

Multinationals in emerging China should stick to their own ways of managing

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When it comes to breaking into the lucrative Chinese market, foreign multinational retailers should keep largely to their own, time-tested management techniques, according to new research funded by the Economic and Social Research Council (ESRC).

Rather than struggle to adapt to the Chinese cultural environment, firms from the UK and elsewhere are better advised to hone and refine existing managerial and technical expertise, argues Dr Jos Gamble, of Royal Holloway, University of London.

A fluent Chinese speaker, he interviewed management and staff in eight Chinese cities, including Beijing, Shanghai and Chengdu, as well as key people in the UK and Japan.

His findings also dispel claims that foreign retailers offer only ‘dead-end’ jobs in their Chinese subsidiaries. On the contrary, he says, such organisations can provide workers with significant opportunities to prosper and improve their skills.

Rising prosperity and a rapidly commercialising economy have transformed China into the world’s most important emerging market. Multinational retailers have rapidly built up their presence since foreign participation was allowed in 1992.

By conducting case studies of UK and Japanese retailers and their off-shoots in China, Dr Gamble set out to examine how these global organisations transfer

management practices and retail concepts to their overseas subsidiaries.

In China, the main approach of the Japanese and UK firms was to try to replicate the store procedures, employment relations and customer service standards of their parent company.

For both customer service and people management, this meant that companies often reflected their home country practices, so they were different from each other, as well as from local Chinese norms and practices.

However, the study found that, in some ways, retailers did diverge from practices back at home.

Japanese firms, for instance, took on far more women supervisors in China compared with their stores in Japan. And a UK multinational followed local practice with its use of large numbers of sales staff employed by product suppliers rather than directly by the stores.

Dr Gamble said: “These findings indicate that while it is possible to transfer culturally innovative practices, those that run counter to institutional features - such as the nature of the local labour markets - are much harder to implement.”

Japanese companies were more prescriptive and detailed in their way of dealing with customers than the UK-owned stores, which encouraged workers to adapt behaviour they used in everyday life.

Said Dr Gamble: “The Japanese approach to customer service was particularly innovative in the Chinese context. Whilst, initially, local customer response was quite negative, it rapidly achieved acceptance as a form of ‘best practice’.”

Most employees believed that their jobs would improve their skills level and employability, contradicting widely held concerns about ‘de-skilling’ of labour in the service sector.

Contrary to expectations, a UK firm examined for the study provided at least as much opportunity in this respect as Japanese companies.

And there were high levels of satisfaction about foreign retailers’ human resource techniques. Even people in apparently menial and ‘dead-end’ jobs, such as checkout staff and warehouse workers, felt that their jobs provided learning opportunities and chances for self-improvement

Dr Gamble said: “Most of the world’s major global retail firms are desperate to grab a slice of the largest and most rapidly growing emerging market. All the evidence suggests that, whilst it may be necessary to adapt to some extent to local conditions, time-tested management practices actually translate well across cultures.”

Source: Economic & Social Research Council

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