corporations together owned 45% of the shares. But in this latter company 25% of the shares were held by unspecified shareholders who bought them in the stock exchange. According to the Japanese managers of this firm we interviewed, it is run by Japanese with the consent of the local partner. Accordingly, it is safe to say that management authority in all of our sample lies in the hands of Japanese staff.

Composition of High Ranking Personnel

Full-time directorships were totally occupied by Japanese staff except for five corporations (QJ 11). The one company in which there were equal numbers of full-time directors of two nationalities was a venture established by Shanghainese, which two Japanese corporations, as major equity holders, joined later. The other four corporations, which were all wholly owned by Japanese capital, had one full-time local director each. These four companies were two forwarders, a shipping agent and a stock broker which dealt with local as well as Japanese clients. It would be reasonable to think, therefore, that Japanese corporations have a local full-time director only when they consider it more advantageous for

their business operations than otherwise. In all corporations, the key middle management positions were occupied by Japanese staff as a general rule. These features suggest that Japanese corporations in Hong Kong are typical of Japanese overseas operations with "direct" management by Japanese staff who are closely connected with their head office in Japan. This contrasts with Western "indirect" management of overseas operations, in which not only the key middle management personnel but even top executives are more often than not local people.

Procurement of Parts

Since imports into Hong Kong are untaxed and no restrictions are imposed on procuring parts and materials, Japanese manufacturing corporations in Hong Kong are able to procure them from wherever they like. A little less than half of the manufacturing corporations procured parts and materials in the local market. Out of these, more than four-fifths expressed satisfaction, which suggests that the level of local skills meets Japanese requirements. This should be contrasted with the responses made by Japanese managers in other Asian countries, where more than 50% of them grumble in one way or another at locally procured items which would be imported if there were no regulations on local content (QJ 15).

Profit Ratio

Reflecting the sensitivity of the Hong Kong economy to the world market, the profit ratios of Japanese corporations

showed erratic movements. Average profit ratios were -31.4% in 1976 and -2.7% in 1977 when the world economy was in a slump. But they have improved and increased remarkably in accordance with the recovery of the world economy and were 21.3% in 1980 and 25.0% in 1981, very high when compared to the other seven Asian countries we covered (QJ 9). In addition to the economic recovery, the rapid improvement in corporate profits is largely attributable to the non-interventionist policies of the Hong Kong Administration and to the labor intensive nature of our manufacturing establishments, where new capital investment on equipment would not have been a great necessity, nor a big burden for corporate operations. This situation must have provided the companies with the ability to respond quickly to changes in the economic environment.

IV Japanese Management in Hong Kong

Basic Management Creed

One feature common to our sample in all the countries is the adoption of a localization policy to a significant degree and the counterbalancing of this policy to a considerable extent by the emphasis on "Japanese management creed and objectives." However, in Hong Kong, while the former is adopted by 82.4% of our sample, which is about average for the eight countries, a sharp contrast is observed in the emphasis on the latter, as low as 36.6% despite the predominance of Japanese management authority (QJ 12 and 18-5).

The Japanese management creed is an abstract concept in which symbiotic relationships between the corporation and each employee and/or between employees are essential for both corporate prosperity and employees' welfare, which in turn are conceived to contribute in the longer run to the nation's economic prosperity and stability. Thus the objective of achieving maximum results is justified. This management creed induces Japanese top managers to endeavor to implant into each employee the idea that both corporation and employee are unified for better corporate performance which in turn generates stability and improvement of the employee's life.¹⁾

This management creed, however, does not seem to be considered consistent with the realities of Hong Kong with its fragmented ethnic composition and different stages of immigration and varying motivation. Employees will see little relevance in the "Japanese" management creed which is formulated on the basis of a long-term view. Nor they will find much incentive to identify with the corporation unless it is run by their own family or kinship group. These factors imply that there will be a

1) Essential for the Japanese management creed is the internalizing of the labor force, making it "non-compatible" with or "non-transferable" to other organizations. For this purpose various management instruments which may be classified into "core" components and the "framework" that supports the core are used. While internal training and promotion, collectivity-oriented practices, and a good human relations policy account for the former, lifetime employment, a length-of-service-based reward system, the provision of welfare facilities and loans, and enterprise unionism explain the latter.

significant modification of the Japanese style of management in Hong Kong, even though Japanese staff themselves will consider the corporation an ongoing concern.

Stable Employment and Annual Pay Raises

Of the various Japanese management practices the most emphasized is stable employment fortified by annual pay raises (QJ 18-1 and 19-3). This indicates that stabilization of employment is a pressing issue for Japanese management faced with mobile labor. Job related information is smoothly and quickly exchanged, aided by the smallness of Hong Kong and its high urbanization, good communication system, easy access to mass media and heavy concentration of firms and factories in certain industrial areas. Not only commercial and financial firms, which usually have offices together in high rise buildings, but factories also are generally housed in multi-storey blocks often with different firms operating on different floors. On the way to and from work and/or during meal breaks, workers from one firm mix with those from another and information about earnings and job opportunities is freely and frequently exchanged [England and Rear 1981: 40]. And many firms, especially those run by Cantonese which are the heart of the Hong Kong economy, view labor as a commodity to be hired at the cheapest price and laid-off or dismissed as the market dictates [*ibid.*: 87, 89]. These factors, together with the individualistic disposition described in section 2 above, promote labor mobility.

In fact our survey revealed that as many as 88.9% of local middle managers have had job experience in other organizations. They have changed their place of work an average of 2.6 times with the highest being seven times. This figure far exceeded the 2.2 times recorded for their Singaporean counterparts, who are often labelled frequent job hoppers. The only comparable figure is found in the responses made by the Philippine middle managers in our survey (see Questions 6 and 7 in the questionnaire for a local middle manager, hereafter referred to as QL 6 and 7, in the Appendix at the end of this volume). On the other hand, a considerable number of workers are concerned about stable employment. Our sample indicated that one out of 10 middle managers had to quit their previous job involuntarily due to bankruptcy or pull-out (QL 10). And 38.9% gave stable employment as the main reason for choosing their current company (QL 12).

The foregoing suggests that even though most of the skills and know-how needed for smooth business operations are of a standardized and semi-skilled nature so that investment on manpower development will not be enormous, still the primary purpose of implementing a stable employment policy is the saving of time and energy spent on training and the reducing defective production and clerical inefficiency. However, Japanese managers do not necessarily aim at building a Japanese style labor market in their firm by ensuring that the quality of the labor force is skillfully associated with specific corporate culture in terms of their skills and aptitudes or sense of belonging to

the organization, so as to make them non-compatible with other organizations in an ideal sense. If this were the case in Hong Kong, fringe benefits such as housing and family allowances and welfare facilities such as dormitories and dispensaries should be more commonly provided, since they are currently considered important to facilitate the shaping of a Japanese style internal labor market, and not necessarily a remnant of the early stage of industrialization as some of the scholars contend (for example, Dunlop [1958: 357–358]). However, Japanese corporate concern to enrich fringe benefits and welfare facilities, as well as the present state of their provision, were by no means considered sufficient for that purpose (QJ 19, 25, and 29). This contrasts with those benefits provided by large Shanghainese corporations, though their desire to build an internal labor market will largely be attributed to their patriarchal nature and may be considerably different from that of their Japanese counterparts in Japan [England and Rear 1981: 84–85].

Nonetheless our study suggests that stable employment policy functions fairly effectively. As a matter of fact, the average length of service was 4.5 years which was only a little shorter than the average for the eight countries (QJ 14–1).

It also suggests that relationships exist between length of service and socio-demographic and/or socio-economic variables. First, length of service was shorter in firms which hire more female than male workers, presumably because of the easily transferable nature of their skills and of the large

proportion of females who quit jobs to start a family. Second, it tended to decline as the number of employees decreased. It was not clear what accounted for this tendency, but, as compared with larger firms, many of the smaller firms provide inferior fringe benefits and no retirement allowances, which increase with length of service. Third, length of service for middle managers was significantly longer (9.5 years on average) than for the total sample (QL 5), probably because of positive evaluation of their present job for some, and for the others lack of better opportunities or inertia arising from an indifference towards employment in different firms. Incidentally, absenteeism among the Hong Kong work force was low (QJ 14–2), presumably because of their diligent nature, which is a Chinese virtue, and also the desire to make money.

Training

If Japanese staff ultimately aim at a Japanese style internal labor market, intensive in-house training and in-house promotion supported by a stable employment policy and annual pay raises, both of which guarantee to a considerable extent employees' job and income security, would be imperative. However, the extent and methods of training and promotion seen in Hong Kong imply that Japanese firms are not aiming at such an internal labor market equipped with employees who may be called "company men," but mainly aim at preventing quick labor turnover to facilitate smooth operations. As contrasted with samples from other Asian countries, only

28.6% of the Hong Kong firms saw continuous training as important (QJ 19). Several reasons could be singled out.

First is the fact that skills and know-how required in most of our sample companies are generally fairly easily acquired. Most of the manufacturing firms were engaged in producing standardized commodities either through assembling or routinized repetition. Thus, except for a few cases where skills and know-how were specific to the firm, continuous training beyond a certain skill level has little or nothing to do with improving business results. A similar situation applies to the employees below a certain level in the corporate hierarchy of commerce, finance and other service corporations.

The mobile labor market is another reason. Our survey revealed that 70.6% of middle managers thought that job hopping was either "perfectly natural and OK" or "undesirable but justified" (QL 23). And the top three reasons for separation were "poor prospects of advancement" (27.3%), "little chance of learning new technology" (27.3%), and "low salary or wages" (18.2%) (QL 10). As these responses show, they will look for another job when they think there are no more skills to be learned in their current workplace. Such an inclination will be stronger when the other two factors do not satisfy them. In this climate, even if they want to give continuous training to certain employees, Japanese managers will hesitate to do so because of the uncertainty of recouping the cost of training before the employees leave. Therefore, they are inclined to recoup

investment in training in a shorter period as well as to maintain employees' expectation of learning more technology and know-how by offering training bit by bit, on-the-job whenever necessity arises. On the other hand, key persons who really need skills specific to the firm are sent directly from the head office in Japan as a rule. This makes Japanese managers think it unnecessary to train local employees beyond what is actually needed. Because of these realities, training to cultivate "company men" in Hong Kong is not a matter of major concern for Japanese managers.

Probably because of such attitudes of Japanese staff, not many middle managers relative to other countries appreciated "Japanese willingness to transfer new technology and management know-how" (QL 21) or consider "good learning chance for technology and know-how" a satisfactory feature of Japanese management (QL 47). Yet it should be noted that a little over 40% of middle managers still appreciated the opportunities for learning technology and know-how from Japanese firms. This indicates that, though Japanese responses to "continuous" training were not positive enough, their attitude towards training vital for effective operations is not insignificant.

Promotion

In contrast to what is alleged to be the Western practice, i.e., frequently procuring labor from outside, a vacancy in a Japanese firm is usually filled internally, except in rapidly expanding hi-technology fields where needs cannot readily be met from the

existing work force. New recruits are first placed at the bottom of the corporate hierarchy as a rule, in accordance with their educational attainment, and after a certain period, say five to 10 years, start to be promoted on the basis of merit, job function and length of service within a moderate range on a set schedule. A big jump is extremely rare for about the first 20 years, since it is believed by managers, and accepted by managed, that such treatment will jeopardize corporate "harmony." Such promotion practices are not particularly attributable to a highly Japanized notion of "democracy," that is outright egalitarianism across the board, but to a management philosophy in which responsible management positions should be gradually assigned in accordance with employee's increasing degree of non-compatibility with other organizations. Persons who fit the requirements should be carefully selected into the mainstream of management.

Similar in-house promotion policies, though deemed to be sufficiently different in philosophy, are reportedly adopted by Japanese firms in Hong Kong as well as in other Asian countries (QJ 31), though length of service is less emphasized and merit is given more weight. Such policies are applied up to a certain level of middle management but not beyond, as a rule. Such promotion policies, on the other hand, allegedly invite dissatisfaction among "able" and "ambitious" employees and induce them to leave for better opportunities. Several middle managers claimed in their questionnaires that Japanese managers

should promote them to higher positions with higher wages on the basis of more distinctive evaluation of their merit and job function, so as to prevent them from quitting. However, Japanese managers considered their quitting unavoidable and saw little rationality in altering wage structure and promotion schedule, mainly for the following reasons. Japanese managers usually believe that unless they themselves hold responsible positions, business transactions would not be carried out smoothly when the counterparts are Japanese, which is mostly the case for *sogo shosha* and other large Japanese multinationals which have offices in various parts of the world. In addition, most Japanese clients, who are not so familiar with foreign languages and cultures, are inclined to get in touch with Japanese rather than foreign staff. Secondly, many Japanese corporations are not confident in assigning key positions to local staff due to the somewhat seclusive nature of the Japanese coupled with the lack of accumulation of know-how and inadequate manuals for overseas business operations, which started mostly after 1969, when consecutive foreign investment liberalization policies were put into practice. The mobile nature of the local labor force is another reason.

These peculiarities of both Japanese businessmen and firms relative to their Western counterparts have resulted in reliance on "direct" management. As long as it functions it will not impede business performance but it will, inevitably, decrease the motivation of local middle managers. A big discrepancy observed in their re-

sponses concerning promotion endorsed this conclusion. While not a small proportion of them singled out "better status or positions" (44.4%) and "better prospects of advancement" (33.3%) as the major reasons for choosing their current company (QL 12), only 13.9% felt that "good chance of career advancement" a satisfactory feature of it (QL 47). Such a situation must be contrasted with Western, especially well established British, firms where highly qualified Hong Kong managers serve as the core personnel. Though the Japanese cannot be solely blamed, how to balance the trade-off between the advantages accruing from direct management with the degeneration of middle managers' work motivation is a great issue that Japanese overseas management should deal with.

Collectivity-Orientation

In addition to internal training and promotion, which are related to materialistic aspects, collectivity-oriented management policy and good human relations are non-pecuniary pillars which support the Japanese style internal labor market. While good human relations hopefully encourage "we-group" feeling, collectivity-oriented management provides the employees with information widely shared among them so as to make clear each employee's role in the corporate organization and the direction the company is currently headed in. At the same time it expects to implant into employees the idea that each employee at the various levels of the corporate hierarchy takes part in management in one way or another according to their respective

abilities. Effective implementation of these two policies is believed to stimulate employees' feelings of commitment, participation and responsibility and energize them to do a good job.

One of the components of collectivity-oriented management is group decision-making coupled with group responsibility. A preliminary decision is made through a consensus of the group concerned and then submitted for approval to the heads of related sections and departments, depending on the importance of the decision. A decision thus finalized is put into practice with those who have participated in the decision at various levels of the corporate hierarchy as a group, responsible for it. The other component is the quality control circle through which devices for improving product quality and work efficiency are collectively sought and developed.

In our sample in Hong Kong we found that implementation of collectivity-oriented management was extremely limited relative to other countries. Only 22.0% used group decision-making and 19.5% a *ringi* system,²⁾ a kind of group decision-making intensively adopted in clerical and administrative work (QJ 18). Group decision-making was emphasized to the greatest extent by manufacturing companies (36.4%), where close coordination between departments such as purchasing, production and marketing are crucial for effective operation. *Ringi*, on the other hand, was adopted by half the financial institutions with more than 50 employees. Both measures were used by

2) See "Japanese Management in the Philippines," footnote 2, in this volume.

only 11.1% of commercial and other business service corporations with 50 employees and more. It was reported that even in those companies which have adopted group decision-making, its purpose was not to make decisions but to give employees necessary information through group discussions. This being the case, group responsibility schemes were not employed except by two firms with quite small numbers of employees (QJ 18-8).

Local middle managers were not much inclined to use collectivity-based methods. Only 37.1% took part regularly in management meetings at their management level, while the rest did so either sometimes (37.1%) or rarely (25.7%) (QL 29). Those who had regular meetings with their subordinates accounted for 32.4%, while 44.1% had such meetings irregularly. The remaining 23.5% did not hold such meetings (QL 32). In this situation, we would expect employees' feeling of "participation in management" to be low and, indeed, it turned out to be the lowest in the eight countries studied (QL 17). This suggests that Chinese will not easily foster the feeling of participation in the firm unless they are the executives or owners. This view will be supported by the similar responses made by Singaporean middle managers, most of whom are Chinese.

These findings indicate that collectivity-oriented management is of little relevance or necessity in Hong Kong. While this is partly to be accounted for by "direct" management, with Japanese managers either following instructions from head office or making decisions by themselves, it is also

partly a result of local middle managers' indifference to collective associations which might imply sacrificing individual interests for those of the group. This latter trait is one reason why there is not a strong movement to organize trade unions so as to improve living standards through collective bargaining [Ng and Levin 1983: 44-46]. In fact, there were no organized unions of any type in our sample. We may infer that too much emphasis on group performance will contribute negatively to motivation and stability of employment.

Human Relations

In contrast to their slight attention to collectivity-oriented management, Japanese managers seem to find that good human relationships are significantly associated with corporate performance in Hong Kong: 61% of our sample emphasized human relations policy (QJ 18) and 54.8% pursued a policy of harmonization between managers and managed (QJ 19). Local middle managers, on the other hand, seem to feel that maintaining harmonious relations in a personal sense is an essential code of behavior in groups in which they have substantial vested interests, as against virtual apathy outside such groups. This mentality was reflected in their willingness to help fellow managers in an emergency (QL 36), despite their fairly individualistic characteristics, as noted earlier and observed in their responses, in which they consider "no clear responsibility for individuals" a major weak point of Japanese management (QL 48) and incline strongly to make job demarkation clearer (QL 46). The ration-

ale behind this is a question of "face" or highly sensitive pride. As Ng says, "it is the wounding of this pride which controls conformity" [Ng 1977].

If this can be considered true, then local managers' appreciation of human relations policy is significant. They suggested that "good human relations between Japanese and locals" (63.9%), "even top managers mix with workers" (50.0%) and "good team-work spirit prevails" (44.4%) were the three most satisfactory features of Japanese management (QL 47). However, it should be noted that not a small number of middle managers chose "no personal relations outside the workshop between Japanese and local staff" (27.8%), "Japanese staff tend to form a closed and exclusive circle" (22.2%), and "Japanese staff's short stay" (22.2%), as important communication barriers between the two peoples. The first two may imply lack of paternalism on the part of Japanese managers, which is a common feature in Hong Kong corporations. These factors, together with "language barriers" (50.0%), and "difference in customs" (36.1%) (QL 20), imply that Japanese human relations policy is far from complete and that there may be much room for improvement, or that Japanese staff confine the range within which human relations policy is applied.

It is worth noting here that, as a consequence of its fragmented and stratified society, the contents of human relations policy in Hong Kong differ from those in Japan in two ways. The first point is that human relations policy is deployed to a considerable extent on the basis of pre-

existing personal connections. This is largely attributable to employment practices which are associated with a particular place of origin or kinship group [Turner 1980: 9], a sharp contrast with the Japanese case which molds interpersonal relations between those who, as a rule, first see each other after gaining employment. A study of Hong Kong Chinese managers in the manufacturing sector showed that 43% of them had been sponsored by a relative when first entering business. It was also found that the incidence of nepotism is progressively higher towards the top of the hierarchy [Lai 1978]. Japanese firms in Hong Kong are no exception to this rule. Our sample showed that, while newspaper advertisements were utilized to a considerable extent to avoid extreme nepotism, as well as to procure a wider selection of personnel, as many as 41.6% of middle managers, in fact the highest among the eight countries, were employed through introductions either by a relative or a friend working as a manager or worker for the company. In addition, all of the 13.9% of middle managers who were employed through "other" channels depended on persons, including labor contractors, who had connections with the firm to serve as an introduction to employment (QL 11). The reason Japanese managers follow the Hong Kong practice, irrespective of their capacity to avoid nepotism if they wish, may be that they consider it better to take advantage of sensitivity to maintaining and giving "face" to stimulate employees' commitment and sense of responsibility, which in turn contributes to stable employment and better

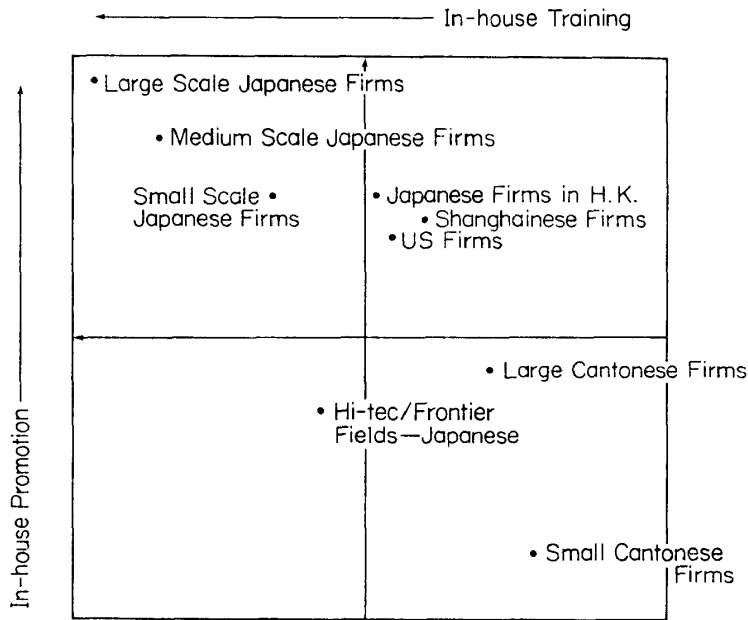


Fig. 1 Policy Mix Reflected in In-house Training and Promotion Adopted by Nationals and Type of Firm. Applied to Middle Managers.

corporate performance. In other words, they may be afraid of damaging the “face” of an introducer if they often reject his/her recommendations, which would only generate distrust between Japanese and local staff.

The second point is that narrowing status differentials between managers and managed, an important pillar of Japanese human relations policy, was emphasized by only 19.5% of our sample (QJ 18). This attitude fits well with local middle managers’ responses, which show that they like to justify status differences in the corporate community: as many as 50% thought they needed a private office, and 43.8% did not have lunch with

workers (QL 41 and 44). These attitudes together with the exclusive Japanese attitude noted earlier, imply that “we-group” feeling within the firm encompassing all employees, is little fostered and is perhaps an unrealistic aim.

A Recapitulation

The foregoing findings suggest that both in-house training and in-house promotion policies, as well as collectivity-oriented management and human relations policy, are modified to a significant extent to conform with the realities of the Hong

Kong community, as illustrated in the simplified and somewhat impressionistic diagrams below (Figs. 1 and 2).

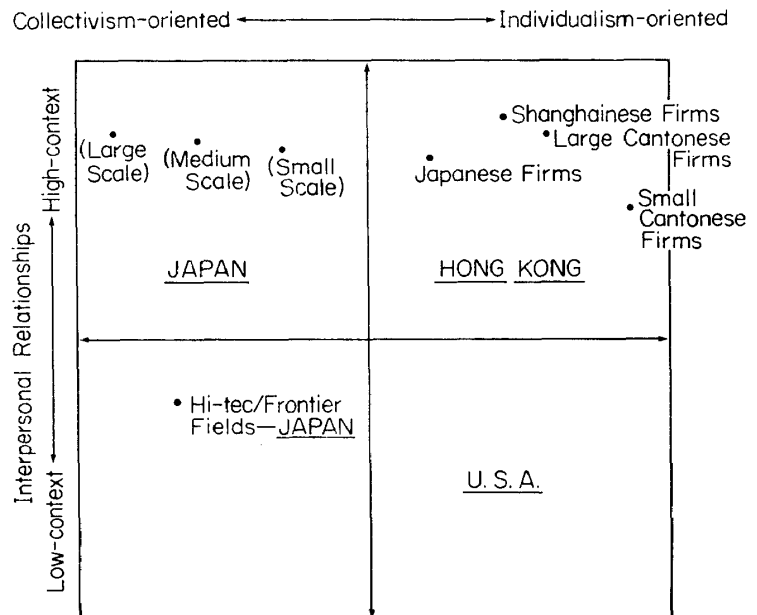


Fig. 2 Policy Mix Reflected in Interpersonal Relationships and Collectivity-orientation of Nationals and Type of Firm. Applied to Middle Managers.

V Concluding Remarks

The preceding discussion reveals that Japanese management is flexible in adjusting to economic rationality both in Japan and abroad. While the degree of corporate need for non-compatible employees is a decisive factor in accounting for variations in Japanese management style in Japan, socio-cultural and socio-economic factors, rather than the nature of the workplace itself, seem to have crucial impact in shaping management style in Hong Kong.³⁾ In this context, Japanese management in Hong Kong is not a cultural extension of the parent corporation as the "ethnocentric" hypothesis asserts, but is more associated with the "community-influence" hypothesis.

However, it should be noted that modifications are made within the range of the existing components of Japanese management. The mix may be changed but "foreign" practices are not added. In this regard, it may be sufficient to say that management style of Japanese firms in Hong Kong is one pattern of variations of policy mix and still an extension of "Japanese" management. In fact, it seems to be more or less similar to that adopted by small

3) Though the number of employees, type of industry and, presumably, the nature of the technology and know-how required, varied in our sample, no clear difference in implementation of the components of Japanese management was observed among the various firms surveyed, except in the way decision-making was implemented. This is hardly the case in Japan, where these variables largely determine the necessity for non-compatible employees and hence management style.

to medium sized firms in Japan in some ways, such as concentration of management authority in a limited number of personnel and limited possibilities for middle managers to become directors. But a different observer might conclude that Japanese management in Hong Kong is more like that of indigenous firms, by contending that the only difference is the nationality of top management: "nepotic" Japanese instead of Hong Kong Chinese. In any case the question addressed is not how far the Japanese management style is applicable in Hong Kong, a sterile question, as shown by the frustration of scholars questioning the applicability of "stereotype" Japanese management in Japan and concluding that it is confined to large scale enterprises. A new dimension in studying the growing importance of Japanese business activities overseas, for both Japanese and local nationals is to ask how well Japanese management adjusts its style to maximize the satisfaction of the people of both the investing and host countries.

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