

The Culture of Japanese Work Organization in Hong Kong: A Case Study of Yaohan and *Seicho-no-ie*

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INTRODUCTION

Japanese system of committing and cultivating their employees to the organization by organizational culture have been regarded as effective. As Ouchi and Wilkins (1985: 458) state: "Japanese firms were during the 1970s and early 1980s widely considered to have superior operating characteristics." Many scholars, stimulated by the example of Japan, have been recently rediscovering the significance of organizational culture (Schein 1984, Wilkins 1984, Lee and Lawrence 1985, Trice and Beyer 1993). Organizational culture is the embodiment of values, norms and beliefs shared by and affecting the attitudes and behaviour of members of the organization. Its contents and ingredients are influenced by the organization's past history and present experiences, its aims and objectives, the people, the workplace, the technology and the system of production constituting it (Lee and Lawrence 1985: 104). However, these elements are parts of the environment on which the organization has to depend and must cope with the uncertainties that arise from their dependence on the environments. Therefore, the management of organizational culture is significant to a company because it symbolizes control over its environments that help to deal with environmentally induced uncertainties.

Many Japanese multinational companies (MNCs) operate their overseas subsidiaries in countries where the basic values and assumptions of the host culture are different from those of the Japanese. As organizational culture is regarded as one of their competitive advantages when operating in Japan, can these Japanese MNCs manage their organizational culture in their overseas subsidiaries the same way they do in Japan? Do they need to modify the organizational culture in their overseas subsidiaries since the wider societal and cultural environments of the host country are different?

RESEARCH OBJECTIVES AND METHODOLOGY

This study seeks to address to a central question of whether cultural management in organizations is linked to the wider societal and cultural context and environment beyond the

Figure 1: The Profile of Interviewees

<i>Locations</i>	<i>Number of Different Categories of Employees</i>				
	<i>JEM</i>	<i>O-M</i>	<i>O-L</i>	<i>SF-M</i>	<i>SF-L</i>
Department store	3	5	5	5	5
Yaohan Int'l Caterers	1	1	1	1	1
Yaohan Food					
Processing & Trading	1	1	1	1*	1*
Millie's	1	1	1	1	1
Saint Honore Cake Shop	0	1	1	1	1
Whimsy	0	1	1	1	1
Total	6	10	10	10	10

Note: JEM: Japanese expatriate managers.

O-M: The middle management positions for the office, including assistant manager and manager in the staff function and buyers and merchandisers in the line function.

O-L: The lower positions for the office, including secretary, clerk, receptionist and cleaner.

SF-M: The middle positions for the sales floor, including floor manager and supervisor in the retail outlets; and production factory supervisor*.

SF-L: The lower positions for the sales floor, including all the sales staff in the retail outlets; and production worker in the factory*.

organizational boundaries. The question of how organizations adapt their organizational culture to the host environment has become important because it relates to the issue of effectiveness of multinational management. In his study of MNCs' transfer of organizational culture overseas as an approach to control, Jaeger (1983: 102) states that this type of MNC "may establish a 'contraculture' in the host country . . . [with] a deviant group whose norms are in conflict with the surrounding society. This can ultimately result in frustration, anxiety and resentment among the members of the subsidiary." Do Japanese companies try to control local employees by assimilating them to the Japanese organizational culture? If so, what aspects of the organizational culture do Japanese companies attempt to transfer to their overseas subsidiaries? In response to the foreign organizational culture, how do the local employees who work in the Japanese overseas subsidiaries react to it in the context of their own social culture in the host country? The objective of this paper is to examine how Japanese companies manage their organizational culture across culture.

To examine the complicated interactions between the human actions of both Japanese and local employees and their host environment, this paper uses qualitative case study approach to draw data from one Japanese organization in Hong Kong. The main research tool to collect primary data is by intensive personal interviews of six Japanese expatriate managers and forty local Chinese employees. The profile of the interviewees is shown in figure 1 and they are selected randomly among different workplaces: office and sales floor; and among different hierarchies: upper management if any, middle management and general grade staff from the head office and six share-holding companies of the organization. The interviews last from one to one and a half hours. Secondary data are collected from the published works of the

Chairman, company reports and internal staff magazines of the company.

THEORETICAL FRAMEWORK

One of the important processes in managing organizational culture is to embed and transmit the culture to the organizational members. This paper adopts Schein (1983 and 1985)'s theoretical framework of the mechanisms of embedding and transmitting organizational culture for the purpose of analyzing the case study. Schein's framework was originally developed where both the organizational and national culture were in the same social cultural context. There was limited research being done in how organizational culture is transmitted to a host country, Schein's framework is adopted but will be critically reviewed in terms of the research findings of the case company in the context of its wider social culture.

According to Schein (1985: 221) in the early history of an organization, the founder or leader has to fight for and explicitly embed his values and assumptions to ensure these values and assumptions are tried out. The embedding mechanisms can be divided into two broad categories: the primary embedding mechanisms and the secondary reinforcement mechanisms. Schein (1985: 225-235) states that the primary mechanisms as:

1. What founder or leader pays attention to measure and control,
2. Founder's or leader's reaction to critical incidents and organizational crisis,
3. Deliberate role modeling, teaching and coaching,
4. Criteria for allocation of rewards and status, and
5. Criteria of recruitment, selection, promotion, retirement and excommunication.

Schein (1985: 238-242) supplements the above with another five secondary reinforcement mechanisms:

1. Organizational design and structure,
2. Organizational systems and procedures,
3. Design of physical space, facades and buildings,
4. Stories about important events and people, and
5. Formal statements of organizational philosophy, creeds and charters.

It is observed that the primary mechanisms are parts of the human resource management (HRM) system used by the organization to control the performance of its human resources. For example, the founder or leader uses the criteria of HRM such as recruitment, selection, promotion, reward, teaching, coaching, role modeling, control and other criteria such as his reaction to critical incidents to transmit his values and assumptions to the organizational members. They are more intangible and implicit comparing to the secondary mechanisms which are more visible to the organizational members in terms of the design of physical space, buildings, stories, myths, systems, procedures and statements of philosophy. Schein (1985:

237) explains that there is a condition in applying the primary and secondary mechanisms since the secondary mechanisms are labeled as secondary because

they work only if they are consistent with the primary mechanisms . . . When they are consistent, they begin to build organizational ideologies and thus formalize much of what is informally learned at the outset. If they are inconsistent, they either will be ignored or will be a source of internal conflict.

In other words, secondary mechanisms do not work well on its own. They work effective only when being used together with and consistent with the primary mechanisms. These embedding and transmitting mechanisms and the employees' responses and reactions to these mechanisms in the case company will be studied. These empirical data generated from the case study are crucial to the study of Japanese multinational management since it analyzes how a Japanese MNC manages its organizational culture in the host country of Hong Kong.

THE COMPANY BACKGROUND OF YAOHAN INTERNATIONAL HOLDINGS LTD. (YIH)

YIH was formed in October 1993 when its former company, Yaohan International Co., Ltd. (YIC) was listed on Hong Kong Stock Exchange. The history of YIH can be traced back to 1984 when the first Yaohan department store was opened in Shatin. The company had opened three retail outlets before it announced to move its group headquarters to Hong Kong immediately after the Tiananman Square Incident. In October 1989, YIC was established to look after the group's business activities especially the diversification and expansion into other industries like restaurants and catering, processed food and trading, leather goods, bakery, and children fun fair by merger and acquisition (see figure 2).

Figure 2: The merger and acquisition (M & A) of five major share-holding companies of Yaohan International Holdings Ltd.

<i>Company</i>	<i>Month/Year</i>
Yaohan International Caterers	January 1990
Yaohan Food Processing & Trading	March 1991
Millie's	January 1991
Saint Honore Cake Shop	June 1991
Whimsy	December 1991

Source: YIC (1994) *Group Magazine "Yakushin"*, Vol. 111: 3.

Yaohan has developed from a retailer into an international conglomerate. In 1994, YIH consists of seven major share-holding companies: Yaohan Department Store (HK) Ltd; Yaohan International Caterers Ltd; Yaohan Food Processing & Trading Ltd; Yaohan Whimsy Co., Ltd; Millie's Co., Ltd; Saint Honore Shop Co., Ltd; and Shanghai No.1 Yaohan Co., Ltd¹.

THE VALUES AND ASSUMPTIONS OF THE FOUNDER

YIH was founded by Kazuo Wada. Wada took over a small local grocery store in Atami of Shizuoka Prefecture in Japan from his parents in 1961 when he was thirty three years old. From 1965, Wada expanded the company when it had only 30 employees at that time into an international conglomerate with more than 450 branches in 16 countries in less than thirty years. Wada (1992: 23) attributes the force driving him to succeed was the company declaration which was based on his religion, *seicho-no-ie* (the House of Growth) and its truth of life philosophy (see the first sentence of the company declaration below). The religion advocated people to hold their dreams which could be realized if they made use of their unlimited power within them. Wada was inspired to build a global enterprise which was operationalized into the company declaration in 1965 as follows.

By studying and practising the truth of life's philosophies,
the Yaohan Group of companies, strive 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.

Since then the company declaration has been recited continuously by Yaohan's employees all over the world. As Ozawa (1989: 62) states that Wada's values and basic assumptions derived from his religion have greatly influenced the company management practices as he has "integrated the philosophy and teachings [of *seicho-no-ie*] into its management style. . . as Wada says: 'A management ideology which works through the correct understanding and constant practice of the philosophy of the reality of life, in quest to contribute to all mankind'".

THE PERCEPTION OF EMBEDDING AND TRANSMITTING MECHANISMS

The empirical data derived from intensive interviews of three categories of interviewees: six expatriate managers, 20 local employees from the department store and 20 local employees from Yaohan Department Stores (HK) Ltd and the five acquired companies. The interviewees were asked to describe their perceptions of how and to what extent Wada's values and assumptions were embedded and transmitted to them. After cross referencing the transcript interview reports of each interviewee, the data showed that these three types of employees perceived very closely to each other within the same category. However, their perceptions between each category differ from each other since they were exposed in different types and varied extent to the embedding and transmitting mechanisms. The summary of the perceptions of each category of interviewees is presented as below.

The Japanese Expatriate Managers

The Japanese expatriate managers perceived that they were managed the same way like when they worked in Japan except that they are working in an overseas environment. These Japanese expatriate managers joined the company in Japan after graduation. They had not

worked in other companies before and thus were only exposed to Yaohan's organizational culture. They had to go through an intensive induction and orientation programme when they started to work in Yaohan and they were still undergoing various kinds of socialization process while working in the company. They were expected to accept the religion after the induction programme. They claimed that they had acquired strong sense of belonging to the organizational before coming to work in Hong Kong. Being expatriate managers in Hong Kong, they felt that they had more opportunity to meet with Wada and thus able to observe what he paid attention to measure and control. In other words, the five primary mechanisms work on these expatriate managers since they were under the same management system as they were in Japan. In addition, disregarding where they worked: the department store or the acquired companies, the expatriate managers especially those in the top management were required to participate in the religious company activities, e.g., *seicho-no-ie* seminars, company education provided exclusively to Japanese expatriate managers by the education centre and *shinso-kan* (meditation) with Wada. Wada (1992: 134) explained that "[Japanese executives] have been trained by me [through their] listening to my visions every day." In other words, Wada provided this kind of personal coaching and role modeling to his hand-picked Japanese expatriate managers.

In addition to the primary mechanism, the expatriate managers felt that they were exposed to the secondary mechanisms of organizational systems and procedures, philosophy, stories and the organizational design and structure. These Japanese managers were expected to play the role of imparting the organizational culture to the local employees mainly through the secondary mechanisms. The expatriate managers working in the department stores were expected to hold *chorei* (morning meeting) within their departments every morning and within the whole department store every month.

The Local Employees Working in the Department Stores

The local employees working in the department stores were exposed to the Yaohan organizational culture more frequently than those who worked in the acquired companies. All of the 20 local interviewees working in the department stores had former working experience in other retail companies before joining YIH. They did not go through any intensive induction and orientation programme and were not expected to believe in the religion like their counterparts of Japanese expatriate managers. However, they were undergoing a socialization process to the Yaohan's organizational culture since they had many chances to be exposed to the religious company activities. For example, during *chorei* (morning meeting), the local employees had to recite the company declaration, slogan and sing company song; they had to attend the religious company training before new store opening as well as the religious company education provided by the education centre regularly.

Therefore, the human resource management system for the local employees such as recruitment, selection, promotion, reward and other control measures was separated from the Japanese and followed mainly the local practice. For example, the local employees were recruited and selected for their functional specialty. They were not expected to be rotated to

work in other departments. They were promoted according to the ability. When the interviewees were asked about whether they could accept Yaohan's organizational culture which was transmitted to them through *chorei* and education programmes, the responses varied.

All the interviewees in the lower hierarchies O-L and SF-L (see figure 1) said that it did not border them to recite the company declaration and slogans, to sing the company song and to be told the stories during *chorei*. To them, it had become a kind of habit. The older employees found it difficult in the beginning to memorize them but they had got used to this practice. Some of the younger employees even mentioned that they liked the practice because it was very fashionable to learn to sing in Japanese when they were taught to sing the company song. Furthermore, all of the interviewees in the middle hierarchies O-M and SF-M also mentioned that the practice of *chorei* in reciting and singing did not border them even though most of them found it strange to perform at the beginning. But they managed to get used to it quickly.

When they were asked to comment the company's religious education, their responses varied. Among the 20 interviewees, 16 of them had participated in the pre-store opening religious training and all of them had participated in the company religious education provided by the education centre for at least once. The interviewees in the middle hierarchy tended to have negative responses to this primary mechanism. For example, one interviewee had a strong feeling against the fact that the teaching of filial piety was originally Confucius concept from China and felt irritated when it was taught to them by Japanese. Six interviewees in this hierarchy felt they had heard all of the philosophies and the education interrupted their work since it repeated the same things that they had heard during *chorei*. On the other hand, all interviewees in the lower hierarchy felt that the education programme was beneficial to them as a whole, e.g., it reminded them the importance of filial piety and their unlimited power. However, they mentioned that it was difficult to apply the content of the education to their work since the education was not directly related to their work.

The Local Employees Working in the Acquired Companies

It was the policy of Yaohan to maintain the management practice of the acquired companies in their original form so as not to disturb the local employees. The Japanese managers who had taken over the management of these acquired companies tended to leave the local management with much autonomy. Apart from the change of ownership and having new Japanese managers, the local employees did not feel they had much change in their work environment and work system. They were not exposed to Yaohan organizational culture since they did not need to perform *chorei* and to recite the company declaration and slogans. The local employees were not exposed to *seicho-no-ie* philosophy until they were assigned to attend the company religious education conducted by the education centre from the latter half of 1993. Some interviewees in the acquired companies mentioned that the education programme provided the first time for them to participate Yaohan activities. It was the first time for them to know more about Yaohan apart from the media and it was also the first time for them to feel like working in a Japanese company. For the interviewees who worked directly under the

Japanese expatriate managers, they mentioned that the opportunity of the education provided them more understanding why their bosses acted in certain ways. However, a majority of the interviewees from the acquired companies still felt remote from Yaohan's organizational culture since they worked in the same ways as they worked before their companies were acquired by Yaohan.

DISCUSSION

Structure of the Conglomerate's Personnel Management

The perceptions of embedding and transmitting mechanisms vary from these three categories of employees in YIH. Within the company, the management of Japanese expatriate managers and local employees is under two different systems. All Japanese expatriate managers, disregarding whether they work in the head office or the share-holding companies, are managed by the headquarters' personnel department. The local employees are managed by the respective personnel department in either the headquarters or each of the share-holding companies. The personnel department in the headquarters is basically separated into the Japanese section which look after all the Japanese expatriate managers headed by the Japanese personnel manager and the local section which look after all local personnel matters in Hong Kong. The human resource policies and management system for the Japanese expatriate managers are different from those for the local employees. However, comparing to the acquired companies, the human resource policies and management system adopted in the department stores are more similar to the Japanese system. It is because the acquired companies retain the human resource and management systems in their original forms from their former Chinese family-owned companies.

Evaluation of Embedding and Transmitting Mechanisms Among Local Employees

From the empirical data, the employees working in the acquired companies appear to be far from being embedded with Yaohan's organizational culture. It was partly due to the company's policy to keep these employees from being disturbed due to the sensitivity of change in company ownership. YIH is still at its beginning stage to try to embed and transmit Yaohan's organizational culture. Therefore, this category of local employees may not be appropriate to be evaluated in this stage. This paper concentrates on evaluating the embedding and transmitting mechanisms among the local employees who work in the department stores.

The primary mechanisms were less applicable to the local employees except the fact that they were assigned to take education programme organized by the education centre recently. In other words, the company used to make use of the secondary mechanisms through the organization design, system, procedure, stories and philosophy to transmit and embed Yaohan's organizational culture to the local employees. It shows that the case company attempts to adopt conscious strategy to adapt to local environments of Hong Kong since it adopts a more local human resource management system. However, the case company is also

aware of the need to embed and transmit its organizational culture to the local employees since it "is the language that communicates a company's mission . . . [and] is the element which may provide the coordination and integration" (Prahalad and Doz 1987: 12). The company used to only embed and transmit its organizational culture by secondary mechanisms until recently it attempts to use one of the primary mechanisms, training provided before new store opening on an ad-hoc basis and the education programmes provided by the education centre on a regular basis. This primary mechanism receives varied responses from the local employees. It can be generalized that most of the local employees do not reject the approach but find it difficult to incorporate the content of the education to work. The local employees have more positive responses to the secondary mechanisms since these mechanisms have become part of their routine work schedule. It coincides with Kao et al. (1992: 189)'s argument that

any attempt to discuss the notion of organizational culture in abstract will be futile, unless there is a certain degree of congruence between the values as propagated by the organization and those which are cherished by their members in other social sphere or within society at large . . . only the peripheral, or 'non-core', attitudes and assumptions of the individual will be amenable to systematic fashioning modification by the organization's effort of indoctrination . . . Unless the values of the organization and of the society are mutually concordant, the appeals of an organizational culture are likely to be at best extrinsic and marginal, or at worst alien to the individual's value system.

Therefore, the secondary mechanisms work better than the primary mechanisms among the local employees in a different cultural environment of Hong Kong which contrast with Schein's model. However, these secondary mechanisms can only embed and transmit the peripheral or "non-core" assumptions of the organizational culture to the local employees as argued by Kao et al. (1992). Therefore, it is skeptical whether secondary mechanisms can fulfill the function of integrating local employees into the the core of Japanese organizational culture. In other words, the function and the extent of the organizational culture to provide communication, coordination and integration to the local employees become a question. This study does not attempt to find out the effectiveness of the transfer of organizational culture across culture but the Japanese way of managing organizational culture through the embedding and transmitting mechanisms. However, from this study, it raises the question of the effectiveness of such management that should be further studied in future.

CONCLUSION

This study has a similar finding as Laurent (1981)'s study that cultural differences are more pronounced among employees of different nationalities, especially the expatriate and local employees who work within the same multinational company than among employees who work for organizations in their native countries. It is because employees working for multinational companies maintain or even strengthen their cultural differences. This study

explains that it is partly due to the fact that multinational companies use different embedding and transmitting mechanisms to instill and cultivate their organizational culture to the expatriate managers and the local employees. Therefore, like Adler (1992)'s finding, organizational culture does not eliminate or reduce national difference. Furthermore, organizations are not self-sufficient and isolated from the influences outside them. Local employees bring along with them some dominant values adopted from outside work. They tend to adhere to these values in behaving, working and interacting with others in the organization (Cannon 1967). And this reinforces the multinational companies to use different embedding and transmitting mechanisms to the expatriate managers and local employees.

Notes

- 1 Shanghai No.1 Yaohan Co., Ltd. is not included in this case study since it will not be in full operation until it opens its store in 1995.

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