A MULTI-LEVEL ANALYSIS OF MANAGEMENT, ORGANISATION AND EMPLOYMENT IN CHINESE SERVICE SUPPLIERS

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A Thesis Submitted in Fulfilment of the Requirements for the Degree of Doctor of Philosophy of Cardiff University

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DECLARATION

This work has not previously been accepted in substance for any degree and is not concurrently submitted in candidature for any degree.

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Abstract

The rise of China as an economic power has been accompanied by Chinese companies' active engagement in international business. This study looks into two Chinese service suppliers, which are involved in international contracting with Japanese companies, and operate in both China and Japan. It examines how these service providers develop and implement their management systems in order to meet their international clients' requirements, and how these management systems are experienced by the employees at workplaces.

Taking a Critical Realist ontology (Bhaskar, 1975), and drawing on intensive observation and interviews in both China and Japan, this study develops a multi-level approach to understanding the management, organisation and employment practices in Chinese supply firms. This approach is based on the global value chain discussion (Gereffi, Humphrey, & Sturgeon, 2005) and the System-Society-Dominance-Corporate (SSDC) framework (Delbridge, Hauptmeier, & Sengupta, 2011; Smith & Meiksins, 1995). It locates the construction and development of management policies, practices and work relations in the global supply chains, while considering their institutional contexts at the international, national, local and corporate levels. It thus provides a holistic understanding of how SSDC effects are brought together in different supply chains and how they are manifested within the workplaces, as corporate actors respond to, struggle over and manage these supply chain relationships and the structural forces.

This thesis contributes to existing studies on global suppliers in three key ways. First, it compares the supply firms in two different patterns of global supply chains (i.e. the market-based supply chain and the captive supply chain). In doing so, it is shown that the influence of clients is exerted in different ways under different governance structures and this leads to divergent consequences in terms of the management practices and employment relations in supply firms. Second, it extends the global value chain analysis of global supply firms by considering the social-institutional embeddedness of the supply firms. Third, it advances our understanding on the workplace dynamics in global supply firms, by focusing on the indeterminacy of labour power and the contested construction of workplace relations.

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List of Abbreviations

ACFTU	All-China federation of trade unions
BPO	Business process outsourcing
BU	Business unit
CAD	Computer-aided design
CME	Coordinated market economies
CR	Critical realism
DTP	Desktop publishing
DEITC	Dalian Economic and Information Technology Committee
EPO	Engineering process outsourcing
FDI	Foreign direct investment
FIE	Foreign-invested enterprises
GCC	Global commodity chain
GVC	Global value chain
IHRM	International human resource management
ITO	Information technology outsourcing
JAIDO	Japan International Development Organisation
KPO	Knowledge process outsourcing
LME	Liberal market economies
NRI	Nomura Research Institute
OJT	On-the-job training
OEM	Original equipment manufacturer
ODA	Official Development Assistance
PIPA	Personal information protection assessment
SSDC	System-Society-Dominance-Corporate
SOE	State-owned enterprises
VoC	Varieties of capitalism

Acknowledgements

Chapter 1 Introduction

It has been argued that the world economy is experiencing deep 'global shifts' of a long-term and structural nature. The global economy has become increasingly 'multipolar', in the sense that 'new centres of production – new geographical divisions of labour – have emerged in parts of what had been, historically, the periphery and semi-periphery of the world economy'. One big 'global shift' that is currently reshaping the global economy is, without doubt, the 'resurgence of East Asia', especially the spectacular growth and development of China in the period since 1979 (all quotations in this paragraph from Peter Dicken 2011, p.525).

Indeed, China's growing influences on the world economy are manifested in many ways: the massive labour force, the exports of cheap goods, the huge population of consumers, the large inflow of foreign direct investment, and the increasing outward foreign direct investment. All these are balancing and rebalancing the development of business and of the economic world in the twenty-first century.

The rise of China as an economic power has been accompanied by Chinese companies' active engagement in international business through various channels, such as exporting, international contracting, and outward foreign direct investment (FDI) (Child & Rodrigues, 2005). Among these, global suppliers based in China, which provide goods or services to international clients, has attracted much attention.

The majority of studies on Chinese suppliers has focused on manufacturing factories where millions of poor rural migrant Chinese workers are slogging away on assembly lines, churning out toys, clothes and electronics to export to high street customers or to corporate customers in other regions or countries. These manufacturers rely heavily on the cheap cost of labour in China and underlie China's position as the world's largest manufacturer and exporter. This study, however, looks into two Chinese suppliers in the service outsourcing industry. Both companies are global service suppliers which provide outsourcing services to international clients. They are heavily

engaged in global supply chains and international operations in different countries, whilst dealing with the resources and constraints that exist in their national and local environments. In this research, I examine how these companies construct their management policies and practices within the global supply chains, and how these systems and practices are implemented and experienced by their employees at workplaces in various countries.

In this introductory chapter, I first outline the motivations and approach of this research, and then give an overview of the structure of this thesis.

1.1 The research

This research is motivated by two main factors; the first of these being the lack of research into Chinese supply firms in service outsourcing industry. Existing studies on Chinese suppliers predominantly focus on manufacturers and we have little knowledge about the work organisation and management in Chinese supply firms in the outsourcing service industry. Unlike most export-oriented manufacturers based in China, service suppliers in outsourcing industry heavily engage in international operation in different countries, providing both on-shore and off-shore services. Therefore, this research aims to shed insight into the international operations of Chinese suppliers, their work organisations and their employment relations.

The second key motivation for this research was to understand how Chinese supply firms manage their relationships with the international clients, and how different supply chain relationships affect the management systems and worker experiences at workplaces. Through ethnographic-intensive case studies on the workplaces of two Chinese supply firms in different types of global value chains, this research offers detailed analysis on this aspect.

Specifically, this thesis develops a multi-level approach to understanding the management, organisation and employment practices in Chinese supply firms in service outsourcing industry. This multi-level approach is based on the System-Society-Dominance-Corporate(SSDC) framework, which was initially put forward by Smith & Meiksins (1995) and further extended by Delbridge et al. (2011). It locates the construction and development of management

policies, practices and work relations at Chinese suppliers' workplaces within their contexts at the international, national, local and corporate levels, thus providing a holistic understanding of how management practices and work relations are constructed and developed at workplaces. The critical realist perspective is important for the multi-level analysis undertaken in this thesis. That is, critical realism's stratified ontology and its conceptualisation of a structure and agency duality are considered to underpin the ways in which social structures at various levels condition the actions of corporate actors in Chinese supply firms and the interrelationships between them. In other words, the critical realist perspective allows me to pay attention to the multiple structural forces (i.e. the SSDC effects) that shape the actions and behaviours of actors while also integrating agency within a multi-level model of analysis.

A comparative case study of two Chinese service providers, which are involved in international contracting with Japanese companies, and which operate in both China and Japan, is constructed in this thesis. Data were collected from four work-sites of these two companies, that is, in the Chinese HQ and in the Japanese workplaces of each, using a mix of observational, informal conversational and semi-structured interview data.

With these central elements of the thesis established, a summary of the content of each chapter follows.

1.2 Thesis overview

In Chapter 2 of this thesis, I review existing research in global supply chains and global suppliers, particularly the global commodity chain (Gereffi, 1994) and global value chain (Gereffi, Humphrey, & Sturgeon, 2005). I find that the GVC analysis fits well with my research subject as global suppliers since it emphasises the importance of power relations between leading firms and suppliers within global supply chains. However, I identify three limitations of the existing GVC analysis, namely, the lack of comparative study on different power relations under different governance structures in global supply chains, the neglect of a social-institutional perspective which takes account of the specific characteristics of the Chinese context, and the insufficient attention

paid to the internal dynamics at workplaces between managers and employees. In addressing these gaps, I propose a multi-level approach and place the supplier-client relationships in global value chains within its wider context at the international, national, local and the corporate levels. A SSDC framework, combined with the GVC analysis, is thus adopted to address the following research questions:

1. At the international level, how do different governance structures between clients and suppliers influence the work and employment at the workplaces of global supply firms?
2. At the national level, how is the diverse and variegated form of capitalism found in China reflected in the work and employment at the workplaces of global supply firms?
3. At the workplace level, how are the contested work relations being constructed and developed at the workplaces of global supply firms?

Chapter 3 outlines the research methods used to answer these research questions, and places the research within a critical realist ontological framework (Bhaskar, 1975). Firstly I discuss the implications of critical realism (CR) for my research focus, object and approach. The application of CR is then achieved through the utilisation of Houston's (2010) steps of retroduction. The research questions and research design are discussed in relation to the retroductive strategy. Subsequently, this chapter outlines, justifies and evaluates the processes and methods of data collection and analysis. Lastly, two case companies studied in this research, Data-Co and Software-Co, are introduced, making particular reference to their local environments, Chinese and Japanese workplaces, organisational structures, and hierarchies and unions.

Chapter 4 discusses how supply chain relationships have been evolved over time in both Data-Co and Software-Co and how their Japanese offices and expatriates are organised and managed under different supply chain relationships. By describing how these companies internationalise and get involved in the Japanese market, this chapter reveals two distinct patterns of

supply chain relationships in Data-Co and Software-Co: relationships between Data-Co and its clients is featured as transactional and market-oriented, whilst the ones between Software-Co and its clients are particularistic and captive. It is found that the supply chain relationships have great impacts on the role of the Japanese offices and the management and experiences of the expatriates in Japan.

Following this explication of the supply chain relations and their impacts on the management and organisation of Japanese offices and the expatriates, the next two chapters focus attention on the management systems in the Chinese workplaces. Chapter 5 deals with the operational practices in the two companies. Given that both companies claim that their operational systems are 'learnt from Japan', this chapter investigates in particular their operational systems in relation to 'Japanese' forms of management. My findings show that the strategy of 'learning from Japan' is not always driven by the Japanese clients. In fact, Japanese clients under different types of supply chains have different requirements as to whether and to what extent the supply firms should be 'Japanised'. It is also shown that 'learning from Japan' in both companies carries significant rhetorical meaning. It is used as a rhetorical justification for management systems which are specifically designed to serve Japanese clients, and serves as a normative technique in management control. It is concluded that the Chinese suppliers' attempts to 'learn from Japan' reflects the power of clients within the values chains and the needs for Chinese suppliers to meet Japanese standards on operation. Nevertheless, the actual 'learning' process of 'Japanese' practices at workplaces is strongly influenced by the managers' selection and interpretations of 'Japanese' practices. The implementation of 'Japanese' practices involves lots of manipulation, modification and negotiation, and leads to diverse outcomes at different workplaces.

Chapter 6 describes the HR policies and practices in recruitment, selection, training, pay, performance appraisal, promotion and retention in both companies. Unlike the operational systems, which are claimed to have been 'learnt from Japan', the HR systems in both companies are described by

managers as having 'deviated from Japan'. I find that managers in both companies tend to compare their HR practices with their perceived 'Japanese' practices featuring life-time employment and seniority-based pay system. The duality of Japanese labour practices, especially the practices used in Japanese small firms among non-regular employees are not considered. It is also found that the supply chain relationships, the societal effects in different Chinese cities, the system effects of both old Chinese capitalism and modern Chinese capitalism, and the historical contexts and the ownership-types of the companies all play a substantial role in the development of HR policies and practices.This chapter also combines findings presented in Chapter 4, and draws distinctions between Data-Co's strategy of 'managing school pupils' and Software-Co's strategy of 'managing a corporate elite'. It concludes that Japanese clients in different supply-client relationships play different roles in shaping the work organisation and employment relations at their suppliers' workplaces.

Chapter 7 summarises the empirical findings, and seeks to locate these findings within the broader debates surrounding global supply firms. By combining the GVC discussion and the SSDC framework, I discuss how global supply firms in different types of global supply chains develop their management practices and employment relations in order to meet their Japanese clients' requirements. Discussion in this chapter responds to the research questions of this study. First, I focus on the construction of structural forces (i.e. the SSDC effects) apart from the influence from the clients. It is stressed that the supply firms are not only influenced by their clients in the global supply chains, but also shaped by their national, local and corporate embeddedness. I also argue that none of these structural forces is predetermined because they are interdependent and interactional in nature. Thus their manifestations in the supply firms are complicated and diverse. Secondly, I focus on how these structural forces are managed under different supply chain relationships. I argue that the actual practices adopted by the companies are mediated through the supply chain relationships between the leading firms and the supply firms, and the corporate actors' strategic choices. I also show how societal and dominance effects are put to use by the

managers in order to exercise management control. Thirdly, I 'zoom in' on the labour process and employment relations of the Chinese supply firms in different global supply chains, and discuss the indeterminacy of labour power and the contested construction of workplace relations under different supply chain relationships.The chapter ends with an evaluation of the thesis's contributions, and a discussion of its limitations.

Chapter 2 Global supply chains, global suppliers and the Chinese context

This study focuses on the management, work and employment of global service providers that are based in China and are operating in a cross-national context. In this chapter, existing research on global supply chains and global suppliers are examined.

In the first section below, I review two influential frameworks in supply chain study, namely, the global commodity chain (GCC) framework and the global value chain (GVC) framework. I then discuss their implications on the work and employment of global suppliers. I conclude that while it is important to consider the powerful influence exerted by leading firms on the work and employment of suppliers, supply chain relationships could not be fully understood without analysing the role and capability of suppliers in managing and shaping their power relations with clients. I thus suggest that the five types of governance structures discussed by Gereffi, Humphrey, & Sturgeon (2005) offer a framework to investigate the dynamics of power relations between leading firms and suppliers under different governance structures. It allows researchers to compare how different supply relations affect the management, work and employment in suppliers' workplaces.

In the second section, I argue that the global chain analysis should be complemented by a social-institutional perspective, considering firms' embeddedness at the national and local levels. By discussing the distinctive features of Chinese capitalism and its impact on Chinese management, I emphasise that China's transition from a centrally-planned economy to a market-oriented economy has created multiple types of firms and institutional contexts. There is great regional diversity and diversity of ownership-types in the Chinese context, which has produced a great deal of flux in terms of how different regions and firms are managed and organised. Given this, I conclude that existing institutional frameworks such as variety of capitalism (VoC) and national business systems, which assume the homogeneity of national

institutions, could not capture the diverse and variegated nature of Chinese capitalism and there is a need to extend existing discussion on this aspect.

In the third section, I focus on the internal dynamics between management and employees at global supplies' workplaces. Inspired by labour process theory, I argue that the GVC and GCC frameworks pay little attention to the internal dynamics such as management control and employee resistance. In order to better understand the impact of global supply chains on the work and employment of supply firms, it is important to 'zoom in' to the workplaces and examine workers' experiences at the workplaces and their responses to the day-to-day practices.

Following the literature review, the fourth section discusses this study's research questions and research design based on a multi-level framework.

The final section then summarises the conclusions of this chapter.

2.1 Global supply chains and global suppliers

One of the features of the world economy, particularly since the 1980s, is the globalisation of capital accumulation and international production. Companies are now able to identify new locations outside their home countries, where goods and services can be produced and provided more cheaply at increased levels of quality, and outsource their business to providers from such other countries. Under this context, many studies discuss the issues regarding to the coordination and control of international networks. Among these, the global commodity chain (GCC) framework and the global value chain (GVC) framework developed by Gary Gereffi and colleagues (Gereffi et al., 2005; Gereffi & Korzeniewicz, 1994) have been most influential. In this section, I describe both GCCs and GVCs frameworks and consider their implications in understanding the work, organisation and employment at global suppliers' workplaces.

2.1.1 Global commodity chain (GCC) and global value chain (GVC) framework

The concept of commodity chain was first developed by Hopkins and Wallersterin, who stressed the power of the state in shaping global production systems (Terence K Hopkins & Wallersterin, 1977; Terrence K Hopkins & Wallersterin, 1986). Later, Gereffi (1994) extended this concept by refocusing it on the strategies and activities of firms within chains. GCCs are defined by Gereffi (1994) as a set of inter-firm networks which connect manufacturers, suppliers and subcontractors in global industries to each other. Specifically, Gereffi (1994, 1995) identified four dimensions of the GCCs along which they could be analysed: (1) an input-output structure, which refers to the process of transforming raw materials and other inputs into final products; (2) a geographical configuration; (3) a governance structure, which discusses the power relations that exist in the chains and how particular players in the chain exert control over other participants; and (4) an institutional context, which refers to the 'rules of games' bearing on the organisation and operation of chains.

The typical approach of GCC analysis is to identify a full group of firms that are involved in the production and distribution of a particular good or service, and to find out the kinds of relationships among them. In particular, this analysis pays attention to the leading firms in an industry, suggesting that these leading firms have the power to exert influence over other firms within the same chain, and that there is a requirement for other firms to 'link up with the most significant leading firms in the industry' (Gereffi 2001, p.1622). It is this focus on leading firms that makes the discussion of the 'governance structure' of certain commodity chains most appealing to scholars. Specifically, governance structure focuses on the questions of 'which firms in the chain are most powerful to control various aspects of the production process and how they appropriate and/or distribute the value that is created' (Bair 2005, p.159).

Based on the 'governance' function within GCCs framework, Gereffi distinguishes two types of commodity chains, namely, the producer-driven and the buyer-driven commodity chains. Producer-driven commodity chains are normally found in more capital-intensive industries (e.g. automobiles) in

which powerful manufacturers control several tiers of suppliers, while being buyer-driven is a feature of more light manufacturing industries (e.g. garments) in which designers, retailers and brand-name firms play the pivotal roles in the coordination and setting up of decentralised production networks in a variety of countries, but where they themselves do not actually make the products. Nowadays, it is generally agreed that buyer-driven commodity chains are becoming increasingly important in global production (Appelbaum, 2008; Bair, 2005).

The GCCs framework outlined by Gereffi has been widely influential. The shift in focus from the state to the firms in the chain, as well as their inter-relationships and powers, has been well accepted and put to use by both practitioners and researchers, especially those who are interested in the development evolution and trajectories of different industrial sectors. Studies have looked into the GCCs in the manufacturing, pharmaceutical, agricultural and other sectors, considering GCCs as an emergent organisational form associated with a relatively recent and novel process of economic integration, and have emphasised the role of lead firms in constructing and managing international production networks (e.g. Bair & Gereffi, 2001; Dolan & Humphrey, 2000; Fitter & Kaplinsky, 2001; Ponte, 2002). Gereffi also conducted comparative research, highlighting differences in the industrialisation strategies being pursued across regions (e.g. Gereffi & Wyman, 1990). Despite the burgeoning literature on GCCs, some scholars began to reappraise this approach.

First, the description of these chains as 'commodity' chains is questioned, because the word 'commodity' denotes undifferentiated products such as primary products (e.g. crude oil, agricultural goods) and low-value-added, basic goods (e.g. plain T-shirts as 'commodity' garments) (Bair, 2009; Sturgeon, 2009). Given this, a new term is needed in order to better capture the concept of 'value-added' and the main sources of economic development (i.e. the application of human effort to generate returns on invested capital).

Second, many researchers criticise that the buyer- and producer-driven GCC typology is based on a static view of technology and barriers to entry, which

neglects the fact that supply chain relationships may be changed as a result of structural changes in the market, industry and institutional environments, or as a product of corporate strategies (Henderson, Dicken, Hess, Coe, & Yeung, 2002; Ponte & Gibbon, 2005). Ahmadjian & Lincoln (2001) discussed how three Japanese companies, all of which were once involved in *Keiretsu* relationships with their suppliers, restructured their supplier relationships towards either a top-down administrative mode, or an arms-length contracting mode. These transformations were either a response to the increased standardisation of the market (which leads to a change from *Keiretsu* to arms-length contracting), or a strategic move to control or own the critical resources (which leads to the takeover of the suppliers, or to the client developing its own department to produce the critical resources). To capture these changes, a more dynamic view of global commodity chain is required.

Third, as Gereffi et al. (2005) argue, the original distinction between buyer- and producer-driven chains fails to capture the new forms of network governance that has recently arisen and this suggests the need for an expanded typology.

In order to address the above issues, in 2005, Gereffi and colleagues (Gereffi et al., 2005) adopt the notion of 'global value chains' (GVC) and develop a typology of five governance structures that describe the network relationships linking suppliers to leading firms in global industries. In the GVC framework, a value chain describes the full range of activities that firms and workers carry out to bring a product from its conception to its end use and beyond. GVC analysis draws many insights from the earlier GCC research on governance issues, and suggests that relationships between leading firms and suppliers differ across sectors due to three independent variables: the complexity of transactions, the ability to codify transactions, and the capabilities of suppliers. These variables are intended to describe the features of the industry structure or production process, including the nature of 'the knowledge transfer required to sustain a particular transaction, particularly with respect to product and process certifications, the extent to which this information and knowledge can be codified, and therefore, transmitted efficiently and without transaction-

specific investment between the parties to the transaction, and the capabilities of actual and potential suppliers in relation to the requirements of the transaction' (Gereffi et al., 2005, p.85).

Five types of governance structures are identified. The 'market-based' global supply chain, governed by price, involves easily codified transactions, simple product specifications and capable suppliers. It represents the arm's-length relationships between suppliers and leading firms. The 'modular' supply chain involves capable suppliers and complex products that can be unified and codified in the form of production modules. Companies in this form of chain are involved in more complex transactions than with arms-length transactions, but the leading firms do not need to coordinate much due to the modularity and codification of the production process. The 'relational' chain exists when product specification cannot be codified, transactions are complex and supplier capabilities are high. Suppliers and leading firms are mutually dependent in this chain. Close face-to-face interaction and high levels of explicit coordination are needed in order to exchange tacit information. The 'captive' chain involves suppliers with low levels of capabilities, which thus require high levels of support from the leading firms. The 'hierarchy' chain represents the fully internalised operations of vertically integrated firms.

The GVC framework captures the variety of network forms between actors within chains. It helps people to understand and explain why some value chain activities are firmly rooted in place and some are more easily relocated. It is also suggested that changes in one or more of the three variables could alter value chain patterns in predict ways, which not only captures the dynamics in supply chain governance, but also underpins the important discussion on the upgrading of state, industry and individual firms. Specifically, GVC analysts suggest that firms can upgrade by providing more sophisticated products with increased unit values (i.e. product upgrading), by improving their technology or production system (i.e. process upgrading), by increasing the range of functions performed within the same chain (i.e. intra-chain upgrading) or by moving from one industry to another (i.e. inter-chain upgrading) (Gereffi, Humphrey, Kaplinsky, & Sturgeon, 2001).

Based on the GVC framework, empirical studies have documented the efforts of global suppliers in various industries to upgrade. Bair & Gereffi (2001) discuss how upgrading is achieved as well as limited at both industry and firm levels in the blue jeans industry in Torreon, Mexico, as US buyers promote full-package apparel production. In particular, it reveals that through the adoption of a full-package production system, some first-tier manufacturers in Torreon have upgraded their employees' skill bases, enjoyed higher profits, and gained capability to compete in the global market, although they are still distanced from the high value-added processes such as design, marketing and retail. Likewise, based on the evidence from the small- and medium-sized Latin American enterprises in a variety of sectors (traditional manufacturing, natural resource-based clusters, complex products and software), Giuliani et al. (2005) show that firms' scope for pursuing upgrading and the extent to which they are able to do so is associated with the governance structures of the value chain in which they participate. For example, in a captive chain, the pressure to follow the standards imposed by the leading firm enhances product and process upgrading, but inhibits functional upgrading.

In the next section, I discuss the implications of GCC and GVC framework on the work and organisation of global suppliers.

2.1.2 Implications of GCC and GVC frameworks on work and organisation of global suppliers: power in the chains and governance structures

According to both GCC and GVC framework, power is accumulated, held and wielded in different ways and in different amount by various actors. In particular, in GVC analysis, an industry is basically divided into two broad types of firms: leading firms and suppliers (Sturgeon, 2009), which highlights the power relations between leading firms and suppliers in the chains. These power relations have important implications for understanding the operation and management of global suppliers.

One obvious category of power in the chains concerns the power of leading firms in chains. Humphrey & Schmitz (2001) suggest that the leading firms are able to set and enforce various kinds of 'parameters' which others in the chain

must follow. These parameters define not only the specifications of *what* products are to be produced, but also *how* they are to be produced, including aspects of the production process such as quality control, working conditions, and environmental standards. In the international service outsourcing industry, this means that the management of service providers are bound to their clients' requirements as to what services are to be provided and how these services are to be provided. In the meanwhile, since leading firms normally have the power to choose and replace suppliers within certain limits, they are allowed to explicitly coordinate the activities of its supply chain and to pressure suppliers to lower costs, improve quality, adopt specific equipment, employ specific business processes, purchase input from specific suppliers, and invest in specific locations.

Recognising the strong leading firm power over the suppliers, some empirical studies have emphasised the impact of the power asymmetry on the management and organisation of global goods and service suppliers. Chan et al. (2013) conducted fieldwork in one supplier of Apple based in China, Foxconn. They find that as a principal supplier of Apple's components, Foxconn is under great pressure to meet the rigorous specifications as to price, product quality and delivery time. This pressure leaves the company little room to improve labour conditions or to increase wages. Locke et al. (2009) and Locke (2013) evaluate various private initiates to enforce fair labour standards within global supply chains. They find that the 'compliance-focused' model of private voluntary regulation, which is based on asymmetric power relationships between global buyers and suppliers, independent third-party audits and monitoring systems, and some sorts of incentives, is unlikely to succeed. Rather, a 'commitment-oriented' approach, based on long-term, mutually beneficial relationships and support from public institutions, can actually improve labour standards in global supply chains. Focusing on the workplaces, Pun & Smith (2007) argue that transnational production leads to a reconfiguration of labour process at a global scale. Through case studies on two foreign-owned factories in China, the authors find that a new form of labour regime, termed the 'dormitory labour regime', has been constructed within China. These Chinese factories provide corporate dormitories to short-

term migrant workers from rural areas, so that they can effectively control the daily reproduction of labour power, and maximise the utilisation of this temporary, migrant and contract labour.

Compared to the emphasis on leading firm power, much less attention is paid to the supplier power. Extreme and rare forms of supplier power have been referred to as 'platform leadership' by Gower & Cusumano (2002). In these cases, suppliers either dominant the chain or share power with leading firms, becoming what Fold (2002) calls 'bi-polar' GVCs.

A more common form of supplier power is understood as 'competence power', deriving from technical and service capabilities that are difficult to replace (Palpacuer, 2000). Under this circumstance, suppliers wield competence power when their products and services are seen as nearly indispensable for the leading firms they serve. While leading firms could always use their 'purchase power' to place limits on supplier power, Sturgeon (2009) argues that 'retaining the ability to switch suppliers, even among a very small group of two or four, appears to be adequate in most instances to keep supply power in check' (p.129).

Taking both the leading firm power and supplier power into account, it is inappropriate to overemphasise either leading firm power or supplier power. Power relationships between leading firms and suppliers should be analysed in a dynamic view, exploring how the relationships have been established, developed and managed by both the leading firms and suppliers. In particular, this thesis will investigate this topic from the perspective of the suppliers, discussing how suppliers manage their relationships with international clients.

The different types of governance structures suggested in GVC framework offer a useful approach to analysing the power relations between leading firms and suppliers. Different types of governance structures indicate that even if suppliers are in a buyer-driven chain, in which clients normally have the power to set parameters on what and how suppliers should follow, the extent to which the clients use this power and the scope to which suppliers are bound by the parameters set by their clients are not predetermined since different

governance structures shape how clients exercise their power and how suppliers build their competency in different ways. For example, the power asymmetry and issues of 'governance' are the least relevant in market value chains because transactions in such chains are coordinated primarily through price. In modular value chains, suppliers take responsibility for their bundles of activities and they often have capability and freedom to switch to other clients, although their activities are normally monitored and supervised closely by their large clients. In relational value chains, the tacit knowledge that suppliers bring to the clients provides them with some bargaining power with the clients, sometimes making it all but impossible for lead firms to replace them. However, as Sturgeon (2009) points out, asset specificity can shift power toward either party. Being a relational supplier could also suggests that its thick and deep-rooted linkage with certain client(s) may be hard to replicate with other client, consequently creating lock-in relations and even higher levels of power asymmetry.

To sum up, in order to understand the work and organisation of global suppliers, it is wrong to overemphasise the power of leading firm and explain the management, organisation and work of suppliers as simply a response to their clients' requirements. Rather, it is important to consider the specific relationships between suppliers and clients, and see how the power relations between them are played out under different governance structures.

Few studies have discussed how suppliers under different governance structures organise their work and employees, as well as their relationships with clients. This research, therefore, aims to address this issue by looking into the work and employment of global suppliers under different governance structures.

2.2 Bring in institutions in the GVC analysis

While the commodity chain and value chain frameworks provide a useful approach to understand the dynamics of power relations between leading firms and suppliers, and to explore the impacts of different power relations on

work and organisation in global suppliers, there has been criticism that GVC framework has neglected the role of institutions (see Whitley, 1996).

The key argument of GVC framework is that companies are principally 'reflexes' of the way that value chains are organised and of the structural requirements that imposes on their operation in specific location (Henderson et al., 2002). However, companies are not only active players in the global chains, but also actors that are embedded in specific social and institutional contexts at the national and local levels. As many researchers have pointed out, the GCC and GVC framework pay little attention to the social-institutional embeddedness of the firms, and thus fail to understand how national and local differences in labour market, educational systems etc. affect the organisation of companies in chains (Boyer & Drache, 1996; Henderson et al., 2002; Whitley, 1996). Sturgeon (2009) suggests three pillars of global value chain analysis: (1) the character of linkages between tasks, or stages, in the chain of value-added activities; (2) how power is distributed and exerted among firms and other actors in the chain; and (3) the role that institutions play in structuring business relationships and industrial locations. While the first two pillars reflect the focal points of GVC framework, the third one requires some extension of the existing framework by introducing a more social-institutional perspective.

In this section, I first discuss features in Chinese contexts and explore its implications on the management of Chinese companies. I then review and compare different social-institutional approaches that would take account of Chinese contexts and complement the GVC analysis.

2.2.1 The Chinese context and management in Chinese companies

China is in dramatic transition from a centrally planned economy to a market-oriented economy, which has created a great diversity in Chinese institutions and management practices. The diversity of the Chinese context has two primary aspects: regional diversity and diversity of ownership-types.

Regional diversity and Chinese companies

Regional differences in China are closely related to the nature of China's transition. In the first place, the transition of the Chinese economy has taken an experimental and incremental form, which means that some regions have been more exposed to market competition and have changed faster than others. For instance, the southern and coastal cities in China are believed to have made a much quicker move towards the market-oriented economy than the northern and inland regions (Ding, Goodall, & Warner, 2000). The uneven growth of the Chinese economy has resulted in considerable capital and labour market differences across Chinese cities, which consequently influences the companies in terms of how they access capital and labour from the local market. On the one hand, given that the financial systems and institutions are more established in the fast-growing cities than in inland cities, MNCs from fast-growing cities may get better financial services from local institutions and have more choices in corporate finance. On the other hand, labour costs in fast-growing cities tend to be higher than in the inland cities, and this subjects companies from fast-growing cities to more pressure in terms of labour sourcing and retention. As shown in Figure 2.1, labour costs are the highest in the capital city, Beijing, and in the vanguard of China's economic reform, Shanghai. They are followed by coastal cities such as Guangzhou and the newly industrial cities such as Dalian. The wage levels in some inland cities such as Chongqing, Chengdu and Kunming are lower.
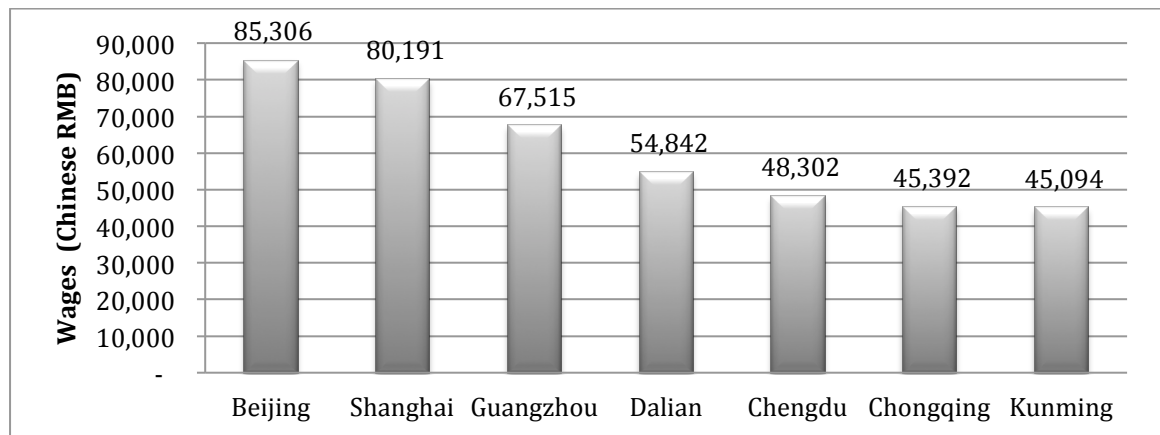
Figure 2.1: Average annual wages of employees in selected cities in 2012

(Source: the National Bureau of Statistic of China)

Second, China's transition is characterised by a great deal of decentralisation of decision-making from the central government to the local governments at provincial, city and village levels. In particular, local governments are encouraged to formulate their own policies in developing the local economy, and to establish distinct institutional systems according to their own developmental strategies, under the central authority of the Chinese Communist Party. For example, in keeping with the goal of becoming the world's financial centre, the Shanghai Government has been offering great financial support to institutes of higher education in terms of finance, has been making efforts to attract potential financial experts by offering high wages, and has been supporting the establishment of financial institutions within the city. By contrast, a large part of the economic growth of Dalian City, a former colonial city of Japan in the northeast of China, relies on providing relatively low-skilled outsourcing services to Japanese organisations. This distinct strategy has led to a booming business cluster of hundreds of companies providing business process outsourcing (BPO) and information technology outsourcing (ITO) services, has encouraged the development of technical education, focusing on subjects such as Japanese and computer skills, and has produced a labour market with a large population of low-skilled migrant workers from the rural areas. In other words, institutional settings in different parts of China can be very different depending on the strategies set by the local governments. In this sense, China is described as a form of 'variegated

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capitalism', in which diverse regional systems coexist within one country (Peck & Zhang 2013). In addition, by tying the career progression of local officials to the annual growth in local revenue, the local governments have become not just administrative service providers, but also entrepreneurs, who need to identify the local competitive advantages, set strategies, allocate resources, and bear the risks as well as enjoy the benefits of their entrepreneurships (Oi, 2011). This, to a large extent, enhances the connection between local governments and the companies. Those companies which fit in with the local strategy and are seen as having the potential to contribute to the local economy are likely to get various forms of support from their local government. For instance, firms in Dalian City, which provide outsourcing service to Japanese companies, are offered favourable financial support to help them expand within the international market and to set up overseas affiliations.

Given this level of regional diversity, one cannot simply assume a single institutional pattern of management and organisation across the country. Different regions in China are managed in different ways; thus Chinese companies are embedded in highly diverse and variegated institutional environments.

Diversity of ownership-types and Chinese companies

Before the economic reform, state-owned enterprises (SOEs) represented the dominant form of business organisation in China. In 1978, China's transition to a more market-oriented economy led to the privatisation of many SOEs and the consequent growth of private enterprises. The number of SOEs reduced from 83,700 in 1978 to 6,770 in 2012, whereas the number of private enterprises reached 13 million in 2012 (the National Bureau of Statistics of China). Today, private enterprises in China include the privatised state-owned enterprises as well as the *de novo* private enterprises set up by private entrepreneurs. Meanwhile, foreign direct investors have been permitted to set up their own wholly owned subsidies as well as joint ventures with local partners in China, from the beginning of 1986, which has encouraged the increase of foreign-invested enterprises in China. In 2013, there were 440,609

foreign-invested enterprises, investing about three trillion US dollars in China (the National Bureau of Statistics of China, 2012).

Companies with different forms of ownership face different regulatory and institutional environments. This is particularly true in terms of how companies access bank loans. China's banking system, especially the state-owned banks, has been the main source of corporate financing. However, this banking system is suffering from financial repression instigated by policies and rules that divert formal credit to state-owned enterprises through the state-owned system (Naughton, 2007; Yueh, 2011). For example, the latest available statistics show that loans to private enterprises and self-employed individuals came to a total of RMB422 million in 2008, out of a total loan volume of RMB53.8 billion -- in other words, 0.8 percent (National Bureau of Statistics of China, 2009). In 2012, it was reported that the interest rates on government loans to private companies were 10% to 30% higher than those to state-owned companies (Committee of National People's Congress report, 2013). This negatively affects the development of private enterprises, and creates financial impediments to private entrepreneurs. Under an unfavourable financing situation, most private companies have to operate under hard budget constraints, relying on self-accumulated capital including private savings and loans from family and friends (Rothman, 2005; Tsai, 2002). By contrast, SOEs have much easier and more reliable access to bank loans, and thus have more opportunities to invest in strategic assets and pursue long-term development.

Different forms of ownership also create a great diversity in terms of management practices. Before the transition, SOEs' management was characterised by a so-called 'three irons' system: the iron rice-bowl, the iron chair and the iron wage. The 'iron rice-bowl' suggests that all employees are provided with lifetime employment, healthcare, corporate accommodation and child care through an enterprise-based *danwei* (or work unit) system. The 'iron chair' indicates that people's jobs are centrally planned, and all the managerial positions in SOEs are appointed by the government according to the candidates' technical competence ('expertness') and political soundness

('redness'). The 'iron wages' refers to an egalitarian pay scheme, which is directly administered by the government bodies and predominantly based on workers' age, seniority and loyalty to the work unit (Ding & Warner, 2001). The 'three irons' system had prevailed for several decades in China at the time of the economic reform. However, it is generally agreed that this system is inefficient and is one of the most direct causes of SOEs' poor performance (Benson & Zhu, 1999; Ding et al., 2000; Ding & Warner, 1999). SOEs under this system suffered from under-utilisation of employees, low work-morale and serious financial losses (Child, 1994).

As part of the economic reform, the Chinese government launched a series of systematic reforms of SOEs, among which breaking the 'three irons' system, learning from advanced economies, and developing efficient management models for Chinese companies are emphasised (Hassard, Sheehan, Zhou, Terpstra-Tong, & Morris, 2007; Zheng, 2013). The emergence of Western-style business schools in China and the teaching of Western-style business courses in Chinese universities have helped the spread of business and management ideas and the so-called 'best practices' from the developed countries to Chinese SOEs and privatised former SOEs (Warner & Goodall, 2009). Under these circumstances, it is suggested that the SOEs in China have, in stages, moved away from the 'three irons' system and many of them have introduced a contract labour system, open competition for promotion and a reward system focusing more on efficiency and performance (e.g. Ding et al. 2000; Warner 2009; Warner 1997). Many empirical studies have compared the management practices in Chinese SOEs with the typical practices in western countries, and indicated a hybrid form of management, in which western practices are incorporated but the legacies of the 'three irons' system are still evident due to the poorly developed system for development of management, the old employees who resist changes, and the continuous intervention by government (e.g. Benson & Zhu 1999; Glover & Siu 2000; Hassard et al. 2004).

Unlike SOEs, private enterprises, which emerged and developed quickly after the economic reform, do not carry many features of the traditional 'three irons'

system. These companies are strongly influenced by the management strategies and practices of developed countries, and are keen on adopting performance-based reward system and building employee commitment. Yet, research shows that the development of modern management systems in these enterprises is not even. A few of the most successful companies such as Huawei, Lenovo, TCL and Haier have developed distinctive and sophisticated management systems (Teagarden & Cai, 2009), while a large majority of them is characterised by short-term oriented business goals, nepotistic promotion and succession, and rudimentary management techniques (Cooke, 2005a).

As the main carriers of modern management practices, foreign-invested enterprises (including the joint-ventures and wholly owned subsidies) in China have spurred a lively literature on the integration and transfer of management policies and practices in joint-ventures, as well as between parents and subsidies. Many of them have adopted a contingency approach based on the comparison between practices in the parent companies and those in the Chinese subsidiaries (e.g. Farley et al. 2004; Björkman et al. 2008), while some more recent ones have offered more process-oriented and actor-oriented discussion of these issues (e.g. Gamble 2010; Zheng 2013).

The regional diversity and the diversity of ownership-types in China suggest that China contains multiple types of firms and institutional contexts. There is great flux in how different regions and firms are organised and managed. In this sense, Chinese companies cannot be understood without analysing their specific local institutions, ownership and historical legacies in terms of management practices. In the next part of this section, I introduce different frameworks from a social-institutional perspective.

2.2.2 Approaches to bringing in institutions

There are various models leading the social-institutional discussion. For the purpose of this study, I review two most widely used models, namely the varieties-of-capitalism (VoC) model developed by Hall & Soskice (2001) and the 'national business system' model developed by Whitley (1992).

The VoC literature distinguishes between coordinated market economies (CMEs) and liberal market economies (LMEs). Hall & Soskice (2001) argue that managers have to coordinate their economic activities in at least five different spheres – industrial relations, employee relations, education & training, inter-company relations, and corporate governance. However, the coordination activities need to be done very differently in CMEs on the one hand and LMEs on the other. In CMEs, such as Germany, Japan, Sweden and Austria, the coordination of business activities does not rely solely upon markets, but also on some non-market relationships such as relational contracting, industrial associations and labour unions. In LMEs, such as the US, UK, Canada and New Zealand, the organisation of economic activities is primarily coordinated through the market. Hall and Soskice contend that each society develops complementary institutions that shape the rules by which organisations operate, and the institutional complementarities define the comparative institutional advantages of certain types of capitalism.

The 'national business system' literature demonstrates a close interrelationship between the national business system, institutional characteristics and the firms' capabilities and management systems. Whitley (1992) argues that institutional contexts directly affect the nature of market processes and how economic success can be achieved. Therefore, different modes of business structures and practices become established and dominant in a particular institutional context, reflecting the specific features of that context. Whitley terms the particular configurations of institutional contexts 'business systems', and suggests that each business system combines preferences for particular forms of economic control and coordination. Later in 1999, Whitley (1999) described the characteristics of economic control and coordination systems as having three dimensions: ownership coordination (i.e. the organisation of ownership relations including the primary means of owner control, and the extent of ownership integration of production chains and sectors), non-ownership coordination (i.e. other forms of organisational integration in which authority does not depend on ownership, including the extent of alliance-coordination of production chains and sectors, and the extent of collaboration between competitors), and employment

relations and work management (i.e. employer-employee interdependence, delegation to and trust of employees). Different combinations of these characteristics produce six types of national business systems, which are called 'fragmented', 'coordinated industrial district', 'compartmentalised', 'state-organised', and 'collaborative' and 'highly coordinated'.

Both frameworks emphasise institutional and social factors influencing the work, organisation and employment. In particular, Whitley (1996) has argued for an approach that complements the global supply chain framework with a business system perspective. However, VoC and national business systems have a number of limitations in addressing the specific characteristics of Chinese contexts.

One problem with this approach is that it overemphasises the coherent and unitary models of national capitalism, and thus it does not account for the possibility of within-country variants. This problem has been addressed by several researchers. For example, Katz & Darbishire (2000) identify the spread of four patterns of employment relations (low-wage, HRM, Japanese oriented, jointed team-based) within seven countries, and indicate that different patterns of employment relations can exist in the same country. Morgan (2007) reflects on the role of firms and national institutions under the context of globalisation, and stresses the possibilities of local variants within one national boundary. He argues that, on the one hand, firms are highly innovative and are able to use institutions to develop their capacities and pursue a diversity of approaches. This will result in a growing diversity of organisational structures and strategies within national systems. On the other hand, institutions are not strong enough to direct firms to adopt a single, dominant pattern of behaviour. Institutions themselves can be undermined and reconstructed from within, which provides a great space for firms to develop their own distinctive strategies. Recognising the impact that firms might have on institutions, Hauptmeier's (2012) empirical research on the employment relations in firms in Spain shows that corporate actors with varying ideologies shape the construction of national institutions at the firm level, which results in changes in and diversity of employment relations within

the country. As I discussed above, there are multiple institutional contexts and ownership-types in China, and this suggests the need to pay attention to within-country variations and to investigate the role of actors in the interaction with national institutions.

Another problem with this approach is that it neglects the influence of practices developed in leading economies, sectors or firms, which are termed 'dominance effects' by Smith & Meiksins (1995). 'Dominance effects' can act as 'third-country effects' and influence companies in other countries. In Zheng's (2013) ethnographical study on Japanese MNCs' subsidiaries in China, it is found that the development of subsidiary HR practices is significantly influenced by the 'dominant' practices developed in the leading countries and companies in particular sectors. These 'dominant' models could either be the 'German model' in the household electrical sector or the 'American way' among the synthetic fibre manufacturing units. China is considered as a 'late comer' in business and management and has been keen on learning advanced management practices from developed economies (Child & Tsai, 2005). Therefore, it is pertinent to explore the 'dominance effects' in Chinese companies.

Related, the comparative institutional approach underestimates the impact that organisational learning can have on the management system of international companies. Organisational learning can take place through introducing 'dominant' practices, employing a manager from another country, learning though partnerships, and so on. Beechler et al. (1998) have applied the concept of organisational learning and present four types of learning cycles in organisations, labelled 'exportive', 'adaptive', 'closed hybrid' and 'open hybrid'. The hybrid cycles lead to the modification and innovation of existing practice repertoires. Although this work is based on a rationalist point of view, it does highlight the potential influence of organisational learning, which is under-emphasised in comparative institutionalist studies.

Overall, the regional diversity and the diversity of ownership-types in China suggest that China contains multiple types of firms and institutional contexts. There is great flux in how different regions and firms are organised and

managed. In this sense, it is impossible to generalise one institutional configuration that shapes the management and organisation of all companies in China. That is to say, Chinese companies cannot be understood without analysing their specific local institutions, ownership and historical legacies in terms of management practices. Existing institutional frameworks, which assume homogeneity of national institutions, is insufficient to explain Chinese companies, which are embedded in a much more diverse and variegated institutional environment. In his paper on the field of organisation studies in China, Whetten (2009) distinguishes two usages of context effects. One is to use context effects to contextualise organisation theories, and the other is to use context effects as theories. He also argues that when context effects are used as theories, 'contributions to theory can be characterised as a shift in focus from "looking through the lens" to "improving the lens"' (Whetten 2009, p.35). Given this, this study attempts to extend existing theory by considering the diversity of Chinese institutional contexts, and investigate its impact on the work and employment in Chinese suppliers.

2.3 Understanding workplaces of global suppliers

As I mentioned above, work and employment at workplaces in global suppliers have been discussed in various studies (e.g. A. Chan, 2001; J. Chan, 2013; Frenkel, 2001; Pun & Smith, 2007). In particular, some studies have applied GVC or GCC frameworks and revealed how leading firm power in the chains affect the management and work at their suppliers' workplaces and pay attention to the possibility and potential for these suppliers to upgrade along the chains and improve their employment relations and conditions (e.g. J. Chan, 2013). Despite of this, we still know little about the internal dynamics between managers and employees at suppliers' workplaces, especially employees' experiences at workplaces and their responses to management. This is partly because the analytical unit of GCC and GVC frameworks are firms rather than workplaces (Bair, 2005, 2009), and partly because the majority of extant studies has taken a managerial view, concentrating on global suppliers' strategies, rather than employees' experience and response.

According to the labour process theory (e.g. Edwards 1979; Braveman 1974; Burawoy 1979; Friedman 1977), capitalist employment is essentially exploitative because employers always need to pursue control strategies in order to extract enough profit from employees; thus there is an inherent 'structured antagonism' between employers and employees (P. K. Edwards, 1986). Such 'structured antagonism' between management and labour is more complicated in global suppliers in outsourcing industry because these suppliers often operate in a cross-national context in order to provide both off-shore and on-shore services to their international clients. In this sense, the cross-national operation that embedding in 'different national and local contexts will heighten the differences of meaning and understanding between management and workers' (Edwards & Bélanger 2009, p.194). Employees with different nationalities, ethnicities, work experiences and career orientations have their own interests. For example, Zheng's (2013) study on China-based Japanese subsidiaries reported the 'battles' between local managers in China and expatriate managers from Japan on how to build the employees' canteens. She found that while the expatriate managers from Japan intended to make expatriates a prioritised group by building a raised stage in the canteen for expatriates' use, local managers fought hard against this idea by promoting an 'egalitarian community' and insisting on serving the same food to all employees.

Given the structured conflicts between management and labour, the central topic of workplace relations is about the management's control strategies, and the employees' strategies of survival, negotiation and accommodation at the workplaces. Under an international context, this topic has been discussed in relation to the diffusion of certain models of work organisation cross nationally. For instance, Delbridge (1998) detailed the management control system in a Japanese electrical subsidiary based in the UK and showed that workers' responses to the management control was best characterised as one of 'survival' strategies. Therefore, although there was wide discontent among workers towards management, this did not result in an overt challenge to management prerogatives. By contrast, Elger & Smith (2005) studied Japanese transplant factories in the UK. They showed that there was deep

scepticism among workers about the corporate policies and practices, and workers engaged in informal negotiations with management, or expressed their dissatisfaction by quitting the jobs. The high turnover rate challenged the management prerogatives, and resulted in the modification and adaptation of work practices. This study will follow this line of argument and discuss the management control systems in Chinese suppliers as well as the employees' response to these systems.

In the meanwhile, both management and labour have their bargaining resources and constraints. This means management can deploy resources to support the achievement of its control over employees but at the same time its exercise of control may confront significant contradictions. This is also true for employees, who can use resources to negotiate with management or resist work practices but also face certain constraints. In international firms, these resources and constraints are more diverse and complicated than for companies operating in a single country. This implies that management-labour relations at workplaces cannot be understood without exploring their interrelationships with the structural factors at various levels; hence the importance of a multi-level framework to the study of international companies.

2.4 Research questions and framework

Based on the above reviews of literature, this section first outlines and explains the research questions of this study. It then presents a multi-level approach in this study, which bases on the GVC framework and the system-society-dominance framework developed by Smith & Meiksins (1995).

2.4.1 Research questions

The objective of this study is to understand how Chinese service suppliers construct and develop management practices and employment relations at workplaces in order to meet their international clients' requirements, and how their employees experience and respond to these practices at workplaces. By reviewing global supply chain studies, I argue that the GVC and GCC frameworks have emphasised the power relations between leading firms and

suppliers, thus have important implications in understanding the work and organisation in global suppliers. In spite of this, I identify three limitations of the existing global chain studies. First, existing global supply chain studies tend to highlight the powerful influence of leading firms over their suppliers, whereas there is a lack of research on the dynamics in supplier-client power relations under different governance structures. Second, the GCC and GVC analysis of global suppliers overlooks the national and local embeddedness of the companies in the chains. I argue that the global supply chain analysis should be complemented by a more social-institutional perspective so that to capture the specific features of Chinese context and to allow a holistic understanding of the construction and development of practices at workplaces of Chinese suppliers. Thirdly, there is a lack of studies on the contested workplaces in global supply chains, especially in terms of workers' experiences and responses, management control and resistance. Given these, this study wishes to advance our understanding of global suppliers by dealing with three specific questions at different levels:

1. At the international level, how do different governance structures between clients and suppliers influence the work and employment at the workplaces of global supply firms?

2. At the national level, how is the diverse and variegated form of capitalism found in China reflected in the work and employment at the workplaces of global supply firms?

3. At the workplace level, how are the contested work relations being constructed and developed at the workplaces of global supply firms?

The first question concerns the power relationships between clients and Chinese suppliers within the supply chains under different governance structures. As I will introduce in Chapter 4, the two Chinese suppliers studied in this thesis have respectively developed market-oriented relationship and captive relationship with their clients. Therefore, this study will consider the power relations between clients and Chinese suppliers in market-oriented

value chain and captive value chain, and investigate suppliers' strategies and practices in different types of chains.

The second question deals with the embeddedness of Chinese suppliers at both the national and local levels and its impact on the work and employment of Chinese suppliers, with a special focus on the diverse nature of the Chinese contexts. As I have noted, national institutions and firms in China are far from homogeneous. Instead, as a result of the decentralisation and marketisation of China's economic reform, there is now a great deal of variety in terms of the institutional contexts and types of firms in China. Such within-country variations have two implications for my study. First, instead of simply tracing the effects of *national* institutions, it is more appropriate to understand the characteristics of the *local* institutions and situations including the local labour market, educational institutions, the mode of skills formation, and the organisation of trade unions, and examine how these local institutions constrain and enable the firms' activities, and how Chinese suppliers manage these local situations. In other words, while acknowledging the impacts of the state and the nationwide economic transition, this study will extend the national-level analysis to the local level in different Chinese cities. Second, instead of treating Chinese firms as homogeneous, it is important to ask what sort of Chinese firms is being considered (SOEs, private, or foreign-invested enterprises) and to take account of their specific historical legacies and relationships with national and local institutions.

The third question looks at the workplace dynamics and relations at workplaces in Chinese suppliers. Drawing on labour process theory, the techniques of management control and the resistance and accommodation of employees will be discussed.

2.4.2 A multi-level framework

Given my research questions above, it is clear that my research attempts to understand work and employment in Chinese suppliers by investigating the supplier-client power relations in their contexts at the international, national and local levels. This requires a multi-level approach, which allows me: (1) to

locate supplier-client relationships in the wider context at the international, national and local levels; and (2) to connect various levels of analysis and explore their interactions. In order to achieve these, A framework which draws on both global supply chain analysis and the system-society-dominance-corporate (SSDC) framework developed by Smith & Meiksins (1995) and further extended by Delbridge, Hauptmeier, & Sengupta (2011) is applied in this research.

The global supply chain analysis based on GVC frameworks provides the basis of this study. Different forms of power dynamics between suppliers and clients will be examined under different governance structures in the value chains, and this will allow a comparative analysis on how different governance structures affect the work and employment at suppliers' workplaces.

Meanwhile, the power dynamics within global value chains will be placed within their wider contexts at the international, national, local and corporate levels while taking account of the variegated and diverse nature of Chinese capitalism. In this sense, the SSDC framework provides a holistic approach to both bring in a social-institutional perspective and capture the characteristics of Chinese capitalism.

The SSDC framework, originally proposed as the SSD framework, was initially developed by Smith & Meiksins (1995) to correct the polarisation between convergence and divergence in cross-national organisational analysis. The SSD framework suggests that workplace organisation is shaped by a *three-way interaction*, in which the nature of the political economic system ('system effects'), the societal features within which the workplace is located ('societal effects'), and the characteristics of the dominant economy, leading sectors and leading firms ('dominance effects') all influence work in any country. 'System effects' in this framework refers to the common elements of a certain type of political economy, such as the active involvement of government in economic and managerial affairs within state socialism, or the market-based competition and capital-labour conflicts in the capitalist economic system. In addition, 'system effects' also refers to the forces that transcend national borders and have fundamental implications for industrial society, such as the

development of global science and technology. 'Societal effects' is closely allied to the arguments of the comparative institutional approach, but recognises the possibilities of internal dissonance and of conflicts within the national boundary. 'Dominance effects' refers to the 'best practice' generated and diffused by the 'society-in dominance' within the global economy at a particular period of time. It reflects the 'the uneven nature of economic development and economic power', and explains the 'tendency for one society to take the lead in evolving work organisation and business practices considered more efficient than those operating within other countries' (Elger & Smith 2005, p.66).

Elger & Smith's (2005) book *Assembling Work: Remaking Factory Regimes in Japanese Multinationals in Britain* offered a detailed and sophisticated application of the SSD framework. This book was based on case studies of Japanese-owned subsidiaries in the West Midlands of England, and discussed the ways in which these subsidiaries' work and employment practices had been developed over time. It not only illustrated how the effects of globalising capitalist forces, national institutional environments and 'best practices' shaped the diffusion of Japanese practices into the UK, but more importantly, revealed how these structural pressures are negotiated and mediated through corporate actors. In particular, Elger & Smith emphasised the fact that the ways in which specific subsidiaries are positioned within the wider corporate strategies of their MNCs had significant impacts on their organisational practices, and showed how different types of subsidiaries (i.e. transplants, hybrids and branch plants) influenced the workplace practices and employment relations within the MNCs.

Drawing on the insights of Elger & Smith's (2005) discussion, Delbridge et al. (2011) extended the SSD framework by introducing a fourth element, termed 'corporate effects', thus producing the SSDC framework. Specifically, 'corporate effects' refers to the 'systematic but negotiated influence of the corporate parent on workplace level practices and employment relations' (Delbridge et al. 2011, p.485). This extended SSDC framework links the macro- and meso-level analyses on globalisation, political economy and

national and local institutions with corporate dynamics, thus offering a more powerful and comprehensive approach through which work organisations and practices may be assessed and explained.

Applying the SSDC framework to this study, 'system effects' concerns the generic features of capitalism such as property rights, types of ownership, capitalist employment relations and globalisation. In particular, 'system effects' allows me to analyse the transition of Chinese economy from a central-planned system to a market-oriented system, and to examine how this transition leads to changes and continuity in different cities in China and Chinese management system. System effects are institutionally mediated and are subject to uneven development across countries, industries and firms, which points to societal effects and dominance effects. 'Societal effects' considers institutional arrangements at both national and local levels. It is at this point that the diverse and variegated nature of Chinese capitalism will be explored, and the within-country variations will be highlighted, and the institutional homogeneity assumed VoC and national business systems will be corrected. 'Dominance effects' examines the influence of 'best practices' from dominant societies, leading industries and leading firms. It captures the 'late development' of Chinese economy and companies and will lead me to examine the influence of 'best practices' from dominant societies on Chinese companies. While the 'corporate effect' emphasises the HQ-subsidiary relationships within MNCs, in this study, the notion of 'corporate effect' mainly refers to the process through which the corporate strategies in Chinese supply firms are constructed and developed. In other words, 'corporate effects' examines the construction and development of the corporate strategy in responding to the market and institutional changes and their impacts on the work and employment at workplaces.

Combining the SSDC framework and the GVC analysis, the multi-level framework applied in this study is illustrated in Figure 2.1. The analysis of supplier-client relationships within global value chains will be complemented by the discussion of the SSDC effects at the international, national and local levels. This study will explore how power relations in the supply chains and

the SSDC effects are brought together and manifested at workplaces in Chinese suppliers, as corporate actors (managers and employees in different workplaces) respond to, struggle over and manage these structural forces.
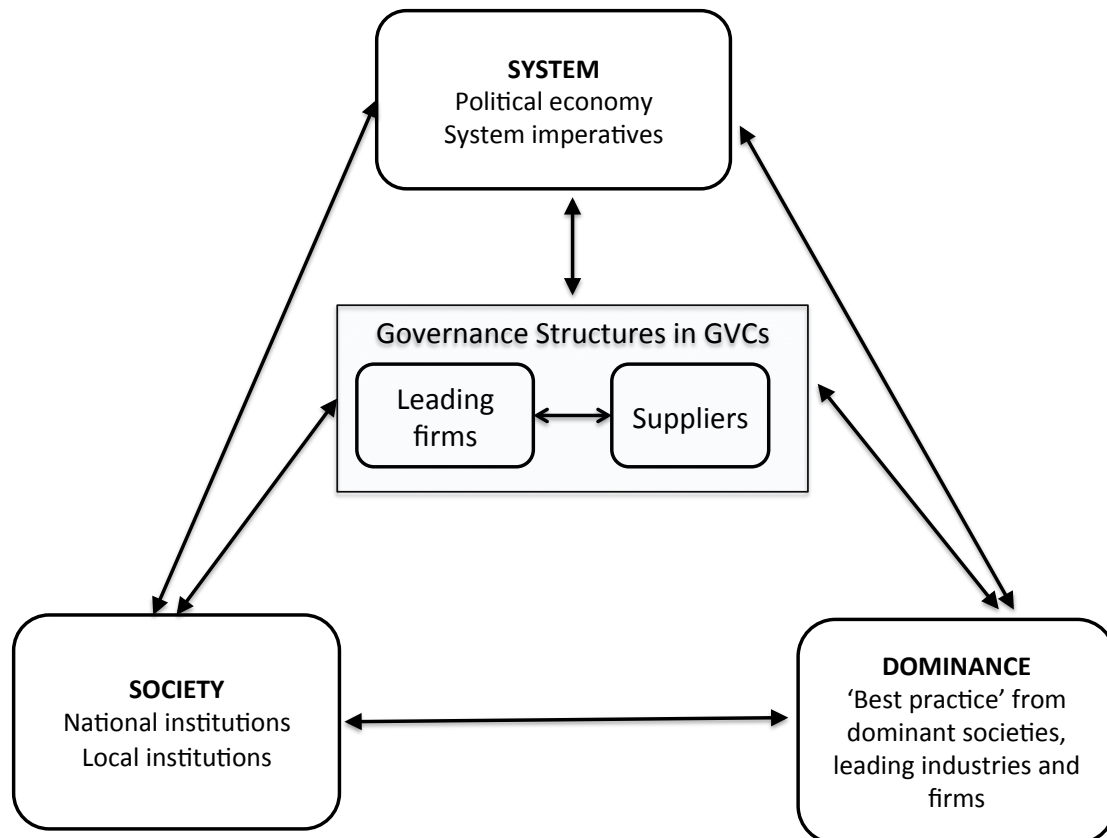
Figure 2.2 A multi-level framework

2.5 Conclusion

This chapter has reviewed existing research in global supply chains and global suppliers, particularly the GCC and GVC frameworks. I find that the GVC analysis fits well with my research subject as global suppliers since it emphasises the importance of power relations between leading firms and suppliers in global supply chains. However, I identify three limitations of the existing GVC analysis, namely, the lack of comparative study on power relations under different governance structures, the neglect of social-institutional perspectives taking account of the specific characteristics of the

Chinese context, and the insufficient attention paid to the internal dynamics at workplaces between managers and employees.

To address these gaps, I propose a multi-level approach and place the supplier-client relationships in global value chains within its wider context at the international, national and local levels. An SSDC framework, combined with the GVC analysis, will be adopted in this study.

Chapter 3 Researching the global supply firms: the cases of Data-Co and Software-Co

I have stated in the preceding chapter that this study will adopt a multi-level approach to understanding the construction and development of management, work and employment in global suppliers. This approach attempts to link the structural forces at international, national and local levels with the corporate actors' strategies and actions at the corporate and workplace levels. While the preceding chapter proposed that the framework that draws upon both the GVC analysis and the SSDC framework is an appropriate theoretical framework to form the basis for undertaking this multi-level study, this chapter focuses on the methodological issues involved in this study. and specifically, in investigating the proposed research questions (here repeated from the previous chapter for ease of reference):

1. At the international level, how do different governance structures between clients and suppliers influence the work and employment at the workplaces of global supply firms?

2. At the national level, how is the diverse and variegated form of capitalism found in China reflected in the work and employment at the workplaces of global supply firms?

3. At the workplace level, how are the contested work relations being constructed and developed at the workplaces of global supply firms?

This chapter is divided into five sections. In the first section, I demonstrate that this study adopts a critical realist perspective and discuss its implications for my research focus, object and approach. In line with the critical realist ontology, a retroductive research strategy is adopted, following Houston's (2010) steps to achieve retroduction. The third section discusses the research design and the processes of data collection. This research was conducted through a comparative case study of two Chinese service providers, which are involved in international contracting with Japan in two different forms of global value chains (i.e. market-based value chain and captive value chain), and

operate in both China and Japan. Data presented in this research were collected from four work-sites of these two companies in both their Chinese and Japanese workplaces , using a mix of observational, informal conversational and semi-structured interview data. In the fourth section, I discuss the data analysis and coding process. In the fifth section, I introduce the two case companies, Data-Co and Software-Co, making particular reference to their local environments, Chinese and Japanese workplaces, organisational structures and hierarchies, and unions.

3.1 A critical realist perspective for understanding global suppliers

A clearly defined ontological standpoint provides a set of assumptions about reality and knowledge. It is of fundamental importance because it provides a set of foundational orientations that shape the ways in which certain studies should be undertaken, including the choices of research strategy, research methods, data collection and the systems of data analysis. Within the broad subject area of international management, researchers have, implicitly or explicitly, adopted a variety of ontological perspectives for understanding the management and organisation of companies that involve in international production and international firms. For example, scholars following a contingency theory normally take a positivist perspective by proposing that organisational and environmental contingencies will 'determine' which strategy and practice international companies should adopt. In Taylor's (1999) study on the patterns of control within Japanese plants in China, the author states his research objective as being 'to determine what affects the degree of control…and to what extent control is related to the degree of…' (p.858) In other words, the author is interested in the cause and effect relationships between certain analytical variables (such as the location, size, sector and share ownership of the plants) and the patterns of management control in companies. Such a positivist approach assumes an ordered social reality which is made up of a series of discrete events that can only be identified through one's sensed experiences. The order of this social reality can be presented in the form of empirical regularities (Blaikie, 2000). By contrast, scholars who take the approach of constructionist ontology emphasise the

constitutive role of language and discourse in organisations, paying particular attention to the discursive practices and linguistic aspects of companies. They tend to reduce the social reality to a discursively manufactured inter-subjective construct, and assume that this social reality can only be accessed and understood through the linguistic and discursive tools (Gergen, 1994). Unlike the positivist and constructionist studies, the research focus, object and approach of this study are informed by a critical realism (CR) perspective, in particular by the CR of Roy Bhaskar (1975) and Margaret Archer (1995).

In the first place, CR states that there is a reality out there independent of our knowledge of it, and that it is stratified and differentiated into three domains: the empirical, the actual and the real (Bhaskar, 1975). The domain of the empirical consists of empirical events that actors can observe. This is the level of actors' sensations, perceptions and experiences of reality. The domain of the actual includes events, whether observed or not. These events can happen, yet not be experienced in the domain of the empirical until actors have identified them correctly. Beneath the domain of the actual is the domain of the real. The domain of the real is 'the realm of objects, their structures and powers' (Sayer, 2000, p.11). The structured objects with their causal powers in this domain have capacities and tendencies to produce outcomes, which may lead to perceivable events if activated. The processes by which these structures generate events are understood as the 'generative mechanisms'. It is this domain of the real that has central importance in CR research. It requires researchers to 'dig' beyond the domain of the empirical so as to identify and understand the structures and causal powers in the domain of the real. Based on this assumption, the focus of this study does not stop at the discursive and linguistic aspects of global suppliers, nor does it purely concentrate on empirical observations of them. Rather, the central focus of this study is how multiple underlying structures play out through different levels and come to manifest in global suppliers that operate cross-nationally. In this sense, the SSDC framework adopted in this study provides a way to integrate the social structures at international, national and corporate levels, and to examine their manifestations and impacts in the domain of the actual and the empirical.

In the second place, CR posits that social reality operates in an 'open system', in which there are many structures, with their own distinct generative mechanisms, operating simultaneously (Bhaskar, 1975). Some mechanisms reinforce each other and some contradict each other. As Danermark, Ekström, Jakobsen, & Karlsson (2002) note, the effect of a particular generative mechanism may be affected, reinforced, weakened, or sometimes neutralised by the effects of other mechanisms. Such combined effects of mechanisms indicate that we can never 'predict' the outcome of any intervention. Those mechanisms produce 'tendencies', rather than 'determined outcomes'. This principle has implications for the research object of this study. That is, the purpose of this study is not to identify the cause and effect relationships between the management policies and practices in global suppliers and their internal and external environments. Rather, it aims to understand and elucidate the structures and processes that generate the events and actions in suppliers and their workplaces within particular contexts.

In the third place, society consists of two separate but related phenomena: acting people, who have intentions and can act, and social structures, which cannot act. Given CR's focus on social processes and structures that generate events and actions, the relationships between social structures and acting people have been a focal point for description, explanation and understanding in CR research (Reed, 2009). According to Danermark et al., (2002) and Archer (1995), there are four main approaches to conceptualise and treat this relationship in social science. The first approach is known as a 'downwards conflation', in which social activity is understood as the determinant result of social structures, and the actions of individuals can be traced back to their positions in different structures (Archer, 1995). Such an approach over-stresses the influence of social structures on social activity and human behaviours. The second approach is opposite to the 'downwards conflation' approach, and is termed 'upwards conflation'. In this approach, structures become epiphenomena of social agents, and they cannot be distinguished as independent phenomena with autonomous and independent powers. As Gamble (2010) comments, while this approach provides a useful corrective to the structural determinism of organisation studies, it is 'too free

floating, unattached and uninhibited by structural constraints' (p.710). The third approach is represented by the structuration theory of Anthony Giddens (1984). Giddens argues that structure and agency constitute one another in such a way that one cannot be separated from the other. Therefore, instead of seeing agency and structure as separate entities, researchers should talk of the structure-agency duality and a process of structuration. This structuration theory results in what Archer (1995) calls a 'central conflation'. As Danermark et al. (2002) and Layder (2006) comment, acknowledging that agency and structure are mutually constitutive does not provide a way to understand the structure-agency link. Instead, since the agency and structure are not analysed as phenomena possessing powers and mechanisms, the structuration analysis denies the concepts of emergence of events and actions in social contexts and artificially 'flattens' the social world into a single dimension (Danermark et al., 2002; Layder, 2006). Because of this, it is impossible to examine the different, yet linked, contributions of agency and structures to the formation and reproduction of social processes.

Archer (1995) introduces the fourth approach, which she calls 'analytical dualism'. She contends that 'structure and agency can only properly be linked by teaming the interplay between them over time and that without the proper incorporation of time the problem of agency and structure can never be satisfactorily resolved' (Archer 1995, p.65). In other words, analytical dualism: (1) considers structure and agency as analytical distinctions without emphasising one over the other; (2) places the fundamental model of structure and agency into a time dimension. It is thus suggested that structure and agency are two different strata with separate powers and mechanisms -- structures constrain and enable the actions of the agents, and agents reproduce and transform the structures. This interplay between structure and agency can be examined over time.

In this study, I follow Archer's approach of analytical dualism. I acknowledge that the activities of corporate actors are constrained and enabled by the structural forces they face. Meanwhile, I hold the opinion that the activities of corporate actors cannot be simply read off from the structural influences – as

a 'downwards conflation' approach would assume. Rather, corporate actors in suppliers operate within plural institutional settings and have specific relationships with the structural forces that they face. These relationships in turn inform how corporate actors might respond to and act within their contexts. It brings corporate actors to the fore, and links structural influences with the power struggles and political processes among corporate actors.

In sum, the stratified ontology of CR informs this research's focus on the underlying structures that tend to shape the management and organisation of global suppliers. The idea of social society as an 'open system' in which multiple generative mechanisms interplay at the same time implies that the purpose of this study is to understand and elucidate the structures and processes that generate the events and actions in suppliers under particular contexts. The 'analytical dualism' provides an approach to examine the relationships between structure and agency over time.

3.2 Research strategy: retroduction

As noted above, CR supposes that the 'real' world is not directly observable and accessible. Therefore, the influence of structures and generative mechanisms can only be read through the recurring patterns of actions in the domain of the actual, and the sensed experiences in the domain of the empirical (Sayer, 2000). In this regard, CR adopts a retroductive research strategy, which involves 'working back' from the identification of observable phenomena, to theoretically postulated structures and causal powers that have capabilities to generate these phenomena (Danermark et al., 2002; Sayer, 2000).

The retroductive strategy contrasts with the inductive, deductive and abductive strategies, which are also widely adopted in both natural and social science. Inductive (observe and generalise) and deductive (hypothesise and test) strategies are normally associated with positivism, which primarily aims at searching for empirical regularities. They are not appropriate for CR research because neither of them gives any guidance on how researchers can, from observing particular phenomena, gain knowledge of the deep

structures and mechanisms that produce these observable phenomena (Danermark et al., 2002). Abduction focuses on the recontextualisation and reinterpretation of the motives and accounts of actors involving in particular social situations. According to Danermark et al. (2002), abduction does involve the search for deep or hidden influences of structures, and it could be used complementarily with a retroductive strategy in CR research as a way of theoretical redescription. In spite of this, this study will adopt solely the retroductive strategy because it is the most commonly used strategy in CR research, and it fits with my research agenda.

Specifically, this study applies Houston's (2010) stages of retroduction (Table 3.1). In the first stage, Houston suggests that researchers who conduct retroduction should ask transcendental questions, which are concerned with the underlying structural forces such as 'what must be the case in order for events to occur as they do?' (Houston 2010, p.83-84) In the second stage, Houston argues that in order to answer transcendental questions, researchers need to provide 'a priori' hypotheses to explain what has been observed. These hypotheses may draw on logical inferences and theoretical concepts. At the third stage, researchers need to collect evidence to confirm, deny or modify the hypothesis. At this stage, mixed-methods are important to 'capture the complexity of the objective and subjective dimensions of social life' (Houston 2010, p.84). At the fourth stage, researchers look to reaffirm the earlier hypotheses in order to answer the transcendental questions. Explanatory hypotheses may be refined, redefined or reformulated, and then further evidenced to a saturated point, where 'there is a robust connection between the hypothesis and the patterns of social activity observable in the empirical world' (Houston 2010, p.85). The final stage involves the instigation of emancipatory actions to counter oppressive mechanisms. This stage is not included in the research agenda of this study.

Table 3.1: Steps of retroduction

	Retroduction
Step One	Asking a transcendental question
Step Two	Developing a priori hypotheses to address the question in terms of: (a) the generative mechanisms at play, (b) the role of 'agency', 'time' and 'context'
Step Three	Seeking for evidence in favour of hypotheses by looking for the effects of mechanisms and their interplay with 'agency', 'time' and 'context'
Step Four	Refining, confirming, falsifying or reworking hypotheses and seeking more evidence
Step Five	Instigating emancipatory action to counter oppressive mechanisms and activating enabling mechanisms

Source: Houston (2010, p.83)

The following sections detail how this study has followed the retroductive steps proposed by Houston (2010). Steps one and two will be explained in this section, and steps three and four will be detailed in the following sections.

Step One: Transcendental questions

All research questions in this study point to the manifestations and impacts of structures (in the domain of the real). The first question considers how the nature of a global supply chain under global capitalism and the various governance structures with chains comes to manifest in specific ways within Chinese supply firms. The second question examines the 'societal effects' of China on Chinese service providers. The third question deals with how structural forces at the international, national, local and corporate levels play out and shape the labour process and employment relations of workplaces in Chinese supply firms. As such, all research questions seek to get a grasp on deep level structural forces (i.e. governance structures in GVCs and the

SSDC effects), and investigate how their causal powers shape the management and organisation of global suppliers and affect the lived experience of people in suppliers, and how the causal powers of corporate actors both maintain and inform social structural manifestations.

Step Two: Development of hypothetical relationships among theoretical concepts

In this study, the SSDC framework, combined with GVC framework, are utilised to generate hypotheses. From a CR perspective, the SSDC effects are considered as generative mechanisms that could give rise to certain empirical tendencies within suppliers and their workplaces. The first research question relates to the implication of different governance structures on the power relationships between leading firms and supply firms, and on the management, work and employment at the workplaces of supply firms. The concept of 'governance structures' suggested in the GVC framework was proposed in the literature review as a useful concept to capture the power relations between leading firms and suppliers within global supply chains. The impact of global supply chains and the governance structures in different forms of global supply chains manifest at the corporate level as different patterns of governance structures and supplier-client relationships within different contexts (of time and space). These supplier-client relationships influence the construction and development of the management and organisation of global suppliers, and, at the same time, the corporate actors manage and react to these supply chain relationships in their own interests and needs. Therefore, it is hypothesised that the different governance structures with value chains lead to different supplier-client relationships, and these may influence the management and organisation of global supply firms, and at the same time, these influences are managed and mediated by the corporate actors within the supply firms.

The second question asks how the structural forces at the international and national levels are manifested and play out in Chinese supply firms in different forms of global supply chains. In particular, it aims to investigate the institutional factors that surrounding the Chinese firms. Compared to the

stable, consistent and institutionalised forms of capitalism prevalent in many developed countries, it is hypothesised that the diverse and variegated form of Chinese capitalism manifests and plays out in various ways across different areas of China and in different types of firms. Thus, the manifestations of the 'societal effects' in China should be analysed at the local level, with particular attention paid to the specific types of firm.

The third question concerns the active and contested construction of workplace relations in global suppliers . The management policies and practices in global suppliers are, on the one hand, shaped by the SSDC effects, but, on the other hand, negotiated between management and labour. While management and labour both face constraints from the social environments in which they are embedded, they may also mobilise local resources to negotiate with each other and to support their own interests. In this sense, it is hypothesised that the combined effects of SSDC and their dynamic with management and labour in suppliers will shape the specific features of labour processes and employment relations within a specific context.

The third step for retroduction involves seeking evidence for these theoretical and hypothesised relationships. I therefore explain the research design and data collection methods for doing so in the following section.

3.3 Research design and data collection

While Sayer (2000) argues that CR is compatible with a wide range of research methods, he stresses that the particular choices of research methods 'should depend on the nature of the object of study and what one wants to learn about it' (p.19). My research focus is to develop a multi-level approach to understanding how social structures and generative mechanisms manifest themselves in specific contexts, and influence the management and organisation of global suppliers in China. The interplay between systemic, societal, dominance and their effects on Chinese suppliers can only be understood by accessing the understanding and experiences of managers and employees under specific contexts, and by investigating how corporate

actors respond to, struggle over and make use of these structural forces at a given point in time and space. In this sense, this study adopts an 'intensive' research design, which uses case study as the research strategy, and collects a combination of observational and interview (informal and formal) data.

'Intensive' research design, which focuses on one or just a few particular cases in context using interviews, ethnography and qualitative analysis, contrasts with 'extensive' research design, which employs large scale surveys, formal questionnaires and statistical analysis (Sayer, 2000). In the following parts of this chapter, the selection of research sites, research access and data collection are discussed in detail.

3.3.1 Selection of research sites

The selection of research sites is basically informed by my research questions and the hypothesised relationships mentioned above. First, since this study is interested in the governance structures between leading firms and suppliers and their impact on the management, work and employment of suppliers, it is sensible to choose companies which are heavily engaged in global supply chains. For this reason, companies in the international service outsourcing sector have been chosen, because they are, by nature, involved in international production networks, and supplier-client relationships are of fundamental importance to the survival and growth of these companies. Japan has been one of the earliest and the most important clients of China's offshore industry, and this underpins my choice of Japan as the host country in this study.

Second, comparison is a key element of this study. In particular, two contrasting types of governance structures are examined in this study, namely the market-based GVC and the captive GVC. These different GVC governance structures lead to different power relationships between suppliers and their clients, which offer a comparative base for this study. Market-based GVC is primarily governed by price, and represents the arm's length relationships between clients and suppliers. Since market-based GVC involves easily codified transactions, simple product specifications and

capable suppliers (Gereffi, Humphrey, & Sturgeon, 2005), clients are allowed a clean hand-off and do not tend to intervene and involve much in their suppliers' daily operation. Captive GVC, however, involves suppliers with low levels of capabilities and thus highly dependent on the powerful client company. Therefore, suppliers within captive chains are frequently featured by a high degree of monitoring and control by the leading firms in the chains. These two GVC structures have significant implications on the power relations between suppliers and clients. Specifically, since the costs of switching to new partners are very high to suppliers in a captive GVC, it is supposed that the clients are more powerful than suppliers and the power asymmetry between them are evident. By contrast, power asymmetry between clients and suppliers in a market-based GVC is less evident largely because the switching costs to new partners are low for both parties. Comparing the work and employment of suppliers in these two contrasting value chains will advance our understanding the effect of the supply-chain governance structures on the work and employment in suppliers.

While recognising that Japanese clients are the main actors in this study, Japanese clients are not directly accessed in this study. This is because that this study focuses on exploring how different supplier-client relationships impact the management practices at suppliers' workplaces and how Chinese supply firms organise themselves to meet the demands of the Japanese clients. The discussion of 'governance structures' in global supply chains offers a way for us to understand the power relations between suppliers and clients without directly access the clients.

Third, in line with my interest in the Chinese context, and the assumption that the diverse and variegated forms of Chinese capitalism manifest and play out in various ways across different areas of China and in different types of firms, the research design of this study basically involves two different types of Chinese MNCs (private firm versus state-owned firms) in a similar but differentiated outsourcing sector (information processing service outsourcing versus software service outsourcing), in different parts of China (Dalian City versus Shanghai City), but both investing and having overseas offices in

Japan. That is to say, the comparison in this study is not based on different 'home' or 'host' countries of international companies. Rather, I am more interested in how different corporate variations and local variations influence the management and organisation within Chinese companies. Details of the two cases in my study, Data-Co and Software-Co, are illustrated in Table 3.2.

Third, in order to explore the contested nature of workplaces and to compare the workplaces in different locations within different countries, this study involves researching the workplaces in both China and Japan. A great deal of research on international firms relies on data from just one or other out of HQs or overseas offices or subsidiaries. While this has the benefit of being less demanding in terms of gaining access, and of research funding and communications skills, it has been criticised for 'methodological separatism' (Yeung, 1995). Neither HQs nor overseas offices/subsidiaries may be assumed to be the sole source of evidence because both HQs and overseas offices/subsidiaries are likely to be ignorant or mistaken about the 'reality on the ground' in the other units (Mezias, Chen, & Murphy, 1999). In order to capture the complexity of international firms as a whole and to better understand the interaction between their workplaces in different countries, I conducted cross-national research at both the Chinese and the Japanese workplaces of both Data-Co and Software-Co. This includes four research sites: the Chinese workplace of Data-Co in Shanghai City, the Japanese workplace of Data-Co in Tokyo, the Chinese workplace of Software-Co in Dalian and the Japanese workplace of Software-Co in Tokyo.

Table 3.2: Company profiles of the cases

Pseudonym	Data-Co	Software-Co
Location of HQ	Dalian, China	Shanghai, China
Main business	Offering information processing services such as data processing, computer-aided design (CAD), desktop publishing (DTP), for Japanese organisations	Software programming and maintenance services for Japanese organisations
Ownership	Private Chinese company	Previously a Japanese-Chinese joint venture, then became a wholly state-owned Chinese company in 2001
Established	1992	1991
No. of employees in the Chinese workplace at time of main fieldwork	1000+	850+
Location of Japanese office	Tokyo, Japan	Tokyo, Japan
Japanese office established	2003	1991
No. of employees in Japan at time of main fieldwork	About 55 at time of main fieldwork. Among them, ten permanent employees, four of whom were Japanese, working in the Japanese office. The other 40 were expatriates who worked at clients' worksites.	About 110 at time of main fieldwork. Among them, six permanent employees, three of whom are Japanese, working in the Japanese office. The other 100 were expatriates who worked at clients' sites

3.3.2 Access and phases of data collection

Given the research questions and the intensive research design of this study, it was necessary for me to enter into the specific context, in order to understand how independent actors interact with each other and with the environment in which the organisations are embedded. Therefore, quantitative survey-based methods have not been chosen for this study. Rather, a combination of qualitative methods, including observations, formal interviews and informal conversations appeared to be appropriate for my data collection. This allowed me to become immersed in the workplace realities and to build knowledge of the construction and implementation of organisational practices, and to get first-hand information about employees' daily experiences. This part of this chapter explains generally how I accessed the workplaces and the four phases of my data collection, whereas the details on how I collected these data will be discussed in the next two parts.

Given my demanding requests to engage in observations and interviews with a wide range of employees at both the HQs and the Japanese workplaces, gaining access and negotiating the scope of access was a continuing and challenging process. Managers often had their own agendas and concerns about granting access. For example, in the Chinese HQ of Data-Co, I was cast in a counselling role by management (two weeks in to my fieldwork), and I was expected to help its HR department improve their employee appraisal system. This ascribed role provided me free access to talk to a wide range of managers and workers. In Software-Co, managers were quite cautious about participant observation, so I was not allowed to work with their employees on a daily basis. However, I lived with many employees of Software-Co in their company accommodation during my stay in Japan. This provided me sufficient opportunities to talk with them, and I gained interesting insights into their daily life. I realised that my presence and interaction in observation and interviews would potentially affect people's behaviour and responses, and thus issues regarding reflexivity on the part of the researcher will be discussed later when I detail how I collected data. In order to protect the

confidentiality of the companies and the anonymity of my informants, all the names used in this thesis are pseudonyms.

Generally speaking, my data collection comprises four intensive phases (Figure 3.1), which I will discuss in detail one by one.

Phase 1 - Cardiff, UK	Phase 2 - Dalian, China	Phase 3 - Tokyo, Japan	Phase 4 - Shanghai, China
•March-May 2011 •Secondary data study on the international service outsourcing industry •15 telephone interviews with informants in Data-Co	•15th May - 15th July 2011 •Participant observation in the HQ of Data-Co •35 interviews	• 17th November 2011 - 7th January 2012 •Observations in the subsidiaries of both Data-Co and Software-Co •15 interviews in Data-Co, 44 interviews in Software-Co	•10th January - 25th February 2012 •Observations • 38 interviews with informants from the HQ of Software-Co

Figure 3.1: Phases of data collection

During the first phase between March and May 2011, I did pilot interviews with fifteen informants from Data-Co, twelve of them from the Chinese workplace and three of them from the Japanese workplaces. This phase was crucial for the development of this research, for three reasons. First, I gained a deeper understanding of the international service outsourcing industry and the general features of Chinese companies in this industry. Interviewees confirmed that outward FDI was a general tendency for companies in this industry, and a large number of companies in this industry were, or had been, engaging in internationalisation. Along with a large amount of governmental and media reports that I read during this period, these pilot interviewees reassured me that the international service outsourcing industry was an appropriate industry for the study of Chinese supply firms. Second, these initial interviews provided important information regarding the company's history, organisational structure, business model and approaches to internationalisation. In particular, these interviews revealed the existence of some tensions and conflicts between the Chinese and Japanese workplaces,

which made this case very interesting. Third, through the process of pilot interviews, the CEO of Data-Co, whom I approached through the social media website 'Linkedin', got a clearer idea of my research focus, as well as my speciality in international management and human resource management. After the pilot interviews, he finally accepted my request to visit the Chinese workplace for a period of time.

My participant observation in Data-Co's Chinese workplace began at 8.30am on 15th May 2011. The administrative manager introduced me to the HR department as a PhD researcher, and I was allocated a desk in one of the HR offices with three other members of staff. Although some British tea and snacks I brought to the office did help to break the ice between me and my new officemates, I was soon left unnoticed when everyone went back to work. At lunchtime, one of my officemates took me to the company canteen and we had lunch together. She was very curious about my purpose in coming to the company and my relationships with her managers. I felt that my officemates were nice to me because they thought I knew their managers and CEO very well, but, at the same time, they were extremely cautious about talking about anything related to the company and the management. During the first two weeks of my fieldwork, I was not assigned any task, and I did not have permission to visit other departments or interview people beyond the HR department. However, I did manage to build friendly relationships with my officemates and with other people in the HR department through my regular presence from 8:30am to 5:30pm every day, chatting over lunch, and offering help with business chores such as copying, faxing and delivering things. They gradually got to know how I had come to know their CEO and entered into the field, and got a basic idea of my research topic. They started showing respect for my research, and would enjoy talking with me about their work. At the end of the second week of my fieldwork, I got involved in some in-depth conversations about HR-related issues in the company, through which I learnt that the HR department was attempting to improve their employee appraisal system and was hoping to get some professional advice on how companies from advanced economies developed their employee appraisal systems. Under these circumstances, I told the manager and the HR department that I

would like to participate in the project of employee appraisal system if they would provide me with access to visit and interview employees. They accepted my proposal. From then on, I stepped out of the HR department, and was allowed to move freely within the company. I endeavored to arrange formal and informal interviews with people during my visits to different departments and workplaces, upon the reference of the manager. Most informants were very supportive and showed some respect for what I was doing. They were willing to share their experiences, and often introduced me to other people for more interviews. Apart from the formal interviews, I also spent time having informal conversations with workers over lunchtime, breaks and sometimes dinners. I was allowed to attend managerial meetings, daily briefings and other activities, which offered many interesting insights into the decision-making and management processes in Data-Co.

After my fieldwork in Dalian, I spent several months (August-November, 2011) negotiating access with the second supply firms: Software-Co, and arranging my trip to Japan. During the third phase of my fieldwork in Japan, I stayed in the company accommodation of Software-Co, and spent most of my time interviewing people from Software-Co, formally and informally. I visited Software-Co's Japanese office in Tokyo and interviewed all six employees (three Japanese and three Chinese). Since the expatriates from Software-Co worked at three different locations depending on their clients' requirements, I travelled around different locations in order to hear different 'voices'. Although I was not allowed to visit the expatriates' workplaces and observe their daily work, staying in the company accommodation and participating in their leisure activities during their spare time during the week and at weekends enabled me to build close relationships with these expatriates, and to better understand their daily lives. This also allowed time for me to discuss some issues in a more casual way, and to get to understand their concerns about and evaluations of the management system within their company.

During my stay in Japan, I also paid several visits to Data-Co's Japanese office. My previous participation in the Chinese workplace of Data-Co had gave me lots of opportunities to contact people in the Japanese workplaces

on the telephone and through emails, which, in turn, led to a very smooth and rewarding fieldwork in its Japanese workplaces. I conducted interviews with people, and was invited to join their 'Company Away Day', which deepened the level of my observation.

The last phase of my fieldwork took place in Shanghai, China, where Software-Co's HQ was located. Interviews with a wide range of employees in Software-Co constituted the primary research method during this phase, but these were coupled with opportunities for non-participant observation, informal conversations and collecting corporate documents.

At the conclusion of these four intensive phases of data collection, I had collected a large amount of data in both the HQs and the workplaces of both Data-Co and Software-Co (see Table 3.3). The sources of my data included company documents, on-site observations, formal interviews and informal interviews at the workplaces, canteens, dormitories, after-dinner gatherings and all sorts of entertaining activities. After the intensive on-site fieldwork, I maintained communication with each company. Several follow-up interviews were conducted to address issues upon which I needed more information, and to update my accounts.

Since corporate documentary data are general and basic, they are only used here as background information concerning each company and the industry. In what follows, I detail how I collected data through observation, informal conversations and formal interviews.

Table 3.3: Data sources

Research sites	Data-Co (Chinese HQ)	Data-Co (Japanese workplaces)	Software-Co (Chinese HQ)	Software-Co (Japanese workplaces)
Semi-structured interviews	43 (including eight telephone interviews)	15 (including three telephone interviews and four with Japanese	38	44 (three with Japanese)
Informal conversations	Yes	Yes	Yes	Yes
Observation	Two-month participant observations	Non-participant observations	Non-participant observations	No
Corporate documents	Yes	Yes	Yes	Yes

3.3.3 Collecting data through observation and informal conversations

Observations and informal conversations are important sources of data in this study. Data gathered include (1) participant observational data gathered at the Chinese workplace of Data-Co; (2) non-participant observational data gathered when I attended managerial meetings, daily briefings, and visited workplaces and so on; (3) spontaneous, informal conversations in offices, canteens, hallways, accommodation, or during various entertaining activities.

Scholars have different opinions on whether and how accounts generated from observation and informal conversations can be used as a valid source of research data. For positivists, observational and informal data are subjective, and thus cannot be used as valid data for explanation; they are social products that are to be explained. For constructionists, observational and informal data are part of the natural and interactive data, which constitute the

social world. Therefore, these sorts of data are much appreciated and not subjected to critical scrutiny as to its validity. From a CR perspective, I adopt Hammersley & Atkinson's (1995) view that that the validity of 'insider accounts' gathered from observation ('unsolicited accounts') and informal conversations ('solicited accounts') cannot be taken for granted but are to be subjected to critical scrutiny. They suggest two complementary ways to read and critically evaluate such 'insider accounts'. First, it is necessary to understand the 'information' provided by informants, which refers to events, activities and processes that researchers wish to analyse. Second, the validity of such 'information' should be assessed by considering the 'perspectives' of the informants, including their standpoints, concerns, contexts and so on. As Hammersley & Atkinson (1995) pointed out, 'the more effectively we can understand an account and its context – the presuppositions on which it relies, who produced it, for whom, and why – the better able we are to anticipate the ways in which it may suffer from biases of one kind or another as a source of information' (p. 126).

Bearing this in mind, I paid particular attention to the specific contexts under which certain events were observed as well as the 'perspectives' of the informants. For example, working in the HR office of Data-Co gave me opportunities to listen to conversations between workers and HR employees, providing rich accounts regarding workers' discontents and concerns, and the HR people's responses to the workers. While recording these conversations in my field notes, I always tried to get more information about the workers who were involved in the conversations, such as their departments, their team leaders, why they were worried about certain things, and so on. In a few cases, I managed to talk to these workers later and asked them to reflect on their conversations with the HR employees. I also sought further explanation and clarification from the HR employees involving in such conversations when appropriate. By doing this, I got a better understanding of each event I observed and each conversation I heard, which enabled me to evaluate the validity of the data.

As observer and interviewer, I was well aware that I was part of the social world I was studying. Regarding this, the effects of my presence as a researcher has been dealt with in two ways. First, I tried to avoid unnecessary bias by taking a 'neutral' position as much as I could. For example, although I took a consulting role at the Chinese workplace of Data-Co, I tended to introduce myself to my informants as a PhD researcher, who was interested in their experience in working for a Chinese supply firms. Through my doing this, informants would not be bothered by or feel distanced as a result of my 'professional' role, and would be more likely to share their true experiences and opinions with me. I did ask my informants' opinions on their existing appraisal system so that I could contribute to the HR department. Nevertheless, these questions fitted well with my research agenda, and thus they did not add extra tasks, and nor did they affect my stance as a researcher. Second, I acknowledged that I could not be completely 'neutral' since the research was interactive in nature. Therefore, I needed to be reflexive in my data collection. Hammersley & Atkinson (1995) suggest that 'how people respond to the presence of the researcher may be as informative as how they react to other situations' (p.18). In this sense, how my presence affected people's actions and behaviour over time may become a part of the analysis. For instance, one employee in Software-Co thought I was an employee of the company, and asked me whether I was working in Department X. After I explained to him, he said, 'Oh, no wonder I have not seen you before. We rarely see people from Department X so I thought you were from there.' Later, I got to know that Department X normally consisted of 'allocated but undesired employees', who were often the relatives or friends of the university or of government officials. This special phenomenon, which derived from the employees' response to my presence, was associated with the important fact that Software-Co was a university-owned company and was subject to governmental interference in its employment practices.

Informal conversations were generally conducted in a quite loose manner without a well-established research agenda. The purpose was to allow new events and concepts to emerge, and to build rapport with people. Nevertheless, as Hammersley & Atkinson (1995) have suggested, I did try to

control the proceedings of these conversations by asking informants to discuss specific incidents, offer further details concerning specific phenomena, or comments on alternative (often contrasting) accounts.

Field notes were taken every day to record the day-to-day events I observed, the dialogues I heard or overheard, the informal conversations in which I was involved, the meetings I attended and my various thoughts. An important part of the field notes was to describe and explain the contexts within which certain events and conversations occurred, and to record background information about the informants. Such contextual and background information was sometimes added to or revised as I collected more informa. Some field notes were taken right after the observations and conversations, while some of them were taken every evening after I had left work.

While an understanding of informants' perspectives supports the critical evaluation of the adequacy and validity of the observational and informal conversational data, Hammersley & Atkinson (1995) also stress the importance of comparing these accounts with the information gathered from different interviews and from other research methods, so as to develop a more adequate understanding of social structures and processes. Regarding this, formal semi-structured interviews were used to complement the observational and informal conversational data.

3.3.4 Collecting data through semi-structured interviews

As mentioned above, one major data collection method in this study was semi-structured interviews. It should be noted that sometimes there was no neat distinction between the formal interviews and the informal conversations I have already discussed. Roughly speaking, I took the spontaneous conversations as informal conversations, whereas I took the arranged interviews as formal interviews. The length of the interviews varied from one, to one-and-a-half hours each. Most interviews were conducted in the Chinese language. For the seven interviews with Japanese informants, two were in Chinese, one was in English, and the other four were in Japanese with the help of an interpreter who spoke both Chinese and Japanese. Interviews were

normally conducted in offices or in meeting rooms with no third party present (except for the interpreter where necessary). In particular, among 44 interviews with employees from Software-Co in Japan, six were conducted in the Japanese office, 30 were conducted in the coffee bars near their workplaces because I was not allowed to enter their offices, and eight were conducted in the place where I lived. All interviews were tape-recorded. In case the recording quality was not ideal (e.g. in coffee bars), note-taking served as a necessary complement.

There are different approaches to interviewing depending on the ontological assumptions of the studies. For positivists, the interview aims to 'generate data which hold independently of both the research setting and the researcher or interviewer' (Silverman, 2006, p.121). Therefore, interviews should be structured, standardised and tightly controlled. By contrast, constructionists assert that interviews represent a distinctive sort of 'communicative interaction', in which interviewers and interviewees interact and collaborate in the construction of meanings and narratives. In this sense, from the constructionist point of view an interview is normally carried out in a non-directive fashion, allowing the interviewees to produce complex meanings that address relevant issues without being confined by predetermined agendas (Holstein & Gubrium, 1997).

Similar to the constructionist approach to interviewing, CR recognises that interviewers and interviewees need to engage in a 'fluid interactive process' in order to generate a set of responses that are relevant to the research agenda (Smith & Elger, 2013). However, while constructionists emphasise that such interviews are local and situated narratives that cannot be seen as referencing a wider reality (Alvesson, 2011). CR argues that interviews not only offer access to the attitudes and emotions of informants, but, more importantly, allow researchers to gain rich accounts of events, experiences and processes, which represent different aspects of the stratified social reality (Smith & Elger, 2013). In this sense, two features of interviewing in CR research can be identified. First, researchers are active and reflexive in the process of data generation. Second, interviews can be used as a tool to understand the deep

structures and mechanisms, and the social processes through which these structures are manifested, produced and reproduced.

Acknowledging that I myself was an active participant in the research process, my aim in the interviews was not to minimise reactivity to become a neutral data collector. Instead, as I mentioned above, the fact that my interaction might have influenced the informants' responses was seen as an important part of my analysis. In many cases, I expressed my doubts as to informants' accounts, in order to generate further and clearer explanations, as shown in the following dialogue between me and one shop-floor workers from Data-Co:

Interviewee: It [Data-Co] is like a *family*. My team leaders are like my sister, taking care of me and being very nice to me.

Interviewer: But your 'family' won't 'fire' you when you do not behave well, and you do not leave your 'family' and join another 'family', do you?

Interviewer: Well, that's true. I mean, I will not stay in the company forever…Actually, perhaps it [Data-Co] is more like a *school*. We come and go, and our team leaders are like our teachers.

Like observational and informal conversational data, interview data cannot be understood as illustrating 'truth' or objective reality without critical scrutiny. Given this, in order to understand the social structures and processes through these interview data, three strategies were adopted. Firstly, a wide range of employees were interviewed covering different occupations, sections, employment statuses, nationalities, tenures, ages and genders. I also sought to include informants from different levels: managers in Chinese workplaces and in the Japanese offices, senior managers, department managers, team leaders, supervisors, expatriates and shop-floor workers. This spread of informants enabled me to hear voices from all sections of the workforce. More importantly, it generated contrasting accounts from different perspectives, which often became the focus of explanation. For example, when talking of the recruitment strategy for employees in Japanese office, HQ managers in Data-Co preferred ethnic Chinese who lived in Japan, while the manager in Japanese office insisted on local Japanese. The explanation for these

contrasting accounts led to a discussion on the societal differences between China and Japan, the power struggles between Chinese and Japanese workplaces, and so on.

Secondly, instead of a flexible research agenda adopted in informal conversations, the research agenda in formal interviews was semi-structured and had certain theory-driven directions. Interviews followed a common range of topics, tailored to be appropriate to HQ employees, employees in Japan, managers, expatriates and shop-floor workers as the case may be. Given my research questions and the SSDC framework, the shared agenda covered the following themes:

- comments on the company's internationalisation strategy and practices
- relations and contacts with Japanese clients
- perceptions and experience of 'Japanese' management and practices
- local situations (labour market, educational institutions, regulations etc.) and their impact on employees' job choices
- local situations (labour market, educational institutions, regulations etc.) and their impact on management policies and practices in supply firms
- relations and contacts with the Chinese (or Japanese) workplaces
- employees' areas of content or discontent
- the overall character of the management system of the company
- significant events and changes in the company

A loosely theory-driven research agenda provides an approach to investigating relationships between underlying structures and mechanisms, the varying context in which such mechanisms operate, and the resultant outcomes observed and experienced in MNCs and their workplaces (see Pawson & Tiley, 1997)

Thirdly, Smith & Elger (2013) suggest that interviews should be treated as 'cumulative and iterative, rather than simply discrete indicators of attitudes or sources of narratives' (p.24). That is to say, later interviews should be informed in accordance with the insights gained from earlier findings. This iterative approach helped me to identify new phenomena and concepts emerging from the interviews, and allowed for the iterative development of an analysis of the social relations and processes in relation to certain phenomena. For example, during my first talk with the CEO of Data-Co, he said that the operational practices in Data-Co's HQ were 'learnt from Japan'. I then probed the concept of 'learning from Japan', in my following interviews with other informants, explored what practices were 'learnt' from Japan, why they were 'learning from Japan' and how to 'learn' from Japan. Some responses from informants were then related to the 'dominance effects' of Japanese practices, which again led to my questions regarding how the 'dominance effects' of Japanese practices are constructed. Questions such as, 'Why do you think Japanese practices are better than Chinese practices?', and, 'Where did you hear about Japanese practices?' were asked. Indeed, this iterative approach enabled me to 'read through' the empirical accounts and to understand the underlying social structures and generative mechanisms.

In sum, observational, informal conversational data and formal semi-structured interviews are complementary to each other. Observations and informal conversations have advantages in exploring new and emergent concepts, whereas semi-structured interviews play an important role in linking empirical data with theory and helped me to understand the underlying structures and generative mechanisms, as well as the stratified nature of the social reality. In addition, multiple data sources enabled me to triangulate and enhance the validity of the data, as discussed below.

3.3.5 Issues of generalisation and triangulation

Qualitative case studies often face questions about generalisation. Regarding this, Danermark et al. (2002) distinguish two different ways of defining the concept of generality. The first is called the empiricist concept of generality. In

this concept, generality concerns 'how large a group of events or other phenomena an empirical observation can be generalised to' (p.76). Generalisation following this concept is confined to the domain of the empirical, and is not interested in the deep structures of reality. By contrast, the second concept of generality is understood as the realist concept of generality. This pattern of generalisation refers to the trans-factual conditions, that is, the fundamental and constituent properties and structures of human activities. This generalisation moves from the domain of the empirical to the domain of structures and mechanisms, attempting to abstract what the basic constituent is. In accordance with this distinction, this study adopts the realist concept of generality, seeking to analyse the underlying causes and explanations for the observable phenomena, and to explore the implications of the research findings for the existing theories. This concept of generality is in line with the retroductive research strategy and the intensive research design discussed above.

The technique of triangulation is used in this study. According to Mason (2002), triangulation refers to the use of a combination of data and methods to explore one set of research questions. In this study, I use a combination of the observational, informal conversational and semi-structured interview data. This pattern of triangulation serves two purposes in my study. First, as I have mentioned, multiple data sources enabled a comparison of accounts from different perspectives, and the better capture of 'information' and the 'perspective' of the accounts. This is considered to be an important way to enhance the validity of qualitative data (Hammersley & Atkinson, 1995; Yin, 2009). Second, in relation to a retroductive research strategy informed by the CR perspective, Downward & Mearman (2007) argue that triangulation plays a key role in retroductive activity. Multiple data sources enabled me to identify contrasting and complementary accounts so that I could better relate these empirical accounts to the underlying structures and mechanisms.

3.4 Data analysis

This process is part of Houston's (2010) fourth step in which researchers are required to elaborate, refine and falsify the research findings. The hypotheses

underlying the research questions should be confirmed or refined during this stage so that the findings can reflect the most persuasive and comprehensive answer to the research agenda. At the end of my main fieldwork, I had generated hundreds of pages of transcribed interview data and field notes. All these data were iteratively analysed following the procedure below.

Before I started coding data, I undertook several careful readings of all of the data. The purpose of this stage was to get a comprehensive understanding of the data; to identify interesting, surprising, and puzzling accounts; and to find out any inconsistencies or contradictions among the views of different groups or individuals. Lots of these issues had been noticed during the fieldwork and had already been noted in my field notes. However, given the large amount of data from different sites, it was still rewarding to read and get familiar with all the data.

I started my data coding by picking out key events, issues and interactions from the interview transcriptions and field notes from Data-Co. I thereby created a long list of codes, which were predominantly descriptive in nature. The second round of coding further explored these events, issues and interactions in more depth, focusing on the justificatory discourses, explanations and arguments surrounding them. At this stage, this process of coding was iteratively conducted between theoretical concepts and the data. The coding was loosely informed by the MNC literature. Lines of interview and conversational data were examined by referring to concepts derived from previous research.

I then analysed data from Software-Co on the basis of codes generated through the analysis of Data-Co's data. I grouped the events, issues and interactions into the existing codes, and added to or amended these codes to incorporate these additional instances. During this process, data from Data-Co was examined again: when new codes emerged, previously coded data were recorded to see if they contained any examples of the new codes. In this sense, the process of coding is a recurrent one. I repeated the iterative and recurrent process of coding, until I had come out with a coding framework, which centred on six categories and incorporated 27 themes (Table 3.4).

Table 3.4: Coding framework

Categories	Themes
Corporate background	1. History 2. Entrepreneurship 3. Other factual data on the companies
Local and industrial background	4. Local labour market 5. Governmental policies 6. Local economy and others 7. Industrial information
Internationalisation/Cross-country operation	8. Internationalisation strategies and stages 9. Relations with Japanese clients 10. management practices and policies in Japanese workplaces 11. Management of expatriates 12. Expatriates' work, life, roles and experiences
Operational system	13. Quality management and work procedures 14. Teamwork 15. Security 16. Perceived 'Japanese' operational practices
HRM system	17. Recruitment and selection 18. Training 19. Appraisal and promotion 20. Dismissal, turnover and retention 21. Perceived 'Japanese' HR practices
Workplace dynamics	22. Accommodation, indulgence and resistance 23. Supervisor-worker relationships 24. Inter-personal relationships 25. Micro-politics (conflicts of interests, power struggles) 26. Employees' experiences and perceptions

During my data analysis, I used NVivo, a qualitative data analysis software program, to help me organise and code the data. However, in order to maintain the contextual richness of this research and to avoid the risk of being

alienated from the data (Fielding & Lee, 2002), I used it only minimally as a technique for simple coding and for restoring the electronic format of data.

The structure of this thesis basically follows from the coding process described above. After an introduction to the research sites, there are chapters discussing the internationalisation of the companies and the management of the Japanese offices, expatriates, operational practices and HRM practices in both supply firms. Quotes from interviews and extracts from my field notes are included in this thesis where appropriate.

3.5 Research sites

This section introduces the two global suppliers, Data-Co and Software-Co, respectively. I will review their local environments, Chinese and Japanese workplaces, organisational structures and hierarchies, and unions.

3.5.1 Data-Co

Data-Co was founded in 1992 by a female entrepreneur, Yang. It was sold to Group A in 2007, one of the best and largest Chinese software and information services providers. Data-Co provides information processing services such as data processing, computer-aided design (CAD), desktop publishing (DTP). Its major clients include NTT Data, Fuji Xerox and NEC. At the time of the research, there were around 1,000 employees in the HQ. Apart from about 60 employees in functional departments such as marketing, administration and finance, the other employees worked for three business units (BUs) called 'business process outsourcing' (BPO), 'engineering process outsourcing' (EPO) and 'knowledge process outsourcing' (KPO). BPO work involves Chinese workers taking handwritten Japanese documents, which are scanned, faxed or emailed over from Japan, and typing them into a digital database in the Japanese language. EPO work involves Chinese workers turning hand-drawn designs of Japanese-designed device architectures into digital manufacturing blueprints. It also involves some low-skilled animation production and design. KPO work mainly deals with information gathering for market research. The BPO unit was the biggest and most profitable BU

among the three, accounting for about 650 employees. The KPO was a new BU which was established in 2010 with about 50 employees.

As to the international operation of Data-Co, the company established a Japanese office in Tokyo in 2003. At the time of my main fieldwork, there were more than 50 employees working in Japan. Ten of them worked in the Japanese office and the others were expatriates from the Chinese HQ that worked at the Japanese clients' workplaces. Data-Co also set up offices in the US and the UK in 2008 and 2009 respectively, aiming to expand their international market in more foreign countries. During my fieldwork, the US office had about eight employees, mainly in charge of marketing, while the UK office was in the process of recruiting employees. Given the purpose of this study, I will focus on the Chinese operation of Data-Co and its Japanese market and office.

Business in Data-Co largely depends on the season. Every year, the period from August to the following February is considered to be the 'hot season', because the company gets a large amount of business involving inputting annual reports for Japanese institutions and editing Christmas and New Year cards. March to July is seen as the 'low season', during which workers do not get much to do.

The majority of employees in Data-Co, especially in the Chinese workplace, are migrant workers who are originally from rural areas and who have come to Dalian City to look for job opportunities. Being attracted by the outsourcing industry, many young migrant workers enroll in technical schools in or near Dalian City, and receive two or three years' training on computers, data inputting and editing. These technical school students become the main source of Data-Co's workforce. High mobility characterises this particular part of the workforce. This is partly because these migrant workers normally have to return to their rural home after a few years due to the Chinese *hukou* system (the household registration system), and partly because they always are always moving between different companies in search of higher wages.

Dalian City   The Chinese workplace of Data-Co is located in Dalian City, a port city in Liaoning province and the major gateway to China's northeast region. Dalian has a close relationship with Japan for many reasons. Geographically, Dalian is less than two hours away from Japan by airplane. Historically, Dalian was occupied by Japan as a colony for over 40 years, until the defeat of Japan at the end of World War II. Perhaps more significantly for this research, in order to achieve large-scale development and robust economic growth, the government of Dalian has taken a distinct development path since the 1980s, which has largely relied on attracting Japanese investment and on building close trade ties with Japan. In particular, it believes in the market potential of the outsourcing industry from Japan, and has been focusing on the development of the service outsourcing industry since the 1990s.

In line with this development path, the Dalian government has set up special incentives for Japanese investors. It also has a series of preferential policies, such as giving financial support to service outsourcing enterprises. In 2008, it established a special 'talent development fund' to attract, cultivate and serve talented individuals in the field of service outsourcing. All these measures worked well. In 2012, the signed contract value of offshore outsourcing services in Dalian reached USD 1.792 billion, a year-on-year increase of 41%. By the end of 2012, there were 988 service outsourcing enterprises in Dalian, employing a total of 128,000 employees (Dalian Statistics Yearbook, 2012). Today, the city contains the only set of innovative software industry clusters nationwide, and 20 professional software parks. Its High-Tech Industrial Zone, with its leading software and service outsourcing industry, ranks among the nation's best in terms of scale of enterprise, average growth rate, sales revenues, space potential, industry and university cooperation, brand image and so on.

In Thomas Friedman's (2005) bestseller 'The World is Flat', Dalian City is considered the 'Bangalore of China'. Being impressed by the rapid growth and development of Dalian, Friedman described how:

Dalian has become for Japan what Bangalore has become for America and the other English-speaking countries…Because of its proximity to Japan and Korea, large number of Japanese speakers, its abundance of Internet bandwidth, and many parks and a world-class golf course (all of which appeal to knowledge workers), Dalian has become an attractive locus for Japanese outsourcing. Japanese firms can hire three Chinese software engineers for the price of one in Japan and still have change to pay a roomful of call centre operators ($90 a month starting salary). No wonder some twenty-eight hundred Japanese companies have set up operations here or teamed up with Chinese partners. (P.34-35)

Intriguingly, Dalian's close relationship with Japan, especially the thriving business ties, has kept the nationwide anti-Japanese sentiment and protests at bay. While the anti-Japanese protests and riots raged across China over various historical and political issues such as the overlapping territorial claims in the East China Sea and Japan's refusal to acknowledge its wartime past to the satisfaction of China, Dalian has always been immune from these anti-Japanese sentiments and activities.

Chinese workplace   Data-Co's HQ was housed in a six-floor modern building in Software Park with a total floor area of the building. The reception area was spacious, bright and marble-floored, furnished with two sets of leather sofas, and decorated with luxuriant real plants. On the right side of the reception, there were the administrative department, finance department, managers' offices and several meeting rooms. On the left, there was one operations room called 'BPO One', where 30 workers sat in front of computers and input data. It was a nice neat room with a large window facing the corridor, covered by window-blinds most of the time. People were only allowed to open these window-blinds when inspectors and clients wanted to have a look in from the outside. There were 30 sets of computer desks and chairs in this room, placed in a five by six matrix. One supervisor sat at the front of the office. His desk was slightly higher than the other workers', so that he could have a good view of the room. The desks all faced the same direction, to facilitate visual supervision. All computers looked new and had 20-inch

monitors. There were three posters hanging on the wall: one was about the 'corporate culture, vision and mission', one was about the '5S rules of the workplace' and the third one was about a newly announced training programme called the 'managerial elites programme'. At several points round the sides of the room were the filing cabinets, an all-in-one printer, and a place for workers to make hot drinks. During my fieldwork in summer, there were two desk fans flanking either side which made the office quite cool. From any point of view, I felt it was quite a comfortable and well-facilitated operations room. However, it soon turned out that the impression it had given me of working conditions in the company as a whole had been too optimistic. Later, I learned that this room was specially designed to serve as a 'sample', to which most clients and inspectors were led during their visits. I was told that clients did not usually have time to go around the company and visit every operations room; hence the importance of having an attractive reception area and one 'sample room' in order to impress them within a short period of time. In fact, when there were no visitors, the 'sample room' was mainly used as a training room for different projects rather than as a BPO operations room.

Behind the reception area, there were seven large operations rooms and eight small ones. The large rooms were twice the size of the 'sample' office just described, but accommodated about 100 workers, more than three times of the number in the sample office (30 workers). In one room I visited, regimented desks were placed in two five by ten matrices, leaving a narrow passageway in between. Two supervisors sat in front of each matrix, and another two sat one on the middle right and one on the middle left hand side of the office. Supervisors regularly walked around the office and checked on everyone's progress, while workers were required to sit in front of their computers until the bell for break rang. The computer monitors in this office were older and smaller (17-inches) than the ones in the sample office, which gave workers more eye-strain. Workers also reported that long-time sitting and computer work caused occupational diseases such as back pain, stiff necks and carpal tunnel syndrome. The contrasting pictures of the 'sample room' and the other rooms demonstrated the lengths to which the company

went to attract Japanese clients, but also depicted the much less salubrious real working environments of the workers.

Japanese office and expatriates   The Japanese office was established in May 2003, initially as a bridge connecting Japanese clients and the Chinese HQ in Dalian. It is located in a major shopping area of Tokyo called Akiba. At the time of the research, there were ten employees, four Japanese and six Chinese, working in the office. The manager of Japanese office was a native Japanese, who however could speak fluent Chinese and had worked in China for eight years. One Japanese woman was in charge of accounts and two other Japanese men were working as senior advisors. Among the six Chinese employees, two were Chinese expatriates and four were ethnic Chinese who had been living or studying in Japan for many years. These Chinese employees were responsible for customer relationship, market development and other administrative work.

Apart from these 10 employees, there were around 40 expatriates in Japan, working on eight sites with various clients. All the expatriates were selected by HQ according to the clients' specific requirements. Labour dispatch contracts were signed between Data-Co, the clients and each expatriate. Only two of them were long-term expatriates (more than one year), while the others were all short-term based (one to three months).

Long-term expatriates are considered to be the most competent group at the work in terms of their language and professional skills. However, their relationships with Data-Co, both the HQ and the Japanese office, are very loose during their expatriation. They spend all their time in the clients' companies and socialise with colleagues there. They follow the rules of and report to their supervisors in clients' companies. Their performance assessments are conducted by the client company. In principle, they are required to send a progress report to the manager in Japanese office every half a year. Apart from this, little contact remains between the expatriates and the Japanese office. As one interviewee, who had been working in Japan for five years, told me, 'I feel I have nothing to do with Data-Co except that I signed a contract with it.'

By contrast, the short-term expatriates keep in close contact with the Japanese office. Since the majority of the short-term expatriates can speak only a little Japanese, employees in the Japanese office play a crucial role in introducing them to the client companies, explaining the clients' requirements to them, and making sure their work progresses. Expatriates are required to report to their team leaders in HQ on a weekly basis, and the Japanese office also informs the HQ frequently as to these expatriates' performance. Their performance during their expatriation will become an important basis for their evaluation and promotion after they get back to China.

Work organisational structure and hierarchy In general, a matrix structure is applied in Data-Co, with three business units (BUs) and six functional departments (see Figure 3.2). In the operational areas, the organisational hierarchy is pyramidal, as illustrated in Figure 3.3. Under three BU managers, there are different departments according to the business lines. During my research, there were three departments within BPO, two in EPO and four in KPO. In each department, employees are allocated to different projects according to the clients they are serving. The project teams are then divided into sections, with one section chief in each. The basic unit of organisation in each section is the team. The span of control of each team leader is between ten and fifteen people. Roughly speaking, about five teams are overseen by a section chief, who is responsible for coordinating between project managers and teams. Section chiefs do not exist in EPO and KPO since there are fewer employees. Project managers also work together with workers in operations rooms, but are engaged in more managerial tasks. Department managers have separate offices and rarely work in the operations rooms. They work very closely with the employees in functional departments on various issues such as technical support, quality control and personnel management to make sure the projects can proceed smoothly. Due to the diversity of the business and skill requirements, little collaboration can be achieved among different BUs. Each BU operates independently and has been given a lot of autonomy in its personnel management and daily operations.
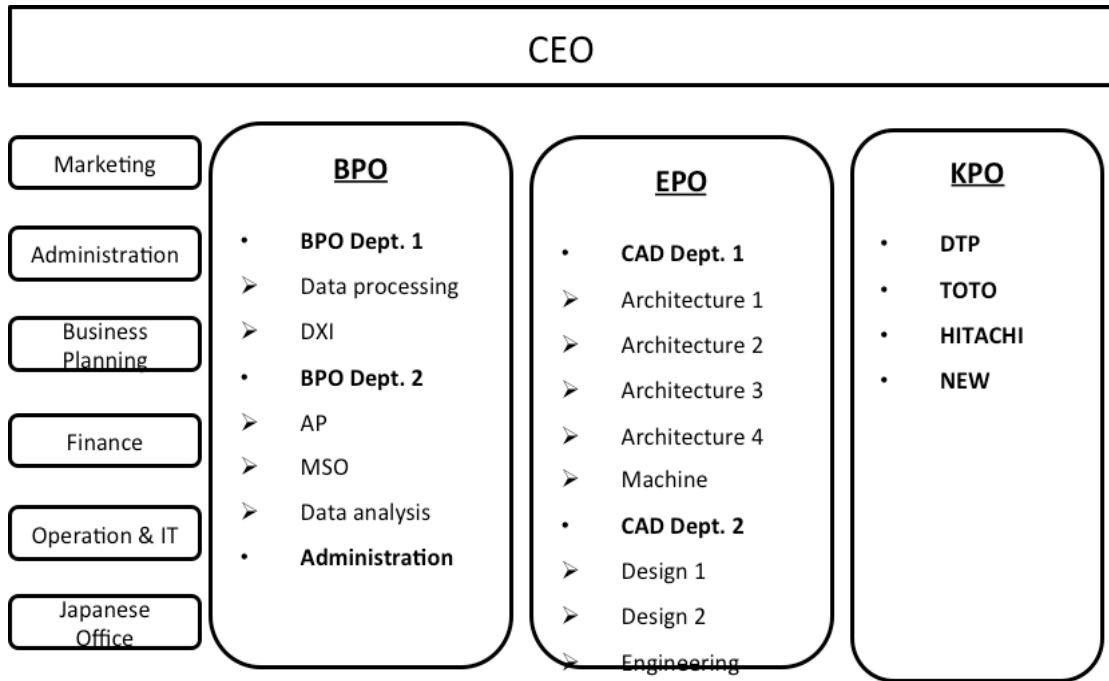
Figure 3.2: Organisational structure of Data-Co
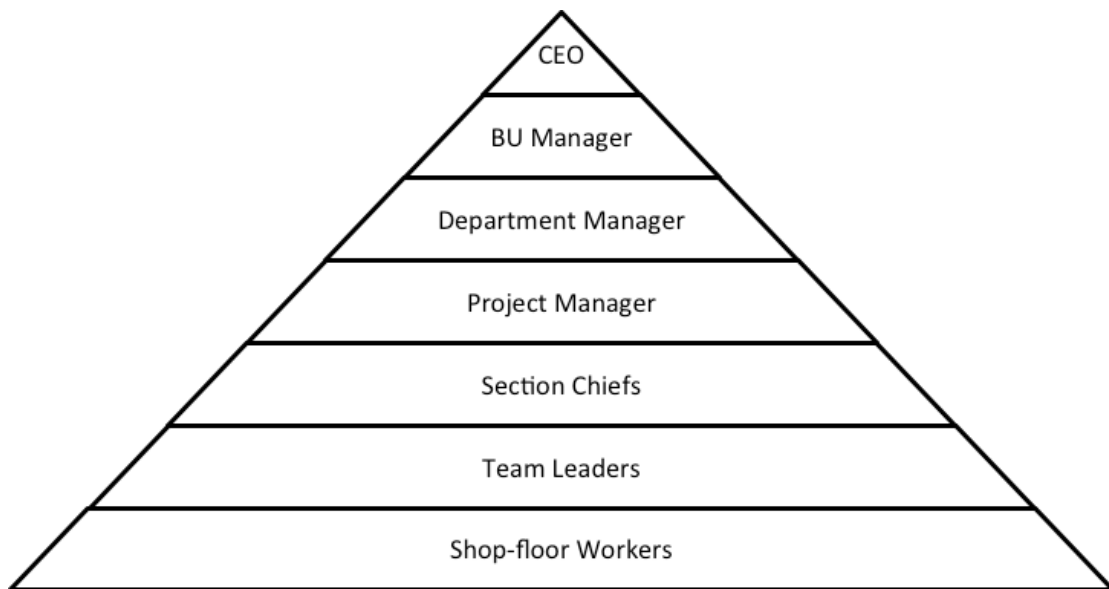
Figure 3.3: Organisational hierarchy of Data-Co

Union   The All-China Federation of Trade Unions (ACFTU) plays a central role in the Chinese system of industrial relations. It is the only trade union that

is recognised by the Chinese government, and has a pyramidal, top-down structure that has been designed as a 'transmission-belt' between the Party and the 'masses', since the 1950 (Ng & Warner, 1998). Given that independent trade unions are banned in China, union organising in China normally means setting up ACFTU branches at regional and enterprise levels, 'with the fundamental goal being not so much to protect workers' rights as to strengthen the Chinese Communist Party's social control' (Liu 2010, p.31).

There is one enterprise union in Data-Co, which is under the direct leadership of the union association of Dalian High-Tech Industrial Zone. The enterprise union pays union fees to the union association at the higher level, and all employees in Data-Co are assumed to be union members. The chairman of Data-Co's union is one of the top managers, which implies that the union is more like a 'branch of management' rather than an 'employee representative'. Indeed, in my conversations with employees in Data-Co, the union was primarily understood as one part of the HR department, which 'provides various promotional schemes for employees'. These schemes included promotional codes for films, supermarkets, restaurants, entertainment activities and so on. None of the employees considered the union as an institution which would represent their interests and bargain with the management on their behalf. In the employees' understanding, the union was part of the management, which mainly dealt with employee welfare and entertainment.

3.5.2 Software-Co

Software-Co was originally a product of an international collaboration project between the Japan International Development Organisation (known as 'JAIDO') and FD University, one of the best universities in China. JAIDO was a governmental institution jointly funded by the Japan Federation of Economic Organisation (Keidanren) and the Japanese government. The ultimate goal of JAIDO was to promote economic development in developing countries through international collaboration and aid. In early 1990, three staff in FD University first approached JAIDO to discuss their proposal for international collaboration. The main idea was to provide excellent Chinese university

graduates with on-the-job training (OJT) opportunities in big Japanese companies. Given the mission of JAIDO and the talent shortage in Japan at that time, this proposal was welcomed and targeted on training software developers. Under the agreement, FD University was in charge of recruiting candidates from Chinese universities and providing Japanese language training to these candidates, while JAIDO was responsible for arranging OJT for these candidates in Japanese companies.

Software-Co was established in April, 1991 in Shanghai, with JAIDO and FD University holding 65% and 35% of shares respectively. In the same year, the Japanese office was set up in Tokyo. The first cohort of trainees, 38 in total, joined in 1991. Since then, new trainees are hired almost every year. During my research, the recruitment of the 17th cohort was ongoing. The exact number of new trainees varies each year but is roughly between 15 and 40. In 2001, JAIDO sold its shares to FD University, and it was dissolved in 2002. This announced the end of the international collaboration, and Software-Co became a wholly-owned company of FD University.

Although Software-Co was established initially to facilitate collaboration between Japan and China, it later developed into a contractor for Japanese companies, providing software services to Japanese clients. Software-Co got its first outsourced order in 1996 from Komatsu Soft Ltd (now known as QUALICA Inc.). Since then, based on the well-trained developers who came back from OJT in Japan, this company has begun to specialise in software development and services geared towards the Japanese market. In 2001, Nomura Research Institute (NRI), a well-known Japanese company operating in the fields of consulting, financial IT solutions and IT platform services, began to outsource its business to Chinese companies, and Software-Co became one of its seven partners in China. Due to the large and stable demand from NRI (around 800 people per year), Software-Co gradually terminated its contracts with other companies and concentrated on the orders from NRI. At the time of my fieldwork, 90% of its business was from NRI, and the other 10% came from its collaborations with Chinese institutions.

However, it should be noted that since Software-Co had developed its upgrading strategy in 2010, it started to develop new clients again. By the end of 2011, it was reported that Software-Co had successfully received the outsourcing contracts from Nomura Holdings in the late 2011, being responsible for the software design in the post integration of Nomura and Lehman brother. In the same year, it also received business contracts from Toyota Communication System. These moves had significantly changed the domination position of one single client NRI and had been considered as the big achievements in the upgrading of Software-Co. Since the new business contracts were developed after my main fieldwork, this thesis is mainly based on the period when NRI represented the only dominant client in Software-Co.

The number of employees reached 1,400 in 2005, but dropped to about 800 during the financial crisis in 2008 and 2009. Employees in Software-Co are categorised into two groups: software developers, who are in charge of software design and liaison with clients, and software programmers, who are responsible for software coding and testing. Developers are all graduates from the top four universities in Shanghai. They are given two years of training in China and three years of OJT in Japan once they join the company. They are treated as the 'corporate elite' and are considered to constitute the company's competitive advantage. Programmers, however, can be hired on the job markets without it mattering from which university they have graduated. They are offered little training, and have limited opportunities in career development (details of the labour segmentation between developers and programmers will be discussed in Chapters 3 and 4). At the time of my research, there were about 950 employees in total, among which about 90 were working in Japan. There were about 300 developers and 600 programmers. The other 50 employees worked in various functional departments.

Shanghai City   The HQ of Software-Co is located in Shanghai, the commercial and financial centre of mainland China. It is one of the most developed cities in China in terms of economy, level of education, infrastructure and so on. While Dalian is ideal for foreign investment

particularly from Japan, Shanghai is attractive for countries from all over the world due to its huge market potential, rapid economic growth and well-established infrastructure. By the end of 2012, 154 countries and regions had invested in Shanghai. Shanghai was hosting 403 MNCs' regional HQs, 265 investment companies and 351 foreign R&D centres by the end of 2012. This makes Shanghai one of the biggest job markets in China, and it attracts millions of talented potential employees from all over the world.

There are 67 universities in Shanghai, ten of them listed as 'National Key Universities' of China. In particular, the top four of them (including FD University) belong to the '985 League' of Chinese universities, a Chinese equivalent to the US 'Ivy League'. The high level of education in Shanghai explains the initial collaboration between FD University and JAIDO. The high reputation of the top four universities in Shanghai imbues their graduates with a strong sense of superiority, which, to some extent, underpins the 'elite' status of software developers within the company and the bias against the programmers, who are not from the top four.

In terms of the international outsourcing service industry, Shanghai focuses on developing financial service outsourcing, movie and TV game production, and application software development (KPMG, 2013). In 2010, there were 822 service outsourcing companies in Shanghai. The value of signed service outsourcing contracts reached USD 2.753 billion, a year-on-year increase of 63.6 % (KPMG, 2013).

Workplace in Chinese   The Chinese workplace workplace of Software-Co is located near the campus of FD University, within 5 minutes' walk of the university entrance. As part of the employee benefits, employees in Software-Co are allowed to use many facilities of the university, including the canteens, libraries and so on. The company is housed in a business building on the third and fourth floors. Apart from a punch card machine, which is used at the entrance to track employees' working hours, there is no obvious reception area in the company. Administrative staff and software developers work on the fourth floor in six big offices. The offices have an average of 30 office cubicles each. All the programmers work on the third floor. Their offices are

slightly bigger than the ones upstairs, but each of them houses 60 to 70 employees, with desks and computers. Before I visited this workplace, one developer in the Japanese office advised me that it was possible to tell which floor was for programmers and which was for developers by visiting the washrooms on each floor. He claimed this was because programmers were not as 'educated' as developers and they did not tend to keep their places as clean as developers did. I could not agree with this opinion because there was three times the number of employees on the third floor, with the same number of washrooms as on the fourth floor. However, this idea showed the developers' bias against programmers, and the tension between them.

Japanese office and expatriates   The Japanese office was established in Tokyo at the same time as its Shanghai HQ in 1991. During my visit, there were six employees working in the Japanese office, three Japanese women and three Chinese men. The CEO of the company held a concurrent post as the manager of the Japanese office, while a Japanese woman acted as the assistant manager. There was one Japanese accountant and two administrative employees, both of whom were in charge of the expatriates' daily life including their accommodation and transportation. There was also a senior software developer who had just been sent to the Japanese office from the HQ and was in charge of market development.

Apart from the employees in the Japanese office, 94 expatriates were working at three different sites in Japan with their client NRI. The majority of them were trainees expatriated between 2008 and 2010 (Cohort 14-16), while some were senior developers. These senior developers include those who stayed in Japan after OJT and those who were there on their short-term business visits. Learning from the interviews, there were no specific OJT plans for the trainees. In most cases, they were directly assigned to a team and given tasks.

The company arranged two places of accommodation for the expatriates, according to their workplaces. During my visit, I stayed in one building with 40 expatriates of this company. Each of us was provided with a self-catering en-suite apartment which was well furnished, with a TV set, refrigerators, air-conditioners, and cooking and bathing facilities. It took about 30 minutes to

get to the company by metro, and everyone was offered a metro card to cover their monthly transportation costs. Due to the fact that they live together for years, these expatriates spend most of their spare time together and thus build up close personal relationships with each other. Trainees in Japan are paid the Japanese minimum salary, which is about 200,000 Japanese Yen per month (approx. 1,600RMB per month).

Work organisational structure and hierarchy Software-Co has a flat organisational structure based on the nature of projects and clients. As shown below (Figure 3.4 and 3.5), the director was appointed by FD University, the owner of the company. The director is not involved much in the daily operation of Software-Co but has the most power in decision-making. The general manager is appointed by the director and is in charge of daily operations. Departments One, Two and Three all work for Japanese clients. Department Four was a newly established department in 2010, with about 30 employees. It mainly deals with domestic business from China. The Quality Management Department deals with quality- and security-related work.
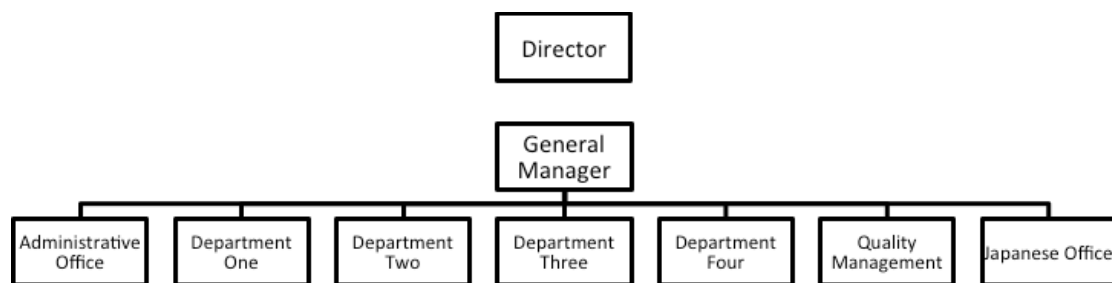
Figure 3.4: Organisational structure of Software-Co

Work in Software-Co is project-based and each project consists of several teams. The span of control is normally between twenty to thirty junior software developers and programmers under a team leader. Software developers and programmers work together in teams, but all the managerial positions, including those of team leaders, project managers and department managers, are taken by developers (see Chapter 4).
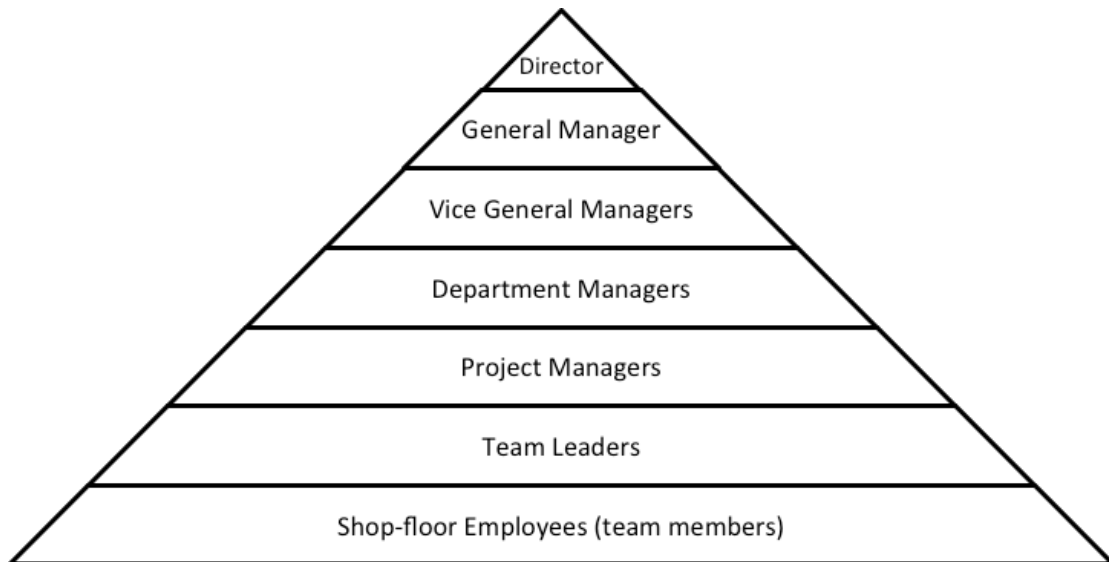
Figure 3.5: Organisational hierarchy of Software-Co

Union   In principle, workers in Software-Co are organised through the union of FD University. However, the majority of employees were indifferent to it, and many of them were completely ignorant of its existence. While the CEO of Software-Co mentioned that sometimes he was asked to attend union meetings in FD University, he said it was 'just going through the motions'. In his opinion, the union existed at the higher level of the university and normally dealt with university faculties, and thus Software-Co was not covered by any sort of union activities.

3.6 Summary

This chapter began by explaining how this study is informed by a CR perspective. Through the discussion, it has been made clear how the characteristics of CR resonate with my research object, which is to develop a multi-level understanding of management, employment and work within global suppliers . In particular, the stratified ontology of CR allows me to explore the structural forces at different levels of analysis and understand their manifestation in Chinese supply firms and their impacts on the management practices and the workplace dynamics in companies. Meanwhile, the analytical dualism of Archer (1995) enables me to analyse the interaction between structures and corporate actors, and this is consistent with my choice of a micro-political approach to studying global suppliers.

In line with a CR perspective, Houston's (2010) stages of retroduction have been used to structure both the research questions and the research processes. Firstly, transcendental research questions were presented. Each question points to the nature of the social structures and their manifestations and impacts. Secondly, the hypothetical relationships among theoretical concepts were developed. By drawing on the SSDC framework, combined with the concepts of global supply chains and labour process theory, theoretical hypotheses were made to illustrate how this study approached generative mechanisms, context, time and agency. Thirdly, sources of evidence were identified and clarified, including the selection of research sites and data collection. A comparative case study on two Chinese supply firms was then constructed. The selection of research sites and the 'intensive' research design were both informed by my research questions. Data were collected through observation, informal conversation and formal semi-structured interviews, and details on how these data were collected were explained. Finally, the iterative procedures of analysis were applied to elaborate the hypothesised relationship among theoretical concepts, as suggested by Houston's (2010) fourth stage of retroduction.

In the second part of this chapter, I have introduced the two global suppliers studied in this research project, and identified some key aspects of those suppliers' local environments, Japanese workplaces, expatriates, work organisations and unions. From this introduction to them, it is clear that these two supply firms are different in many aspects, although they share the common home country of China, host country of Japan, and are in the same industry. These points form a basis for the interpretation of the management practices and employment relations in these companies, and will be discussed in detail in the chapters which follow.

Chapter 4 Supply chain relationships and international operation: Getting involved in Japan

In the preceding chapter, I introduced the two Chinese supply firms that were studied for the purposes of this thesis, making reference to their local environments, international operations, Chinese and Japanese workplaces, organisational structures, hierarchies, and unions. Given the nature of service outsourcing industry, which requires both on-shore and off-shore services, the two case companies are heavily engaged in international operation in both China and Japan and are actively organising cross-national flows of capital, labour, knowledge and organisational practices between China and Japan. It is argued that the international operations in both companies have great impacts on the construction and development of their management systems at Chinese workplaces. Thus, before we go to the details at the Chinese workplaces, it is necessary to understand how international operation is organised and managed in both companies, in particular in relation to their relationships with the Japanese clients. Therefore, this chapter discuss these two supply firms, with particular emphasis on how different supply chain relationships are developed and how they impact on the international operations in both companies.

As we will see, Data-Co and Software-Co have developed two contrasting supply chain relationships with their Japanese clients: relationships between Data-Co and its clients are featured as transactional and market-based, whilst the ones between Software-Co and its clients are particularistic and captive. The different supply chain relationships result in different ways of international operations. In both companies, the international operations between China and Japan are primarily managed through two interrelated mechanisms: one being the Japanese offices and another one being a particular group of expatriates in the outsourcing section, whom I have termed 'on-site expatriates'. These expatriates are sent from the Chinese HQs and work at clients' work-sites in Japan for a period of time. In other words, they work at neither the HQs' workplaces nor the Japanese office, but at the clients' workplaces. This chapter traces the evolvement of the supply chain

relationships in both companies and investigates how their Japanese offices and on-site expatriates are managed in market-based and captive supply chains respectively.

It is found that the supply chain relationships have significant implications on the role of the Japanese offices and the management and experience of the on-site expatriates. In a market-based supply chain where Data-Co is based, the supplier's focus in international operation tends to be on market diversity and expansion. This leads to an emphasis on developing new clients in the Japanese office. Meanwhile, given the limited interaction between suppliers and clients in a market-based supply chain, expatriates are largely 'isolated' from the Japanese companies and thus their jobs in Japan are largely short-term based and task-oriented without opportunities to communicate with Japanese colleagues and to 'learn' from Japanese companies. By contrast, in a captive supply chain where Software-Co is based, the close and long-term relationship between the supplier and their client allows the expatriates to get involved in the Japanese companies and to work with the Japanese colleagues. Based on this, the supplier shows lots of enthusiasm in 'learning' knowledge and practices from the Japanese clients in the international operation and to transfer these knowledge and practices back to the Chinese workplaces. Expatriates in this cases are considered to be the learners and carriers of Japanese knowledge and practices.

This chapter consists of three sections. The first two sections discuss Data-Co and Software-Co respectively in terms of their management of the Japanese offices and the expatriates in different supply chain relationships. The third section concludes this chapter by comparing and contrasting the two cases.

4.1 Data-Co: International operation in a market-based supply chain

Data-Co, established in 1992, targeted the Japanese market from its inception. It mainly provides BPO service (i.e. data inputting and editing) for Japanese organisations, but also engages in other business such as engineering process outsourcing (EPO) and knowledge process outsourcing (KPO).

The establishment of Data-Co was initially driven by one entrepreneur's alertness to a new business opportunity. The founder, Yang, was a Chinese woman. She used to work for the Dalian Economic and Information Technology Committee (DEITC), in which role she was in touch with large Japanese companies, and developed a comprehensive understanding of the Japanese market. In 1992, she sensed the potential profit-making opportunity of customers from Japan for a Chinese BPO business, and decided to set up the company.

When Data-Co was founded in 1992, the BPO market between Japan and China was immature, non-transparent and unregulated. Under these circumstances, personal networking and recommendations played a crucial role with Japanese companies in finding potential suppliers, and once they decided on suppliers, they tended to build long-term and stable relationships with them. Under this personal-based and long-term supply chain relationship, the founder Yang adopted a marketing strategy which used personal networks in developing clients and stressed service quality in retaining clients. Specifically, Yang developed all new clients through her own network, and employees devoted themselves to improving service quality without worrying about the market. For a long time, this marketing strategy worked in a virtuous cycle – existing clients were so satisfied with Data-Co's service quality that they were happy to provide positive recommendations to other companies, thus helping Data-Co develop new clients. By the end of 2005, the company had long-term relationships with six large Japanese companies, and received regular orders from them every year.

However, the market situation had changed since the early 2000s. As the market became mature and transparent, BPO work was standardised. Under this circumstance, personal recommendation became less important in the selection of suppliers than it had used to be. Japanese companies, especially the large ones, turned to selecting suppliers through competitive bids in the open market, and paid most attention to specific parameters such as price, delivery time and security qualifications. This distinctive trend towards arm's length transaction as standardisation rose was spotted by Ahmadjian &

Lincoln (2001) in the relationships between Japanese automobile manufacturers and suppliers, which had once been in a long-term and intense collaboration. Applying a learning perspective, they argued that relation-specific investments had great value when the learning curve in the industry was steep and the level of uncertainty was high. As 'know-how is routinised, processes standardised, asset specificity falls and the value of bilateral commitments and cooperation falls with it' (p.697). Changes in Data-Co endorsed this argument: the standardised work procedure, the mature market and the increasingly competent suppliers enabled Data-Co's potential clients in Japan easily to locate the least expensive suppliers through competitive bidding every year, and allowed a clean hand-off. As a result, Japanese clients were unwilling any more to invest in long-term supplier relationships with companies providing data input and editing services for them, which were considered to be peripheral and low value-added to their organisations. In this sense, the supply chain relationship between Data-Co and its Japanese clients shifted from a personal-based, long-term one to a market-based one featuring the market-based GVC in Gereffi, Humphrey, & Sturgeon (2005). In this market-based GVC, suppliers provide standardised services which requires low asset specificity and the coordination between suppliers and clients are significantly reduced.

As a result of the market change, Data-Co's marketing strategy, which largely relied on stable relationships with large clients, and on the founder's ability to develop new clients, could no longer support the development of the company – several existing clients left Data-Co for cheaper suppliers, and new clients were not effectively approached, due to the lack of marketing staff and strategy. Informants reported that the company growth was almost stagnant during the period from 2002 to 2006 because of the difficulties in developing new clients and winning large orders. This, to some extent, resulted in the selling of the company to Group A in 2007.

In response to this change, Data-Co announced an organisational reform, which included big changes in the role of the Japanese office. In the following sections, I describe how the international operation in Data-Co is organised

and managed in a market-based supply chain, by focusing on the management of its Japanese office, and the management of expatriates.

4.1.1 The Japanese office in a market-based supply chain

Despite the small scale of the Japanese office of Data-Co, it plays an important role in the strategic development and daily management of Data-Co. Given the changes of the supply chain relationships between Data-Co and its Japanese clients, the role of the Japanese office was changed accordingly.

The Japanese office had not been set up until 12 years later of the establishment of Data-Co. For the first ten years, the primary mechanism of Data-Co for internationalisation was to export services by acting as the contractor to the Japanese clients. All operations were based in China. Direct investment in Japan was kept to a minimum, and there was hardly any labour flow between the two countries except for occasional business visits. The company penetrated the Japanese market largely through the founder's personal network. Yang established a strategic-partner relationship with a large Japanese company, NTT Data, and this collaboration not only provided the company with stable business orders, but also opened the door to valuable commercial information, based on which Yang approached other Japanese companies.

Given the increasing clients' demand for on-site work and the intensifying market competition in China, a small establishment of just eight employees (three Japanese and five Chinese) was set up in Tokyo, Japan in 2003. For required on-site work, employees in Data-Co were sent to the clients' work-sites in Japan either for training in a particular system or for projects which required specific skills. In connection with this, the Japanese office helped organise and manage on-site expatriates in various ways. First, it enabled the expatriations to be arranged through a 'company internal transfer' scheme which greatly simplified the visa application process. Second, the office assisted the expatriates with their daily lives including accommodation, obtaining transportation cards, and bank registration. It also ran a half-day

orientation session to teach issues such as safety in Japan, Japanese etiquette and the Japanese transportation system. Third, employees in the Japanese office, who normally spoke better Japanese than the expatriates, could facilitate communication between clients and expatriates when needed. Apart from its role in the administration of on-site expatriates, the Japanese office was also established in response to intensifying market competition, with hundreds of start-ups entering the BPO market targeting Japanese clients from 1998 onwards.

The initial employees in the Japanese office, three Japanese and five Chinese, were all expatriates from the HQ. Managers did not consider hiring from the Japanese labour market, mainly because of their desire for people 'who have experiences in working in HQ and are familiar with the operations in China':

> Candidates had to meet two requirements: knowing about what went on at HQ, and being able to speak both Chinese and Japanese. Only people who had worked at HQ could meet both requirements at that time. People hired in Japan might speak better Japanese, but they did not have experience in working for the HQ. (Telephone interview with one administrative officer in the Japanese office, 9th April 2011)

The selection of expatriates was straightforward given that 'only a few people can speak fairly good Japanese'. Priority was given to three native Japanese who were working at HQ at that time. Two of them were former employees of a big Japanese company, and had joined Data-Co as senior advisors after they retired in Japan in their 60s. The other one, Taiji, had finished his undergraduate and master programmes in the US in art design, and had come to China with the purpose of both travelling and working. He joined Data-Co in 2000 as a client service officer. These three Japanese were pleased to work for the Japanese office since it offered them a good opportunity to work in their home country. Taiji was appointed to be the manager of the Japanese office and the two other Japanese worked as part-time senior advisors. Two Chinese expatriates were assigned to deal with the administrative work, while the other three were responsible for client-related issues, each for one out of the BPO, EPO and KPO business units at HQ.

During the period from 2003 to 2006, the two administrative employees changed a few times and were finally replaced by one female expatriate from China and one part-time Japanese accountant. The others, including three Japanese and three Chinese expatriates remained in their positions. Their relative stability was closely related to their marital status and how conveniently they could meet with their families. Apart from four Japanese employees who lived with their families, two Chinese expatriates (EPO and KPO liaisons) were young single females and were quite flexible and open in terms of in which countries they might live and work in the future. Another expatriate, despite being married, managed to meet with her husband and child quite often because her husband made regular trips from China to Japan for business.

Overall, between 2003 and 2006, The Japanese office took on three roles – those of a 'vehicle' which simplified the visits and expatriations between China and Japan; a 'reception' for people from the HQ and a 'window' connecting the HQ and Japanese clients. Despite these multiple functions, the Japanese office was at the periphery of decision making. As a 'vehicle' and a 'reception', its work was limited to administration without many value-added activities. As a 'window', it acted like a 'speaking pipe' which passed information between both sides. In other words, it did not have access to critical information or resources in the company, nor did it get inside the 'bloodstream' of the business in Japan.

While the role and responsibility of the Japanese office was initially designed in accordance with the company's marketing strategy, which was to rely on personal and long-term relationships with the Japanese clients, this was found to be problematic as the supply chain relationship was changed into a market-based one.

In 2007, the founder Yang sold the company to Group A, one of the best and largest Chinese software and information services providers headquartered in Beijing, and Simon, who was the COO of Group A, was appointed as the new CEO of Data-Co. Realising the changes in supply chain relationships, the new CEO Simon outlined a new marketing strategy which emphasised the

importance of developing new clients, instead of customer service and maintenance. He encouraged employees to take initiatives to approach potential clients, and called for a marketing/sales team which 'collaborates with other divisions within the company and covers a series of duties such as conducting market analysis, reaching out to potential clients, preparing for the bidding, coming up with promotion plans, arranging negotiations and so on' (the 'Department Description' of Data-Co). Based on this, Simon considered the Japanese office to be an ideal place for such activities, and decided to develop it into a marketing unit. He commented that this decision was not merely because of the Japanese office's geographical position in Japan, but more importantly, was driven by his attempt to enhance the office's importance within the company and make it integral to the profitability of the company:

> High-quality operation in China and successful marketing in Japan are two key factors that drive the growth of the company. The company does well in ensuring quality. However, marketing and sales in the local market has been the weakest link. That is the opportunity for the Japanese office. (Telephone interview, 2nd April 2011)

> The Japanese office should play a much more important role within the company than that of a pure administrative and servicing unit. It has the potential to contribute more to the company than being a 'window'. I mean, it is close to our market and clients and they [employees in the Japanese office] can speak the Japanese language... I aim to force the Japanese office into the struggle for market share. Only through this can the Japanese office start adding value to the company and become an important entity within the company. (29th November 2011 in Tokyo)

Following this new strategy, Simon, on the one hand, downplayed the Japanese office's role as a 'window' or 'speaking pipe' in customer service. On the other hand, he emphasised the importance of marketing development, and positioned the Japanese office primarily as a 'marketing team' which focused on developing new clients and winning new business orders. In this sense, the Japanese office changed into a 'marketing satellite' (White & Poynter, 1984) which provided limited customer service and was in charge of marketing products and services in the host country. This also indicated a

shift in the Japanese office's value-adding scope from pure supporting activities to marketing.

This reform led to changes in the staffing of the Japanese office. Staff members not in accountancy or administrative positions (that is, the manager - Taiji, two senior advisors, and three liaisons) were presented with two alternatives: either to join the marketing team in the Japanese office, or to return to HQ and undertake customer service work there. Simon explained that although he realised that they lacked experience in marketing, he was satisfied with their attitudes to work and their performance, and thought they could be trained to be market representatives in Japan or to be liaisons with the Japanese office and with Japanese clients from the HQ.

Four Japanese employees, including the Japanese accountant, supported this reform and accepted their new job responsibilities in marketing. The accountant and two advisors said the reform did not affect their daily work much and they were pleased that the Japanese office was of more strategic importance than it had been before. Taiji particularly mentioned its positive impact on his career:

> It is definitely a chance for me. I felt my career in Data-Co had come to an end before this [reform]. I had already been seeking other job opportunities in Japan at that time because my work was not interesting. I was excited about our new mission in marketing development and was eager to accept the challenge. (30th November 2011 in Tokyo)

Taiji's opinion was strongly agreed with by one Chinese female expatriate, Tang, who was in charge of BPO business. She also considered this a big challenge as well as an opportunity to make the most of her ability and potential, and adapted to her new role as a marketing woman very quickly. She was promoted to the associate manager of the Japanese office in 2011, and led the marketing team together with Taiji.

Apart from these Japanese employees and one Chinese expatriate, the other three Chinese did not show much enthusiasm. The administrative employee quit and the other two liaisons (in EPO and KPO) decided to go back to the HQ one after the other. One of them returned in 2008 but then left for another

higher-paying company after one year. The other returned later, in 2010, and worked as a liaison between HQ and the Japanese office. During the interview, she told me about her difficulties, especially as a female, in undertaking marketing work:

> I tried to adapt to this new role, but I found that I was not a marketing person. I did not like spending lots of time having dinners and drinking with clients. I liked regular life. Especially in Japan, I was dealing with men all the time. You know, there was gender bias in Japan. I sometimes felt that they did not trust me because I was a 'young girl'. I thought they preferred to have a man to talk with them, in a proper and serious manner. (16th June 2011 in Dalian)

This opinion on gender was echoed by Tang, who complained about long working hours in Japan and excessive after-work socialisation:

> As a necessary part of marketing and business negotiations, we usually take our clients out to dinner and have various entertainments afterwards. It usually goes on until midnight, and people drink a lot. It is not an easy job for women, especially those with families. My son and husband live in China so I do not have much family commitment so far. In addition, most of the marketing people we are dealing with are men and sometimes women feel uncomfortable about drinking with lots of men, you know. (29th November 2011 in Tokyo)

The above accounts indicate the different gender models in China and Japan, in particular, the different degrees of the 'male-breadwinner' model. This model is based on a set of assumptions about male and female contributions at the household level. That is, men work full time and have the primary responsibility for earning, whilst women care for the young and the elderly, and are provided for largely by their husbands' earnings (Lewis, 2001). The degree to which a certain society features a male-breadwinner model is 'embodied in laws and institutions regulating mutual obligations, rights, and relations between women and men within and between the areas of production and reproduction' (Gottfried & O'Reilly 2002, p33). Gottfried & O'Reilly (2002) thus presents a framework of strong to weak male-breadwinner models based on the division of caring responsibility across institutional domains (family, state and market), the division of gendered labour within the household (from female caregiver to shared care), and between the household and the labour market (from single earner to dual

earner). According to this framework, Japan represents a typical example of a strong male-breadwinner model, in which a male 'breadwinner' is expected to devote extensive time to the firm and a 'professional housewife' is supposed to dedicate herself to the management of household affairs, either without being employed, or at most being employed only in part-time jobs (Gottfried & Hayashi-Kato, 1998). By contrast, the male-breadwinner model in China is relatively weak. Female employees account for 40% of the total workforce in full-time employment and dual-earner models are commonly found in Chinese families (Cooke, 2005b). Women are still the main caregivers for the young and the elderly in most areas of China but kin (e.g. the women's parents and parents-in-law) offer a great deal of support and assistance, to the extent that many women can still keep a full-time job. The strong male-breadwinner model in Japan and the weak model in China explain why the female employees find it difficult to get involved in a male-dominant working environment. In addition, given Japanese male employees' high level of commitment to their work, and their strong social bonds with co-workers, they spend considerable time together in off-the-job socialising, drinking, and participating in sports and recreational activities (Lincoln & Kalleberg, 1990), which, again, poses challenges for the female employees.

In the end, four Japanese employees (Taiji, two part-time senior advisors and one part-time accountant), and one Chinese expatriate, Tang, stayed at the Japanese office. Taiji kept his position as the manager. According to the new mission of the Japanese office, a new marketing team was formed in 2007. Taiji, Tang and two part-time advisors comprised the initial members of this team and there were another five new recruits at the time of my fieldwork. Taiji was appointed leader of this marketing team and Tang was promoted to associate leader in 2011.

To sum up, the shift from a personal-based, long-term supply chain relationship to a market-based supply chain relationship between Data-Co and its Japanese clients, has led the reform of the Japanese office from a pure administrative and customer service unit to a marketing unit, which focuses on developing new clients and expanding market shares in Japanese

market. This change in the Japanese office's mission consequently leads to the changes in staffing and also highlights the gender differences between China and Japan.

4.1.2 Expatriates in a market-based supply chain

The market-based supply chain relationships also have impacts on the experience of the expatriates in Japan. Basically, there are two occasions on which the company sends HQ employees to the clients' companies in Japan. First, on-site expatriates are sent in order to get trained on a particular system before the mass operations start in China. These periods of training usually take less than one month. Trainees are expected to become competent in the system according to the client's requirements, so that they can teach their colleagues in China. Second, on-site expatriates are involved in some projects which require specific skills possessed by expatriates and which have to be done in Japan. Most on-site assignments are on a short-term (one-three months) basis, with only two exceptions, which lasted three years. At the time of my research, there were about 40 expatriates in Japan, working for ten different projects at eight different workplaces. Ten of them were undertaking training, while the others were task-based.

The selection of expatriates for different purposes varied. Team leaders or project managers who are in charge of the new projects in question are chosen for the training sessions, whereas the task-based expatriates are nominated by team leaders. While all team leaders, in the interviews, appeared to stress the importance of candidates' proficiency in terms of skills and personality, there are in practice no explicit criteria. Different team leaders seek different kinds of personalities. A few team leaders prefer 'smart and outgoing workers' who are likely to adapt to a foreign environment more quickly and easily, while more of them prefer 'submissive, introverted and careful workers' who are easy to control and can better concentrate on work. More recently, managers suggest team leaders take 'employee loyalty' into account when selecting the expatriates, as one HR employee explained:

> Lots of workers leave for another company with higher pay after they get back from Japan because expatriation experiences are very

valuable in the job market. They are certainly people we want to retain as well because they are skilled and experienced. So we suggest team leaders try to avoid workers who are likely to leave or those who have already shown an intention of leaving. It is just a personal, subjective judgement, but it can be helpful. (16th June 2011 in Dalian)

Due to the lack of an agreed standard or process for the selection, workers seem to be quite confused. One EPO worker said 'nobody can read the criteria in the team leader's mind' and another BPO expatriate shared his experience:

I had a talk with my team leader before I knew I was chosen for expatriation. It seemed like an informal talk -- she [my team leader] did not call it an interview. She asked me lots of questions including whether I was satisfied with the company, what my further career plan was, how keen I was to go to Japan, what I would do after the expatriation, etc. I guess that was part of the selection. (28th November 2011 in Tokyo)

There is no training in Data-Co for expatriates except for a half-day orientation given by the Japanese office, mainly about basic work etiquette in Japanese companies. During the expatriation, workers are required to keep in close contact with their superiors at HQ and report to HQ every day. Their performance is assessed by both their superiors at HQ and by the client, and the results will become important criteria in their promotions back at HQ. Workers are paid the same amount of monthly salary as they are in China as well as a daily living allowance in Japanese Yen.

Training and tasks in Japan take place in different companies, so expatriates are dispersed into various places either individually or in small groups (normally two or three employees). They are accommodated in different places close to their workplaces and there are few contacts between expatriates at different workplaces.

The working experiences at client companies are usually described to be 'isolated' from the Japanese companies and workers. As workers who have been on expatriation experiences recalled, they, together with their colleagues from Data-Co, spent most of their time working or having training sessions in an isolated office alone or with other contractors, most of whom were also from China. In most cases, expatriates can only get in touch with one

Japanese superior or trainer who is in charge of their projects in a short and simple way. If there is anything complicated, Japanese clients would talk directly to the Japanese office or to the HQ. Given this, expatriates do not have opportunities to actually work with Japanese employees, leave alone socialise with them:

> Mr. Yoshida [a Japanese superior] was in charge of our project but he only showed up a few times during my expatriation. He spent one day with us when we first started to make sure we did right and then he came by our office very occasionally to check our progress. He also did the final check of our work on the last day and said thank you to us. (BPO worker, 4th July 2011 in Dalian)

> I do not feel many differences between my work in Japan and in China. I am working with my Chinese colleagues, report to my Chinese superior as I normally do in China. (Telephone interview with expatriate in EPO, 23rd March 2011)

In such isolating work environments, expatriates are treated as 'outsiders' and can hardly get involved in the Japanese companies. Their perceptions of Japanese companies are usually limited to a superficial level, such as 'Japanese offices are clean' and 'Japanese superiors are polite'. Indeed, although managers at HQ always stress their attempts to 'learn from Japan' (see details in chapter 5), none of them see expatriations as a way of learning. In their opinions, the purpose of expatriations was finishing the tasks rather than learning. This is also evidenced by the fact that except for one team leader who engaged in experience sharing among repatriates and other team members, no practice has been reported of promoting knowledge transfer from expatriates to HQ.

This is also the case for people in training programmes. The training is exclusively on one particular skill or program and is undertaken in an isolating environment. Trainees only have contact with one Japanese trainer and have little chance to experience the Japanese company and workers. One interviewee described it as follows:

> My training was in two parts. The first part focused on theory. It took place in a conference room of a hotel. The trainer talked about the skills, procedures and key points in practice. We learnt the manual step by step and recited them. This was the main part which took about ten

days. The second part focused on implementation and it took five days. It was held in the operational room in the company and we were given computers and several tasks to practice. [In terms of what I learnt apart from the technical knowledge], I think I feel from the training that Japanese focus on details and are very careful. For example, their manuals are detailed, covering every small aspect and every possible problem. (6th July 2011 in Dalian)

Overall, on-site expatriates from Data-Co, either task-based or training-based, are 'demand driven' rather than 'learning driven' (Evans, Pucik, & Barsoux, 2002). Their missions in Japan are exclusively based on task and their performances are assessed based on working results. Expatriates are treated as 'outsiders' and distanced from the Japanese colleagues and management so that the purpose of management learning is largely missing in Data-Co's arrangement of on-site expatriates. In this sense, on-site expatriations in Data-Co are no more than a form of 'labour-service export'.

The 'isolating' experience of expatriates at Japanese workplaces can be largely explained by the supplier-client relationships between Data-Co and its Japanese clients. As the BPO transactions become standardised and transparent, Data-Co is featured as a 'market-based supplier' within the global supply chain. It provides standardised services to many Japanese clients and the transactions are done in a arm's length market. In a market-based chain, the clients do not get involved much in the daily operation and management of Data-Co. Even in the case of the on-site expatriates working in Japan, the interaction between expatriates and the Japanese companies is kept minimal. Because of this, on-site expatriates are 'isolated' from the Japanese companies and employees, and have little chance to learn practices from the Japanese companies during their expatriations there.

4.1.3 Case summary of Data-Co

While the supply chain relationships between Data-Co and its Japanese clients were initially characterised as personal-based and long-term, the standardisation of the BPO business has pushed the development of this market and produced a more market-based supply chain between suppliers and clients. In response to this change, Data-Co corrected its initial marketing strategy, which largely relied on personal networks, and started emphasising

the importance of marketing and attracting new Japanese clients. Under this circumstance, the Japanese office became the front line of this marketing reform, changing from a pure administrative unit to a marketing unit, taking change of developing new clients and expanding market share in Japan.

Meanwhile, the market-based supply chain has kept the interaction between clients and suppliers minimal. This is most evident in the cases of on-site expatriates. Even though these expatriates are working at the Japanese clients' work-sites, they are 'isolated' from the Japanese companies and the Japanese colleagues. Therefore, despite of the bilateral flows of labour through workers' expatriations and repatriations, these on-site expatriates are primarily 'demand driven' and they rarely engage in the transfer of either knowledge or organisational practices. This draws a sharp contrast with Software-Co, which I discuss below.

4.2 Software-Co: International operation in a captive supply chain

As discussed in the preceding chapter, Software-Co was born as a joint-venture in 1991 between a company wholly owned and run by FD University in China, and a government-funded institution in Japan known as the Japan International Development Organization (JAIDO). While Software-Co's initial mission was to provide excellent Chinese university graduates with on-the-job training (OJT) opportunities in big Japanese companies, it gradually transformed itself into a contractor providing software services to Japanese companies. In 2001, JAIDO withdrew its investment and FD University acquired its shares, since when, Software-Co has been a completely Chinese-owned company.

FD University's interest in collaborating with JAIDO and establishing a joint-venture was triggered by an unanticipated meeting between the University and JAIDO. As one of the initiators of Software-Co recalled, a senior dean at the university invited a member of JAIDO to give a speech on international collaboration at the university, and a cooperative plan was proposed during the dinner that took place after the speech:

We were aware that JAIDO was sponsored by the Japanese government and aimed to promote the economic development of developing countries through international collaboration. So we asked at the dinner: 'we have resources in the form of talented graduates, and you have access to various resources in Japan. Why don't we conduct some kind of international cooperation based on OUR resources?' JAIDO looked very interested, and we went on to talk about the exact project… (One initiator of Software-Co, 10th January 2012 in Shanghai)

Despite the serendipity, the process of discussion between FD University and JAIDO turned out to be a lengthy one, before both parties finally agreed on an international training programme for software developers. The basic idea was that the Chinese side would select trainees among its graduates, and the Japanese side would provide them with training opportunities in big Japanese companies as software developers. The well-trained software developers were expected to return to China and promote the software industry in China. This project was undertaken as a part of Japanese Official Development Assistance (ODA) to China, a programme which sponsored by the Japanese government and aimed to promote the economic and technical development of developing countries, through financial and technical aid. The initiator commented that the joint-venture reflected the interests of both countries at that time:

Japanese companies were facing a shortage of software developers dating from the early 1990s, due to the rapid developments taking place in engineering [including software engineering and developers]. Young Japanese seemed to be losing interest in entering this industry, since the work was tiring and not as well paid as some other sectors like finance, and this worsened the supply of software developers. By contrast, software engineering was new to China, and more and more people realised its vast potential. Therefore, Chinese were keen on training opportunities in Japan while Japanese companies would not mind some talented Chinese people working for them. (10th January 2012 in Shanghai)

Based on the proposal for the training programme, the joint venture was established in April, 1991, in Shanghai, and in the same year, the Japanese office was set up in Tokyo, Japan. Subsequently, the first cohort of trainees, 38 in total, arrived in Japan in 1992.

The company fully engaged in the training programme until 1996, when the first year cohort of trainees finished OJT and returned. Based on these skilled software developers, along with the relatively low-cost labour in China, Software-Co stepped into the area of software outsourcing and received its first outsourced order from a Japanese company. From that time, the outsourcing business kept expanding as more and more software developers returned. By the end of 2000, there were about 120 trained software developers and 400 software programmers at the HQ working for about eight Japanese companies. In this sense, while Software-Co initially internationalised through joint venture and aimed at 'addressing its competitive disadvantages' in technology and skills, its transformation to an outsourcing contractor enabled it to 'exploit its increasing competitive advantage' in cost and human resource (Child & Rodrigues, 2005).

The year 2001 was a turning point for Software-Co. During that year, it won a large order from Nomura Research Institute (NRI), a well-known Japanese company operating in the fields of consulting, financial IT solutions and IT platform service, and consequently became NRI's largest offshore provider in China. From then on, in accordance with a marketing strategy which downplayed market expansion but stressed the importance of establishing a long-term relationship with the major client NRI (details below and in 4.2.2), Software-Co gradually terminated its contracts with other existing clients. In the meanwhile, given the complexity and specialised nature of NRI's products, the company restructured its work procedures and deployed specific systems designed to meet NRI's needs. These idiosyncratic changes and investments helped the company retain its customers from NRI, but confined the company virtually to working only for NRI. During the period of my fieldwork, 90% of Software-Co's business came from NRI, with the other 10% mainly from collaborations with Chinese institutions. One senior software developer suggested:

> NRI has its own specifications for products in terms of the programming language, platforms, procedures and systems. For instance, we were required to use 'Cobol' programming. It is an outdated programming approach which most people do not know. Therefore, we have to train our programmers to use this particular

approach, but it is unlikely to be used for any other clients. (20th January 2012 in Shanghai)

Apart from the customer-specific investment in physical assets as well as human capital, some developers also mentioned that as their relationship with NRI got closer, 'NRI began to stress loyalty in the relationship and did not want us to develop other clients, especially its competitors in the finance industry'. The general manager told me that NRI had cut off a few suppliers in China over the years because they found out that these suppliers had other clients in the finance sector. Indeed, almost all senior managers interviewed were afraid of losing NRI should the company start developing other large clients, not only because NRI was their largest and most guaranteed client in Japan, but also because they lacked the confidence to develop new clients as good as NRI:

> As far as I am concerned, NRI is probably the best client we can expect in Japan. Their orders are stable and large, apart from during the crisis, I mean. The way they work with us is professional. We [the company] did receive small orders from other companies occasionally, but we were not really tempted. To be honest, I do not want to take the risk of displeasing NRI…We are still a small and young company. We are still learning and have not accumulated enough expertise in software design. So as to your question [whether there are large companies that could be pursued], I would say 'yes, there are' but I am not confident of winning them. (30th November 2011 in Tokyo)

In contrast to the market-oriented supply chain relationship which featured with Data-Co, the relationship between Software-Co and NRI was characterised as a captive supply chain relationship (Gereffi et al., 2005). That is, software-Co was smaller and less powerful than NRI in the value chain, and thus it was placed in a vertical network which was controlled by NRI and became a 'captive supplier' of NRI (Bensaou, 1999; Gereffi et al., 2005). It was highly dependent on the client and faced big losses once it failed to keep receiving business from the client. This was particularly evident when the 2008 global crisis caused tremendous cutbacks in demand for outsourcing from NRI to China and consequently led to a severe stagnation of business in Software-Co and a massive reduction of staff, by almost 50%.

In 2010, senior managers re-assessed and altered its strategy, so that the company went on committing to NRI but tried to upgrade itself from 'a captive supplier' to a 'relational supplier' by providing full-package and higher value-added services (i.e. providing system solutions rather than just single pieces of software). This form of upgrading from a captive to relational value chains has been reported in the apparel industry in Gereffi et al. (2005). Producers in East Asia managed to become 'relational suppliers' from 'captive suppliers' through providing full-package production and increase supplier competence. This is also the case in Software-Co in the software outsourcing industry, in a 'relational' relationship, it is expected that the mutual dependence between NRI and Software-Co would increase. Clients in a relational bond with suppliers will be motivated to outsource to gain access to complementary competencies, and breaking the contracts will impose costs on both sides (Gereffi et al., 2005). One vice general manager gave an insight into this strategic choice during our lunch together:

> We considered two alternative strategies. The first was to downgrade. In this case, we would focus on pure coding and programming, which are low value-added activities, but would expand our market to many other clients. The second was to upgrade, in which case we would develop expertise in software design and enhance our capacity to make ourselves important and necessary to NRI. If NRI relied on us in software design and programming, we would have bargaining leverage over it and the bond would be much more secure… We decided to choose the latter in the end because we had these well trained developers who were different from programmers. We had invested so much in training and we concluded that our development should be based on our existing advantages, which were our developers. Downgrading might have brought us more orders in the short-run but we would have lost our competitiveness, tradition and culture. (2nd February 2012 in Shanghai)

Following this strategy, Software-Co pays more attention to 'learn' from Japan and increase its competence in providing full-package services through various knowledge sharing and *Kaizen* programmes (see details in Chapter 5). It successfully received the outsourcing contracts from Nomura Holdings in the late 2011, being responsible for the software design in the post integration of Nomura and Lehman brother. In the same year, Software-Co also developed new clients such as Toyota Communication Systems. These

moves were considered as the big achievements in Software-Co's upgrading because it showed Software-Co's capability to develop new clients and to provide higher value-added products. Although Software-Co's development is showing a tendency towards 'relational' supply chain relationship, the discussion in this study will be mainly based on the management systems and practices that were constructed and developed in captive supply chain relationships.

Overall, in contrast with Data-Co, which is interested in market diversification and expansion, Software-Co focuses on serving one customer and developing its market with this single customer; unlike Data-Co which is moving towards standardisation of the production, Software-Co stresses the importance of getting deeply involved with NRI to better understand its working procedures and management systems and develop solutions that can best fit with it, and to ultimately become the 'indispensable' supplier/partner of NRI.

In the following sections, I detail the management of the Japanese office and the expatriates.

4.2.1 The Japanese office in a captive supply chain

The Japanese office, established at the same time as the HQ in 1991, originally represented the Japanese investor, JAIDO. It was a small office comprising four employees: one male manager Shiba, two female administrative employees who took care of trainees' needs such as accommodation and transportation, and one female accountant who was in charge of trainees' payroll in Japan.

From 1991 to 2001, the Japanese office was responsible for developing partner relationships with Japanese companies where Chinese trainees could receive training, and for managing trainees' work and life in Japan. It also sought for opportunities to do outsourced business for Japanese companies after the company stepped into outsourcing market in 1996. In other words, the Japanese office at that time not only covered all the management related

to on-site expatriates in Japan, but also took charge of developing and expanding its market in Japan.

After Software-Co won orders from NRI in 2001, Software-Co decided to stop developing other clients and concentrate on building a long-term relationship with NRI. This strategic move was based on Software-Co' business vision to provide relatively higher value-added and customised service to one or a small number of big clients, instead of standardised, low value-added service to many clients. It was this move that directed Software-Co to a captive supply chain with NRI. Accordingly, the Japanese office in this captive chain does not bear much responsibility in developing new clients, as the one in Data-Co does. Instead, the mission of the Japanese office of Software-Co is more on taking care of the expatriates' life and fostering customer relationships with NRI.

In terms of the daily life, the Japanese office managed to rent two blocks of flats to accommodate all the expatriates. Each expatriate lived in one separate en suite with all necessary facilitates such as fridge, microwave oven, TV set, washing machine and so on. They were also given a transportation card which enabled them to commute between their places of accommodation and the Japanese companies. Two administrative employees at the Japanese office, both local Japanese women, dealt with expatriates' enquiries and ensured their safety and health. During my fieldwork in Japan, there were about 40 expatriates in the building where I lived. All of them were working for NRI, at two different workplaces. They went to work and returned home in groups, and spent lots of their spare time together, travelling, playing cards, shopping and watching TV. This kind of collective living, on the one hand, formed an effective learning network in which senior expatriates shared experiences with the younger ones and helped them adapt to the new country quickly, but on the other hand, reduced their motivation to socialise with local Japanese after work, including informal socialisation with Japanese colleagues. One senior manager commented:

> Japanese socialise a lot after work, but our expatriates rarely get involved in that. As more and more Chinese expatriates get together in

the same building, they easily find out anything they need to know from each other, and they can help each other out and spend time with each other. They feel comfortable staying within their 'safe zone' and do not feel motivated to socialise with local people. (7th December 2011 in Tokyo)

There were about ten female on-site expatriates in Japan during the time of my fieldwork. As with Data-Co, these female expatriates in Software-Co were not keen on socialising with Japanese colleagues, almost all of whom were men. I had interviews with three of them. None of them reported particular difficulties in working in a male-dominated environment, although all of them said they would not choose to be employed by a Japanese company, given women's subordinated status in most Japanese companies. Intriguingly, all these Chinese women showed strong empathy towards Japanese women, suggesting that Japanese women were confined to doing housework, and face severe obstacles in pursuing a career. One of them mentioned:

> Chen [the general manager] always says that we [the female employees] would have been serving tea in the office if we were not working for Software-Co. That is true -- many Japanese women end up typing documents and serving tea even if they have graduated from top universities. I do not know whether they [Japanese women] enjoy their roles as 'housewives', but I probably could not stand it. Well, for sure, I would not like it… It's good that there is no gender bias here in Software-Co. (9th December 2011 in Tokyo)

Indeed, when managers and other male employees in Software-Co talked about female employees, they tended to draw a sharp contrast between Software-Co and Japanese companies, emphasising that female employees in Software-Co were well treated and respected while those in Japanese companies had to be submissive and deferential to men. By doing so, female employees were made to feel fortunate and grateful to the company.

As for the work, the former manager of the Japanese office Shiba established all the policies and practices in relation to the expatriates. He constantly contacted Japanese companies in order to keep track of each expatriate's performance and required every expatriate to submit a detailed report every week on what projects they were doing, with whom they were working, what the challenges were, what should be improved and so on. One distinctive feature of Shiba's management style was his emphasis on managing

expatriates in a purely Japanese way, as recalled by one vice general manager:

> Well, it was set out in our corporate vision that 'the company aims to bridge Chinese and Japanese culture'; however, Shiba never bothered to integrate Chinese culture with Japanese management. In fact, he deliberately refused to learn anything about China for a long time because he wanted his management to be purely Japanese. He wanted us to be completely involved in and committed to Japanese culture, management and work environment, regardless of our nationality of origin or the ownership of the company. His logic was quite simple – the company served Japanese clients, so should behave Japanese. (23rd January 2012 in Shanghai)

Indeed, Shiba not only carried out lots of practices at the Japanese office which were widely used in Japanese companies such as *Hansei* and *Kaizen*, but also devoted himself to educating expatriates to behave and work like local Japanese employees. One form of education took place on the 'return day' every month when all expatriates gathered in the Japanese office after work and Shiba would comment on each expatriate's progress in adapting to the Japanese way of communicating, working and management. His education covered every aspect of the expatriates' work, so much so that I was told that he even paid attention to the emails expatriates wrote and explained how to phrase them as a Japanese employee would. As well as conducting education in groups, Shiba also spent lots of time supervising each expatriate individually. I was told lots of similar stories about how Shiba helped each expatriate understand clients' expectations and communicate effectively with superiors and colleagues in Japanese companies:

> I would not have understood Japanese management and Japanese work so well without Shiba. During my first year in Japan, my client almost 'fired' me because I did not perform well. Shiba had a long talk with me. He told me that Japanese always expected a 'high quality' and even 'perfect' work, rather than a 'completed' work. From Japanese people's perspective, there was no difference between a major mistake and a minor mistake – every mistake was a serious one. Bearing this in mind, Shiba went through my report [for the client] sentence by sentence with me and pointed out how careless I was on details. It was an impressive talk and it changed my mind and attitude towards my work in Japan. (Software developer, 6th year cohort trainee, 8th February 2012 in Shanghai)

> I was shy and was not confident about talking to my colleagues. Shiba noticed this, and had a conversation with me about it. He told me it was a principle of Japanese culture to 'keep reporting, contacting and communicating'. He also advised me to start with writing emails if I found it difficult to talk. I did that, and got good feedback from clients, and I became more confident about communicating. (Project manager, 3rd year cohort trainee, 9th February 2012 in Shanghai)

In spite of this exclusion of Chinese elements, Shiba's supervision and management were well accepted and followed. Almost all expatriates claimed that they had 'internalised' the Japanese practices and had been 'Japanised', apart from a few exceptions who had left the company during their expatriations. The high degree of acceptance could be interpreted as a product of a mixture of factors. First, all expatriates had joined the company directly after university, and thus they had no reference point as to management practices and policies at other companies and in other countries. Therefore, they were likely to accept the system they were currently in. Lots of developers said in their interviews with me that they could not tell whether Japanese practices were better than others because they had only learnt and experienced Japanese management, and they did not even know what alternatives they could apply. Secondly, Shiba's constant education helped the expatriates understand the strengths and advantages of Japanese policies and practices. There was no doubt among the expatriates that Japanese practices were effective in avoiding mistakes and delivering high quality products. Thirdly, their long and deep involvement in Japanese companies offered expatriates opportunities to learn from their Japanese colleagues and carry out Japanese policies and practices in practical work, thus enhancing their internalisation of Japanese practices. Fourthly, as the early trained software developers became the managers at the HQ, 'managing in a pure Japanese way and behaving like Japanese' became the distinctive pitch and 'identity' of both the company and the software developers. This reinforced the learning process of on-site expatriates (details in Chapter 5). Last but not least, the charismatic leadership of Shiba facilitated expatriates' acceptance of Japanese-style management, as one 6th year cohort trainee indicated:

Shiba was the life mentor of all the expatriates, the spiritual leader of the company. He was strict and tough, but he always protected us and spoke up for us in front of our clients. He was thoughtful and patient, like a teacher and father to us. He made you believe in him and not want to disappoint him. If he said we should do something, then we should do it. (27th January 2012 in Shanghai)

In sum, the Japanese office under a captive supply chain plays an important role in maintaining and improving customer relationships by training expatriates on how to work in a 'Japanese' way and how to provide the most customised services. Although a couple of changes of leadership have taken place in the Japanese office after Shiba retired in 2006, Software-Co's overall position of being a captive supplier in a captive supply chain and the roles of the Japanese office in managing and training expatriates have not been changed much. New managers of the Japanese offices has taken the educational role and continued to teach Japanese practices to the developers.

4.2.2 Expatriates in a captive supply chain

Unlike the expatriates in a market-based supply chain, who work in an 'isolated' environment in Japan and predominantly focus on specific tasks, expatriates in a captive supply chain have more opportunities to work with their Japanese colleagues and to learn from the Japanese companies. Therefore, on-site expatriates in Software-Co are largely 'learning-driven', aiming to learn advanced technology, knowledge and organisaitonal practices from Japanese practices through the on-the-job training (OJT) in Japanese companies.

OJT in Japanese companies has been a compulsory part of the training programme for software developers in Software-Co since the company was established. Although the company was transformed into an outsourcing contractor and the role of Japanese companies was changed from 'trainers' to 'clients', this training programme has been kept and on-site expatriates are sent out almost every year. The company hopes the expatriates will take this opportunity to learn skills and managerial practices from Japanese companies and ultimately promote the upgrading of the company. During my research, there were 94 expatriates working at three work sites with the client NRI. Most

of them were expatriated between 2008 and 2010 (14th to 16th year cohort)[1] while a few of them were senior software developers who stayed on sites after OJT.

The supply chain relationships have a great impact on the extent to which on-site expatriates are able to be involved in the Japanese company and work with Japanese colleagues during their OJT. During the period from 1991 to 2001 when Software-Co was a training agency, Japanese companies acted as the 'trainers' of Chinese expatriates, based on their agreements with JAIDO. Training took place while expatriates were actually working. They were assigned to a team in Japanese companies and were given tasks. Their tasks were not different from the other Japanese employees, and they were allowed to access company information and resources to the same extent as their colleagues. Each expatriate was allocated to an experienced member of staff who worked as a coach and could provide instructions and help them learn skills and processes. Expatriates were managed in the same way as the other employees and were required to participate in every formal activity in the companies. During that time, expatriates did not feel like 'outsiders'. Instead, except that they were not paid by the Japanese companies, lots of them felt they belonged to the Japanese companies. Expatriates during this period were considered to be involved most deeply in Japan and had been 'Japanised'.

From 2001 when Software-Co became a contractor to Japanese companies, and in particular to NRI, the role played by the Japanese companies was no longer that of 'trainer', but of 'client'. Expatriates still worked in the Japanese companies but they were assigned specific tasks. Their contacts in the Japanese companies were restricted and they were given limited access to the company's information and resources. As 'suppliers', expatriates were treated as 'outsiders'. Most policies and practices which applied within the Japanese companies were not applied to the expatriates, and the

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[1] There was not expatriation in 2009 due to the economic crisis.

management of expatriates was largely results-oriented. Despite these changes, three-year work experiences within Japanese companies were considered enough for people to get used to Japanese working culture, and to learn from doing and observation, as the general manager reflected:

> Japanese managers can be very harsh to the expatriates. Simply speaking, when they are trainees, Japanese managers teach them when they do things wrong. But when they are suppliers, they fire you. This, to some extent, forces our expatriates to effectively communicate with their Japanese managers and learn quickly from their daily work. With limited direct supervision from Japanese managers, expatriates are pushed to observe how and what their Japanese colleagues do and imitate their behaviours. In this sense, although the change from 'trainees' to 'suppliers' sounded like an adverse one to us, it did not affect expatriates' commitment, involvement and learning results too much. (Follow-up telephone interview, 8th July 2013)

However, the situation was getting worse after the economic crisis in 2008. In 2010, the Japanese client NRI reorganised the working space for the suppliers. As a result, all expatriates moved out of NRI's main building and were relocated to a new building to work with other suppliers. Because of this, expatriates were isolated from the employees at NRI and instead spent most of their time with Chinese colleagues and other suppliers. One expatriate said:

> The location makes a big difference. You know, I do not even have the opportunity to practice my Japanese because most of the time I work with my Chinese colleagues. I really doubt the meaningfulness of OJT under this 'isolated' environment. (14th December 2011 in Tokyo)

There were various explanations given for the workplace reorganisation. The most common reason concerned information security. It was reported that NRI had carried out an overall risk assessment of corporate information security and personal information security in 2009 and found suppliers who were working with them could access too much of the company's information and this could become a potential risk to the company's information assets. Therefore, they decided to locate expatriates to a separate building in order to better control their access to information. Another explanation was again related to standardisation, as the general manager told me:

> Although software design work usually involves lots of innovation and communication, it is quite different in NRI. The system at NRI is very

stable and there is no need for changes. So after such a long time of collaboration, our work is mostly standardised. NRI does not require innovation, nor does it outsource higher value-added business to us. Therefore, it is not necessary for them to keep in close collaboration with us and so they relocated us to another building in order to reduce their administrative costs. I guess it is the same for the other suppliers, and that is why NRI rented this building and gathered all suppliers here. (Follow-up telephone interview, 8th July)

In response to the expatriates' reduced involvement after the change of workplaces, managers at NRI made lots of effort to encourage expatriates to be proactive and seek out opportunities to socialise and communicate with Japanese clients. For example, managers taught expatriates to give constructive suggestions and impressive talks when they had the opportunity to meet with clients so as to 'be noticed by the clients'. The general manager gave a gloss on this situation that 'our way of dealing with this handicap is to make ourselves outstanding among the contractors, so we have to take our limited opportunities to show our capability and value'.

Managers in Software-Co was very concerned about this change. They realised that the isolation of the on-site expatriates from the Japanese clients would potentially reposition the company as a 'market-based supplier' which would only supply standardised services and thus could no longer benefit from the highly skilled and trained suppliers. This, therefore, consequently drives the company to focus on upgrading to a 'relational supplier' since the 2010.

In sum, on-site expatriates in a captive supply chain have opportunities to get involved in their Japanese clients' workplaces. Therefore, they are considered as the learners and carriers of 'Japanese' knowledge and practices. These learning and transferring opportunities and capability underpin the supplier's capability to provide customerised services to a single leading client and to foster the particularistic relationship with the clients in a captive supply chain.

4.2.3 Case Summary of Software-Co

The historical legacy of Software-Co as a training agency has produced a distinctive group of highly trained and skilled software developers, which was

considered as the competitive advantage of Software-Co. Based on this, the company chose to become a captive suppliers of NRI and secured a stable and large business offers from NRI. This particularistic relationship explains Software-Co's commitment to Japanese practices, and the transfer of organisational practices and knowledge from Japan to the HQ. Meanwhile, such long-term relationships also ensure that the on-site expatriates have opportunities to work with the Japanese companies and the Japanese employees, through which they can learn Japanese management and practices. This underlines the flows of knowledge and organisational practices carried and diffused by on-site expatriates from Japan to the Chinese HQ.

Such a long-term and particularistic relationship with a single Japanese client has had both advantages and disadvantages. On the one hand, the particularistic relationship in a vertical network mainly controlled by the client has prevented the company from developing multiple clients. On the other hand, the long-term and trust based relationship enables the on-site expatriates to engage deeply in and be fully committed to Japanese management and practices. However, the supplier-client relationship is not static but evolving over time. As Ahmadjian & Lincoln (2001) argue, the process of standardisation transforms localised and tacit knowledge into shared and explicit knowledge which can be used by different customers and suppliers, and thus bilateral ties between buyers and suppliers lose value. In Software-Co, there are emerging signs (e.g. the separation of workplaces) that the established particularistic relationship is drifting towards a more market-oriented contracting, as the service is standardised and modularised. This informed the company's recent strategic choice, to increase its own capability through close interaction with the client, build up mutual dependence with the client, and upgrade itself from a 'captive supplier' to a 'relational supplier' (Gereffi et al., 2005).

4.3 Summary

This chapter has discussed how supply relationships have been evolved over time in both Data-Co and Software-Co and how their Japanese offices and expatriates are organised and managed under different supply chain

relationships. This chapter has found that the supply chain relationships have great impacts on the role of the Japanese offices and the management and experiences of the expatriates in Japan.

Japanese office in a market-based chain appears to take an important role in marketing development, while the one in a captive supply chain pays more attention to the customer service and the training of expatriates.

Likewise, the roles played by the on-site expatriates vary significantly in my two cases. On the one hand, the extent to which on-site expatriates are involve in Japanese companies and learn from Japanese practices is largely affected by the extent to which the Japanese companies are open to subcontractors. In a market-based supply chain, subcontractors are isolated from the Japanese companies, and this partly explains why expatriates do not engage in learning from Japanese management. In a captive supply chain, however, on-site expatriates have more opportunities to observe and engage in the Japanese workplaces. Because of this, expatriates from Data-Co merely focus on the completion of tasks with little intention of learning from Japanese management or practices. Meanwhile, there is no mechanism for reverse transfer from on-site expatriates to people in the HQ. In contrast, as an important part of Software-Co's development strategy, on-site expatriates from Software-Co aim to immerse themselves into the Japanese companies and learn skills and practices there. Managers emphasise the importance of expatriates communicating and socialising with employees at Japanese companies in order to build trust between them. This is particularly the case when the client appears to distance itself from its suppliers.

Chapter 5 The construction of operational practices at Chinese workplaces: Learning from Japan?

In the preceding chapter, I have detailed how the supply chain relationships have been evolved over time in both companies and how these relationships shape the international operation of both companies, including the management of their Japanese offices and expatriates in Japan. My findings reveal a distinction in the patterns of supplier-client relationships between the two companies. While transactions between Data-Co and its Japanese clients are based on arm's length contracting, Software-Co has developed a particularistic, long-term and trust-based relationship with a dominant client. Accordingly, the Japanese office in Data-Co aims to develop as many new clients as possible, while the one in Software-Co focuses on maintaining long-term and close relationship with one client and providing employee training. Meanwhile, Software-Co's expatriates' length of expatriation and extent of involvement with Japanese companies far outstrip those of Data-Co's expatriates. Being aware of the supply chain relationships between the supply firms and their Japanese clients as well as their international operations, it is appropriate to ask how and to what extent these activities have influenced the policies and practices at Chinese workplaces. Therefore, this and the following chapter discuss how managers in both companies construct the management systems that enable them to develop the Japanese market and meet the requirements of their Japanese clients. Specifically, this chapter focuses on the operational practices and the next chapter discusses the human resource (HR) policies and practices.

As for the operational systems, people in both Data-Co and Software-Co claim that their operational practices are 'learnt from Japan'. The top management in both companies explicitly declared that their operational system was 'of Japanese characteristics'. Here, the term 'learning from Japan' raises a number of questions.

1. Why are both companies keen on 'learning from Japan'? Is it a direct or indirect requirement from the Japanese clients, who are the leading firms

in the supply chains? How do different supply chain relationships affect the process of 'learning from Japan' in both companies?

2. What is meant by 'learning from Japan' in both companies? Does it mean that these companies have deliberately copied Japanese practices and policies and incorporated them in their operational systems in China? Or does it represent an ideological justification for an agenda of changes in the companies (e.g. Ackroyd, Burrell, Hughes, & Whitaker, 1988)? Or again, does it refer to the adoption of practices that are coercively required by the Japanese clients?

3. What has been 'learnt from Japan'? Have the companies learnt 'a whole package' of Japanese management techniques including its manufacturing methods, work organisation and personnel practices (e.g. Oliver & Wilkinson, 1992)? Or have they learnt in a selective manner and only 'cherry-picked' certain elements of Japanese management (e.g. Geppert & Matten, 2006)? Or have they, as Dedoussis (1995) suggested, learnt the peripheral practices from the small Japanese firms, rather than the core practices from the large Japanese firms?

4. In what ways are the 'learnt' practices integrated with the operational systems in China? What adaptations have been made to the specific contexts in China?

5. What are the consequences of 'learning from Japan'? Has it provided efficiency and competitiveness as the companies expected? Has it generated worker commitment and involvement, and in general improved their work experiences at the workplaces, as the advocates of Japanese management opined (e.g. Macduffie, 1995; Womack, Jones, & Roos, 1990)? Or has it even led to tight and oppressive workplaces which worsen the working conditions, as many case studies have shown (e.g. Delbridge, 1998; Fucini & Fucini, 1990; Turnbull, 1986, 1988)?

To answer these questions, this chapter presents and discusses the operational systems at both Data-Co and Software-Co. It traces the formation and development of the main practices in each operational system, reveals how employees experience them and respond to them, and investigates their relationships with Japanese management. The findings reveal that these two

companies have been influenced by Japanese management in different ways, and thus developed two different models of operational systems.

5.1 Data-Co

While managers in Data-Co demonstrate that their operational practices are 'learnt' from Japan, they also clarify that their Japanese clients have never directly asked them to 'learn' from Japan. In fact, several managers said that their relationships with the Japanese clients is arm's length and the clients do not show much interest in how the daily operation is organised in supply firms and what practices are applied – 'Japanese clients only care about the outcome of our products no matter what practices we are using'. In other words, the activity of 'learning from Japan' is not directly required by Japan.

However, the requirements of Japanese clients on quality, price and delivery time of the final products do have indirect effects on Data-Co's daily operational practices and its overall strategy of 'learning from Japan'. These managers tend to claim that 'Japanese' practices are the 'best practices' that enable them to deliver good quality products in time as their Japanese clients require.

From the perspective of Data-Co's managers, Japanese management is discerned as having four aspects: an over-riding priority given to quality, a punctilious sense of discipline, constant pursuit of improvements, and a preventive system in information security. Accordingly, these represent the aspects that Data-Co has sought to learn from Japan. The following sections discuss these aspects in detail.

5.1.1 Quality management

Managers in Data-Co perceive that Japanese companies place a considerable emphasis on the significance of quality. Specifically, they perceive an emphasis on 'checking and double checking' in Japanese management and attribute Japanese companies' success in quality management largely to their carefulness and patience in delivering a 'perfect' piece of work, rather a 'complete' piece of work.

In Data-Co, 'quality' refers to the accuracy of data input. The key principle is that every piece of work should be delivered on time at a very high level of accuracy. Quality is calculated through two indicators: *the first-time accuracy*, which refers to the number of items input correctly the first time, and *the delivery accuracy,* which refers to the accuracy rate of the final work after checks and corrections. First-time accuracy is recorded on each individual's performance chart every day and is mainly used for internal evaluation, improvement and employee training. The delivery accuracy is based on the feedback from clients after delivery. One manager explained, 'as long as the clients do not identify any mistake after delivery, we assume that the delivery accuracy for this project is 100%'.

By looking into the operational system in Data-Co, it is found that the delivery accuracy and the first-time accuracy are managed through different approaches. While delivery accuracy is controlled by a standardised work procedure, first-time accuracy is primarily managed by a daily error reporting system in teams.

Standardised work procedure and delivery accuracy

Delivery accuracy determines the level of customer satisfaction and hence the reputation and competitiveness of Data-Co in the Japanese market. Data-Co has been giving over-riding priority to delivery accuracy and its ambition has been to deliver work without any mistakes - that is, a delivery accuracy of 100%. In 2010, the deliver accuracy reached 99.997%.

Delivery accuracy is controlled through a work procedure, which is called 'double input and multiple checks' system. Under this procedure, every piece of work needs to be input twice, once each by two separate operators, followed by a three-fold checking process which includes a check of consistency between the two inputs, a sample check, and a logic check. Mistakes identified during the consistency check and the sample check will be corrected immediately. If any problem is identified during the logic check, workers are likely to be asked to re-do the whole work. In addition, accuracy is also achieved through job deskilling. Before workers process data, each

scanned document is divided into separate images which contain only one sort of information such as address, name, telephone number and so on. This segmentation keeps workers inputting the same sort of information repetitively and hence less likely to make mistakes.

Detailed job descriptions are set for each position in the organisational hierarchy (see the organisational chart in Chapter 3) according to this work procedure. Ordinary operators are responsible for undertaking all the inputting of data. The team leaders, section chiefs and project managers very rarely input data and are in charge of different stages of the 'multiple checks'. The team leaders do consistency checks for all input and the section chiefs conduct an hourly sample check. The project managers do the logic check before the whole project is delivered.
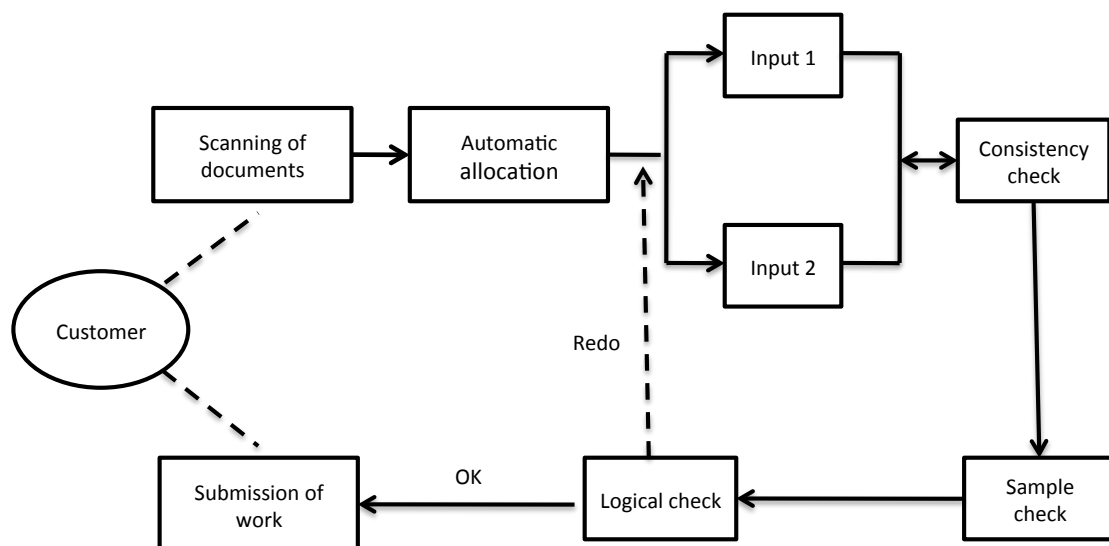
Figure 5.1: Work procedures in Data-Co

Based on this procedure, the company has gained a reputation for quality among its employees and clients. Workers are impressed that the company sacrifices its potential profit for quality and see the company as an industrial model of quality management. As one newly hired worker reflected, 'when I was told that my work would be input by another person and checked by several people before it was finally submitted, I had the feeling that the company does give priority to quality'. However, this procedure is a labour intensive approach, which relies heavily on the low cost of labour in China and

is largely based on repetitive checking and rectification. By paying a second worker to input the same piece of work and placing several 'inspectors' to check each input, the labour cost is increased greatly. This is in sharp contrast with the idea of total quality management (TQM), in which quality is 'built in' to the production without adding extra cost to one product (Stephen & Wilkinson, 1995; Wilkinson, Godfrey, & Marchington, 1997). In other words, while the work procedure does guarantee a high level of delivery accuracy, this is achieved only at the price of relatively high labour costs and is far from efficient. As the BPO manager reflected:

> This [the 'double input and multiple checks' work procedure] is a straightforward approach. I mean, what can be more convincing than showing our clients this work procedure and telling them mistakes could hardly be missed under this procedure?…However, the cost of labour in China is getting higher and higher. I am afraid we will be unable to afford our labour force soon if we keep this procedure. (BPO manager, 14th June 2011 in Dalian)

Apart from the inefficiency, there is another disadvantage associated with this work procedure. As many managers have recognised, the operators under this procedure appear to lack a sense of personal responsibility for quality because they are aware that their work is being input by someone else and will be checked by several quality inspectors. A senior manager pointed out this problem at one supervisory briefing:

> Employees are expected to take responsibility for quality and make sure every piece of work they submit is of high quality. But our operators [in Data-Co] rely too much on the inspectors and pay less attention to the accuracy of their own work. (4th July 2011 in Dalian)

In dealing with this problem, managers have been making efforts to enhance the operators' sense of responsibility for quality. It is in this light that first-time accuracy is emphasised. Through constant emphasis on the importance of first-time accuracy, operators who input data are made aware of their own responsibility to ensure the accuracy of their input and that they should not wait for the inspectors to discover their errors.

Error reporting system, team work and first-time accuracy

First-time accuracy is formally managed through an error recording and reporting system. Every operator has an individual chart on which is recorded by his/her team leaders every day his/her daily performance, such as the quantity of work and the number of errors. Since the team leaders are in charge of all consistency checks, they are expected to observe any mismatch during their work and identify the individual responsibility for each error. Once they have identified the operator who made the error, they will record this on this operator's daily performance chart. In accordance with company policy, operators are given penalties for every single error they make. The amount of the penalty for each error is informed by the nature of the project, and it is usually set and announced by the project manager before the operators start working on the project. By the end of each month, the team leaders multiply the set penalties for each error by the total number of errors that have been recorded for each operator and work out the total amount of penalties for each operator. They then submit this result to the HR Department and the HR staff will subtract the penalties from each operator's monthly pay (the pay system in Data-Co is discussed in detail in chapter 6). Clearly, this error reporting system allows for very specific information as to first-time accuracy to be recorded and monitored on a daily basis. Such high levels of surveillance and individual responsibility are also found at Japanese manufacturers, as reported by Delbridge (1998) and Sewell & Wilkinson (1992). In particular, by linking operators' first-time accuracy with their monthly earning, and having the workers pay for their errors, this system aims to enforce the stringent standard of first-time accuracy and enhance individual responsibility for quality.

In practice, the implementation of this system is not without an element of negotiation and condonement. As we have seen, the team leader plays a crucial role in recording the errors for each member of the team and in reporting this information to the HR department. However, throughout my interviews, the majority of the team leaders admitted that they played tricks in reporting errors. In most cases, the reported number of errors for each

operator was much smaller than the true number. In other words, these team leaders were preventing their team members from being punished, by concealing or reducing the number of errors they have made. Ironically, despite the top manager's great efforts and emphasis on first-time accuracy, these team leaders justified their indulgence towards the operator's errors on the basis that the errors identified from consistency checks would not cause any 'serious consequences' because the work had not at this stage been delivered to clients and was therefore still correctable. Based on this point of view, these team leaders showed empathy with their members:

> Workers are not robots. They get tired and make mistakes. It is all normal. I myself was an operator [before I became a team leader] and I know that the pay for operators is low. Lots of them are under great financial pressure, living in Dalian City. As long as their attitudes towards work are good, I prefer not to add more pressure. (KPO project manager, 21st June 2011 in Dalian)

In particular, some of the team leaders consider these tricks as their tactics to 'sustain a harmonious and reciprocal relationship with the operators':

> Team members will feel grateful if I am a bit tolerant towards their mistakes. Then, when I am struggling with the delivery deadline, they will be more likely to work overtime for me. It is the spirit of teamwork and it is based on reciprocity, isn't it? (Team leader, 13th June 2011 in Dalian)

From the operators' perspectives, they appeared to comment quite positively on the team leaders who were willing to cover up their errors, regarding them to be 'caring, understanding and thoughtful'. Quite a few operators said that they worked hard because their team leaders were so nice to them that they did not want to let them down. These points of view endorsed the team leaders' attempts to build up reciprocal relations through this form of indulgence. Nevertheless, the operators also pointed out that the extent to which they could be exempted from fines was always an issue with lots of uncertainties, depending on lots of factors such as whether the operators who made mistakes were considered by their team leaders to be hard working and diligent; whether their attitudes towards the mistakes was considered to be good; whether their relationship with the team leaders was close and so on. In particular, one operator stressed the importance of 'feeling apologetic':

One of my colleagues argued with our leader the other day, saying that he made the mistake because the original documents were not clear enough. What he said was true – a few others in his team made similar mistakes due to the vague documents. However, our team leader was irritated by his unapologetic attitude and sent him to the project manager. The others, who admitted their mistakes right away, were fine. Since then, I have realised that we should never argue with our team leaders when we make mistakes, we should admit them and 'feel' apologetic. Then the leaders might not report our mistakes. (13th June 2011 in Dalian)

The uncertainties perceived by the operators can be explained by Delbridge's (1998) argument. In his discussion of management indulgence at a Japanese-owned plant in the UK, Delbridge noted that since the patterns of indulgence were not allowed to become institutionalised into the *modus operandi,* 'operators may not expect or assume this indulgence to be repeated and even those most sympathetic to their situation do not allow them to "take advantage"'(p. 185). In this sense, even though the team leaders expressed their willingness to grant 'indulgence', it was not able be used by the operators to secure any counter-control over the management.

Apart from the error recording and reporting system, peer pressure, emerging from the team structure, appears to be effective in enhancing individual responsibility for quality and in ensuring an acceptable level of first-time accuracy. For example, when an operator falls behind or regularly makes mistakes, others in the team may suffer because they will be forced to correct those errors or even re-do the work. It is highly likely that, if lots of corrections are needed, the whole team will have to work overtime to keep up with the schedule. In this case, the member who has made errors will experience resentment from the others. Peer pressure was strongly felt during one morning briefing I attended. The team leader announced the best performer and the worst performer for the previous day in front of all the team members, including the number of items they had completed and the number of errors they had made. While she praised the best performer, she particularly said to the whole team that 'Wei [the worst performer] dragged the whole team down yesterday and I hope it will not happen again today. We have a deadline to meet by the end of today and if anyone keeps making errors, we will have to work overtime this evening'. This put lots of pressure on the team members,

especially Wei. I saw him blush during the whole of the rest of the meeting. During the afternoon break, I visited this operating room again and found Wei still hard at work, without taking a rest. The team leader commented that the comparison made at the morning briefing was not meant to humiliate anybody, but to remind them of their team membership and tell them 'not to be the one who holds the team back'.

Overall, the management of the delivery accuracy is mainly achieved by a set of work procedures, which are inspired by the managers' perception of Japanese management, and emphasises the importance of multiple checks. Although this work procedure is not borrowed from Japan, it does act as the 'functional equivalent' (see Oliver & Wilkinson, 1992) to Japanese management, in the sense that they both serve to deliver high-quality products. As the managers realise that this work procedure is costly and unsustainable in the long run, they have started paying attention to 'first-time accuracy'. According to Wilkinson, Marchington, Goodman, & Ackers' (1992) distinction between 'hard' and 'soft' quality management, it appears that managers in Data-Co have been focusing on the 'hard' and quantified approaches, such as the work procedures and the error reporting system, whereas the 'soft' aspects are not formally considered. It was not until the end of my fieldwork that I heard the CEO Simon talk about 'the consciousness of quality', by reference to Japanese management at one managerial briefing:

> I have visited a few Japanese companies over the last few weeks and observed how Japanese employees work. I was touched by their carefulness, concentration and commitment. This has made me think about the secret behind quality management in Japan. You know, we have been trying to investigate how Japanese companies manage to deliver high-quality products all the time. I think ultimately high quality is achieved by the people who make the products, rather than the machines. I think Japanese employees have a consciousness of quality. They pursue quality, or you could say perfection, from their hearts, not because they are forced to… Of course we have a long way to go to achieve that, but it is something for us to keep working towards. (14th July 2011 in Dalian)

5.1.2 Workplace discipline

A punctilious sense of discipline is also perceived as a feature of Japanese management. In particular, the CEO stressed that 'being disciplined is the key to the effective execution of any practice, policy and strategy' and attempted to establish a rule-based workplace so that 'workers' behaviours can be regulated and monitored'.

At the orientation for new employees, an 'Employees' Code of Conduct' booklet was distributed to everyone. This booklet covered six aspects of workers' day-to-day life including dress code, attendance, work attitude, reporting procedures, rewards and penalties, neatness of the work place. Detailed requirements were listed under each of these headings. One staff member in the HR department explained each rule to all the new employees at the orientation and stressed that 'being disciplined is the fundamental requirement for employees'.

The following excerpts from my field notes of a normal working day offer a snapshot of how discipline affects workers' working lives:

> It was 8:15 in the morning on a normal working day and the early-arrived workers have already lined up in front of the No. 1 BPO operating room, with their employee cards hung around their necks [*Workers have to wear the employee card once they enter company premises*]. They looked sleepy and some were gobbling their bread for breakfast before the door opened [*No food is allowed in the operating rooms*]. I was told that most workers, especially the ones who were not originally from Dalian, lived far away from the workplace due to the expensive rents in city areas. Thus, it usually took them about 2 hours to get to work by bus [*Being late is financially punished*]. Qiang, a young girl in the BPO department, described things as follows: 'I get up at 5:30 every day and catch the early bus at 6:30am. If I am lucky enough to get a seat, I can catch a nap on the bus. I arrive at about 8:15'. At about 8:20am, the door opened. Workers clocked in at the punched-card machine in the entrance. Workers cleaned their desks and booted up the computers [*getting ready to work before the start time*]. At 8:30am, the bell for work to start rang followed by a morning briefing given by the team leaders [*morning briefings are held every day and every team member must attend on time*]. At 10am, the bell rang again to signal a 15-minute break during which workers could drink water, use the bathroom, chat with colleagues, talk on the telephone and so on. [*Workers have to keep the operating room quiet and are not allowed to talk loudly during break.*] After 15 minutes, the

bell rang again. Workers went back to their desks and started working again, until the bell for the midday break from 11:30 to 12:30. In the afternoon, there were two further 15-minute breaks, at 2pm and 4pm respectively. At about 5:15pm, the team leaders checked on work progress, and announced that there was no extra work needed, which meant workers could leave work on time at 5:30pm. In case of any overtime work, workers were allowed one hour for dinner before they started work at 6:30pm. The whole day's work finished with a final ring of the bell. Workers tidied up their desks, turned off their computers, punched their cards to clock out and left work. [*Tidy your desk before leaving and keep it tidy at all times*]. (4th June 2011 in Dalian)

As shown by the above excerpts, day-to-day work is arranged according to a bell-controlled timetable. Throughout the day, the bell rings a total of ten times, to notify workers of when to work, take a break and attend meetings, as shown below (Figure 5.2). Overtime is common, especially during the busy seasons. Although overtime is voluntary in principle, it is seen as a main indicator of one's attitude to work. Workers who refuse to do overtime without good reason are seen as undisciplined and unmotivated, and they are likely to be low-rated in promotion assessment. In addition, they will be reported at the morning briefings and are likely to feel guilty under peer pressure. One worker who was so reported described her feelings, 'my team members stared at me, as if that it was me who left more work for them, so that they had to work till late to make up for my laziness'.

Time	8:30	10:00	10:15	11:30	12:30	14:00	14:15	16:00	17:15	17:30
Activity	work	break	work	lunch break	work	break	work	break	daily meeting	leave work

Figure 5.2: The bell-controlled timetable in Data-Co

Team leaders work in the same operating rooms as their team members and monitor their behaviour closely. Operators are required to sit at their desks during working hours. They are not allowed to chat with each other and have to ask for permission if they need to leave. There is a story that one worker was found to have lied to her team leader, saying that she had diarrhoea, in order to be able to chat with friends on the telephone while in the toilet. Since then, the team leaders have became stricter about permitting workers to leave

during working hours. Team leaders walk around the operating rooms every half an hour and supervise each team member's work. If inappropriate behaviour occurs, operators are pressured to change immediately. If the operators refuse to change, the attention of the section chiefs or project managers will be engaged.

In relation to Japanese management, the attention to discipline in Data-Co is claimed to have been 'learnt from Japan'. Workers are constantly told that Japanese workers are disciplined through a military approach and that this underlies Japanese companies' success in efficiency and quality. By doing this, the enforcement of discipline in Data-Co is associated with and justified by the 'best practices' at Japanese companies. This reflects the 'dominance effects' discussed by Smith and his colleagues (Elger & Smith, 2005; Smith & Meiksins, 1995). One interviewee shared her story,

> I felt the rules were excessive when I joined the company. But my team leader said I should adapt myself to it. She said Japanese companies – well, perhaps all the companies in this industry – do the same in order to be productive and successful. It's the norm of a competitive market. You know, if you do not follow it, you will be kicked out. It makes sense…I mean, I cannot expect the market to change for me. I have to get used to the system instead of complaining. (4th June 2011 in Dalian)

The enforcement of various rules and disciplines may result in a range of types of resistance among the operators. For example, the CEO Simon told me that after he took over the company, he decided to put punched-card machines at the entrance of each operating room and required employees to clock in and out every day. However, many operators felt that they were being distrusted and refused to get their cards punched. Simon said he insisted, and treated those who did not clock in as absent, no matter whether they had worked or not. In the end, about ten employees, including some senior ones, left the company voluntarily as a form of protest against the introduction of the punched-card machines, and it took several months for the rest of the employees to accept this practice. Even at time of my fieldwork, this story was still often mentioned by employees, serving as evidence of Simon's tough

management style as well as his determination to enforce workplace disciplines.

At times, managers make compromises. One example concerns the working timetable. According to company policy, workers are required to follow the timetable every day, even during the low seasons when they do not get much work from the Japanese clients. Given that the workers are primarily paid by the piece (the piece-rate system will be discussed in chapter 6), lots of them feel that it is unnecessary to keep to the timetable when they do not have any business to do. One team leader told me in detail about how she herself and her project manager handled the confrontation with their subordinates on this issue:

> One day, at the daily meeting, four of my team members asked for one day's leave. They told me quite frankly that they just wanted to take a break because they had not been assigned much work for the following day. It was a common situation during the low seasons that workers did not have enough work to do. However, it could be no excuse for them to be absent, because company policy required them to keep to the timetable every working day. I explained the company policy to them, but they insisted on having a day's leave. So I reported this to my section chief and the project manager. When the project manager came, one of these operators said that it was a waste of his time to spend four hours commuting when there was not much work to do. The others all echoed this, complaining that the timetable did not make sense during the low seasons. My project manager was very experienced, and she did not criticise them at all. Instead, she said that she understood their feelings, but the company policy was set by the top managers, so that she had no power to break with it. She then reviewed each individual's performance charts, and selected one who had performed better than the others. She then made an exception, and gave this good performer one day's leave. She particularly stressed that it was a reward for his hard-work, rather than a concession as regards company policy. She also promised the others that the same reward would be given to them as long as they achieved good performance. I felt that these workers were not really completely satisfied with this solution, but they did not argue any more. This case was settled.

This team leader continued to reflect on this issue:

> After these workers left, my project manager gave me some suggestions as to how to deal with this kind of issue in the future. She told me that I could give them leave when appropriate during the low seasons. She said the situation in the low seasons was special, and I

needed to strike a balance between my team members' morale and workplace discipline. She stressed that the bottom line was to ensure progress in the work, and only to give one person leave at a time. With her permission, during the low seasons in the past two years, I have given one of my team members a day's leave every week, and they took turns to take it. Good performers have priority. This approach has worked fine -- they do not ask for more. (7th July 2011 in Dalian)

In fact, it was found during my fieldwork that many teams were using the same approach during the low seasons, with the tacit acceptance of the senior management. One team leader commented that 'this is an approach that successfully combines discipline and humanity'. The operators, though they would have preferred more breaks, felt this to be acceptable.

Resistance from employees may also result in an 'indulgency pattern' (Gouldner, 1954). In 2009, the managers introduced a '5S system' into the workplace. 5S is based on the Japanese acronyms of *seiri* (tidiness), *seiton* (orderliness), *seiso* (cleanliness), *seiketsu* (standardisation) and *shitsuke* (discipline). It is detailed and engrained in Japan as a management practice which contributes to cost-effectiveness by maximising both efficiency and effectiveness (Gapp, Fisher, & Kobayashi, 2008; Liker, 2004). In particular, Data-Co carried out the 5S system in order to 'suit Japanese clients' tastes' and 'impress Japanese clients during their visits to the suppliers' workplaces'. Chang, a middle manager in the BPO department explained that potential clients' visits to potential suppliers' workplaces were one of the most important procedures in their evaluation of the suppliers' qualifications. Only those whose workplaces suit the clients' tastes and satisfy them will be considered qualified suppliers. Chang pointed out that one 'tip' for impressing clients was to 'make the company look like a Japanese one'. 5S, which is a visual control system, has been introduced to serve this purpose:

> When Japanese clients visit us, we want to give them the feeling that they are visiting a Japanese company -- nothing other than a Japanese company located in Dalian, China. People want to see something they are familiar with, and so do our clients…It is the nature of human beings, especially Japanese – they believe they are the best, so they will be pleased to find that we are imitating their practices and workplaces. (Telephone interview, 11th March 2011)

Based on this system, workers are required to comply with eleven rules concerning the tidiness and cleanness of the workplace. For example, chairs should be put in line. Employees should keep their working desks tidy and all irrelevant things (e.g. cups, plants, calendars) must be removed. Under no circumstances are mobile phones allowed to be put on working desks. Personal bags should be placed under the desks on the right hand side and so on. Not surprisingly, employees felt themselves to be coerced into following these rules and wondered what benefit they could get from this system. Lots of them described these rules as 'ridiculous' and 'trivial':

> For example, we are only allowed to put one pen and one piece of paper on the desks. But what if I need a staple? I have to put the stapler back once I finish using it. It does not make any sense to me. They [the managers] said it is for efficiency but I see the opposite. I am actually wasting my time in getting things and putting them back. (BPO worker, 15th June 2011 in Dalian)

The above scepticism consequently led to some anti-5S activities attempting to 'beat the system' (Delbridge, 1998). I was told that there was once a warning scheme named 'Yellow, Red and Black Card' under which yellow, red and black cards were given respectively to employees who broke the rules once, twice and three times. Anyone who got a black card would be financially punished. This scheme infuriated many workers, especially those who got the black cards. Several employees, including some skilled team leaders, quit their jobs due to the punishment. At the same time, the implementation of the 5S system in Data-Co started falling into the 'indulgency pattern' noted by Gouldner (1955). Team leaders turned a blind eye to their subordinates who broke the 5S rules but, in return, called for co-operation when clients paid visits to the work sites. This pattern is implicitly agreed by top managers, and they explained it as a compromise between the formal rules and the resistance from workers:

> We [*suggesting it is an informal agreement among workers, team leaders and top managers*] know it is almost impossible to carry out these rules. They [the workers] are young, in their early twenties. It is the nature of young people -- the more they are required to do something, the stronger they resist. If we push them too harsh, they will leave. Therefore, we try to be flexible in practice – we do not require

them to follow these rules every day, but at least they have to when the clients are visiting us. (Team leader, 16th June 2011 in Dalian)

Under this indulgency pattern, the inspections, evaluations and controls of the 5S activities are minimised, while the only responsibility of managers is to inform every team leader when clients are visiting, so that team leaders get enough time to organise the workplace as required by the '5S rules'. In other words, managers turn to connive at the breaking of rules by subordinates as long as the workers agreed to cooperate with them when clients were visiting. Furthermore, managers replaced the disciplinary sanctions by rewards to good performers. Under this new rule, '5S Stars' were given to workers who complied with the 5S rules, and bonuses were given to those who had been granted a '5S Star' at least three times within one year. In fact, this new '5S Star' rule has become a benefit to the workers. Team leaders select '5S Stars' in turn among team members with the purpose of getting as many members as possible rewarded by the end of the year. Eventually, this indulgency pattern helped the managers fulfil their goals of attracting clients without losing lots of workers.

Overall, despite the well-established and rigid disciplines, the above discussion shows that there is still some space for informal negotiation and strategic coping between the workers and the management. The team leaders have initial responsibility for dealing with disciplining members and handling grievances, and this gives them some autonomy in management. However, the team-based organisation and decentralisation is strictly within an agenda set by management. Team leaders are required to report and check with their supervisors on a daily basis and they are certainly not involved in significant power sharing or higher level decision making. As revealed in the above examples, the changes that the team leaders made were all with the tacit acceptance of their senior managers. Senior managers controlled strictly the extent to which and the ways through which concessions were made to employees, so that customer satisfaction, efficiency and the general principle of 'a disciplinary workplace' would not be compromised. This finding can be explained by Edwards' (1986) argument about 'general control' and 'detailed control'. The management reduces its detailed control through empowerment,

to the team leaders in this case, with the aim of persuading the team leaders to use their creativity to overcome problems in the operation. The result is 'to improve general control while reducing the employer's detailed control' (p.80). Under this form of 'controlled empowerment' and given the pyramid hierarchy in Data-Co, team leaders have very limited power to make substantial changes in workplaces. As one employee found:

> [When workers have problems or complaints], they can talk to the team leaders informally. There is no formal way to do this. But I feel team leaders can do nothing in terms of the management policies. It is all about hierarchy. I talked to my team leader, and she talked to her section leader, and then project managers… I guess probably our suggestions will never reach the top managers. Who knows? I do not even see our project manager much. (3rd June 2011 in Dalian)

5.1.3 Continuous improvement

The philosophy of continuous improvement is epitomised in one of Data-Co's central values, which is termed 'growing together' (alongside the value of 'creating' and 'sharing'). During Data-Co's annual meeting in 2010, the president defined 'growing' as 'a continuous process through which both the company and individuals make progress day by day'. He particularly stressed that 'young people [workers in Data-Co] should never be satisfied with themselves and should always pursue better skills and productivity'.

In the company's daily operations, a large part of continuous improvement involves speeding up the amount of items that each worker can input per minute accurately. The personal assistant to the BPO manager told me that the input speed was 1.5 times than it was in 2006 (from approximately 30 Japanese words per minute in 2006 to 45 per minute in 2010). This assistant suggested that the speeding up of input could be explained by two factors. First, software engineers in the IT department, along with the BU managers, have been improving the input method so that the inputting process is easier and faster. In 2002, Data-Co introduced an input method for typing in the Japanese language. This method enabled workers to type Japanese characters based on the characters' structures (appearance), without needing to know their pronunciations and meanings. Since then, software engineers have worked on optimising this method, and have offered a variety of

updates, including intelligent correction, a Latin keyboard and so on. By the time of my fieldwork, managers in Data-Co were confident enough to claim that they had the most advanced input method in the BPO industry in China. Second, speeding up of the inputting is claimed to be achieved through intensive on-the-job exercises. 'On-the-job exercises' refers to extra tasks that are arranged for the workers beyond the work required by clients, with the aim of improving workers' skill-levels. These exercises are most common during the low seasons when the workers do not have much business from Japanese clients, but they may be arranged whenever the managers think is necessary. The following are excerpts from the field notes that I recorded during one on-the-job exercise performed by one team at BPO:

> At 12:30, workers came back to work from lunch. There were 12 workers (nine female and three male) in this team. The team leader Li told me that all of them had joined the company one year ago and were all in their early 20s. After everyone had sat down and was settled, the team leader stood up and said, 'let's start our work with some exercises. The tasks I have chosen today are from project X which we did a few months ago. This was our first project from Company X and lots of us found it difficult, mainly because it contained lots of Japanese characters. Today, I have selected four tasks for you to input. We will do them one by one. For each piece of work, you will be asked to input it first. I will record the time taken, and find out who is the fastest. Then we will do a consistency check to find out who has been the most accurate. At the end, the best performers will be proclaimed the winners for today.' Workers chuckled and some of them looked quite excited.

> The first task involved typing one hundred serial numbers. Each of them contained 12 characters including both numbers and letters. After the team leader said 'start' and pressed the stopwatch, everyone typed quickly. After a few minutes, a female worker, Peng, raised her hand and announced: 'I've finished'. Li nodded to her and said: 'You are the first: six minutes and forty-five seconds'. In the next few minutes, all the others finished. Li recorded everyone's time in her notebook, and announced the names and times of the worker in first place and the one in last place. Then, she displayed an accurate copy of the input on each one's computer, and asked workers to exchange seats in a clock-wise manner so that they could do consistency check for each other. For the next ten minutes, everyone stared at the screen and highlighted the errors. After the consistency check, they reported the results to Li, indicating whose work he/she had checked, how many errors had been found and whether the errors were in the numbers or in the letters. Li took notes and gave a summary of this exercise: 'Well, we've got the results. In terms of the inputting speed, Peng is the

fastest. She finished in six minutes and forty-five seconds. That is impressive. However, she had 4 errors, all of them in the numbers. We have got three inputs without any errors, among which the one from Lai was done most quickly, in seven minutes and thirty seconds. Both Peng and Lai have done a good job but, unfortunately, the work of neither of you is perfect. I want to address again the fact that a perfect piece of work is one which is done both quickly and accurately. So there is still room for improvement. One of you has eight errors. This is unacceptable. I do not want to announce the name of this person, but I hope all of you can make progress in the next few exercises.'

The other three tasks involved typing Japanese characters, and they were organised in the same manner as the first one. The whole exercise session took about one hour and a half. The team leader Li summarised at the end, 'I want to make two points from this exercise. First, the inputting of Japanese characters appears to be a weak point for all of you. Both speed and accuracy are unsatisfactory. Therefore, we will organise more exercises on this in the future. Meanwhile, you should practice by yourselves as well. You know, you can recite the input formula in your spare time, for example, while you are waiting for the bus. It takes up no time, but will definitely improve your skills. Bear in mind that there is no better way to improve than just to practice. Second, Peng did very well in this practice, although she made some mistakes in the first task. She keeps the record for the fastest input in the third and the fourth tasks and her accuracy rate is relatively good. I hope all of you learn from her and also challenge her. You should never feel satisfied, because there is always room for improvement.' Following this exercise session, workers had a break.

After the exercises, the team leader Li told me that this kind of exercise had two advantages. First, it 'kept workers busy and disciplined' during the low seasons, during which workers did not have much work from Japanese clients but were still required to keep to the work routine as usual. Li said that 'workers would have got bored and slacked off if we had not arranged such extra exercises'. Second, exercises 'kept workers motivated' and 'made them realise the need for improvements':

> These practices are usually organised in a form of competition, and everyone's performance is recorded and compared with the others'. This gives them [workers] a good sense of their rankings among their peers. I sometimes set some challenging and difficult tasks for them so that they realise that there is always room for improvement and they should never be satisfied. (3rd June 2011 in Dalian)

On the surface, both the 'continuous improvement' in Data-Co and the philosophy of '*Kaizen*' practised in Japanese management ask employees to

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continually find faster or more efficient ways of performing their jobs. However, while *'Kaizen'* in Japan usually involves workers' active participation in problem solving and decision making, and workers are encouraged to make suggestions through channels such as quality circles, suggestions' schemes and so on (Kenney & Florida, 1993; Oliver & Wilkinson, 1992), 'continuous improvement' in Data-Co focuses exclusively on workers' levels of skills and shows no attempts to harness employees' intelligence with regards problem-solving, innovation and improvements. This finding appears to reminiscent of how Japanese transplant adopted *Kaizen* in studies such as Delbridge (1998) and Dedoussis (1995). During my fieldwork, only one team leader mentioned that he once encouraged his subordinates to make suggestions, but found out that most of the issues that his subordinates raised were relatively insignificant:

> Our workers are not experienced. The majority of them joined the company right after they graduated from school. Therefore, they are not capable of proposing valuable suggestions. I received a few suggestions, but none of them were practical. Since then, with these young operators, I have not bothered to get them involved in management. I prefer them to do what they are told. (1st July 2011 in Dalian)

Beneath this approach of 'continuous improvement', there is scepticism among the operators, especially the older and more experienced ones. One interviewee said she came to the company to earn money rather than to practice. Another felt she was not being treated as an adult but more like a school pupil. Indeed, the workplace discipline, the bell-controlled schedule and the on-the-job exercises all remind workers of their school lives. They feel they are treated as school pupils whilst their team leaders act as their teachers. This teacher-pupil sentiment plays an important role in the management control of Data-Co, a point I will be back on in Chapter 6. Even some team leaders acknowledged that these forms of practices were more acceptable among young and new employees than the old ones. However, managers insisted on the importance of on-the-job exercises and stressed that workers would benefit from this practice because they could get better basic pay with a higher level of skills (the pay system will be discussed in chapter 6).

Overall, 'continuous improvement' in Data-Co has little to do with employee empowerment and participation. It is repackaged in Data-Co and reinterpreted as a philosophy that pushes the employees to improve their levels of skills. Instead of greater employee autonomy and discretion, 'continuous improvement' results in the intensification of work and increases surveillance.

5.1.4 Information security management

Information security has been one of the most important aspects in outsourcing given the risks such as inappropriate access to or disclosure of sensitive information, loss of intellectual property protection and the inability of the outsourcer to live up to agreed service levels. Therefore, BPO companies in Dalian often face direct demands for security management from both their clients and information security certification programmes at international or domestic level.

In Data-Co, apart from the specific requirements of each client, information security is regulated by two certification systems, the ISO27001 Information Security Management System, and the Personal Information Protection Assessment (PIPA). ISO27001 is a basic requirement for worldwide IT outsourcing companies. PIPA is the Chinese counterpart of a Japanese standard named the 'PrivacyMark System'. Compared with ISO 27001, the PrivacyMark System puts more emphasis on the importance of personal information, and is considered more stringent than ISO27001.

In practice, the operations department is in charge of both quality management and information security management. As for information security, the departmental manager, Jia, told me that his work was mainly about documents:

> To put it simple, my work is, firstly, to set up rules on information security as required in ISO27001 and PIPA, and, secondly, to modify the rules when any new potential danger is identified or when existing rules are out of date. We now have hundreds of rules on information security under 23 categories, and we keep updating these documents. (9th June 2011 in Dalian)

During my long talk with Jia and two other staff in his department, they talked a lot about how they identified the potential weaknesses in the security system and how they set about writing the new rules. However, none of them mentioned how hundreds of rules were carried out in practice. When I persisted in asking more about the implementation, they told me that some of the rules were technically controlled (e.g. access permission was controlled by each worker's working card) and some of them were procedure-embedded (e.g. the segmentation of documents prevents personal information from being disclosed). Despite these points, they did not deny that there were lots of rules which were not fully carried out. For instance, it is listed as a rule that no one is allowed to move computers out of offices unless approval has been obtained from the operations department. Nevertheless, I noticed workers moving computers whenever needed between offices at their convenience. One informant explained that the rules were set up for inspection by clients, but workers could carry them out flexibly in order to pursue more efficiency. In other words, although a few rules are technically controlled or procedure-embedded, the majority of them stay only at the level of the paperwork rather than implementation. All three employees working in the operations department are mainly responsible for writing and updating the rules according to the clients' changing requirements, but little effort is made to enforce them in practice. At the same time, there is no internal inspection and evaluation within the company as to the implementation of the security rules. As Jia expressed it, 'my work is all evaluated by my clients':

> When the clients pay a visit, they will check our documents to see if they are complete. In this case, I am responsible for answering their questions by showing the relevant rules to them. Moreover, clients send us inquiry forms about our rules on information security. These are long lists of issues regarding information security, and we are asked to tick a box if our documents have covered each issue. If not, we need to explain the reason and state how we plan to put it straight. (9th June 2011 in Dalian)

So, do the inspections by Japanese clients boost the enforcement of security rules in Data-Co? According to the interviews, the evaluations by Japanese clients are always based on taking things at face value. Japanese clients merely concern whether the suppliers have the qualifications and whether the

existing rules in paperwork have covered all the details, but pay little attention on how these rules are carried out in practice. Jia reflected:

> During the visits, they [Japanese clients] walk around the building and take a look at our operations rooms. They do not normally ask to enter the operations rooms. They just have a look through the windows. Frankly, the observations through these visits are superficial. They do sometimes ask us orally how certain rules are carried out, but they do not check in practice. (9th June 2011 in Dalian)

The above accounts show that whilst Japanese clients require an information security system to be in place, and stress the importance of security-related qualifications, their limited and superficial evaluations allow the suppliers to only loosely couple the formal rules with the actual daily work activities, especially when the institutionalised security rules conflict with the efficiency criteria of the company (Meyer & Rowan, 1977).

5.1.5 Case summary

While the Japanese clients do not directly involve in the daily operational process of Data-Co, their requirements on quality, cost, security and delivery time have indirect yet significant impacts on the development and implementation of the operational practices at Data-Co's workplaces. Data-Co's focus on quality, workplace discipline, improvement and information security is largely informed by the Japanese clients' concern in delivering high quality products in time at the lowest cost. Specifically, the quality of data input is secured by a 'double input and multiple checks' system, while the workplace discipline and continuous improvement aim to increase the workers' productivity in data input. These practices improve the workers' input speed, and thus enable the company to meet the delivery requirements with fewer workers and less labour cost. The information security certificates are obtained in response to the clients' basic requirements in looking for suppliers, whereas it is implemented in a symbolic way to ensure is will not increase the operational cost significantly. In a nutshell, the whole operational system in Data-Co is developed and implemented in a way to enable the company to offer competitive price in the bidding market for new business and at the same time, to deliver products that meet the clients' requirements on

quality and security. Under this system, management controls combine direct, bureaucratic, technical and performance-based controls. The technical design of the work procedures and the enforcement of workplace disciplines are the key parts of management control, and the fundamental elements for Data-Co to meet the Japanese clients' demands.

The management controls are underpinned by a team-based organisation of daily operations. However, teamwork in Data-Co does not result in greater flexibility and employee involvement as some influential management thinkers advocate (e.g. Drucker, 1988; Womack et al., 1990). Instead, echoing many critical studies (e.g. Sewell & Wilkinson, 1992; Webb, 1996), teamwork creates a situation where workers have very little autonomy. On average, fewer than ten workers are under the direct supervision of and close scrutiny by the team leaders. Their duties are clearly defined in their job descriptions, and it is not common for the staff who are in charge of data checking to help other team members with data input. There is no formal involvement of operators in management and problem-solving activities. Operators are expected to conform to prescribed standards and activities rather than actively participate and show discretion. Equally, teamwork promotes peer surveillance and control, which facilitates labour intensification and enables 'management by stress' (see Parker & Slaughter, 1993).

Team leaders have responsibility for operation-related tasks, and they are involved in dealing with operators' grievances. Therefore, despite the tight management control through the work procedures and workplace disciplines, team leaders were able to offer some leeway to their team members through, for example, not reporting mistakes, in order to relieve their stress. However, as I have discussed, the internal hierarchy and bureaucracy limit the extent to which team leaders are empowered.

In relation to Japanese management, except for the 5S system, it is found that most operational practices in Data-Co owe little to established Japanese ways of working, although some of them may act as functional equivalents to Japanese practices. The managerial focus on quality, discipline, security and improvement are inspired by or required by Japanese companies, but the

specific approaches by which these are managed do not represent a borrowed version from Japanese practices. In this sense, the emphasis on 'learning from Japan' appears more significant as an ideological legitimation of the management systems, designed to serve the Japanese clients, than in providing a repertoire of practices that are borrowed from Japan. Similar findings are reported in the case study by Taylor, Elger, & Fairbrother (1994). This phenomenon can be explained by the argument made by Ackroyd et al. (1988). In their discussion of Japanisation of British industry, they have suggested a type of 'Japanisation' in which 'organisations seek to use appeals regarding the superior efficiency of Japanese companies and methods of working as a way of legitimating the introduction of indigenous changes that are viewed as necessary or desirable to safeguard their own long term viability' (p.18).

Despite the absence of Japanese practices, many practices in Data-Co are labelled as 'Japanese' including the 'double input and multiple check' work procedure, the bell-controlled timetable and so on. Here, the rhetoric of being Japanese reflects the 'dominance effects' discussed by Smith and his colleagues (Smith & Meiksins, 1995). They argue that the uneven nature of economic development and economic power creates a leading society which is able to create 'dominance effects' and develop 'best practices' or global standards that invite emulation and interest from other societies. In Data-Co, Japan is assumed to be the leading society not only because of the success of leading Japanese companies such as Toyota, but is also related to its 'dominance' position as the country of the clients in the commodity chain of the BPO industry, and its historical and economic ties with Dalian City (see details in Chapter 7). Therefore, practices that have been developed in Japan are accepted as 'best practices' which should be learnt. By labelling practices as 'Japanese', managers were able easily to link them with 'best practices' and thus justify their enforcement in Data-Co. This is evidenced by such discourses as: 'the company is learning from best practice in Japan' and 'only companies which apply 'best practice' can survive in this market.

This symbolic form of 'learning from Japan' is closely associated with the arm's length relationship between Data-Co and its Japanese clients. First, since most clients of Data-Co are from Japan, it is not surprising that the company claim an overall strategy of 'learning from Japan'. Second, under a market-based supply chain, Japanese clients rarely get involved in the daily operation of the supply firms and show little interests in their practices. This gives the supply firms lots of autonomy to develop practices, that would best fulfil the requirements of the clients' requirements on quality and deliver times and to compete in a market where price is the most important parameter, even though they are not 'Japanese'. Third, because the arm's length relationship offers few opportunity for the workers to learn the 'real' Japanese practices, they are easily convinced that what they are asked to follow at workplaces are the so called 'Japanese best practices'. This allows the use of 'learning from Japan' as a rhetoric in management control.

5.2 Software-Co

Ever since the establishment of Software-Co, it has been believed within the company that practices learnt from Japan can increase the company's competitiveness. It is also believed that the strategy of 'learning from Japan' is one essential reason for Software-Co to win and maintain its Japanese clients, which implies that Japanese clients may have more direct influence on Software-Co's practices than on Data-Co's. One vice general manager told me that the company wanted to learn from Japanese companies in all respects and ultimately 'aimed to behave like a third-generation Chinese-Japanese'. To be specific, Japanese management is perceived as having three important characteristics: a high level of quality management, continuous pursuit of improvements and a prudent attitude towards information security. On the surface, the perception of Japanese management within Software-Co is very similar to that within Data-Co, and both companies seem to put emphasis on quality management, continuous improvement and information security management in their initiatives to 'learn from Japan'. However, as many studies have suggested, the interpretation, codification and management of any policy or practice are mediated and interact with the

home grown conditions and the existing practices in different organisations (e.g. Cole, 1989; Elger & Smith, 1994; Preece & Wood, 1995). As a result, similar initiatives in Data-Co and Software-Co might have distinctly different manifestations and could lead to dissimilar outcomes. In this section, I discuss how Software-Co manages quality and information security, and how it pursues continuous improvement.

5.2.1 Quality management

Quality in Software-Co means meeting clients' requirements, and the orientation of quality management is to satisfy clients. As I discussed in Chapter 4, Software-Co has been providing services to a single client (NRI) since the year 2000, under a captive supply chain relationship, and its long-term strategy is to develop mutual dependence between itself and NRI. In this sense, to provide dedicated and customised services to NRI and to satisfy NRI is recognised as being of paramount importance.

Operations in Software-Co involve two main processes: software design, which requires close liaison with clients, and software programming which involves monotonous coding and testing. Software design is conducted by software developers while programming is carried out by software programmers. Software developers and software programmers work together in task-based teams. The team leaders are all developers and they have the greatest responsibility for the operation. They are in charge of the work allocation, work pace, scheduling and monitoring quality. They are also involved in hiring and firing the team members and settling grievances. The span of control is always between twenty to thirty junior software developers and programmers under a team leader. The work procedure is described as a 'water flow' which starts from software design and can only move to the phase of programming after the design stage has been completed.

Given the different nature of their work, developers and programmers have different emphases in the pursuit of quality. For the developers, 'high quality' is understood as the best software design able to best meet the client's requirements well and to improve the clients' existing systems. In order to

achieve this, the developers are expected to arrange formal and informal meetings with their clients, communicate with them, assess their existing systems, conduct demand analysis of each workplace and develop a detailed design for each module involved in the tasks. The detailed design, in the form of a style book, will be assessed and approved by the clients before it is handed over to programmers for coding. During the process of software design, effective communication is considered to be the key. Misunderstanding, excess communication and lack of communication are all seen as wastes within the operation which should be avoided.

Effective communication between the developers and their Japanese clients is guaranteed by two mechanisms. In the first place, all developers have had one year of training in the Japanese language and at least three years of on-the-job training in Japan, during which they have developed their skills in communicating with the Japanese clients. In particular, under the supervision of the Japanese manager in the Japanese office (see the details in Chapter 4), the developers have been trained to understand the principles of, etiquettes concerning and tips as to how to deal with this kind of cross-national communication, including how to write an email, how to make appointments with the Japanese clients, how to prepare the agenda for the meeting and so on. All these aspects are seen to have contributed to more effective communication between the developers and their Japanese clients. For example, developers are taught that the Japanese clients pay attention to process, and that it is very necessary for the developers to report to their clients on a daily basis, even if just briefly. One developer commented, 'in our culture, we normally do not report to our supervisors so intensively unless necessary. However, it is a fundamental principle when we communicate with our Japanese clients. In addition, in the interviews developers said that their lengthy training in Japan had helped them to get used to the communication style of their Japanese clients, so that they could glean the clients' true intentions and requirements in the first place. One developer gave an example:

> I feel that our Japanese clients do not tend to express themselves straightforwardly…For instance, they do not give straightforward

feedback. They do not say directly that something 'is bad'. They just imply it. This is not a problem for the local Japanese, but it is not easy for foreigners like us. Likewise, if they want something, they do not tell you. For example, if they want some water, they will not ask you directly to fetch some water. Instead, they say 'it is too hot' and if you are 'Japanised' enough, you should know that they are not really talking about the weather, they actually want some water. (20th December 2011 in Tokyo)

In the second place, apart from their expertise in software design, developers are required to be familiar with the clients' industries, work procedures and existing systems so that the services they provide can be very much 'customised'. For example, since the Japanese client NRI is in the financial sector, the developers are encouraged to take college courses in finance for which the company pays the tuition fees. Moreover, the experienced developers give regular training sessions to the junior developers and help them to understand the work procedures and the existing systems in NRI. Based on about 15 years of experiences in serving a single client, Software-Co is very proud to claim that it stands out among all the suppliers of NRI in China and is able to provide the best customised services to NRI.

In fact, given the extensive training offered to the developers and their deep involvement in Japanese companies, high-quality and customised design have always been the competitive advantages of Software-Co. Developers are often considered to be a group of people who are experienced, hard-working, reliable, highly committed and capable of accomplishing predictable results. In day-to-day operations, developers are given plenty of discretion to exercise their own judgement in actual implementation and they are responsible for the quality of their own designs. This is partly because of the intangible and interactive nature of their tasks, and partly due to the trust that has been built up through the training they have received. The team leaders and the project managers work as facilitators rather than as monitors, encouraging participation and the delegation of responsibility and accountability. In consequence, the work discipline among developers is generally experienced as loose and flexible, as one developer described it:

Management of developers is 'result-oriented'. Team leaders assign tasks to us and give us a deadline. Then we set up our own schedule

and just make sure it is done before the deadline. Team leaders do not supervise or monitor us unless there is a problem. We have lots of autonomy. (13th January 2012 in Shanghai)

Once the software design is settled, programmers start converting the design into lines of code and conducting tests. For programmers, high-quality work means that the codes are in complete accordance with the design and are accurate. In particular, high accuracy is achieved through a threefold process of code testing including unit tests, integration tests and system tests. Unit tests aim to test the function of each unit of code while integration tests combine specific units of code and validate the whole against expected results. A system test is conducted at the end, in which all units of codes are integrated into a whole in accordance with the style book and system design. One senior programmer calculated that 70% of his working time was spent on testing while less than 30% was spent on coding.

Unlike the developers who enjoy considerable autonomy during their work, programmer's work is tightly specified and monitored, particularly through the requirement to follow the manual strictly. The manual is a minutely prescribed guide book on how to test each piece of code. It includes a list of items which need to be tested as well as detailed instructions on how to test each item. Sticking to the manual requires programmers to conduct tests according to the manual one by one even if there are potential problems or weaknesses with this. As one programmers said, 'the manual is the "Bible" which should not be questioned or challenged'.

In practice, programmers need to submit a testing sheet after each test, the design of which is completely specified in the manuals. For each item, they need to tick a box to confirm that it has been tested and also fill in the expected and actual results. If there are differences between the two, they should explain the reason, the potential risks and the possible solution. The quality of the test reports is evaluated by the team leaders and forms an important aspect in each programmer's performance assessment. In contrast with the developers' work which requires high levels of technical and interpersonal skills, programmers' work is usually experienced to be repetitive, monotonous and formalised. In this sense, many programmers described

themselves as 'IT coolies' who are dealing with low-skill work in the IT industry and lack core competencies in the labour market.

From the managers' perspective, sticking to the manuals is an easy and straightforward approach for the purposes of quality control. Zhuang is a project manager who has been in Japan as a programmer for years, and he described how his attitude towards the manual had changed after he took various managerial positions:

> When I was in Japan, I found it was very boring to stick to the manual. However, when I become a team leader, I realised the advantages of this principle. It saves me from worrying. I believe that as long as all my subordinates follow the instructions, there will not be any big mistakes. It is a big relief for me. If there is a mistake, I can simply check their [the programmers'] testing sheets step by step and look for deviations. If they follow the manual step by step but a mistake still occurs, then it is not my fault, it's the manuals'… The most sensible way for me to control the quality of their work is to make sure it is all strictly based on the manual. In terms of risk, this is the least risky way. (6th December 2011 in Tokyo)

During the tests, the developers get involved whenever problems occur. It is at this stage that the programmers and the developers work together in teams to assess the problems, adjust the design or code, and solve the problems. I was told that it was very rare to have 'right first time' production in software design and programming, hence the importance of this phase of adjustment. Although the programmers and the developers have complementary expertise and both contribute to the team's performance, a sense of team spirit is not felt by many of the programmers. These programmers feel that they are subordinated to the developers and that the developers tend to give them 'commands' rather than cooperate with them as fellow team members. This perception may be explained by four things. First, in terms of work procedures, the code must be in complete accordance with the software design. In case of any changes, the design must be changed prior to any change in the code. In this sense, programmers are not entitled to make independent decisions on the adjustment of any work. All action has to be approved or instructed by the developers. Second, since high-skilled and experienced developers are considered valuable, core assets of the company,

and the company has invested a large amount of money in training developers (details of the training programme will be discussed in Chapter 6), they have a strong sense of superiority, which in turn gives programmers a feeling of inferiority. Third, in the organisational hierarchy, all the managerial positions, ranging from team leaders to general managers, are occupied by developers. In other words, programmers are always subordinated to developers. This strengthens their feelings of subordination when doing 'teamwork' (details of promotion will be discussed in Chapter 6). Fourth, job rotation between teams is very common for programmers. One programmer told that he changed teams every two months because 'for each project, a large amount of programmers are needed in the phases of unit and integrated testing while only a few are needed during design and system testing'. Therefore, the majority of programmers only get involved in any given project at a certain phase and then move on to another. This frequent job rotation offers limited chances for the programmers to build close and stable relationships with their fellow team members or to get engaged in the teams.

Given the above facts, there have always been tensions between programmers and developers. The general manager told me that the programmer-developer relationship had at one time been hostile, because some developers had considered programmers inferior to them, and so had behaved 'arrogantly and bossily' to programmers. Such tensions impose stresses upon quality management and teamwork. For example, programmers sometimes refuse to take overtime even when their teams are working to a very tight deadline. This is a relatively safe method of protest because programmers have, in principle, the right to refuse overtime work. In some cases, programmers express their resentment of developers by deliberately being unhelpful, as one experienced developer told me:

> Not all design is achievable in terms of the technical coding, so when there is problem, developers and programmers should work together and come up with a solution which is feasible in terms of both design and coding. This is the ideal scenario, of course. However, some programmers refuse to give input when needed. They simply tell the developers 'I don't know' and leave all the work to the developers. This can put the developers in a very helpless situation. (24th February 2012 in Shanghai)

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Realising the potential problems that can be caused by developer-programmer tensions, it appears that developers are trying to improve their relationships with the programmers. During my fieldwork, developers had been emphasising that they partner with the programmers, and stressing that there was no discrimination:

> The only difference between us is the speciality. They [programmers] are responsible for coding and we [developers] are doing design. We depend on each other – I cannot deliver work without coding and they do not know about design either. That is why we have to work together. Some developers think that we are superior to programmers and I think that is nonsense. We are partners in a team! (21st February 2012 in Shanghai)

Although this discourse of 'partnership' was welcomed by the programmers and could potentially alleviate the programmers' resentment of the developers, managers did not deny that the estrangement between developers and programmers was a systematic and historical problem, which would be almost impossible to eradicate. More details about the developer-programmer relationship will be discussed in the next chapter.

In sum, Software-Co has developed two different approaches to managing quality among the developers and the programmers respectively. While quality management of developers is mainly achieved through 'soft' approaches such as employee training and giving great employee discretion and autonomy, the management of programmers focuses on the 'hard' aspects including establishing multiple checking processes and setting up strict manuals. To a large extent, quality management in Software-Co, both the 'hard' and the 'soft' aspects, reflect some characteristics of Japanese ways of TQM identified by Wilkinson et al. (1997, 1992). For example, the great efforts made to best meet the clients' requirements resonate with the fundamental principle of 'customer orientation' in TQM. The rigid 'water-flow' procedure and the emphasis on manual are consistent with the principle of 'process orientation'. However, the segmentation of the labour force and the divergent management approaches create tensions between the programmers and the developers, especially in teamwork, and cause risks for the team in terms of meeting the quality standard. Many programmers do not

describe themselves as working 'in a team'. In this sense, the 'teamwork', which is considered as an essential component in Japanese quality management, appears to be problematic in Software-Co.

5.2.2 Continuous improvement

Continuous improvement (*Kaizen*) is emphasised in Software-Co, especially so after the company set itself the long-term strategy of moving up the value chain and developing mutual interdependence between itself and the client (see details in Chapter 4). During my fieldwork, a *Kaizen*-oriented suggestion system was proposed, using a knowledge sharing programme. This programme aims to accumulate knowledge and suggestions through workers' sharing, and ultimately to improve the capabilities of both the developers and the company in dealing with complex systems. This programme is threefold. Firstly, team leaders get together once a month to share about their recent projects with each other, especially in terms of procedural know-how. The purpose is to accumulate knowledge and understand the connections between different projects. Secondly, project managers are responsible for integrating knowledge from different teams and making it visible through 'knowledge maps'. This enables people to easily locate either the knowledge or the individuals who have the needed knowledge. Thirdly, team leaders are encouraged to seek constructive suggestions from their team members and to share them in the meetings. The vice project manager who proposed this programme told me that knowledge sharing was not new among developers and the aim of this programme was to formalise and integrate it into the formal managerial system:

> Lots of knowledge sharing among developers happens during dinners, parties and outings…in informal conversations, I mean. This program attempts to formalise and take a further step toward visualising them, to converting individual experience to systematic knowledge that can be used by other young developers…(7th February 2012 in Shanghai)

Indeed, although not formally committed to the banner headline of 'quality circle', it has become the convention for the developers to get together during their spare time and discuss how to improve their work. When I was in Japan and lived in the same building as a group of developers, I often heard that

someone had knocked at the others' doors in the evening and called for a meeting because he/she was having problems and was seeking suggestions. Meanwhile, since these developers worked closely with the other managerial staff such as the project managers and the department managers, it was not a problem for them to pass their suggestions on to the senior managers. The general manager also admitted that 'junior developers sometimes have more creative thoughts than us [senior developers] so lots of their advice has been adopted'.

At the individual level, *Hansei* is implemented among the developers. *Hansei*, roughly translated as reflection, is considered a practical tool for improvement as well as a philosophical belief embedded in Japanese culture (Liker, 2004). It requires individuals to be open to negative feedback, to voluntarily take personal responsibility and feel deep regret, and to commit to a specific course of action to improve. *Hansei* in Software-Co contains two practices. The first practice concerns mistakes. Developers are required to write a report whenever a mistake occurs and to investigate its causes as well as to come up with countermeasures. The second involves a *hansei-kai* (reflection meeting) after the completion of each project. Each attendant summarises his/her work in the project and discusses what can be improved in the future. The general manager told me that they had had a long tradition of doing *Hansei,* since they had been trained in Japan, and he felt it was natural to keep up this tradition in China:

> Shinba-san [former manager of the Japanese office] taught me to write a mistake report during my first week in Japan. I still remember how he corrected my report word by word…It is such a valuable learning experience. I believe most developers here have the same experience. To be honest, we did not even try to introduce this practice to China intentionally; every developer just keeps doing what they did in Japan. It's kind of a natural process. (19 January 2012 in Shanghai)

While the above reflection suggests that the *Hansei* practice, originally from Japan, has been internalised among developers, it has not been imported unchanged. One interviewee pointed out that *Hansei* in China was less harsh than in Japan:

Hansei in Japan mainly focuses on the negative things, talking about the weaknesses, disadvantages, things that need to be improved, and mistakes. They do not say much about success and achievement. They want people to feel sorry and shamed. In China, we do not criticise as harshly as in Japan. We talk about both negative and positive things. Good things should be pointed out and kept too. We make it clear that the purpose of the meeting is not to blame, but to learn from experience and from our mistakes. Japan has culture of 'shame' but China has a culture of 'face'. So when *Hansei-Kai* is held among Chinese people, some small changes are necessary. (19 January 2012 in Shanghai)

While all the above practices follow the philosophy of *Kaizen*, it is observed that all of them are carried out only among the developers, whereas the programmers are basically excluded. Just like in Data-Co, managers show no interest in utilising the intelligence of the programmers. This is partly due to the high turnover among programmers, and partly reflects the programmers' absence of training and involvement in Japan. A project manager, Zhuang, gave a gloss,

I would like to encourage them [programmers] to give suggestions, but I find out that they cannot. They have not been trained like us [the developers], they lack experience and they do not understand clients well enough…Some of them did provide some suggestions before, but I did not find them feasible. In fact, most of their suggestions showed that they had not fully understood the work. Experience counts in this industry. Suggestions can hardly be constructive without long-time experience. So I do not bother to ask them to improve now. As long as they can follow the manual, everything will be fine. (6th December 2011 in Tokyo)

In general, it appears that the philosophy of 'continuous improvement' is successfully disseminated and accepted among the developers. Developers participate in a variety of improvement activities formally and informally, and they have a strong sense of responsibility for the improvement at both the individual and the company level. There is no assessment or posting of each employee's suggestion rate, so unlike some researchers' arguments that quality circles may become a burden to many workers (Briggs, 1988; Kamata, 1983), the developers did not report much stress associated with the practices of 'continuous improvement'.

The relatively smooth and easy adoption of 'Japanese' practices into Chinese workplaces among developers is closely associated with their high commitment and deep involvement in Japan (see Chapter 4). As Ezzamel, Willmott, & Worthington (2001) argue, management practice may be pursued not because managers have engaged in economically rational calculation, but also because managers have 'invested in, and become wedded to a particular ideology or recipe of management practice' (p. 1056). In this regard, the developers' commitment to Japanese practices may be influenced by the extent to which they have been involved in Japanese companies and interacted with Japanese colleagues. Many developers claimed that they were just working in the same way as they had observed and learnt when in Japan, without considering the origin of these practices. As I discussed in the preceding chapter, the more recently recruited developers, particularly the ones who started after 2008, are distanced from their Japanese colleagues, so that they have limited access to and interaction with the Japanese employees. These developers are less likely to be committed to Japanese practices, as evidenced by interviews with two of them. Neither of them felt as impressed with Japanese *Kaizen* and *Hansei* practices as the earlier developers were. The only example they mentioned was that they had to write a report when they made a mistake but they thought 'it was going through the motions':

> It is the rule that we submit a report about any mistakes. To be honest, I don't really know how it relates to improvement – nothing happens to me after I submit the report. Maybe they read it and make some changes to the procedure for the future? (7th December, 2011 in Tokyo)

Equally, as I mentioned in Chapter 4, the adoption of Japanese practices among the developers can be read as a way in which they secure or enhance their self-identities within the organisation, and demonstrate they are a member of the 'corporate elite'. The developers are regarded as a special group who have opportunities to be trained in Japanese companies and thus have intimate knowledge of Japanese practices and management. Demonstrating their direct knowledge of Japanese management and applying Japanese practices in the HQ enable them to distinguish themselves from

other groups of employees (e.g. software programmers) and confirm themselves as being 'specialists in serving Japanese clients'. Indeed, lots of developers in the interviews confirmed that 'developers who refuse to learn Japanese practices do not fit into the company' and one vice general manager stressed that developers were considered the 'most valued asset' of the company not because of their skills but primarily due to their capabilities in internalising Japanese practices and behaving like the Japanese.

5.2.3 Security management

As in Data-Co, the actual implementation of security practices is decoupled from the formal rules. Security management is the responsibility of the research and development department (R&D) which pays most attention to developing new software programs and improving the existing system. I was told that security management became one of the job responsibilities of the R&D department because this department was once involved in the application for the ISO27001 security certification, but it was not their main job anymore. When the department manager talked about his current task on security management, he said 'to say what clients want to hear and to show them what they want to see':

> Clients' requirements are clearly shown on the ISO27001 certificate. We have passed the qualification, so we certainly have all the rules written down. That's enough. Clients are not going into the workplaces and seeing how you carry out each rule; they just look at the certificate and check whether you have rules. (17th February 2012 in Shanghai)

Managers were quite honest that the implementation of security management is more written than done, and they indicated the difficulties in carrying out the rules:

> It is impossible to carry them out one by one. For example, there is a rule saying that the screensaver should be activated if the computer is not in use for more than 3 minutes. We did tell all employees to set their computer according to this rule, but how can I know whether they do it or not? Obviously, I cannot monitor them every minute. (17th February 2012 in Shanghai)

Interestingly, although managers admit that they do not pay much attention to carrying out security rules, programmers complain that their work is

conducted under too many security restrictions. They are not allowed to use the internet during work; they are forbidden to use removable data storage drives; they cannot take their computers with them when they move to another team; they are given lower authority to access information than developers, etc. Managers tend to tell programmers that these rules are carried out based on Japanese clients' requirements but programmers are not convinced. The following post was posted by an ex-programmer in an on-line forum run by a third party:

> If it is the requirement of clients, why don't developers follow them? Why can they [developers] play online games, surf on the internet, exchange flash drives and so on while we are banned from everything? Security is an excuse! They [managers] keep us from getting the information, data and source code because they do not trust us. (Accessed on 25th March 2012)

In general, security management appears to be strict for programmers but relaxed for developers. This again reflects the peripheral status of programmers. The security rules for programmers attempt to insulate them from company-specific knowledge, and marginalise the potential risk arising from the high turnover of the programmers.

5.2.4 Case summary

The operational system in Software-Co is developed and implemented according to its dominant client's requirements. Unlike the clients of Data-Co, who take an arm's length approach in regulating their supply firms, the one of Software-Co exerts much stronger and more direct influence on the operational practices at Software-Co's workplaces. The client's preference of 'learning from Japan' underpins Software-Co's determination in 'learning from Japan' and transfer the 'Japanese practices' they learn from Japan back to the Chinese workplaces. As Software-Co's managers suggest, 'learning from Japan' is an crucial criteria for Japanese clients in choosing supply firms. Through the expatriates' close and lengthy involvement in the clients' workplace and the training programme, the Japanese client manage to regulate the operational procedures and practices at Software-Co's Chinese workplace. Meanwhile, the customerised services required in a captive value

chain underlie Software-Co's emphasis on 'Hansei' and continuous improvement. Comparing to the continuous improvement in Data-Co, the one in Software-Co is more focusing on increasing the capability in providing customised service than increasing productivity and speed. These procedures and practices ensure the quality of services provided by Software-Co.

Apart from the quality and the customised service, Software-Co also needs to meet the cost requirements so that to survive in the outsourcing market. It is in this sense that a core-periphery model, in which Software developers (as the core employees) and the programmers (as the periphery employees) are managed in contrasting ways is applied. The low cost and flexibility associated with the using of programmers allows Software-Co to invest in a group of core software developers, who are mainly responsible to deliver high-quality and customised service that are required by the dominant client.

This kind of segmentation is manifested in a few ways. First, developers are greatly empowered in day-to-day operation while programmers are closely monitored. Accordingly, high-quality software design largely depends on the developers' commitment, responsibility and expertise in their tasks with a particular emphasis on customer orientation, whereas the quality of programming is mainly a result of coercive and multiple testing processes based on the manuals. Second, developers are actively involved in management improvements through schemes such as *Hansei* and *Kaizen,* from which developers are excluded. While the developers are encouraged to put forward suggestions, programmers are only required to conform to the existing systems and reduce the variability. Third, while the developers perceive trust and a sense of camaraderie with their supervisors and colleagues, programmers feel they are distrusted and marginalised, as shown above in their comments about the security system.

The core-peripheral segmentation inevitably creates inequality and thus causes problems in teamwork. On the one hand, the developers tend to have a sense of superiority over the programmers, thus leading them to behave inappropriately to the programmers. On the other hand, the programmers feel that they are 'discriminated against', and thus are not motivated to commit to

and contribute to the teams. This tense relationship has become the weak link in the quality management in Software-Co. The developer-programmer relationship and its consequences will be explored in more detail in the next chapter.

In relation to Japanese management, 'learning from Japan' in Software-Co, particularly among the developers, in general reveals a process of reverse diffusion through which Japanese practices are diffused from the Japanese workplaces and the expatriates to the Chinese workplace. In the first place, the formalised training system ensures the regular movement of personnel across borders and provides a person-based mechanism through which Japanese practices can be diffused and implemented in the Chinese workplaces. This, to some extent, relates to the developers' self-identity within the company, especially when compared with the software programmers.

5.3 Summary

The point of departure of this chapter is that people in both Data-Co and Software-Co claim their operational systems to be 'Japanese'. Intrigued by the notion of 'learning from Japan' in evidence in both companies, this chapter has investigated the operational systems of both companies, particularly in relation to 'Japanese' management. The findings provide a clear picture in response to the questions raised at the beginning of this chapter.

Why are the companies keen on 'learning from Japan'?

In appearance, it seems that Data-Co and Software-Co 'learn from Japan' because their clients are from Japan. However, detailed case study finds that Japanese clients under different types of supply chains drive the strategy and activities of 'learning from Japan' in different ways. In a market-based value chain, Japanese clients keep a arm's length relationship with the supply firms and focus primarily on the price in the market. In this case, Japanese clients rarely get involved in the daily operation of the supply firms and show little interests in the policies and practices in their supply firms. In other words, Japanese clients do not have direct impact on the overall strategy of 'learning

from Japan'. Despite of this, Japanese clients' requirements on quality and delivery time of the products do push Data-Co to find out the most efficient ways to deliver high-quality products in a most cost-efficient way. These practices thus feature a 'double input and multiple checks' quality system, a emphasis on workplace discipline and the implementation of on-the-site exercises. These practices are sold to the workers in a label of 'Japanese best practices', although they carry few characteristics of the typical 'Japanese' operational practices. Overall, in Data-Co, while Japanese clients do not directly require the company to 'learn from Japan', their requirements indirectly shape the practices using in Data-Co and a rhetoric of 'learning from Japan' is used to justify the existing management system and to control employees.

In a captive value chain where the Japanese clients exert more influence on the supply firms' management system, Software-Co's overall strategy of 'learning from Japan' represents a direct response to its client's preference of 'learning from Japan' by supply firms. Since customerised service is the key in a captive value chain, quality management and continuous improvement on quality become the essential elements for Software-Co to maintain its long-term and close relationships with the client and to upgrade along the value chain in the long run.

In general, it is oversimplifying to assume that 'learning from Japan' in both companies is completely driven by the clients' requirements. There is a need to look at the specific supplier-client relationships under different governance structures.

What is meant by 'learning from Japan'?

One important finding is that 'learning from Japan' in both Data-Co and Software-Co carries significant rhetoric meanings. On the one hand, 'learning from Japan' acts as a rhetorical justification for the management systems which are specifically designed to serve Japanese clients. For example, both companies give priority to quality in their operational management because it is seen as one of the most important factors in developing the Japanese

market. Both of them establish information security systems because they are required by Japanese clients. This point of view is also noticed in British industry, where 'Japanisation' is used as a way of legitimating the introduction of indigenous changes (Ackroyd et al., 1988). On the other hand, rhetoric of being Japanese, complemented by the demonstration of the 'dominance effect' from Japan (Smith & Meiksins, 1995), is used in both companies to enforce management control. For example, workers in Data-Co are told that the stringency of the work system manifested in the work procedures, disciplines and security rules is copied from Japan because it represents 'best practice'. Likewise, programmers in Software-Co are told to follow manuals strictly and accept the security rules because these are claimed to be the key to the success of Japanese companies. Managers find it is easier to justify their interest and persistence in carrying out certain practices by claiming them as 'best practices' learnt from the dominant Japanese model. In the meanwhile, workers tend to accept and get used to those well-established 'best practices' without questioning and complaining much.

Apart from the rhetoric meanings, 'learning from Japan' in both companies also involves the introduction of specific practices used by Japanese management, which leads to my second question.

What has been learnt from Japan?

'Learning from Japan' in both companies is based on a 'perceived model' of Japanese management. As a result, the selection and interpretations of the Japanese practices are filtered through the agenda and orientations of the different companies. For example, the importance of discipline is stressed in Data-Co but not in Software-Co. This may be related to the nature of the BPO work which is characterised as low-skill and repetitive, and the nature of BPO workers, who are normally young and are seen to lacking in self-discipline. Even when the same aspects are perceived, the focal points may be different. For example, Data-Co focuses on the 'hard' aspects of quality management, particularly the importance of checking and double checking, while Software-Co focuses on customer orientation and incorporates 'soft' approaches such as employee empowerment and involvement in delivering quality. Meanwhile,

the practices may be reinterpreted or repackaged to conform to the specific requirements of each of the companies. For instance, 'continuous improvement' in Data-Co is interpreted as intensive skill practices. In this sense, it can be argued that the discussion of 'learning from Japan' largely depends on what the companies see as 'Japanese management' and what practices constitute Japanese management.

Since the discussion of 'learning from Japan' largely depends on what the companies see as 'Japanese management', what practices constitute Japanese management, and the interpretation of each practice, it is inappropriate to abstract a total package of best practices from the Japanese experience and count the incidence of these practices in the local companies, as some researchers have done (e.g. Oliver & Wilkinson, 1992). Therefore, it is misleading to suggest which specific practices in my case companies are 'borrowed' or 'copied' from Japan and which are not. Roughly speaking, it appears that the operational management among developers in Software-Co share more connotations associated with Japanese management than is the case in Data-Co. It also seems that more practices featuring Japanese management are carried out in Software-Co among the developers (e.g. *Hansei*, *Kaizen*, and TQM) than in Data-Co, though these practices are adapted to the situation of Chinese workplaces.

How are the 'learnt' practices integrated with the operational systems in China?

My findings have shown that Data-Co and Software-Co have developed different operational systems which enable them to deliver satisfying services and ensure market growth. In Data-Co, the operational system focuses on the quality and information security, the aspects that Japanese clients are most concerned about. The workplace disciplines and the on-the-job exercises aimed at bringing about improvements facilitate managers to control employees and to enforce the management practices as regards quality management and information security. In Software-Co, a core-periphery model has developed, in which practices associated with Japanese management are carried out among the core employees (i.e. software developers) but are largely absent among periphery programmers. This model

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enables the company to sustain its competitive advantage in software design without being dragged down by the huge investment in software developers. Meanwhile, the transfer of the 'Japanese model' among the developers in Software-Co is primarily achieved through a process of 'reverse transfer', through which Japanese practices are introduced from the Japanese workplace and expatriates to the Chinese HQ.

The process of 'learning from Japan' is never a smooth and straightforward process. Rather, it involves lots of manipulation, modification and negotiation. In some case, the 'learnt' practices are tailored to the specific situations of the Chinese workplaces. For example, 'functional equivalents' are developed to deliver quality in Data-Co and *Hansei* in Software-Co involves both negative and positive reflections. These adaptations suggest the 'societal effects' (Smith & Meiksins, 1995) which emphasises the different social-economic contexts surrounding Chinese and Japanese workplaces. In some other cases, these companies adopt institutionalised policies and rules ceremonially. For instance, the security management in both companies only exists in written form while the implementation is neglected. The 5S system in Data-Co is introduced at a superficial level aiming to make the workplace 'look like' a Japanese one. In practice, the implementation of 5S system falls into the 'indulgency patter' (Gouldner, 1954) in which managers indulge misbehaviours of employees but ask for cooperation during customer visits. As Meyer & Rowan (1977) suggest, this pattern of implementation decouples the activities from its structure and enables the companies to maintain legitimating and formal structure while the activities vary in response to practical considerations.

What is the consequence of 'learning from Japan'?

In each company, 'learning from Japan', either rhetorically or substantially, reflects the managers' efforts to attract Japanese clients and provide services that specifically satisfy the Japanese clients. Through the implementation of an operational system which incorporates some Japanese elements, both companies manage to meets the clients' requirements in a cross-country context. By the time of my fieldwork, both companies had gained a high

reputation in their industries and their performance in terms of quality was considered to be outstanding. In this sense, 'learning from Japan' has contributed to the efficiency and competitiveness of the companies.

The introduction of the ideology and practices of Japanese management and the consequent management systems developed in both companies have had mixed effects in terms of the employment relations in both companies. In Data-Co, the focus on checking and double checking has increased the boredom of the work. The workplace disciplines, the intensive on-the-job practices and the lengthy security rules, introduced in the name of 'Japanese practices', all intensify the operators' work and increase monitoring. However, the team-based organisation allows some responsibilities to be delegated to the team leaders and enables the team leaders to offer some leeway to workers to relieve their stress. Moreover, there is also evidence that the management sometimes make concession to the workers. These limited rooms for negotiation provide a hint of 'humanity' and 'flexibility' to the overall rigid operational system, which, to some extent, eases the tension between labour and management.

In Software-Co, the developers are seen as the beneficiary of 'learning from Japan', enjoying extensive training, work flexibility, employee empowerment and participation, as well as 'camaraderie' relationships with the other developers. In return, they are highly committed to their work and continuously contribute to the company's improvement. However, the periphery employees, programmers, do not seem to benefit from 'learning from Japan'. While the core-periphery model greatly improves the relationship between management and developers, the conflicts between management, developers and programmers is problematic. As a consequence, teamwork between developers and programmers imposes lots of stress on the management control.

Chapter 6 The HR policies and practices at Chinese workplaces: Deviating from Japan?

This chapter discusses the HR policies and practices at the Chinese workplaces of both Data-Co and Software-Co. Unlike the operational systems, which have been discussed in the preceding chapter, the HR systems in both companies are no longer described as 'Japanese' or 'learnt from Japan'. Instead, the HR systems of both Data-Co and Software-Co are claimed to be 'deviated' from 'Japanese practices', yet in different ways. In Data-Co, managers claim that the formation and development of the HR system are largely informed by the local environments including the local labour market, the local educational system and so on. In Software-Co, managers demonstrate a dual HR management system, in which software developers are managed in a 'Japanese' way while programmers are not.

As it is the case with operational practices, the comparison between the HR practices in the companies and the Japanese practices made by the top managers in both companies is based on a model of 'Japanese practices' perceived by these Chinese managers. This perceived model of Japanese HR practices is largely in line with the typical Japanese HR practices identified by Abegglen (1958) in big Japanese firms among core employees, which comprise of lifelong employment, recruitment of school leavers, extensive employee training and seniority-based pay system. However, it should be noted that this perceived model may not reflect the most updated model of Japanese HR practices in reality, especially given the continuous changes in Japanese institutions and practices in the past decades (see Lechevalier, 2014). As many scholars have pointed out, the burst of Japanese bubble in the late 1980s has seen great change in Japanese HR system with two major developments: the introduction of performance-related pay and the rise in non-regular (e.g. part-time, temporary, agency) employment (e.g. Keizer, 2010). In this chapter, both the traditional model of 'Japanese practices' perceived by the top managers and the up-to-data account of Japanese practices will be taken into account.

This chapter details HR practices in recruitment, selection, training, pay, performance appraisal, promotion and retention in both companies, and examines how and to what extent the HR practices in Data-Co and Software-Co are deviated from the 'Japanese' practices. It also investigates what accounts for these differences by assessing the ways HR policies and practices have been developed over time, and the experience of these from the employees' perspective. As we shall see, HR systems in both companies are not only shaped by the distinctive local, socio-economic, sector and historical context in which the companies operate, but are also strongly influenced by their specific relationships with the Japanese clients in the global supply chains.

6.1 Data-Co

In contrast with the managers' enthusiasm for 'learning from Japan' in terms of operational policies and practices, managers do not show much interest in borrowing HR practices from Japan. In this section, I investigate how HR policies and practices in Data-Co are influenced by the nature of a market-based supply chain, the local labour market, the local educational system and the micro-politics within the company. Since HR practices differ quite considerably between white-collar/managerial workers on the one hand and operational workers on the other, I introduce them separately under each part below.

6.1.1 Recruitment and selection

White-collar workers are mainly recruited through the open job market, based on their educational qualifications and experiences in desired fields such as HR, accounting and marketing. Two rounds of interviews are conducted to select the appropriate person. The first round of interviews focuses on the applicants' backgrounds and personalities, and the second on the applicants' knowledge relevant to the position. Due to the relatively low demand for white-collar workers, as well as the low turnover rate among them, the recruitment of white-collar workers occurs only occasionally and usually goes quite smoothly. By contrast, recruitment of operators is much more frequent.

New operators are recruited on an annual basis, and about 90% of them are senior graduating students from local technical schools. According to the HR manager, there are more than 15 technical schools in and near Dalian City, which provide a large pool of job candidates every year. Notably, new recruits have to finish a one-year internship assignment before they can sign a standard three-year employment contract with the company.

Data-Co has a clear preference for recruiting young operators, hence its recruitment of school-leavers. The HR manager commented frankly that operators between 20 and 30 years old are much more productive than those who are above that age range. According to the statistics for 2010, 64% of the operators were under 25, 13% between 25 and 30, and the remainder over 30.

In appearance, both Data-Co and many large Japanese companies prefer fresh graduates to mid-career candidates. However, while on-campus recruitment in Japan is considered to be associated with the country's long-time, committed and stable employment relations (Matanle & Matsui, 2011), school-leaver interns are hired in Data-Co to deal with the turnover of labour, which fluctuates with the business peaks and troughs. As I mentioned in Chapter 3, business in Data-Co largely depends on the season. Every year, a large number of employees in Data-Co 'voluntarily' exit from work during the low seasons (from March to July), while only a few quit during the busy season from August to February. For instance, during the period from June 2010 to June 2011, the majority of labour turnover occurred between March and June, reaching a peak of 102 in April[2] (Figure 6.1).

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[2] There was a sharp fall in business in Data-Co after the 2011 Tohoku earthquake and tsunami in Japan on 11th March, which aggravated the labour turnover in March and April 2011.
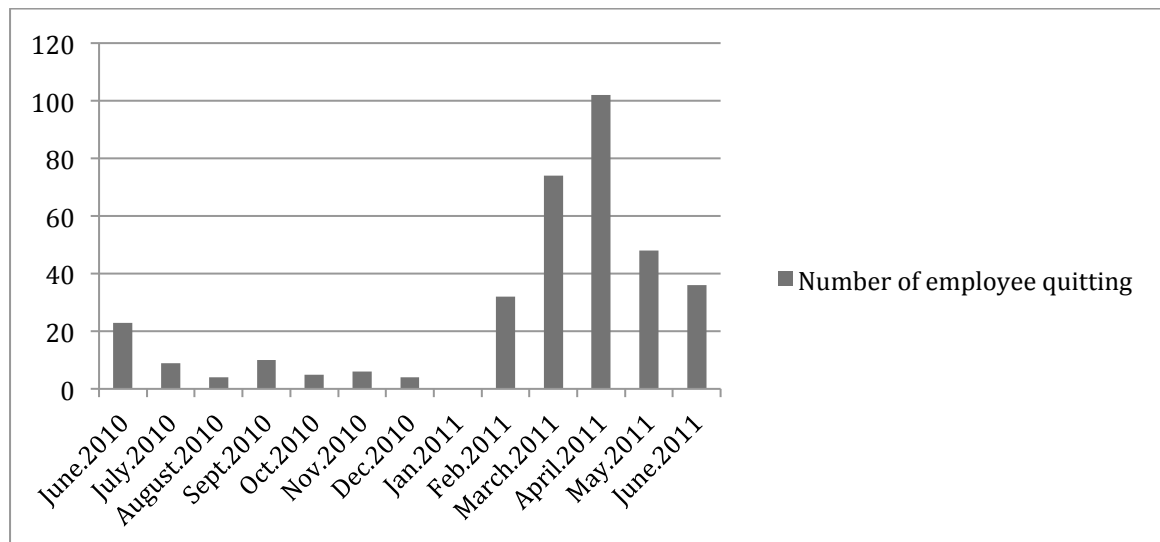
Figure 6.1: Fluctuating labour turnover in Data-Co (June 2010-June 2011)

The high labour turnover during the low season is related to several factors. First, workers' piece-rate income falls sharply during the low seasons (see the discussion of the pay system in 6.1.3). This increases their dissatisfaction with the company. Second, hundreds of companies are clustered in Dalian City doing BPO, each having different seasonal situations. For example, some of them are not subject to seasonal business as much as Data-Co is; some of them are in their busy seasons while Data-Co is in its low season. Because of this, the cluster provides workers with wide availability of alternatives. Third, the local labour market is highly fluid and deregulated. The cost of hiring and firing workers is low. Most of the workers in Data-Co have a relative or friend working in other BPO companies in this local cluster, so they always know whether there are vacancies in other companies, and how their pay and conditions compare with Data-Co. In this respect, the high rate of quitting has been normalised, and consequently produces a great propensity to quit.

Although the high rate of turnover is reported to be problematic, managers think that it provides flexibility for the company, and enables them to cut cost by releasing workers. This is particularly true for the managers of the business units (BUs), whose performances are assessed in terms of the operational cost and the monthly profit they make. As one of them explained:

> Actually, turnover helps us to deal with the redundant workers, and to keep a certain level of profit during the low seasons. When the revenue from production decreases during low seasons, the labour cost needs to be reduced accordingly; otherwise it becomes difficult to make profits. As a result, if workers want to leave, we do not usually say 'no' – we let them go and save the cost of paying for redundant labour. (5th July 2011 in Dalian)

Benefiting from this labour turnover, Data-Co chooses to accommodate itself to the turnover strategically, instead of reducing the volume of it. There are a number of accommodating strategies discussed in the literature, among which one approach is to segment the workforce into permanent and temporary divisions and institutionalise the labour supply through use of temporary employment agencies (Smith, Daskalaki, Elger, & Brown, 2004). However, the strategy applied in Data-Co is different. Managers in Data-Co do not use temporary agencies because 'agencies charge a lot of money', and are 'less selective than the company itself in recruiting the right workers'. Rather, they partner with local technical schools and 'hoard' labour during the low seasons at a much lower wage rate than that of the established workers and the mid-career entrants (who generally receive 1,100RMB – 3,000RMB per month). These interns are hired in March, and given three months of off-the-job training from April to July, during which a minimum training subsidy (400RMB per month) is paid. Those who pass the training test are then assigned to teams before August, in order to get ready for the coming busy season. Before they are upgraded to regular workers, they are paid the lowest level of the basic wage (600RMB per month). This strategy also endorses the discussion in the literature on organisational flexibility, to the effect that it is possible for companies to obtain numerical flexibility and reduce cost by using non-standard workers (Kalleberg, 2001). In the case here studied, this means school interns.

The use of student interns reflects the move of Chinese employment system from a state-centric to a more fragmented market-centric one. Friedman and Lee (2010) suggested that the employment system in China has been going through the processes of commodification and casualisation since the economic reform. Such commodification and casualisation have led to the increase of labour mobility, the great deregulation and informalisation of

employment, and the prevalence of temporary and 'dispatch' workers in all sectors of the economy (see also (Friedman & Lee, 2010; Kuruvilla, Lee, & Gallagher, 2011; Sheldon, Kim, Li, & Warner, 2011). Under this new deregulated system, student labour and interns become a growing component of Chinese workforce and an importance source of temporary and flexible workforce (Brown & deCant, 2014; Smith & Chan, 2015). In their recent paper, Smith & Chan (2015) discussed the organisation of student interns at one electronic company in China and revealed the unprotected and constrained nature of the student workforce at Chinese workplaces. The use of student interns to strategically accommodate to high labour mobility in Data-Co further endorses these arguments.

Apart from the above contractual segmentation based on the use of student interns, there is also a geographical segmentation of the labour force into the home-based workers and those who are based in a 'satellite' unit in a less developed city with lower labour costs, called Chongqing. This satellite unit was established in 2010, in an attempt to escape from the constraints of the local labour market in Dalian, where the labour supply from technical schools has been gradually declining and becoming unsustainable. One senior member in the HR department explained that the BPO industry, characterised by a low-wage and low-skilled workforce, was becoming less attractive to job candidates than it used to be:

> When I joined the company 20 years ago, working for a BPO company was such a dream job that people would admire anyone who had such a job. At that time, BPO was considered a promising industry, and people preferred working in offices as white-collars to standing in factories as blue-collars. However, due to the low wage in BPO and the availability of other opportunities, fewer job candidates choose BPO nowadays...As you might have already discovered, we have been having problems hiring sufficient interns from technical schools recently, because fewer candidates have been applying. This could not have happened 20 years, or even five years ago. (8th June 2011 in Dalian)

This 'satellite' unit hires local workers, and receives orders from the operation units based in Dalian. Largely due to the relative scarcity of job opportunities, and the lower cost of living in Chongqing as compared with Dalian,

recruitment at this 'satellite' unit has gone well so far, and workers in the 'satellite' unit have appeared to be more stably settled in their jobs than those in Dalian. The general manager was very positive about the potential of 'satellite' operations and concluded that 'it is the tendency for all BPO companies to move operations to lower cost cities in western and central China to deal with the labour shortage'. It again confirms the view that the company does not follow conventional ways of attracting and retaining labour through pecuniary power (e.g. increases in wages), but, instead, deploys segmented labour, either contractually or geographically, in order to balance labour mobility with cost efficiency.

In terms of selection, managers pay closer attention to a candidate's personality than to possession of particular skills. Specifically, people who are 'diligent, obedient and introverted' are preferred:

> We are looking for people who can take on monotonous and repetitive work. People who are aggressive, ambitious and talkative do not suit our jobs, regardless of their skills. In this industry, working hard is more important than intelligence, and action counts for more than words. (HR manager, 21st June 2011 in Dalian)

Besides, an 'intern-to-regular' route is applied as a selection device. Interns are introduced into the labour process as regular workers after training, not allocated special tasks or pushed into special areas, so that managers can observe and evaluate their ability and motivations more accurately. The contracts of interns who do not meet the requirements are not renewed after the internship.

At the time of my fieldwork, female operators accounted for 75% of the total number of operators. The HR manager suggested that there were usually more females than males applying for the post of BPO operator, because being a BPO operator is widely considered a 'woman's job'. As Curran (1988) argued, some jobs can be gendered because of the social and 'tacit' skills required in the performance of such jobs. In the BPO industry, the public tend to regard women as having the dexterity and patience for meticulous (and probably boring) work such as data inputting and editing, so that BPO work is

commonly gendered female. This point of view was confirmed by several male interviewees:

> I have difficulties in inputting data quickly, I mean, as quickly as the girls in my team. I have stubby fingers, not like the girls'. (2nd June 2011 in Dalian)

> When I applied for this job, I thought it [BPO] was a job dealing with computers and technology [which should be male-dominated]. I could not have been more ignorant in thinking so. It is actually a 'women's job', requiring lots of carefulness and dexterity! (17th June 2011 in Dalian)

Despite the gender stereotype, the HR manager shows no explicit gender preference in selection and declares that both females and males have advantages and disadvantages:

> There is no difference between females and males in terms of skills. Both can be very good or very bad…In general, the turnover rate among males is probably higher than females, but females take longer marital leave and maternity leave…So, no, we do not have any preference in terms of the gender. (4th July 2011 in Dalian)

The above accounts suggest that while BPO work is socially gendered female in terms of its required 'social' and 'tacit' skills (Curran, 1988), this view has not been adopted by the employer. In fact, during selection, women's roles as potential wives and mothers are considered disadvantages. The HR manager concluded, 'since we are trying to keep some kind of gender balance at the workplace and we usually have much fewer male candidates than female ones, there is actually a greater chance for the male candidates to be selected than the female ones'.

6.1.2 Training

Training is provided to operational workers. Interns have to take three months of off-the-job training on entry. Unlike those in many Japanese companies which are strongly embedded in firm-specific knowledge and involving socialisation, team activities, character building and introduction to the company to allow employees to absorb and refine any formal and tacit knowledge about the organisation (Matsuzuka, 2002) training programmes in Data-Co exclusively focus on skills, particularly the basic skills of typing

Japanese characters, letters and numbers. Interns are taught to use an application, which enables them to type Japanese characters based on their structures (appearances), rather than on pronunciations or meanings. It is in this light that managers demonstrate that 'the company is able to train workers within three months to become semi-skilled workers in terms of typing Japanese, even if they know neither Japanese nor about computers before they join'. This demonstration is highlighted by a worker who recalled her experience:

> The training programme was intensive and effective. I knew little about Japanese, but it was not a big issue. We were taught a few Japanese words in order to use the operating system in the Japanese language. Then we were trained to type Japanese without knowing its meaning and pronunciation. After we learnt to type Japanese correctly, the instructors gave us a large amount of practice in order to improve our input speeds and accuracy. We kept practising every day, until we met the standards of the final test. (7th June 2011 in Dalian)

To a large extent, this training programme facilitates the recruitment of employees and enables the company to 'hoard' a large number of interns during the low seasons. Since such skill training is not commonly offered by the other employers in Dalian, Data-Co has built a distinctive reputation as a good workplace in the local labour market, and thus has easy access to new graduates from the technical schools. One HR department employee proudly claimed that provision of skills training had become a crucial selling point for the company in its recruitment, and had successfully attracted a large number of qualified employees who were keen on learning.

Conventionally speaking, job training should be built upon long tenure so that the company does not surrender its investment in training through high turnover. However, in a highly fluid and deregulated labour market, trained operators from Data-Co are free to leave and work for competitors. In addition, the skills that interns gain from the training program are not firm-bounded. Instead, they are transferrable skills which can be applied in any other BPO companies or indeed other companies which require the ability to input Japanese characters. This means that other companies can simply poach trained operators from Data-Co without investing in training

themselves. As I shall discuss in the next section, since the pay in Data-Co largely relies on the seasonal fluctuations, operators are constantly watching for other employers for whom they can leave to work during the low seasons. Due to its corporate reputation and the training programme which provides operators with these transferrable skills, Data-Co is widely considered by job applicants as a 'springboard' from which they can seek other employers with better conditions. Several informants told me that operators who had been trained by Data-Co were recognised as well-trained and competent in the labour market, and that some employers would offer higher pay in order to poach skilled operators from Data-Co. In this respect, instead of generating employee loyalty and ensuring a stable workforce, the training programme 'encourages' higher turnover by furnishing employees with important skills. Indeed, company statistic shows that 58% of interns left the company after they finished training in 2010, and that the majority of them joined the other companies.

Despite the high turnover, managers still insist on the necessity of in-house training, explaining that there are not enough qualified workers available from the labour market:

> The entry requirement in my company is 45 Japanese words per minute, 180 numbers per minute and 160 English words per minute. However, we cannot find many candidates who can meet this minimum requirement from either technical schools or labour markets, even if they have learnt Japanese or computing in technical schools. Because of this, while small companies without in-house training schemes may possibly free-ride on the training efforts of others, we have to run our own training program because we want a large number of interns at lower wages. (Personal assistant to the BPO manager, 27th June 2011 in Dalian)

The above reflection suggests the weakness of the educational system in China, particularly in vocational education. As Li, Sheldon, & Sun (2011) suggest, the educational content of Chinese technical schools is often misaligned with company needs, as linkages between educational organisations and companies are generally absent. Because of this, companies, especially ones with a large demand for labour, have to invest in training, even under conditions of short job tenure and a high turnover rate.

The HR manager further commented that the lack of a complementary educational system had pushed the company to make every effort to keep the training-related costs to a minimum. For instance, training is conducted during the low season, so that there is no lost productivity and no costs involved in 'backfilling' positions; instructors are senior operators within the company who are paid much less than external ones; training materials, facilities and relevant administrative costs are rigidly controlled.

6.1.3 Pay system and performance

For the white-collar workers and the managerial staff at the level higher than section chief, their monthly salary consists of basic pay and performance pay. Basic pay is mainly determined by the nature and requirements of the job. Performance pay is calculated through each individual's performance index, which is given by his/her direct supervisor:

Monthly pay = basic salary+ basic salary * performance index (between 0~1.5)

Instead of the monthly performance pay, BU managers receive an annual bonus at the end of each year, depending on each BU's performance. This annual bonus accounts for a major part of each manager's annual income. However, its amount is subjectively decided by the general manager without any established procedure or method.

Before I arrived, the CEO had set out to establish a comprehensive system of performance assessment. He introduced an approach based on the 'balanced scorecard', that is, a performance management tool designed to assess each worker's activities from four perspectives, namely financial, customer-related, business procedures and learning. The primary aim of this system is to provide a fair and accurate basis for decisions on both the performance index and the annual bonus. The CEO pointed out the weakness of the existing performance system and emphasised the importance of a new performance assessment system:

The performance index has not worked effectively because we have not developed any specific standards and measures, without which superiors are not able to make a sensible evaluation. I found that some superiors have tended to give everyone a score between 0.9 and 1.1, which does not make a big difference to their income, and so would not motivate workers either. Likewise, decisions on the annual bonus for the BU managers are too subjective to be transparent and fair. (13th May 2010 in Beijing)

In order to carry out the new scheme, the general manager organised one training session for all department managers. This session took half a day and the general manager stressed the importance of a systemic performance system and introduced the idea of the 'balanced scorecard'. She then decided to experiment with this new approach on three BU managers, asking HR staff to hold discussions with each BU manager and come up with the key performance indicators (KPI). However, this initiative was resisted by the BU managers, because they felt that the new approach was likely to exert more pressures and controls on them, and threaten their future income. As a result, they refused to participate in the discussion of KPI, and gave negative feedback to every proposal. Their resistance was also expressed by means of rhetoric. All of them emphasised that this new approach lacked feasibility and would possibly damage the 'humanistic and harmonious' culture in the company:

Of course it is easy and straightforward to set a standard there, and compare our performance with it every month. However, the reality is far more complicated. For example, how to adjust the profit target, given the uncertainties and fluctuations we face every month; how to measure the work attitude; how to obtain scores of customer satisfactory? (Manager of KPO, on 3rd June 2011 in Dalian at a management meeting)

Too stringent a performance target does not fit our 'humanistic and harmonious' culture…it perhaps could work better in a company which managed workers in a military way, such as XX. Their management is based on authority, but we are not. We prefer a harmonious work environment. (Manager of EPO, 3rd June 2011 in Dalian at management meeting)

Despite this resistance, both the CEO and the general manager insisted on the inevitability of undertaking this scheme. They urged BU managers to corporate with HR staff, and set a deadline for them to decide on the KPI.

Realising that they were not able to 'beat this system', the BU managers changed their strategy to that of 'moderating the system' (Delbridge, 1998). They actively got involved in the discussion of KPI to make sure it was favourable to their interests. They also negotiated hard with the general manager about the performance criteria, especially those 'hard' indicators, such as the 'target output' and 'target profit', to ensure these criteria would not be difficult to meet. All these activities attempted to secure some control over this new performance system, and decrease the possible stress and negative effects that it might bring. By the end of my fieldwork, the KPI for each BU manager had been produced but no agreement had been reached on the specific target under each KPI.

Compared with that of the white-collar workers and the managerial staff, the pay system of the operators is more well-established and results-oriented. There is no specific performance appraisal system in place for the operators, but managers believe operators' performance has been reflected in their monthly pay. As shown below, the fixed part of an operator's monthly pay consists of the 'basic salary' and the 'seniority subsidy', and the variable part includes the 'piece-rate bonus' and the 'full-attendance bonus'.

Monthly pay = basic salary + seniority subsidy + piece-rate bonus + full-attendance bonus

As for the fixed pay, a 'seniority subsidy' is paid to operators from their second service year onwards, though its amount is small and restricted. The subsidy starts at 30RMB and increases by 30RMB each year until it reaches 250RBM. Workers do not get paid for seniority beyond that. 'Basic pay' is determined by each operator's level of skills. This is the opposite of the Japanese seniority-based pay system, in which difference in skill level is not reflected in basic pay (Berggren & Nomura, 1997). To set the 'basic salary', each operator's skill level is assessed annually in the form of a skills examination. Operators are required to take this exam every June, regardless of their length of service, and the exam results decide their basic salaries for the upcoming year. The exam usually lasts 90 minutes and consists of three parts. The first part concerns the speed of input, including the inputting of Japanese, English and

numbers. The second part consists of mock tasks, in which employees are given several tasks in simulated real environments and are asked, independently of one another, to complete these tasks. In the third part, workers are asked to compare two similar pieces of work with minor differences, and identify the differences quickly. Recently, an extra 20 points have been given to employees who learn by themselves in their spare time and obtain certificates or diplomas on Japanese. The whole procedure for the exam is claimed to be 'fair and transparent'. Instructions are distributed to every worker one month in advance, to make sure that everyone understands the objective, the form, the criteria and the content of the exam. In addition, a mock exam is organised one week beforehand, in order to help workers to get used to the exam atmosphere. Exam questions are set by a senior project manager and reviewed by another in a confidential manner. A group of administrative staff are responsible for marking them afterwards on a 120-point scale. The distribution of score and basic salary is shown below (Figure 6.2).

Score	0-50	51-70	71-90	91-100	above 100
Grade	grade 1	grade 2	grade 3	grade 4	grade 5
Basic salary (in RMB)	600-699	700-799	800-899	900-999	1000-1100
% of employees*	5%	50%	25%	15%	5%

Figure 6.2: Distribution of scores and basic salaries in Data-Co

Source: Interviews (10th July 2012 in Dalian; 8th November 2012, by telephone) and corporate documents.
* the % of employees is based on estimation. It is said that the markers are expected to maintain this distribution so that the wage bill does not fluctuate too much.

The exams, along with the workplace discipline, bell-controlled schedules and on-the-job exercise discussed in Chapter 5, all represent typical practices that are adopted in schools. Therefore, they produce and enhance workers' feelings of working in a 'school'. Managers, who are perceived as 'teachers',

'teach' skills and knowledge (i.e. skill training), arrange practices (i.e. on-the-job exercises) and assess performance (i.e. annual skill exams). The effect of this particular teacher-pupil sentiment will be discussed in 6.1.6.

There is little dissent from the idea that workers can be motivated by the skill exams. However, there is a widespread feeling that the implementation of the exam lacks flexibility. In particular, some workers felt disappointed that managers did not show empathy to those who are badly subpar in the exam due to unexpected issues. At a lunch with five BPO workers, one worker told me that one of his colleagues had been sick on the exam day and only got grade two whereas he normally got grade five. Given the big loss of about 3000RMB the following year, his colleague went to ask his team leader whether he could be given a second chance to re-sit. His team leader passed this request on to the project manager, but then told him it was impossible because the managers thought it unfair to others.

The proportion of variable pay is high, especially the piece-rate bonus. The statistics for 2010 showed that the piece-rate bonus accounted for an average of 55% of an operator's monthly income. The piece-rate pay system is institutionalised in the BPO industry in Dalian. Each operator in Data-Co is set a target minimum number to meet by the end of the day. If operators finish less than this minimum, they get no piece-rate bonus at all to add to their basic salary. In other words, they are only paid the piece-rate bonus for pieces of work over that minimum target number. As I described in the preceding chapter, each operator has a daily performance sheet on which the quantity of items of data input and the number of errors are entered. The team leaders check the number, and work out the number to be paid for by deducting the target number from this. The team leaders then send the filled sheets to the HR office every day. The number to be paid for, multiplied by the unit price, and after deducting any penalties for errors, gives the daily piece-rate bonus for the operator.

Much existing research has shown that piece-work systems can encourage workers to actively deceive management and to regularly restrict output (e.g. Edwards, 1979; Roy, 1952, 1955). In particular, Haraszti (1980) presented a

case in which the bureaucratic rules governing the piece-work system were flouted by workers and resulted in an 'indulgence pattern' (see Gouldner, 1954) on the parts of both management and the workforce. The noted inefficiency of the piece-work system could also be spotted in Data-Co, especially in relation to how errors made by operators are recorded and reported and lead to the monetary penalty. As I discussed in the preceding chapter, the team leaders tend to underreport the number of errors made by their team members so that these team members get fewer penalties, and this is even considered a tactic team leaders can use to build up a reciprocal relationships in teamwork.

Compared with the other employers in the BPO cluster in Dalian, informants noted that while the pay structure of Data-Co was similar to many of the others, the basic pay in Data-Co was clearly inferior to the best rates in the cluster. For example, in 2010 the basic pay in Data-Co ranged from 600RMB to 1,100RMB depending on the results of the annual skill exams, whereas those at many other companies were between 800RMB and 1,200RMB. Despite the lower basic pay, the piece-rate bonus in Data-Co is considered to be high, especially during the busy seasons when operators have lots of overtime opportunities. Informants also mentioned that the piece rate set by Data-Co was slightly higher than that set by other companies for similar work. An experienced operator compared the pay in big companies with that in small-sized and new companies:

> New arrivals and small-sized companies tend to set higher basic pay in order to attract experienced and well-trained workers from the labour market. However, workers in small companies normally do not earn as much piece-rate bonus as we [workers in Data-Co] do. We have big customers who provide large orders. For example, we sometimes have to work 14 hours a day during busy seasons, but they [workers in new and small companies] seldom have this opportunity even during their busy seasons. (27th June 2011 in Dalian)

The relatively low basic salary and seasonal fluctuation in business further explain the seasonal turnover in Data-Co, which I noted before. One informant reflected, 'we stay during the busy seasons and we are free to job-hop during the low seasons to secure a higher basic pay'.

Contrary to the seniority-based pay system in many Japanese companies, the pay system in Data-Co minimises the effect of seniority. Actually, in many cases, old operators earn less basic salary and piece-rate bonus than the young ones because their productivity in data input drops as they get older. During the fieldwork, complaints were often heard from senior operators whose productivity and salary had decreased over time. They argued that the seniority pay (up to 250RMB per month) did not make up for their loss in piece-rate bonus, and that the company did not reward them enough for their loyalty. In spite of the complaints, it appears that these senior operators do not attempt to take any action to improve their situations and they tend to accept their decreasing pay quite stoically. This is perhaps because senior workers have very limited options in the job market, and thus lack bargain power with managers in Data-Co. One 38-year-old senior worker, who had been serving the company for about ten years, suggested that workers older than 35 years old were considered 'old' in BPO industry. She reflected:

> Young people join in, learn skills quickly and they reach the peak level [in terms of productivity] in about three or five years. After that, there is not much room for improvement. After 35 years old, like me, it is difficult to adapt to this kind of work physically –sitting, typing and staring at the screen all day – and my fingers are not as flexible as they used to be for data input…the pay system [in Data-Co] is not favourable to us [older workers] because it focuses on productivity, say how much data you have input within a certain period of time…what can I do? If I complain to the boss, they will say, 'you can leave if you are not satisfied with us.' In fact, they [managers] would be pleased if older workers left because they could easily replace us with young workers. In this industry, you either move to managerial positions before you get old, or you accept what you have. Experience does not count in BPO. (5th July 2011 in Dalian)

6.1.4 Promotion

Compared with the relatively slow and gradual promotion based on seniority in large Japanese companies, promotion in Data-Co is claimed to be fast and ability-based, especially for the operators. Managers claim that the company seeks to promote from within and everyone has an equal chance to reach the middle and high level positions such as those of project managers or BU managers. Managers also suggest to operators that they progress up the

internal job ladder step by step, starting with team leader, then section chief, project manager and ultimately BU manager. Some employees regarded this prescriptive career path quite positively:

> I remember that they [HR staff] played an introductory video about the company on my first day at work. I remember that there was a picture illustrating a career path in Data-Co, from ordinary operator to BU manager. It was clear, and it made me strive to improve. (EPO worker, 1st June 2011 in Dalian)

However, many employees do not find this career path attractive, and express reservations. One significant problem is that junior managerial employees (including team leaders and section chiefs) feel undervalued and underpaid for the work they are doing. Specifically, these people complain that their efforts in managerial work are not financially compensated, and that they could have earned more as an ordinary operator than as a team leader or section chief. One BPO worker, Qiang, explained:

> I was promoted to team leader last year, but I quit after three months. I got 200RMB subsidy to compensate me for the time I spent on all the managerial work such as organising the operations, managing team members and completing paper work. But apart from that, I was paid the same as ordinary workers [i.e. a basic salary plus a piece-rate bonus]. The catch here was that being a team leader meant that I had to sacrifice achieving my piece-rate bonus to managerial work, and 200RMB was not enough to make up for my loss. The time I spent doing managerial work would have been better spent doing data input as an ordinary worker, and would have earned me more of a piece-rate bonus, which would have been more than 200RMB. It would make more sense if we [junior managers] were paid more, and were paid a stable salary, like the project manager. (8th June 2011 in Dalian)

As mentioned in the above comment, while the pay of junior managers does not sound appealing, that of higher positions such as project managers, which consists of a basic salary and an annual performance bonus, is much higher and more stable. For this reason, I assumed that junior managers would be motivated to get further promoted up to project managers. However, in the interviews the majority of junior managers expressed pessimism about their prospects of moving up to the level of project managers. Their scepticism is not groundless -- while the company used to promote junior managerial staff to more senior positions, since 2005 there has been a tendency for it to hire

managers directly from outside. One section chief who was keen on further promotion perceived the erosion of promotion possibilities:

> Some project managers were promoted from within, normally the old ones who joined the company early. They started as ordinary operators and then moved to the higher positions step by step. However, I have found in recent years that most of the newly promoted project managers have not been promoted from the ordinary operators any more. Liu [a newly promoted project manager] is a typical example. He holds a bachelor degree in business management. He worked as an assistant to a section chief for a while, and then as an assistant to a project manager, and he was promoted to project manager early this year. I feel that nowadays managers emphasise educational background more than experience, in promotion. You know, as project managers they prefer graduates in management, and we, though experienced, end up just as section chiefs. (21st June 2011 in Dalian)

One HR member confirmed the above account, explaining that the majority of junior managers who were promoted from workers did not have the basic Japanese language skills and managerial skills to be project managers, but there were lots of qualified job applicants in the external job market.

The unappealing salary for junior managerial positions and the constrained opportunities to rise to more senior positions, result, to some extent, in a high rate of turnover of skilled team leaders and section chiefs, and a reluctance on the part of ordinary operators to move up the internal job ladder. At one of the meetings I attended, one member of the HR department argued that the company is in short of skilled operators. Based on the typical learning pattern of the operators in Data-Co, she assumed that the majority of skilled operators should be between their 25 to 30 years old, thus she expressed concern about the loss of skilled operators by reference to the age distribution of the company:

> The operators' first three years at Data-Co can be seen as a 'learning phase'. Considering that most of the school leavers are about 22 years old, they have reached 25 by the end of this learning phase. The next five years constitute a 'mature phase' during which operators become skilled and their proficiency in data input reaches a peak. They can make the most contribution to the company compared with the employees in other phases. They are the people we want to retain. After that, operators get to a 'declining phase' during which their productivity and efficiency are all in decline. They start feeling it difficult to adapt physically to the BPO work. Based on this, it can be seen that

in 2010, 64% of our operators were in the learning period (under 25 years old) and 23% of them were in the declining period (over 30 years old). Only 13% of them were skilled operators in the mature phase. It is not optimal in terms of the challenges and risks to the management in trying to decrease labour costs and increase productivity. (19th June 2011 in Dalian, at a meeting with the HR staff)

In order to boost morale and retain skilled employees, the company launched a 'managerial elites program' in 2010. Under the program, potential candidates were nominated from each team and then tested in examinations. These exams, unlike the skill exams, focused on candidates' knowledge about management, the Japanese language and the English language. Selected candidates were kept in the talent pool of 'future managers' and received regular training to fit them for senior managerial positions such as project managers and department managers. During my fieldwork in 2011, the first batch of 'future managers', a total of 12, had just been selected. All of them were team leaders or section chiefs. I talked to two of them and both spoke very positively of the programme and were looking forward to receiving training soon.

6.1.5 Employee turnover

As I have noted, operators in Data-Co are very open-minded about the idea of moving to jobs in other companies, particularly in the low seasons. Many of them were actually thinking of making a move at the time of my fieldwork. There are a number of reasons for this: the seasonality of the business combined with the very much season-dependent pay structure, which tend to push operators to seek other employment during the low season; the training and reputation of Data-Co, which enable the operators to find other higher-paid jobs; the limited internal promotion opportunities; and the highly fluid and deregulated local labour market. Further, the existence of the local cluster of BPO companies provides ample job opportunities for operators; and, equally important, it is becoming a widely held view that BPO is a low-return and 'sunset' industry which does not suit young people, as one 26-year-old male worker commented:

As we Chinese say: a wrong career for a man is as bad as a wrong man for a woman. BPO is not a good option in the long run – it does

> not make a big profit, so the salary is low regardless of how hard I work and how good the company is. I think I will leave when it is appropriate – not just the company, but the entire BPO industry. (9th June 2011 in Dalian)

Apart from the above, gender and family circumstances appear to underpin variations in turnover. HR statistics show that 70% of workers who have been serving for more than five years are married females while the turnover rate is the highest among single males. In particular, young men tend to attribute their difficulties in finding a partner in life to their low salary in Data-Co, and hence leave for a higher salary:

> You know that young girls nowadays see a house as a condition of marrying their boyfriends. Even if you cannot afford a house now, you should at least be making good money, to show that you have the potential to buy a house in the near future. I find this is almost impossible for us who work in BPO, unless you become a senior manager. No wonder most of my colleagues are single! (BPO worker, 9th June 2011 in Dalian)

By contrast, married women complained less, partly due to the male-breadwinner model I discussed in Chapter 4:

> I used to care about salary most, but since I got married I have preferred a stable life, which allows me to take care of my son. It is a man's job to earn money outside… I am not saying I am happy with the salary here, you know, but it is not my priority at this moment. (KPO worker, 20th June 2011in Dalian)

As I have noted, workers do not normally quit before or during the busy seasons, because it is the time when they can earn most. However, the threat of leaving may be occasionally used as a bargaining counter, to gain improved conditions. This kind of bargain is likely to involve a group of conspiring workers, who threaten to leave just before the busy season arrives. This happened during my fieldwork in June 2011. The BU manager of the BPO section said that he received ten resignations in one day, and he was worried that many more would follow. This manager told me that a similar situation had occurred in 2006, when more than 50 workers had quit before the busy season. He urged senior managers to take action to avoid a potential mass resignation, and his suggestion was strongly supported by one HR member:

They [the operators] have all been schoolmates, classmates or even roommates at school, so they are close to each other, and form small or large groups in the workplace. If one of the groups leave, the others are likely to follow. That is a headache, you know. What we are most worried about is a mass resignation right before the busy season, like in 2006. You know, the company recruitment has finished by June, so it would be difficult to replace them in a short time. I do think the company should do something. (21st June 2011 in Dalian)

Senior managers took their advice. At the beginning of July, the company announced an extra subsidy of 150RMB for operators during August and October, which were predicted to be the busiest months in 2011[3].

In the interviews, all managers claimed that the company did not dismiss employees, and it appeared to be a move towards the concept of 'lifetime employment'. However, I did observe two instances within one month when employees were dismissed. In both instances, workers were said to have made serious mistakes which infuriated the clients, and people explained to me that 'the company has to fire the operators as a response to the clients'. One day, the project manager who was involved in one dismissal came to my office, and asked the HR employee, Ding, to prepare the personnel documents for Nan, the girl who was dismissed. The interaction went as follows:

'We were told to input and edit the content of an advertising leaflet for one Japanese company. Nan [the girl who was being dismissed] got the number wrong – it was supposed to be a 5% discount, but she put 15% instead – and this mistake was not discovered until thousands of leaflets had been sent out,' the project management recalled.

'Oh, that's terrible. How come you did not discover the mistake before delivery?' Ding asked.

The project manager shrugged and replied briefly, 'Who knows. We were in a rush at that time.' He continued, 'Anyway, Li [the BU

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[3] Since the company refused to disclose the names of the operators who were involved in the mass resignation in 2006 and 2011, I did not get the chance to talk to them.

manager in KPO] is still negotiating with Kondo-san [the Japanese client].'

'How about Nan? Did she ask to leave, or are you firing her?'

'We have to fire her. It was a big mistake, and it is not the first time she has made such a mistake. Her attitude to work is problematic.' (5th July 2011 in Dalian)

The above dialogue suggests that the company does dismiss incompetent employees, but it is always under the rhetorical explanation: 'We have to fire someone because of the Japanese client', or 'Japanese clients are so strict that we have to fire someone in order to show our determination and sincerity in taking responsibility for the mistakes'. In Nan's case, apart from the pressure from the clients, it seemed that Nan's chronic underperformance and problematic work attitude were also important reasons.

6.1.6 Case summary: managing 'school pupils'?

In his influential books, Dore (1973, 1987) traces two fundamentally different capitalist models. They are the organisation-oriented system, the ideal type of which is approximated by Japan, and the market-oriented system, which pervades most western economies, especially the US. Despite the diversity in different countries and the changes over the years of these two systems, it appears that the HR system in Data-Co possesses many common features of a market-oriented system. Under such a system, labour is mobile, and the individual can decide on a regular basis whether or not to be on the move, seeking the best price for his/her skill. HR policies and practices in Data-Co are largely influenced by the seasonal fluctuation in its business, and the highly fluid local labour market. The central theme of its HR system is to achieve a balance between turnover rate and cost efficiency. By use of a segmented labour force, Data-Co manages to accommodate to its high yet seasonal rate of turnover of labour, and control labour costs. In line with this, the performance-based pay system was introduced in order to maximise employee productivity, although it involves negotiations among various corporate actors (e.g. top managers, BU managers, white-collar workers, shopfloor workers etc.). One significant problem with this HR system is the

difficulty in retaining skilled workers, which also reflects the tension between labour mobility and cost efficiency.

This market-oriented HR system is significantly shaped by the market-based relationships between Data-Co and its Japanese clients. The transactional, one-off business, to a large extent, underlies the uncertainty and fluctuation of Data-Co's business, which leads to the use of student labour and the expansion to the second-tier cities in China. In the meanwhile, the standardised and low value-added nature of the business in a market-based supply chain results in a highly competitive market based on the price and this adds great pressure to Data-Co to continuously increase productivity and reduce the labour cost. This also largely explains the use of student labour, who are paid significantly less than the regular workers, the pay-by-piece system and the other practices that aim to increase workers' efficiency. Overall, although Japanese clients are not directly involved in the construction and implementation of the employment practices in Data-Co in a market-based supply chain, client's requirements in reducing cost and increase efficiency add pressures to Data-Co, which are then transferred to the workers in their daily work and are manifested in short-term employment practices discussed above.

Apart from the supply chain relations, the HR system in Data-Co also reflects the modern style capitalism in China, which has moved away from the centrally-planned economy towards a market-based economy. Accordingly, the employment system under this modern style capitalism is market-oriented and is based on voluntaristic and individualistic labour contract system (Lee, 2007). In particular, the use of the student interns in dealing with the business fluctuations endorses the casualisation and deregulation of employment system in China (Friedman and Lee, 2010).

In relation to the Japanese practices, the use of student interns in Data-Co shares some similar tendency found in Japanese employment systems, that is, the rise of non-regular employment. As Keizer (2010) argues, the rise in non-regular employment has stood out as a major development in Japanese employment practices. This does not only help to increase the labour flexibility

but more importantly, brings in cost advantage to the companies. Likewise, the performance-based pay system applied in Data-Co also, to a large extent, is resonant with the introduction of performance-related pay in Japanese companies. In this sense, while the HR system in Data-Co appears to be different from the traditional model of Japanese practices, featuring life-long employment, extensive training and seniority-based pay, it does share some commentaries with the more updated and recent model of Japanese HR systems under their neo-liberal reform, although the underlying mechanisms that drive these tendencies are very different (see Friedman & Lee, 2010; Keizer, 2010; Lechevalier, 2014).

Linking with the preceding chapter, which discussed the operational system, it is found that there is a strong 'teacher-pupil' sentiment in the employment relations in Data-Co. This sentiment can be explained through various aspects. First, the majority of the operators are graduating students from technical schools. They are in their early 20s, and they start working in Data-Co as interns during their final year at school. In this sense, many operators are mentally in transition from student to worker, and they often describe their work experiences in Data-Co as 'an extension of ordinary school life'. Second, since the company offers systematic and effective training and is widely considered as a springboard to other better jobs, many young employees value their learning experience in Data-Co more than other factors such as salary and promotion. This further enhances employees' perception of the company as a school. Third, many elements in Data-Co's management system are similar to those of schools, such as: the use of bells, the emphasis on discipline, the importance of exams, the exercises arranged during work, and so on. These elements naturally remind the operators of their school lives. Specifically, one operator drew a contrast between 'family' and 'school' in describing Data-Co:

> It [Data-Co] is like a school. We sit in the 'classroom', do exercises, and always expect the bells to ring for breaks. Our supervisors are like teachers, teaching us skills and constantly urging us to practice more. We have exams every year, just like the final exams we had at school. I feel exactly the same before I take exams in Data-Co as I did at school, I mean, worried and nervous…It is not a 'family'. Family

members do not leave the family. In Data-Co, people come and go. Lots of people leave as soon as they have learnt the skills, as if they have graduated. (7th June 2011 in Dalian)

The teacher-pupil sentiment is also concerned with the operators' identity as 'kids'. It appears that operators in Data-Co are cast as naughty children, who lack self discipline, so that managers have the right and responsibility to guide them in the right direction and keep urging them to work and learn hard. For example, supervisors always call their operators 'kids'. I often heard the team leaders admonish their members to 'behave like an adult and take responsibility for your own future,' which implies that the operators are not seen by their supervisors as adults.

In line with this teacher-pupil sentiment, the company is portrayed as a 'school' which provides operators with skills and knowledge. Therefore, improving the learning efficiency of the operators becomes a rhetorical justification for the introduction of disciplines, exams and extra exercises during work. Under various different circumstances, I heard team members and managers stress the fact that operators work and practice hard, not for the company, but for the sake of their own individual achievements, and that the company is offering valuable facilities and 'teachers' to help the operators learn skills and pursue a promising future. By doing so, the capital-worker relationship is hidden through the concepts of 'teaching' and 'learning'. This is evident in the speech the company president gave at the 2010 annual meeting:

> What we have done and achieved is beyond a company, which purely focuses on profits. Since our establishment, we have taken responsibility for training people and make them skilled workers in the BPO industry. We have established a whole system to provide qualified and skilled operators to the whole country. This is the social responsibility of the company. (Company documentary, video of the annual meeting in 2010)

In interviews, a sense of identity as a 'school teacher' did not come naturally to top and middle managers. They rarely described themselves as 'teachers' unless I mentioned this term. This was probably because their daily work did not involve many interactions with shop-floor operators, who were cast as 'school pupils'. However, the junior managers, including section chiefs and

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team leaders, did seem to enjoy taking on the role of 'teachers'. Many of them stressed in interviews that they themselves had worked as operators before becoming team leaders or section chiefs, so that they had the enthusiasm and capability to 'teach' and 'guide' the operators, telling them how to deliver high-quality work, and, in the long run, how to pursue a good career. By identifying themselves as 'teachers', these team leaders and section chiefs tried to emphasise that they pushed the workers to work hard not because they were superiors and the workers were subordinates, but for the workers' sakes, because the workers were so young and therefore needed guidance concerning their skills development, careers and lives.

A teacher-pupil sentiment is also found in Fleming's (2005) study on an American-owned call centre in Australia. In this study, a teacher-pupil sentiment was evoked through a management programme with a strong paternalistic culture and Fleming found that some employees resisted this paternalistic management approach because the instigated identity under this approach (i.e. that of school pupil) was seen as an affront to the person they thought they were or could be (i.e. a rational and capable adult). Likewise, the concept of teaching and learning in Data-Co engenders resistance and dissonance among employees, especially the senior and experienced operators. On the one hand, senior operators do not feel convinced about the ideology of learning, and they value substantial motivations such as salary, promotion and welfare more than learning opportunities. On the other hand, senior operators do not feel comfortable being treated as 'kids'. As I noted in the preceding chapter, the senior operators complained about the exercises, saying that they were working for money, not for practice 'as if we were students at school'. These negative responses from these employees partly explain the company's preference for young operators, but at the same time, creates more difficulties for the company in retaining skilled operators.

6.2 Software-Co

The HR system in Software-Co features core-periphery segmentation just like in the operational system discussed in the preceding chapter. The management of developers, the corporate elite, share lots of similarities with

typical Japanese practices among core employees, including recruitment of fresh graduates, huge investment in training and a significant role for seniority. This is all related to their deep involvement in Japan (see Chapter 4), but also associated with the company's ownership and history. By contrast, HR practices for programmers differ remarkably from Japanese practice. In each section below, I discuss separately the HR policies and practices relating to each of software developers and programmers, and seek to explain these practices in terms of the workforce segmentation, the company's historical context, ownership, and actors' interests and power within the company.

6.2.1 Recruitment and selection

Software developers

All software developers are hired directly from the top four universities in Shanghai. Graduates from other universities are avoided because managers believe those from top universities are of the highest quality ('*suzhi*' in Chinese). Meanwhile, mid-career candidates are not hired because managers do not want people who have been 'polluted' by the culture and techniques of other companies.

The selection process consists of a written test and a face-to-face interview. The written test, drawn from standardised IQ tests and Graduate Management Admission Tests (GMAT), is taken in the English language for the purpose of assessing candidates' IQ and analytical ability. The face-to-face interview pays attention to hiring employees who fit into the company culture. Given that the company serves Japanese customers, one vice general manager said he preferred 'candidates who show interest in Japanese culture such as Japanese cartoons and Japanese fashion'. He particularly stressed that people who liked the US style of work were not suitable for Software-Co because 'they are likely to be too aggressive to fit with the collective culture in Japan'. Indeed, developers are hired for their general characteristics and abilities rather than specific skills. Many of them have studied completely irrelevant subjects at university such as history,

biology, Chinese literature and so on. One manager explained this by means of an impressive metaphor:

> The whole point of selection is to make sure we hire people with good 'hardware', say a strong CPU, enough memory and a stable motherboard etc. For example, even though English is not directly related to their work, we test their English because it suggests their learning ability, especially their language learning ability. The IQ test is another factor related to the quality of their 'hardware'. We do not care about the 'software' because we are going to 'install' that, such as Japanese language, software programming, software design and so on. Software can function well only if with good hardware, can't it? (23rd January 2012 in Shanghai)

While BPO work is gendered female, software design is considered a man's job. It is a widely held view in China that men are better at logical thinking and are more focused than women, and thus are more capable of software development work. Because of this, the HR manager told me that there were always far more males than females applying for the position of developer. Despite this, the HR manager demonstrated explicitly that the company had no gender preference in selection, and she believed that both men and women were good at software design. During my fieldwork, male developers account for about 80% of the total number of developers.

Once selected, developers undergo a lengthy (at least five years) training programme, including one year of off-the-job language training at university, one year of on-the-job training (OJT) at the Shanghai HQ, and three years of on-the-job training in Japan. During the first year, trainees learn nothing technical, but only the Japanese language. The Japanese lessons are held at the university and are given by university lecturers. Every year there is a small class of about 30 new trainees, and they describe this period as 'an extension of university life', going to school, having lectures, taking exams and considering their colleagues as 'classmates'. At the end of this period of study, those who are certificated at the highest level (N1) of the Japanese Language Proficiency Test are able to start the second phase of training in the HQ. At this stage, trainees are assigned to different teams. They are not given specific tasks, but told to observe and learn the basic procedures and techniques involving in software programming and design. After preparation

relating to both language and basic skills, trainees are then expatriated to Japan and given three years of OJT in Japanese clients' companies. As described in Chapter 4, they are trained and supervised by both Japanese clients and Software-Co's Japanese office during their expatriation in Japan, and this is the period during which they get familiar with the management system of Japanese companies, learn how to communicate with Japanese clients and deliver high-quality work that meet clients' requirements. Meanwhile, these trainees live in two buildings that the company offers, and spend lots of their spare time together. They are colleagues at work and close friends in life. It is this experience of collective living in a foreign country that creates strong camaraderie among developers and makes them a solid group. It is worth noting that before trainees leave for Japan, economic control is exerted in order to guarantee a trainee's return. Trainees have to sign a legal agreement with the company before they leave for Japan, agreeing to serve the company for at least five years after they complete their training in Japan. Those who fail to fulfil this commitment have to pay the company liquidated damages of 100,000RMB. The completion of OJT in Japan marks the end of the training programme, and trainees can choose to go on working in Japan at the clients' site, or go back to the Chinese HQ.

The HR policies on recruitment, selection and training in Software-Co are very similar to those applied in Japanese companies among core employees, especially the large-scale Japanese companies. While one cannot deny the Japanese influence on the formation and development of these practices given the company's involvement in Japan, it should be emphasised that the company's history as a Chinese-Japanese joint venture engaged in training Chinese talent graduates in Japan has had a great impact too. First, in accordance with the corporate mission 'to cultivate the best software developers for the future of China', Software-Co adopted a very demanding and selective method of recruitment, and developed a comprehensive training scheme covering language, culture and skills in both China and Japan. Second, the university which owns the company not only sourced the talent graduates, but also funded the huge investment in staff training without which the company could not have survived. Third, the alliance with the Japan

International Development Organisation (JAIDO) ensured sufficient opportunities for OJT in big Japanese companies, again, without which the training scheme would not have been carried out. In other words, it was the former form of Software-Co as a training agency, rather than the current form as a contractor of Japanese business, that originally created the policies and practices on recruitment, selection and training, and these practices have been retained until the present.

Software programmers

In contrast with developers, programmers are sourced from various channels, including universities, local job centres, job agencies and personal recommendation. Specifically, campus recruiting is conducted every spring at colleges and universities all over China, and other sources (e.g. job agencies, local job centres) are used whenever needed. Unlike the selection of developers in which candidates' personalities are emphasised, the selection of programmers focuses on programming skills and experience. Therefore, the selection is mainly based on candidates' qualification in computer-related areas and a very brief face-to-face interview. Again, there is claimed to be no gender preference in the selection. Male programmers accounted for 56% of the total at the time of my fieldwork.

Apart from a three-day orientation session, there is no formal training for programmers. Nevertheless, each programmer was allocated a mentor, normally a senior and experienced programmer, and the mentor helps the newly-hired programmer to get used to the work procedures and environment. In line with the managers' preference, when undertaking recruitment and selection, for experienced and skilled programmers, programmers are expected to be 'plug-in-and-play devices', fully ready for use shortly after recruitment.

The arrangements for training developers on the one hand, and programmers on the other, represent the most striking difference in the treatment of the two groups, in terms of the HR system. Developers receive systematic, lengthy, expensive and cross-national training, whereas programmers are offered only

minimal training. Largely because of this, developers are considered to be members of the corporate elite, who are superior to programmers.

6.2.2 Pay, performance and promotion

Software developers

Developers are paid a monthly salary. Compared with other companies in this industry, the developers' monthly salary is at the top level. Although all developers in the interviews said their pay system was based on seniority and was the same as the Japanese one, closer examination of it reveals differences. Berggren & Nomura (1997) have explained that 'under *nenko* (seniority)-based pay (in Japanese companies), individual pay increases every year but not equally among employees' (p.75), because the increase depends on the result of the individual assessment. By contrast, in Software-Co, people who join the company in the same year receive the same amount of basic salary, and their basic pay increases every year by the same amount as one another. In this sense, developers' pay is egalitarian, determined entirely by their length of service. Meanwhile, Software-Co lacks a formal performance assessment system. Two informants told me that there were a few team leaders who informally evaluated team members' performance, but their evaluations were restricted to the team level, and the results did not affect the developers' salaries.

Likewise, the promotion scheme is based on seniority too. All the managers are internal promoted. Those in higher managerial positions are generally older than their subordinates. For instance, at the time of my research, the top managers including the general manager and the vice general managers, were all 2nd and 3rd year cohort members who joined the company in 1992, and the lower level positions, including department managers and project managers, were all taken by 4th and 5th year cohort members. This promotion scheme significantly prevents the younger cohorts from moving up the internal job ladders, as remarked upon by an 8th year cohort developer:

> In terms of promotion, my career in Software-Co has come to an end. There are still 6th and 7th year developers waiting to be department

managers and project managers. When will it be my turn? For the even younger cohorts, they should not have any dreams of promotion unless the company reforms the existing seniority-based system. (17th January 2012 in Shanghai)

Under a culture based on seniority, young developers not only lack opportunities to be promoted, but also lack the confidence to manage people who are more senior than them. One senior developer told me that he once made an exception and tried to promote an outstanding 12th year cohort developer to project manager, but the young developer was not keen on taking the position. I talked with this young developer, and her concerns about the promotion turned out to be very common among young developers:

> I do not know how to manage people who are older than me. You know, they are from the 9th cohort, 8th cohort or even earlier. I do not feel confident to lead them. I bet they would not feel convinced about my promotion either, and they would not want to follow me. It is complicated, given the culture here…I do not want to be the first person to take the risk, because most people in this company believe in seniority, and it will not be challenged or changed by individuals like me. (24th February 2012 in Shanghai)

The egalitarian pay and seniority-based promotions in Software-Co share common features with the typical HRM practices in Japanese companies, particular in the sense that seniority is emphasised in both Software-Co and Japanese companies. Meanwhile, these practices also reflect the traditional Chinese models of three 'irons' - the iron rice-bowl, the iron chair and iron wages – in the centrally-planned economy (the three 'irons' were discussed in Chapter 2; see also Ding & Warner, 2001; Hassard, Morris, & Sheehan, 2004). As quite a few researchers have agreed, despite their different underlying institutional roots, traditional Chinese HRM are similar to Japanese HRM in appearance (Chan, 1995; Zhu & Warner, 2000). These researchers point out that although the Japanese system is organisation-oriented whereas the traditional Chinese system is state-oriented, both of them promote employees in terms of salary and position largely based on their seniority at the workplace, and both of them take care of their employees' welfare. Considering Software-Co as a spin-off subsidiary of the state-funded university which has been involved in the Japanese market since its establishment, the egalitarian pay and seniority-based promotions in

Software-Co may be a product of both the traditional management system in Chinese state-owned companies and the influence of the Japanese companies.

A related question here concerns the sustainability of this system. As I discussed in Chapter 2, the Chinese government has launched a series of systematic reforms since the mid 1990s in order to break the 'three irons' model, and to drive Chinese companies towards marketisation. One important aspect of the reforms has been the introduction of an award system that is related to the quantity and quality of work done, rather than seniority. At the same time, there are evidences that many Japanese companies have been actively considering and conducting performance-oriented pay and promotion after the bursting of the bubble economy (Aoki, Delbridge, & Endo, 2012; Keizer, 2010). In Software-Co, it is widely acknowledged that developers are not motivated by the egalitarian pay system, and the practice of seniority-based promotion is problematic, as more and more young developers join. Under these circumstances, it is appropriate to ask why traditional practices remain unchanged in Software-Co, and how far they are immune to the general influence of market ideology in both China and Japan?

To answer this question, it is found that senior developers, who have 'grown up' under the established system, and have become the management cadre of the company, have played a crucial role in maintaining the existing system. In 2007, the director who supervises Software-Co on behalf of the university questioned the egalitarian pay system, and urged the company to establish a performance assessment system. He also proposed that the company should be divided into business units, with each unit being responsible for its own production and for maximising its own profits. As I have already mentioned, this director does not get involved in the daily work and management, but only concerns himself with how much profit Software-Co is able to deliver to the university each year. In this sense, this proposal is in line with his interests, in creating a more competitive work atmosphere and motivating managers to work harder and make more profit. However, this proposal was resisted by senior developers. These senior developers have benefited from the existing

system, and have now secured satisfying salaries and positions in the company. Therefore, they are unwilling to accept the new system, which would potentially threaten their positions and income, and impose more stress on their work than under the existing system. Their resistance was mainly expressed by means of rhetoric. They argued that length of service was a sensible parameter to differentiate between developers, because developers shared homogeneous internal experience and were similar in terms of skills and abilities. They also stressed that the existing pay system had provided lots of advantages, by diminishing internal competition and maintaining a 'harmonious' work relations, without which the company's culture would be destroyed:

> Egalitarianism might not be good as a means of motivating employees, but from another perspective, it is fair. For example, if the company does not make a good profit this year, everyone's salary will be cut, which means everyone takes responsibility of the loss. Also, it fosters the spirit of teamwork, since we are not competing with each other. We help each other, and we only have one goal, which is to deliver good work on time. I have to say that this pay system works just right in Software-Co… Judging from my experience, I am motivated by the training opportunities, by the close relationship with colleagues, rather than by the money. (General manager, 24th November 2011 in Tokyo)

Realising that the Chinese 'three irons' system has been widely criticised as the root cause of Chinese workers' laziness and low productivity (Child, 1994), senior developers tend to link their HR practices with the dominant Japanese 'best practices', but try to distinguish it from the traditional Chinese 'three irons' system. By doing so, they get around the criticisms of the traditional Chinese 'three irons' system and obtain legitimacy for sustaining these practices. The general manager clearly drew a line between the company's ownership as a state-owned company, and its management system:

> Frankly, we do carry some characteristics of the traditional Chinese state-owned system, but that is at the higher level, I mean, in relation to corporate governance. For example, we hand over our profits to the university every year; and the university has the most power in financial issues. However, at the level of daily operations, we are 'Japanised' – we are trained in Japan, deal with Japanese clients, speak Japanese, emphasise seniority, work hard, and we are loyal to the company.

These are all typical characteristics of Japanese companies and employees. (18th January 2012 in Shanghai)

Resistance from senior developers greatly slowed down the progress of enforcement. There had been a long discussion on the advantages and disadvantages of this proposal, and no substantial activity had been taken. In mid 2008, the director decided to postpone this proposal, because the company had a business crisis in 2008, and the director wanted to avoid a radical change during this downturn. Even so, the director would not give up his proposal. At the time of my research in 2011, he told me that he would enforce it again, because the business had recovered from the crisis, and he would be more determined this time:

> I know they [senior developers] do not want to change, but this will happen sooner or later. I will push them hard to come up with a detailed plan, and there will be no excuse. If they do not want to carry it out, I will get someone younger to replace them. I am going to break this system. (11th January 2012 in Shanghai)

To conclude, despite the recognised disadvantages of the established system, the incumbent developers have kept it from a market-oriented reform, because they benefit from this system. The 'dominant effect' (Smith & Meiksins, 1995) of Japanese management is used as a rhetorical justification for the established system, and masks the disadvantages of it.

Software programmers

Programmers are paid a monthly salary, which is also determined by their lengths of service. In contrast to the top level salary of software developers, the salary rates for programmers are below the average for the industry, and many programmers are dissatisfied with their earnings. Managers had promised two increases per year in the programmers' salaries from 2004 onwards, which did help the company attract and retain programmers for a few years. However, managers failed to keep this promise between 2008 and 2010 due to the crisis, and this resulted in half the programmers (about 700) quitting their jobs in Software-Co.

Since all the managerial positions in the company are occupied by developers, the chance for programmers to move up the internal job ladder is very limited. Programmers have to be promoted to developers in the first place, in order to be qualified to further compete for managerial positions step by step from team leaders to project leaders, department managers and general managers. According to the HR policies, those who have served the company for more than two years can be selected to become junior developers. Junior developers will then be trained, assessed and selected again to become developers, who are then qualified for managerial positions. Nevertheless, although a few new recruits regard this career path as a way of encouraging and rewarding them, most of them do not feel it is achievable. One common argument is that the number of developers in the company is more than enough compared with the number of programmers, so there is no need for the company to promote programmers from within. Indeed, managers told me that the ideal ratio between developers and programmers was 1:10, yet this ratio had reached 1:2 in Software-Co. This clearly suggests a redundancy of developers, as one new recruit realised after a few months' observations:

> The company said that there would be selection in two years. Programmers who are selected will become junior developers, and will be sent to Japan for training. I felt like I had a bright future, clear and straightforward. However, as I have got to know the company better, I do not feel so good anymore. I noticed that almost all project teams said that they lacked programmers. I am very confused now, because it seems I am going nowhere because they [the company] do not really need more developers. (10th February 2012 in Shanghai)

In practice, as many programmers pointed out, the selection of junior developers had stopped since 2008, and programmers did not feel optimistic about its return:

> Managers said it [the suspension of the selection of junior developers] was due to the crisis and was temporary. We have recovered from the crisis since 2010, but the selection has never started again. They [the managers] keep recruiting more programmers and more developers directly from top universities. (10th February 2012 in Shanghai)

Those who have already been promoted to junior developers have also had difficulty moving up further to become developers. In fact, no junior developer

has become a developer so far. This scepticism was voiced by a junior developer who was contemplating leaving the company. He said he was among the first group of programmers who were promoted to junior developers, but his superior had not made any attempt to promote him further. Given his performance and amount of experience in Software-Co, he felt he was definitely capable of finding a job as a software developer in another company and if there was no hope of being further promoted in Software-Co, then moving became more attractive.

6.2.3 Employee turnover

Software developers

Turnover of developers is extremely low. According to company statistics, from 2005 to 2010, no single developer quit after completing training. This zero turnover was a product of a mixture of reasons, including the contractual obligation concerning length of service after training, the top salary rate, a high level of organisational identification developed during the training programme, the relaxing work environment and the relatively low work pressure. The immobility of developers was most obvious during the company's crisis between 2008 and 2010. At that time, developers' monthly salaries were cut in half through a series of employment adjustments such as reducing working times, stopping recruitment and voluntarily taking holidays by turns. Yet, no one left the company. It is worth noting that apart from the above reasons, one special reason for the low turnover rate during the crisis was that there were few outside opportunities which were seen as better, as one developer explained:

> Every company was affected by the economic recession. It was not just Software-Co. Let me tell you, during the crisis, a large number of people went back to the job market seeking for new jobs. Therefore, many companies took the advantage to hire capable employees at lower rates. In my opinion, it was not a good time to look for a new job. I would rather to wait and see. You see, one year later, we [Software-Co] were back to the right track. (7th February 2012 in Shanghai)

Despite the low turnover rate, senior managers are concerned about the retention of young and capable developers. Some of them suggested that

young developers stayed with the company during hard times because 'there were no better choices available in the job market', rather than because they were committed and loyal. Particularly, managers feel worried that young developers have limited space to move up the internal job ladder based on the existing seniority-promotion system, and hence will choose to leave sooner or later. One senior project manager (5th year cohort) remarked, 'the factors that keep the older generations in Software-Co do not work effectively on the younger generations':

> Young developers are less patient than the older generations. While we [older generations] are satisfied with the incremental salary increase and feel very appreciative about having had such a good training in Japan, they [young developers] are less grateful, and are always seeking other opportunities that could get them money or power more quickly. You know, it is a result of the fast economic growth in China. We used to think monetary incentives and promotions did not make a big difference to workers' motivation in our company, because we have provided other incentives like training, and a good work environment, but it might not be the case for these young developers, because they want something substantial, and they do not want to wait. (17th January 2011 in Shanghai)

This project manager's concern is confirmed by several young developers, who complained about the salary decrease during the crisis, and said they would have left if the downturn had lasted longer.

Software programmers

Given the limited career development prospects within the company, many young programmers use Software-Co as a springboard for their careers, and expect to accumulate as broad an experience and as many skills as possible in Software-Co, so as to become more competitive in the labour market in the future. For this reason, the turnover rate among programmers is high. I was told that the average turnover rate among programmers was above 50% every year. In particular, the turnover rate among male programmers (about 60% per year) is much higher than that of female ones (15%). Just as in Data-Co, this may reflect Chinese social expectation that men will deal with external affairs, and women will look after internal (family) affairs. Many females, especially the married ones, prioritise job stability over career

development, so that they can spend more time caring for family and children. These female programmers thought that although the career development was limited in Software-Co, they were compensated by the stable work and incremental salary increases. For this reason, females are in general less dissatisfied than males with the situation in Software-Co.

6.2.4 Case summary: managing 'elites'?

Different HR strategies are applied to software developers and programmers which, like the operational system, reveal the segmentation of labour within the company. While lots of attention is paid to the selection and training of developers, the management of programmers focuses on minimising the cost of labour. As I suggested in the preceding chapter, such a dual management system shares many characteristics with the duality of Japanese companies, which distinguishes between core employees and periphery employees (Keizer, 2010; Whitehill, 1991). That is, the privileged treatment of developers is made possible by the inferior employment conditions among programmers. A straightforward reason for this dual system is associated with the developers' deep involvement in Japan, which is absent among programmers (details in Chapter 4).

The HR system in Software-Co is informed by its captive relationship with the Japanese client. Captive relationship with a dominant client requires long-term and particularistic commitment from the suppliers. This means that Software-Co could not rely on short-term employment of non-regular employees, as Data-Co does. In addition, captive relationship also requires continuous investment on cross-national training so that the employees could keep up with the development of the client and provide the most updated and customised solutions. All these lead to a long-term and captive employment relations in Software-Co. Employees are locked into the 10 year contacts (5 years training and 5 year post-training with major financial penalties binding or constraining software developers to the firm) with the company and are provided lengthy and particularistic training. This captive employment relation is complemented by a set of old SOE practices, which emphasise the importance of long-term commitment and the incremental pay increase based

on seniority. These practices are further justified and maintained under the label of 'Japanese' best practices.

Overall, while the HR practices in Data-Co reflect the modern capitalism in China, the ones in Software-Co reflect the old Chinese capitalism which was dominated by large SOEs.

The privileged treatment of developers creates a strong sense of elitism among the developers. This elitism is justified and reinforced through recruitment from top-universities, long periods of training, good opportunities to develop competence, cooperation with bright people, high salaries and career prospects. Many developers equate themselves with the graduates from 'Whampoa Military Academy', an influential Chinese military academy which trains military elites and is known as the 'the cradle of leaders/elites in China'.

Such elite identity has a significant impact on developers' day-to-day work. First, 'being a member of the elite group' promotes a strong feeling of corporate pride, as well as of belonging. This consequently drives developers to get involved in the managerial improvement activities through practices such as *Hansei* and *Kaizen* (details in Chapter 5). Second, developers in the elite group are peer-pressured to work in a way that can be accepted by the other members in this group, and those who do not follow these norms are criticised or excluded. For example, developers who are considered not to be making enough effort in their work and those who refuse to take overtime work get criticised as slackers. Meanwhile, individuality is downplayed, and there is an emphasis on cooperation, conformity, collection and routine among developers. Third, since everyone is part of what is perceived as the elite, a high standard of performance and a habit of always trying to perform to the best of one's ability are self-imposed. One senior developer highlighted that 'being a member in the elite group' was an important source of his high commitment, demonstrating that 'I have to work hard to deserve my label as "a software developer in Software-C"'. Overall, high commitment and involvement are both clearly in evidence among the developers.

The elitism among developers is in sharp contrast with the programmers, who are seen as the second class citizens in the company. During the interviews, few programmers spoke positively about their positions in the company. Some of them considered their jobs in Software-Co to be nothing more than a way of earning, and some others actively considered leaving as soon as they were prepared. I discussed in the preceding chapter the fact that the relationship between developers and programmers has been problematic, and has caused difficulties in teamwork. I also mentioned that some developers have been trying to improve their relationships with the programmers by stressing the partnership between them, and showing respect for the specialism of programmers. Some developers also make efforts in HR-related issues. For example, there were a few positive assessments of the company's salary adjustment during the crisis. These highlighted that the policies on salary cuts during the crisis was targeted more on developers than on programmers, and suggested that managers had tried to reduce programmers' losses during the crisis. One programmer gave examples, and expressed her gratitude:

> At that time, every team was forced to take a certain number of hours of unpaid holidays, and team members were asked to volunteer to take those hours. In most teams, developers took these hours in order to protect our [programmers'] working hours and salary. Likewise, the policy of rotating days off was not applied to us either…I guess they [developers] understood that we [programmers] were more vulnerable to the salary cut, so they'd rather bear more of the loss themselves. I did not take it for granted, you know – no one wanted to take holidays or leave at that time, but developers did make that sacrifice. I heard that the basic salaries of some developers were cut by 50% during that period, but ours were basically kept at the same level, apart from there being no increases any more… well, I knew that they were paid much more than me, but I still felt grateful. (9th February 2011 in Shanghai)

Likewise, since many programmers consider Software-Co as a springboard, they are keen on going beyond their own work as programmers, and show enthusiasm for learning different skills and getting involved in project management. Some team leaders notice this motivation, and actively get them involved in project management and decision making. These team leaders receive positive feedback from the programmers, and have a good relationship with their programmers.

In general, while the entire focus is on the management of the developers and this does create a group of highly committed and involved employees, the problems and risks it has caused have been given attention in recent years, particularly at the team level.

6.3 Summary

This chapter has discussed the HR policies and practices in the two companies. My data confirms that managers in both companies compare their HR practices with a perceived 'Japanese model', which is primarily found in large Japanese companies among core employees. However, as Keizer (2010) and Lechevalier (2014) have suggested, there have been a neo-liberal transformation of Japanese capitalism, which has lead to changes in Japanese labour practices since the 1980s. These changes embrace an introduction of performance-related pay and an increase of non-regular employment, and they highlight the duality of Japanese labour market and practices. In these sense, it is hard to conclude whether the HR practices in both companies are deviated from 'Japanese' practices or not. Given the duality of Japanese labour practices, it appears that the HR system in Data-Co shares some similarities with the practices that are used among non-regular employees in Japan, while the system in Software-Co carries many elements of core practices in large Japanese firms. However, the underlying factors that drive and shape these practices are different from those of Japanese companies.

At the first place, the HR systems in both companies reflect the system effects of China capitalism. Given the transitional nature of Chinese economy, the system effects of Chinese capitalism are manifested in the companies in diverging ways. While the HR practices in Data-Co reflect the modern style of Chinese capitalism and fit with the commoditification and casualisation of China, the ones in Software-Co is much shaped by the old style of Chinese capitalism. This diverging effects of Chinese capitalism are also associated with the ownerships types of Chinese companies. As shown in the cases, the SOE (Software-Co) has kept practices that characterise the Chinese 'three irons' model, while the privately owned company (Data-Co) is more open to

systematic learning and easier to adapt to the modern style of Chinese capitalism.

Societal effects play a crucial role in shaping the HR systems in both companies. This is most evident in terms of the condition of labour market. China's newly developed labour market is characterised by high fluidity, deregulation and a high level of labour turnover. This labour market effect is strengthened by the uncertainty and fluctuation of business demand, which is particularly evident in the case of Data-Co. In order to manage labour mobility, both companies apply the strategy of labour segmentation, in which different HR policies and practices are applied to different group of employees. In Data-Co, employees are contractually segmented into interns and regular workers, or geographically into home unit workers and 'satellite' unit workers. In Software-Co, employees are segmented based on their job responsibilities into 'elite' software developers and programmers. This labour segmentation facilitates the balance between labour mobility and cost in different ways. Internships from technical schools allows Software-Co to tackle seasonal fluctuations in business at a relatively low cost, and to accommodate to the high level of turnover; the satellite unit provides another labour source beyond the local labour market; the low-cost oriented HR system relating to programmers in Software-Co protects the interests of the company elite – developers, and so ensures the feasibility and sustainability of the high-cost and long-term oriented HR system relating to developers.

From the actors' point of view, the conflicting interests of employees and the micro-politics between different interest groups within the company influence the formation of HR policies and the development of HR practices. For example, BU managers in Data-Co resisted the new 'balanced scorecard' approach because they felt it threatened their income. Likewise, senior developers in Data-Co were unwilling to reform their pay and performance system, due to their vested interests in the existing system. My findings also show that resistance can be expressed by means of rhetoric or substantial activities. Rhetoric used by actors includes 'ontological rhetoric' (Suddaby & Greenwood, 2005) which emphasises that certain aspects cannot coexist

(e.g. the proposed stringent performance appraisal system is incompatible with the 'humanistic' corporate culture), and 'rationalisation rhetoric' (Vaara, 2006) which highlights the effectiveness of the existing system (e.g. the fairness and transparency of the egalitarian pay system). Activities of resistance involve actors' efforts to 'beat the system' in an attempt to secure counter-control in relation to management, as well as actors' efforts to secure some control so as to 'moderate the system' (Delbridge, 1998).

Also, the historical context of the company shapes the formation and development of its HR policies and practices. This is particularly evident in the case of Software-Co, where practices of recruitment, selection and training were developed to fulfil the company's mission as a training agency, and has been kept until the present even though the company has developed into a subcontractor in the software industry. As a result of these historically derived practices, the company has gradually formed an elite group of developers, and has built its competitiveness upon this group of employees, which in return reinforces these HR practices. This reveals the influence of path dependence.

Last but not least, as it is case in the construction of operational systems, supply chain relationships play an important role in shaping the HR practices and employment relations in both companies. Arm's length transactions in market-based supply chains require the suppliers to quickly respond to the market changes and uncertainties at the lowest cost. Therefore, Data-Co has developed a HR system with high labour flexibility and short-term based employment relations. These are reflected in the use of non-regular employees (e.g. student interns), the lack of intention in retaining employees, and the piece-rate pay system. All these practices enable Data-Co to adapt to the intensive price competition in the BPO market and to expand market share. By contrast, captive relationship with a dominant client requires the supply firms to retain a group of core employees on a long-term basis, which leads to the captive employment relations in Software-Co. These captive employment relations are evident in the cases of the lengthy training

programmes of Software developers, the financial restraints for labour turnover and the seniority-based pay and promotion systems.

Combining the findings from the preceding chapters, it is evident that employees in both companies are controlled through identity. In Data-Co, employees are cast as school pupils who come to the 'school' to learn skills, and the 'teachers' are responsible for their behaviour and performance. In Software-Co, developers are seen as members in elite group and programmers are treated like second class citizens. These identities serve rhetorically to justify the existing management practices and normatively regulate employees' behaviour. This pattern of management control is termed 'identity regulation' in Alvesson & Willmott (2002). As there noted, identity regulation may not be at the forefront of managers' minds, but is a by-product of the institutionalised pattern of activities and arrangements within the companies. Given both companies' involvement in Japan, it is also found that the construction of identity in both companies is closely associated with the dominant Japanese 'best practices'. For example, 'school pupils' in Data-Co are educated to adapt themselves to a system which is claimed to be learnt from 'Japanese best practices'. The term 'elite' in Software-Co is used to refer to those who have been 'Japanised' in terms of their modes of communication, their thinking and their behaviour.

Chapter 7 Discussion and conclusion

The purpose of this research was to contribute to the study of global suppliers, by investigating how Chinese supply firms under different supply chains manage to meet their Japanese clients' requirements. As we have seen, both companies are under pressure from their Japanese clients, who are the leading firms in the global supply chains. Supply firms need to meet their clients' requirements in quality, cost, information security and delivery time. However, the specific ways through which the Japanese clients influence their supply firms and the extent to which they are involved in their supply firms' daily operation are not the same. Rather, they are strongly shaped by the specific supply chain relationships and power relations between supply firms and their clients. Based on the concept of 'governance structure' in global value chains (GVCs) (Gereffi et al., 2005), this study reveals supply firms under two different governance structures, namely the market-based GVC and the captive GVC. Data-Co operates in a market-based supply chain, in which the Japanese clients govern supply firms in a arm's length approach primarily based on price. Software-Co operates in a captive supply chain, in which the Japanese client heavily engages in the management and daily operation of the supply firm.

In order to understand the management and work in supply firms, it is found that the dynamics in supply firms could not be fully explained by the powerful influence exerted by their clients. On the one hand, the work dynamics are not only shaped by the supply chain relationships, but also strongly influenced by the other structural forces at the international, national and corporate levels (i.e. the SSDC effects). As I have argued in the previous chapter, the GVC discussion on global suppliers should be complemented by a social-institutional perspective, considering the national and local embeddedness of the suppliers. On the other hand, corporate actors are not passive and trapped in the social-institutional environments in which they are embedded. Corporate actors actively respond to and manage these structural forces in order to improve their relationships with the clients and to enhance their positions in the supply chains. As a result, there is a need to understand how

different governance structures and structural forces at the international and national levels are played out at the corporate and workplace levels, and how they are responded and experienced by the corporate actors. A analytical framework, which combining the global value chain discussion (Gereffi et al., 2005) and the SSDC framework (Delbridge et al., 2011; Smith & Meiksins, 1995), is thus proposed as a holistic approach to understanding the complex world of management and employment in global supply firms. The intensive observation and interviews in the companies' Chinese workplaces as well as in their Japanese workplaces have allowed me to obtain first-hand information about the evolvement of the client-supplier relationships over time, the experiences both of managers and employees and to capture the dynamics between the structural influences at the international, national and corporate levels, and the actions and responses of various corporate actors at the corporate and workplace levels.

As shown in the table below (Table 7.1), this research has revealed two very different work organisations and sets of employment relations, despite their similarities in terms of the country-of-origin (China), outward foreign direct investment (FDI) destination (Japan), sector (the international service outsourcing sector), and adoption of a demonstrated strategy of 'learning from Japan'. In order to understand how these corporate strategies, policies and practices are constructed, implemented and institutionalised in both the Chinese and Japanese workplaces and to address the research questions of this study, this chapter will discuss three interwoven themes. Firstly, I focus on the structural forces apart from the influence of clients in the global supply chains. Drawing on the SSDC framework, I particularly discuss the construction of the dominance effects of 'Japanese' management and practices, the societal effects in different Chinese cities and the corporate effects. By looking into how these structural forces are constructed in both companies, I am able to offer a holistic picture on the environments in which the supply firms are embedded, taking account both the supply chain relationships and the institutional environments. I find that none of these effects is predetermined because they are interdependent and interactional in nature. Thus their manifestations in the supply firms are complicated and

diverse. Secondly, I focus on how these structural forces are managed under different supply chain relationships. I argue that the actual practices adopted by the companies are mediated through the supply chain relationships between the leading firms and the supply firms, and the corporate actors' strategic choices. I also show how societal and dominance effects are put to use by the managers in order to exercise management control. This analysis looks into the interplay between structural forces and the supply chain relations, and the corporate actors' strategies and practices to manage these relationships and structural forces. Thirdly, I 'zoom in' on the labour process and employment relations of the Chinese supply firms in different global supply chains. Drawing on the process of management control, I discuss the indeterminacy of labour power and the contested construction of workplace relations under different supply chain relationships. On the one hand, I recognise that the supplier-client relationships and the SSDC effects not only inform (but do not determine) corporate practices, but also give opportunities to and impose constraints upon the employees, and consequently shape their relations with the companies. On the other hand, I find that the specific patterns of management systems and worker experiences cannot be mechanically read off from the local and corporate contexts in which the management operates. The labour process at workplaces itself is contested and disconnected. By doing so, a multi-level analysis that considers the supply chain relationships, the effect of globalisation, the national and local institutions, the corporate strategies and the workplace relations is established.

Table 7.1: Summary of case-study findings

Pseudonym	Data-Co	Software-Co
Country and place of origin	Dalian City, China	Shanghai City, China
ODI destination	Japan	Japan
Ownership	Chinese private company	Initially Chinese/Japanese joint venture. Chinese state university-owned company since 2001
Industry and type of service	International service outsourcing, mainly providing business process outsourcing (BPO) services to Japanese organisations	International service outsourcing, providing software design and programming services
Levels of skills	Low-skilled and semi-skilled routinised work	High-skilled (software design) and semi-skilled (software programming)
Supplier-client relations	Market-oriented; arms-length contracting and one-off transactions	Captive relationship; Particularistic and long-term relationship with a single client
Role of the Japanese offices	Initially an administrative office, then developed into a marketing unit focusing on developing new clients	Managing and training expatriates (trainees)
Dominant feature of operational system	Stringent implementation of productivity and quality controls; quality management largely based on multiple checks and rectifications; highly routinised work; team-based work units; team leaders have limited autonomy in work allocation and in dealing with employee grievances; high degree of supervision; no employee	High level of work autonomy among developers with an emphasis on effective communication with the clients; routinised coding work among the programmers with the focus on rigid procedures for multiple testing; high involvement among the developers but none among the programmers; developers and programmers work together in teams, but with lots of

	involvement	tensions between the two
HRM system	Recruitment of student labour and a preference for young employees; initial intensive three-month job training as interns; pay system combining daily piece-rate pay and monthly basic pay determined by an annual skill assessment; long-term collaboration with technical schools thus guaranteeing the labour supply thereby allowing accommodation to the high yet seasonal labour turnover	Sharp contrast between developers and programmers. For developers: high pay, systematic training and structured career paths, with low turnover. For programmers: relatively low pay, minimal training and limited internal promotion opportunities, with high turnover.
Dominant features of employment relations and foci of tension	Strong 'teacher-pupil' sentiment; lack of formal mechanism for employees to express grievances; informal employee efforts to manage and moderate the impact of management control system	A core-peripheral model; strong sense among developers of being a member of the 'corporate elite'; but among programmers of being 'second-class citizens'; tensions between developers and programmers create uncertainties and difficulties for the teamwork; it is a challenge to retain core employees as the market changes

This chapter is organised in the following way. The first three sections discuss the construction of the structural forces, the development of corporate policies and practices, and the employment relations and labour processes at the workplaces, respectively. The latter sections outline the contributions of this research to the field, the limitations of this project and the directions for future research.

7.1 Beyond the supply chain relationships: Construction of the SSDC effects

As I pointed out in Chapter 2, existing studies on supply firms overemphasise the influence exerted by the clients within the global supply chains while neglect the social-institutional embeddedness of the supply firms. In order to fully understand the management and work in global supply firms, there is

need to think beyond the supply chain relationships, and examine the structural forces faced by the supply firms at the international, national and corporate levels. It is in this sense that the SSDC framework is introduced.

Existing studies on SSDC frameworks have articulated the different mechanisms through which these effects are constructed (Delbridge et al., 2011; Elger & Smith, 2005; Smith & Meiksins, 1995; Smith, 2008). While acknowledging the different forces that underlie each effect, my research on these two Chinese supply firms show the interplay and dynamics between these effects in terms of their construction, changes and continuity. According to my research findings, the interplay of SSDC effects is most evident in the following three ways, namely (1) that the 'dominance effects' of a 'Japanese' model in both companies are constructed and carried on through either 'societal effects' or 'corporate effects'; (2) that the 'systemic' transition of China from a centrally-planned economy to a market-oriented economy results in different 'societal effects' between state-owned companies and private companies in China, and between different areas of China. These consequently influence the construction of the 'corporate effects'; (3) that the 'corporate effects', which are manifested through the construction of corporate strategies, are shaped, but not determined, by the SSD effects. I now proceed to discuss each of these in turn.

7.1.1 Construction of 'dominance effects'

One major finding of this research concerns the dominance effect of a 'Japanese' model. In both Software-Co and Data-Co, 'Japanese' practices represent a central reference point for both the managers and employees. 'Japanese' management is claimed to be a superior portfolio of operational techniques and HR approaches from which the companies seek to learn. In other words, 'Japan' and 'Japanese' practices appear to have taken on a 'dominant' role in evolving work organisation and business practices in the Chinese companies in my study.

At first sight, the dominance of a 'Japanese' model is associated with the argument, that leading firms within a specific global supply chain have the

power to set parameters not only on *what* services are to be provided, but also on *how* they are to be provided, including aspects of the working procedures, managerial practices and working conditions (e.g. Humphrey & Schmitz 2001; Gereffi et al. 2005). The presence of such 'governance' of suppliers is related to the 'dominance effects' derived from the leading firms within global supply chains, which may explain the dominance of 'Japanese' practices in the cases of Data-Co and Software-Co. However, as Gereffi et al. (2005) have suggested, there are different patterns of governance structures resulting in various relationships between leading firms and their suppliers. While the issue of 'governance' is more evident for 'captive suppliers' like Software-Co, it is less relevant for 'market-oriented suppliers' such as Data-Co. In a market-oriented supplier-client relationship, in which transactions are coordinated through markets, clients normally keep their hands off the operation and management of their suppliers, and suppliers enjoy a great deal of autonomy to manage their operation and employees in their own ways rather than following a specific set of managerial policies and practices. As I have shown in the preceding chapters, the interference from Japanese clients in Data-Co is minimal and stays at a superficial level, focusing on the paperwork, the appearance of the workplace and so on. In this sense, the governance of the global supply chain does not adequately explain the dominance of 'Japanese' practices in Data-Co. So, what would be a better explanation of the dominance effects of a 'Japanese' model?

The 'dominant' position of a 'Japanese' management model is partly derived from Japan's position as an 'early developer' in relation to China, which is considered to be a 'late developer'. Here, the notion of 'early/late development' is relative. While Japan has been viewed as a classical case of 'late development' in industrialisation in relation to the more advanced economies such as Britain and the US (Dore, 1973), it becomes an 'early developer' when compared with China, especially in terms of its development of a market-oriented economy and engagement in the international market (Child & Rodrigues, 2005; Warner, Hong, & Xu, 2004). Japanese FDI in the service sector started before the 1970s, and in the manufacturing sector in the 1970s and 1980s, covering developing economies in Asia as well as

developed economies in North America and Europe (Dicken, 1988). By the early 1980s, Japanese companies had already achieved great economic success, and Japan had successfully become the second largest economy in the world. By contrast, China did not start its industrial reforms towards marketisation until the 1980s, and there was no evident spread of overseas Chinese affiliates until the 1990s. Although the 2000s witnessed a number of leading Chinese companies which were developing capability to manage their overseas operation proactively and systematically, the majority of Chinese companies were still at a very early and immature stage, and faced many problems that arose from a lack of strategic focus, insufficient expertise in international markets and inexperience in coordinating overseas operations (Warner et al., 2004). The 'late development' of Chinese companies has generated a tendency for them to 'catch up' with the 'early developers', and the success of the Japanese economy, and especially of famous Japanese companies such as Toyota, provides a reference point, or benchmark, from which Chinese companies, including the two in my study, can learn.

According to Elger & Smith (2005), the 'dominance effects' of one nation, region or leading company is usually tied to its economic success. Therefore, it is cyclical – 'stars of yesterday may become dogs of today' (p.67). However, my findings show that Japan's 'dominance' in Data-Co and Software-Co has not been much challenged by Japan's long economic recession, which started after the bursting of the 'bubble economy' in the late 1980s. The enthusiasm for 'learning from Japan' has continued even after China surpassed Japan as the world's second largest economy in 2010. In fact, it is found that the enduring 'dominance effect' of the 'Japanese' model in both Data-Co and Software-Co is divorced from the current economic performance of Japan. Instead, it is constructed and maintained by both corporate and local societal mechanisms.

In Data-Co, the Japanese dominance is associated with local people's high level of acceptance of it, and their identification with Japanese culture and working values. Given its long-standing historical as well as close geographical links with Japan (see Chapter 3), Dalian is a city with a large

number of people who know about and dedicate themselves to disseminating the Japanese language and Japanese culture in China. One third of Dalian residents start learning Japanese at high school. Japanese architecture, restaurants, teahouses and shops can be found all over the city, which reflects the prevailing Japanese culture and lifestyle in Dalian City.

Aside from matters of culture and language, Japan has played a key and dominant role in revitalising the local economy in Dalian. By heavily 'courting' investment from Japan since the 1980s, Dalian has successfully transformed itself from a sleepy backwater into a technology and foreign investment hub and one of the top spots in Asia for outsourcing (see Chapter 3). By 2012, there were 4,519 Japanese-invested companies in Dalian, and around 128,000 employees providing information technology outsourcing (ITO) and business processing outsourcing (BPO) services to Japanese organisations in Japan (Statistics of Dalian Municipal Government, 2013). Historically, when Japanese companies first came into Dalian in the 1980s, they were believed to be superior to the Chinese companies, most of which were still under a traditional 'three irons' system (Chapter 2) and were criticised for being over-manned and inefficient. This was the first time that local Dalian people had the chance to get familiar with a market-oriented management system, and people were impressed by its efficiency, formalisation and standardisation. Moreover, employees in Japanese companies were usually paid more, and had more promising career developments, than those in Chinese companies, which generated further respect from Dalian people's toward Japanese companies, and enhanced their identification with Japanese management. Since then, 'Japanese management' has become the benchmark for both established companies and start-ups in the city. Despite Japan's stagnant economy, it is widely considered among Dalian people that working for a Japanese company is a symbol of individual achievement, and that Chinese companies which learn from Japanese companies are advanced. In short, it is through close historical and successful economic links between Japan and Dalian that the 'dominance effects' of 'Japanese management' are constructed and maintained.

Unlike Data-Co, Software-Co is not based in a city which has such strong and dominant links with Japan. However, 'Japanese' practices are still considered to be superior, and play a 'dominant' role. Here, the interpretation of the dominance effect must be cognizant of some typical corporate features of Software-Co, including its corporate history, the segmentation of labour and the HRM system.

As I have mentioned in Chapter 4, Software-Co was established as a part of Japanese Official Development Assistance (ODA) to China, a programme which was started by the Japanese government in 1979, and which aimed to promote the economic and technical development of developing countries, through financial and technical aid. Under this ODA programme, software developers from Software-Co were provided with on-the-job training in Japanese companies in the fields of software design and programming. As a recipient of Japanese technical aid, people in Software-Co held the belief that they went to Japan in order to 'learn advanced techniques and management systems from Japan'. Therefore, the mentality of '"Japanese" practices being superior' emerged as soon as the company was established, and this initial mentality set the foundation for Japan's dominant position in Software-Co. Consequently, through the extensive and long-term period of living in Japan and receiving training there, more and more Chinese developers are effectively being trained to be 'Japanised' -- speaking fluent Japanese, being familiar with Japanese culture, and working in the 'Japanese way' (see Chapter 4). These 'Japanised' developers go back to China upon completion of their training, and, through internal promotion in the Chinese HQ, become the managerial staff, leading hundreds of programmers who themselves have never received training in Japan. As I have stressed in Chapter 6, when the developers work with the programmers in the HQ, 'being Japanised' (i.e. following 'Japanese' work procedures, adopting 'Japanese' practices, speaking Japanese, showing a 'Japanese' attitude to work) creates a strong feeling of superiority and elitism among the developers, and distinguishes them from the programmers. In other words, these developers' self-identity as members of the elite club is closely associated with their degree of 'Japanisation'. By accepting and claiming Japanese practices as 'dominant',

the developers' collective self-identity as a member of elite is justified and enhanced. It is in this light that the developers have been making efforts to maintain the dominant position of 'Japanese' practices within the company, including labelling their existing practices as 'Japanese' rather than 'Chinese', emphasising the advantages of 'Japanese' practices in quality management and market development, and resisting the proposed reforms of the existing systems of pay and performance assessment. In conclusion, the 'dominance effects' of 'Japanese' practices in Software-Co are constructed through its corporate history and maintained by the corporate managers and senior employees under the specific corporate culture, strategy and management system.

In essence, my findings reveal the interplay between societal effects, corporate effects and these dominance effects. It is shown that 'Japan' exercises 'dominance effects' through the historically-established and enduring influence of the perceived superiority of a supposed 'Japanese model', which is now divorced from current economic circumstances. These 'dominance effects' were constructed through local environments, corporate practices, processes and discourses, and are influential at local and corporate levels.

7.1.2 System in transition and 'societal effects'

In my study, China presents a case which has been undergoing considerable social and economic change from a centrally-planned economy to a market-based economy over the past three decades. Structural transitions have led to a series of changes in the labour market and education system, which constitute an important part of institutional and societal environments surrounding both companies in my study.

China's labour market has been undergoing a dramatic transition since the Chinese government deepened the market-oriented reforms in the early 1990s. The state has retreated from owning firms, and since then the bulk of new jobs are to be found in the non-state sectors such as foreign invested companies, joint ventures (JVs) and private companies. The remaining state-

owned companies have departed from the dominant *danwei* (work unit) system, under which the state employers offer employees lifetime employment and a wide range of social welfares (Ding & Warner, 2001). New entrants to the workforce are no longer allocated positions by the state, and companies have adopted temporary employment contracts to specify the rights and responsibilities of employers and employees. Meanwhile, the market-oriented reforms have led to the birth of three new groups of employees, namely, the vast number of migrant workers from rural areas, the increasing number of graduates emerging from colleges and technical schools every year, and the '40/50' age-group of workers who were laid off by state-owned companies and forced to seek re-employment in the labour market (Zheng, 2013). All these changes have resulted in a diverse labour market with increased labour mobility. Many companies in China have reported difficulty in sourcing and retaining skilled workers, engineers, and managers (Howard, Liu, Wellins, & Williams, 2008). In this study, labour mobility is very high in both companies' embedded labour markets. Data-Co is located in an industrial cluster which accommodates hundreds of similar companies, hence there are sufficient opportunities for labour to move around in search of better and more secure earnings. Likewise, Software-Co is in the most prosperous and international city in China, which has the most job opportunities for the talented job seekers. This means that both companies are under great pressure to compete for qualified employees in the labour market and to retain skilled employees.

The Chinese system of education, training and acquisition of skills has also undergone great changes during the economic reform. This has seen an unprecedented expansion in the higher education sector since 1999. The number of university enrolments and of university graduates entering the labour market in 2012 was about seven times of what they had been in 1999 (National Bureau of Statistics of China, 2013). In comparison, the expansion of technical school education was relatively slow. The number of technical school graduates increased by only 80% during the same period (National Bureau of Statistics of China, 2013). This contrast suggests that the build-up of the Chinese education system has tended to emphasise intellectual skills

over vocational and technical skills, as noted by Li et al. (2011). Meanwhile, as higher education expands, there seems to be among Chinese people a strong disinclination with regards to technical training. As Brabasch et al. (2009) argue, technical training is widely seen to be related to manual labour, and is considered as a sign of having failed at school. Furthermore, even in the technical schools, the educational content is always found to be misaligned with corporate needs. Linkages between educational institutions and companies are very rare (Li et al., 2011). These changes and circumstances have a couple of implications for the labour market and for companies. First, companies which source employees from technical schools face a decline in the number of candidates over the years, and there is a need for them to find other channels for sourcing labour. In my study, although there are many technical schools in Dalian City in order to try to satisfy the large corporate demand in this industrial cluster, nevertheless, managers in Data-Co still find that the candidate pool is shrinking, which explains why they have set up satellite plants in other cities as alternative labour sources. Second, given the curricula, neither university graduates nor technical-school graduates have usable skills when they enter their first workplaces. Therefore, it is always up to the companies which hire the graduates to provide in-house training. This is the case in both Data-Co and Software-Co.

While the labour market and the education system represent societal effects resulting from the 'systemic' transition of the Chinese economy, which have acted upon both companies in my study, my findings also reflect the fact that the economic reform has produced different types of institution in different areas of China, and has created unequal conditions in companies with different forms of ownership.

In terms of the regional diversity, as I discussed in Chapter 2, China's transition marks the decentralisation of decision making from the central government to the local governments, which produced the 'variegated' capitalism in China. Specifically, Dalian City, where Data-Co is located, develops a strategy which relies on providing relatively low-skilled outsourcing services to Japan. This strategy leads to a booming industrial cluster with

hundreds of outsourcing service providers, and a local labour market with a large amount of migrant workers from the rural areas. By contrast, Shanghai City has one of the largest labour markets and one of the most advanced higher educational systems in China, which provide Software-Co a large pool of talented university graduates.

As to the diversity of ownership-types, private enterprises (such as Data-Co) and state-owned enterprises (SOEs) (such as Software-Co) face different regulatory and institutional environments, which influence their decision-making. One of the biggest difficulties faced by many Chinese private companies is limited access to bank loans. This is, to a large extent, because state banks and official sources of credit in China are still controlled and dominated by the state, and they adopt a lending policy which is biased in favour of SOEs (see Chapter 2). Therefore, private companies such as Data-Co have very limited sources of finance. This has largely constrained the company's future growth, and prevented it from making large investments in technology and in employee training. It has also pushed the company to focus on cost-reduction and short-term profit maximisation, rather than long-term value creation. This partly explains Data-Co's competitive strategy of *cost reduction* (Porter, 1986).

SOEs, in contrast, enjoy much easier and more reliable access to credit and many other resources than do private companies, due to their political backing and close relationships with local government (Naughton, 2007). Software-Co, which is established, funded and managerially controlled by a public university, is a particular kind of SOE (see Eun et al. (2006) for a discussion of Chinese university-run enterprises). Because of this, Software-Co's activities in the market are not only governed by the principle of economic efficiency, but also by the university's social responsibility as a higher education institution. This underpins the company's initial establishment as a training agency, and its huge investment in training during it first ten years (1991-2001), even at a loss of profit every year. Meanwhile, given the company's close link to the university, Software-Co can take advantage of the university's assets, including financial resources, educational resources, physical spaces,

social links, and the 'title' of the university as part of its commercial brand. This enables Software-Co to provide developers with one-year systematic Japanese language training at the university, as well as offering employees subsidised use of the university's canteens, gyms, swimming pools and of university-run training courses. More importantly, its ready access to bank loans supports Software-Co's long-term strategy of being *focused* (Porter, 1986)*,* and helps the company to continue to offer lengthy and expensive training programmes for developers, even after the company's complete transformation from a training agency into an outsourcing company in 2001.

Despite all the above advantages from which private companies are excluded, SOEs face certain other institutional pressures, which do not normally exist in private companies. First, SOEs have the historical legacy of the traditional 'three irons' system, namely the 'iron rice-bowl', the 'iron chair' and 'iron wages' (Chapter 2, also see Ding & Warner 2001). Despite the broad consensus on the inefficiency of this 'three irons' system, there has been a great deal of organisational inertia about moving towards a new system. This means that state-owned companies are likely to face more obstacles to accepting a market-oriented ideology and introducing new practices that deviate from the existing 'three irons' system (Child 1994; Hassard et al. 2004). My findings in Software-Co have supported this conclusion – although it is over three decades since the economic reform process was initiated, many practices typical of a traditional 'three irons' system are still evident in Software-Co, including an egalitarian mentality in the pay system, lack of a performance-appraisal system and emphasis on seniority in promotion. Second, SOEs are prone to continued government intervention, interference and broader political pressures, which limit their autonomy and incentives in market competition (Morris, Sheehan, & Hassard, 2001). These constraints are evident in Software-Co. All the corporate HR and financial decisions have to go through the board of directors of the university. A certain proportion of the profits have to be handed over to support the university's development every year. Moreover, Software-Co is pressured by the university and the local government into hiring employees it does not really need. These employees are often the relatives or friends of university or governmental

officials. University staff members who are no longer needed by the university are often transferred to the company. There is a department in Software-Co which has become notorious as a place in which to keep these 'allocated but undesired' employees. As one manager describes it, 'lots of them (in this department) do not even show up. We do not expect them to, and we just pay them anyway'.

In sum, this research reveals the interplay between system effects and societal effects, as well as their impacts on corporate strategies and practices. My findings highlight that the development of 'system effects' are not even across and within countries. A system in transition, such as China, can lead to divergent institutional arrangements within the country. This departs from the coherent and unitary models of national capitalism (for example, the 'national business systems' of Whitley (1999) and the variants of capitalisms of Hall & Soskice (2001)) and offers a typical case of within-country variations.

7.1.3 Construction of 'corporate effects'

'Corporate effects' are produced by corporate actors in their construction of corporate strategies. Here, the notion of 'corporate strategy' refers to an array of strategies covering general competitive strategy and specific marketing strategy, operational strategy and managerial strategy. As shown in the table below (Table 7.2), Data-Co and Software-Co have adopted quite contrasting strategies, with the sole exception that they both profess a managerial strategy of 'learning from Japan'.

Table 7.2: Corporate strategies in Data-Co and Software-Co

Pseudonym	Data-Co	Software-Co
Corporate competitive strategy	Cost reduction	Focused, highly customised and specialised
Market strategy	Expansion in the Japanese market, pursuing a big market share	Dedication to a single client, developing long-term interdependency with this client
Operational strategy	Providing large-scale standardisation; economies of scale	Providing a highly customised and specialised service; emphasising the importance of communication with the client
(Claimed) Managerial Strategy	'Learning from Japan'	'Learning from Japan'

The construction of corporate strategies is strongly influenced by two factors, namely, specific corporate features and the supplier-client relationships. First, specific corporate features (or 'administrative heritage', to use Bartlett & Ghoshal's (1989) term) such as ownership types, corporate history, founding contexts and the early decisions on how to organise the company, create path dependency and influence the construction of corporate strategy. For example, the enthusiasm for 'learning from Japan' in Software-Co is associated with the company's history as a training agency and its early cooperation with JAIDO as a part of the ODA programme. In addition, given that the annual remuneration of the SOE managers in Software-Co is not significantly related to the firm's performance, these managers do not have sufficient incentive to put effort into business expansion or profit maximisation. This, in part, explains Software-Co's total dedication to a single client.

Second, the governance structures in global supply chains play an important role in the construction of corporate strategies. For example, the market-oriented relationships between Data-Co and its clients largely explain why Data-Co endeavours to expand its Japanese market by providing a standardised service. In contrast, the particularistic and long-term relationship between Software-Co and its single Japanese client underlies Software-Co's great efforts at customisation.

In summary, this section has explored the construction of SSDC effects by focusing on the international, national, local and corporate contexts in which Data-Co and Software-Co are embedded. I find that there is no clear and neat discrete separation among these four sets of effects, because they are interdependent and interactional in nature. Meanwhile, it is noticed that the manifestation and construction of the corporate effects are also influenced by the supplier-client relationships within the global supply chains. All these complicate the construction and manifestations of SSDC effects and call for a detailed investigation of interdependence between SSDC effects and the supply chain relationships.

7.2 Development of managerial policies and practices

The above section has outlined the systemic, societal, dominance and corporate effects surrounding Data-Co and Software-Co, and has revealed how they interact with each other in the process of construction, change and continuity. The focus of this section is on how these structural forces are played out under different supply chain relationships and how they are managed by the corporate actors.

7.2.1 Management of 'societal effects' in market-based and captive supply chains

New institutionalists argue that institutions create pressures on managers to adopt management practices that are perceived to be legitimate in a given institutional setting (for example, DiMaggio & Powell, 1983). My findings, however, suggest that corporate actors engage in managing the institutional pressures faced by their companies in divergent ways. In particular, supply

firms strategically respond to the structural forces in order to better manage their relationships with the clients and meet their clients' requirements. One challenge that both companies in my study face is the high fluidity of the local labour market. Managers in both companies reported challenges and difficulties in recruitment, retention and internal promotion, due to the high mobility of the labour market. Nevertheless, the ways they manage this pressure differ considerably.

In a market-based supply chain in which price is the most important parameter in transaction, Data-Co's goal in managing the highly mobile labour market is to avoid high cost in labour retention and labour replacement and to retain the competitive edge in winning new business and developing new clients by offer competitive price. Based on this, Data-Co endeavours to 'accommodate' to the high mobility of labour. First, it has developed close collaborations with local vocational schools, which serve as a stable source of student labour. This exemplifies the use of external resources in search of 'spaces' for strategic choice under the institutional constraints (Child, 1997). Second, the recruitment of graduating students from technical schools is accompanied by a well-established and short-term training system, through which the inexperienced recruits are trained to be qualified semi-skilled workers within three months. Third, these recruitment and training activities are strategically scheduled to take place before the busy season every year, so that there is enough 'hoarded' labour for the coming business. Moreover, based on this relatively stable source of labour, Data-Co manages to achieve a certain level of labour flexibility and cost efficiency by 'letting' workers voluntarily leave for other companies during the low seasons, without making much effort to retain them. In this sense, high labour turnover does not lead to increased labour costs (e.g. increased wages) in search of employee retention, but instead serves as a cost-control function in dealing with the seasonal fluctuation in business.

In contrast, in a captive supply chain, Software-Co is required to keep a stable and long-term group of employees so that to provide highly specialised and customised services to the clients. In this sense, an 'accommodation'

strategy, which is based on short-term employment relations and the use of non-regular employees, is not appropriate for Software-Co. Rather, a 'buffering' strategy is developed to allow Software-Co to keep their core employees stable and to keep investing a huge amount money in employee training. The main idea of 'buffering' is to create a 'close' system for its core employees (i.e. the developers) and to decouple them from external influences as much as possible. The 'close' nature of the system for managing developers is achieved as a result of four aspects. First, the corporate knowledge base among the developers is largely internally embedded, and is not open to external sources. This means that managers gain their work knowledge, skills and experience as they work within the company and through internal on-the-job and off-the-job training, rather than from external sources such as professional education or work experience in different companies (see Zheng, 2013). As I have described, all the new developers were school-leavers who have never worked anywhere else. They develop their knowledge through the lengthy training they undergo in both China and Japan within the company. Although the other group of employees (i.e. programmers) consists mostly of mid-career employees, who thus are likely to have developed experience and knowledge at other companies, their impact on the corporate management is marginalised, because they are managed as periphery employees and are excluded from internal promotion in the company. Moreover, all the managerial members of staff are internal promoted and this further limits the potential input from external sources. Second, the systematic training programme develops a homogeneous and isolated group of developers who not only accepted but indeed very much appreciated the existing corporate culture and work environment. This is most evident during the developers' expatriations in Japan. The collective accommodation in Japan, the stressful long working hours at the same Japanese workplaces, the homesickness and anxiety about working and living in a foreign country push these developers to rely on each other in both work and life. They see each other as the best colleagues, friends and even family. They spend most of their time within their 'comfort zone' with each other, to the extent that they lose opportunities and motivation to socialise with other people. This reinforces the current internal-embedded knowledge base. In

addition, the five-year training provides them with sufficient time to learn and understand the corporate culture and working environment and to assess whether they fit in with it. Those who do not fit in this homogeneous culture can always choose to leave before they finish training without restraints. According to the managers, 98% of the turnover among developers occurs during the first two-year training in China and the other 2% happens during the expatriation. Very few developers quit after they complete the training programme. Given this, it is fair to say that most of the remaining developers feel comfortable with the distinct corporate culture and working environment in Software-Co. A common thought shared by most developers is that 'it (Software-Co) is not the best, but it is the most suitable place for me'. Third, the top salary, the structured internal career progression and the feeling of superiority of being a member of 'elite' all constitute a working situation which is seen by many developers as being too comfortable to leave. This in part explains why many developers were not tempted to leave for other companies even during the crisis. Last but not least, even if there are developers who want to quit, they face financial and skill constraints. As I have said, developers had to pay liquidated damages of 100,000RMB to the company if they failed to serve the company for five years after they completed their training. Besides, the skills they learnt in Software-Co were highly firm-specific and therefore unlikely to be very helpful in their job hunting. These restraints limit developers' outside choices. To conclude, by developing a 'close' system, the potential impacts from the labour market upon the developers, such as fluctuations in labour supply and demand, as well as blandishments from other employers, are mediated by the management systems in Software-Co. On the one hand, developers are provided with top work conditions, with which they are quite satisfied. On the other hand, they are restrained from leaving for other companies due to their skills and the potential financial loss entailed by leaving. Meanwhile, the corporate culture and environment under this 'close' system are so distinct, that these homogenised developers do not normally feel confident about getting used to a different one. This increases the interdependency between the company and the developers, and further reduces the developers' chances of leaving.

In sum, the above accounts show that managerial policies and practices are seldom the direct manifestation of the institutional and organisational pressures faced by the companies. Corporate actors in supply firms not only have the capacity to work with other local institutions and develop distinctive approaches to managing their local environments, but also have the space to strategise in accordance to their relationships with the clients.

7.2.2 Translation of corporate strategy in market-based and captive supply chains

The role of corporate actors in developing managerial policies and practices is also reflected in how corporate actors translate corporate strategy into strategic actions and deliver them within the companies. My findings show that the same corporate strategy can be interpreted and applied in contrasting ways under different supply chain relationships. One important example in my study concerns how the managers in the two companies interpret the strategy of 'learning from Japan', and how they use this strategy in management control.

In a captive supply chain where the supply firms have opportunities to closely work with the Japanese clients and 'being Japanised' is seen as a essential criteria in maintaining clients, 'learning from Japan' is interpreted and understood as the company's attempts and activities aimed at 'borrowing' Japanese practices, and transferring Japanese practices back from the Japanese workplaces to the Chinese HQ. Indeed, many core practices among the developers represent the results of 'reverse diffusion', through which the developers return to the Chinese HQ upon completion of their expatriations in Japan and continue to develop and apply the systems and practices that they have learnt in Japan. These include a 'water flow' work procedure, a system of 'continuous improvement' through employee participation and involvement, *Hansei* reports and *Hansei* meetings (see Chapters 5 and 6). The 'reverse diffusion' of Japanese practices is based on a systematic process of learning about management in both China and Japan. In particular, the on-the-job training in Japan provides the developers sufficient time and opportunities to acquire and accumulate knowledge of Japanese management, to adopt Japanese practices in their daily work, and to update their experience and

perceptions about Japanese management during their socialisation with Japanese colleagues and clients. This first-hand knowledge and experience of Japanese management facilitates the developers in understanding the tacit or less codified aspects of Japanese practices, thus reduce the 'stickiness' of such practices in terms of cross-national diffusion.

By contrast, in a market-based supply chain where clients do not have direct requirements on Japanisation, 'learning from Japan' in Data-Co does not involve activities of reverse diffusion. HQ managers do not show much interest in encouraging and spreading the practices that have developed in the Japanese workplaces, nor does it build any channels for the repatriates to share their experience and knowledge of Japanese practices. Unlike Software-Co, which invests a huge amount of money on enabling management to learn directly from the Japanese companies, Data-Co has not established any effective mechanisms for direct management learning. As I have shown, most of its on-site expatriates in Japanese companies are short-term oriented and task-based. They are isolated from and managed in different ways from the Japanese employees. Therefore, they do not have the chance to learn and get a feeling for the practices that are deployed at the Japanese workplaces. In fact, people's knowledge and perceptions of Japanese management are normally gained through second-hand sources such as other people's experience, books and even hearsay. This relatively superficial understanding of 'Japanese' practices makes it possible for managers to reinterpret 'Japanese' practices (for example, managers reinterpret Japanese '*Kaizen*' as intensive on-the-job exercises) and rhetorically label non-Japanese practices 'Japanese'.

The presence or absence of reverse diffusion, and the differences in management learning between the two companies, demonstrate different corporate choices in handling 'societal effects' and 'dominance effects' under different supply chains. In a captive supply chain, Japanese operational practices and HR practices are more likely to be considered as an un-problematically superior portfolio. Under the most ideal circumstance, 'learning from Japan' is expected to result in the direct reproduction of a

'Japanese system' in China. Any failure of such reproduction is to be explained in terms of the obstacles that arise from the Chinese social environment. In other words, 'dominance effects' is prioritised under a captive supply chain. This is in accord with Software-Co's approach of 'buffering' external influences and developing a 'close' system for the developers. By contrast, managers in a market-based supply chain emphasise the importance of developing policies and practices that are a best fit with the local settings. In this sense, transferring established 'Japanese' practices is less relevant, and the development of new practices which can help the company to make the best use of the local workforce, becomes more pressing for Data-Co. This conforms to Data-Co's competitive strategy of 'cost reduction'.

In both forms of supply chains, One important observation from my study is that 'learning from Japan' in both companies is put to use in management control. This is closely associated with the 'dominance effects' of 'Japanese' practices. At Software-Co, 'learning from Japan' is seen as a mark of the 'corporate elite'. By choosing and defining typical 'Japanese' practices (such as *Kaizen* and *Hansei*) as well as the qualities of 'Japanese' employees (such as being hard working, responsible, committed, loyal and customer-oriented) as the criteria for evaluating one's degree of 'Japanisation', corporate managers stimulate a shared understanding and identity for the corporate 'elite'. Only those employees who adopt the defined 'Japanese' practices and behave as 'Japanese' employees are considered to be members of the 'elite' within the company. Those who do not show interest in learning from Japan are excluded from the 'elite' group. In this sense, the strategy of 'learning from Japan' is translated into a form of 'identity regulation' through which managers regulate employees' working behaviour by influencing their self-construction of identity (Alvesson & Willmott, 2002). This form of 'identity regulation' is essential and powerful in management's control of developers, considering that the developers' daily work is very loosely monitored and supervised. To be in the club of the 'elite', developers have to meet certain requirements and guidelines in their daily work, including the ability to speak Japanese fluently, working as hard as Japanese employees, embracing overtime work as readily

as Japanese normally do, being highly commitment to clients, pursuing 'perfect' work rather than just 'completed' work, showing interest in learning Japanese practices, being loyal to the company, and so on. In this sense, the 'elite' identity, which stems from the translation and delivery of a strategy of 'learning from Japan', forms an 'iron cage of subjectivity' (Karreman & Alvesson, 2004; Knights & Willmott, 1985) and, to a large extent, enables Software-Co to achieve a high level of commitment to their work, while allowing sufficient autonomy and flexibility to the developers.

In Data-Co, a rhetoric of 'being Japanese' is used to justify the policies and practices adopted in the company. For example, the stringent quality control, disciplinary workplaces and intensive on-the-job exercises are all presented as features of the advanced 'Japanese' system. By doing so, employees are made to feel obliged to accept and follow these corporate practices and policies, because they are told that every surviving and thriving company has to manage their employees in this way. As is the case in Software-Co, 'learning from Japan' is also used in identity regulation. 'Learning from Japan' underlies the management discourse that 'workers are school pupils who come to school (the company) to learn advanced Japanese practices'. It thus reinforces workers' identity as school pupils, and justifies the school-related activities such as on-the-job exercises and examinations. Parallel to Karreman & Alvesson's (2004) observation of the interplay of 'technocratic control' and 'social-ideological control' in one company, my study in Data-Co further reveals the interrelations between different forms of management control. While the rigid quality control, stringent performance measures and organisational bureaucracy form a 'hard iron cage' for the employees to conform to work procedures and requirements under close surveillance, the construction of a 'teacher-pupil' identity motivates the workers to go beyond the work routine at workplaces and to take the initiative in improving and learning skills in their spare time. Managers keep reminding the workers that they are 'learning for themselves, rather than working for the company' so that workers are willing to get involved in personal development of their skills.

In sum, following the previous argument that corporate strategies of global supply firms are not predetermined but emerge through the interplay of SSD effects and the supply chain relationships, this part further explores how these structural forces are played out in different supply chains. It is demonstrated that even under a similar corporate strategy, corporate actors have the capacity to manage the extent of the enactment of this strategy (i.e. selective learning), and choose the ways in which the strategy is manifested (i.e. reverse diffusion, rhetoric or/and management control), depending on their supply chain relationships and how they coordinate the corporate effects with the other effects.

7.3 Employment relations at workplaces: scope and limits of management control

I argued in Chapter 2 that studies on supply firms have not paid much attention to the internal dynamics between managers and employees at suppliers' workplaces, especially employees' experiences at workplaces and their responses to management. Therefore, following the above discussion on the construction of SSDC effects and the corporate actors' actions in developing policies and practices at both the corporate and workplace level, this section continues to 'zoom in' on the workplace, and investigates the employment relations at the Chinese workplaces of the two companies. In particular, I focus on how employees respond to and implement the management policies and practices in their daily work, and interrogate the scope and limits of management control in both companies.

According to labour process theory, the outcomes of any management ideology, technique and practice at workplaces is subject to the extent and contour of employee consent and dissent, and the employees' strategy of survival, negotiation and accommodation in the workplace (Ackroyd & Thompson, 1999). In particular, Smith (2006, p.390) argues that labour power, 'what the employer hires and the worker exchanges', has two elements: the power over work effort and the power to move between firms. Accordingly, two forms of bargaining in workplaces are seen to shape the organisation of labour process and the outcomes of management strategies and practices.

The first is known as effort bargaining, which involves employees' efforts to maximise money income and employers' efforts to ensure workers' endeavour during the working day. The second is called mobility bargaining, through which employees express their discontent by exiting or/and using their mobility power to negotiate with management for desired working condition and rewards. It also involves employers' strategy over labour movement and retention, selection, reward and career development. Based on this, the scope and limits of management hegemony in both companies will be investigated, looking at both effort bargaining and mobility bargaining.

Before I move on to each form of bargaining, it is important to note that an organised 'voice' for employees is rudimentary or absent in both companies. As I mentioned in Chapter 3, trade unions in both companies are not so much representatives of workers as they are basically the state's tool for maintaining social stability. The functions of these unions do not go beyond acting as a welfare unit which focuses on labour entertainment and well-being. Workers in both companies are indifferent to the trade unions and some of them are completely ignorant of their existence. Given that both trade unions in my study are under the control of the local government and of the Chinese Communist party, they are unlikely to become a formal mechanism for the employees to express their grievance and bargain with the companies. This is in line with the conclusion made by Ding et al (2002), that Chinese unions are more 'an offshoot of the HR department' and are 'primarily concerned with supporting managerial interests'. Meanwhile, there is no organised process of employee consultation in either company. This means that employees lack any independent channel through which they might address differences in their own agendas and priorities. In other words, managers by and large monopolise authority and power within the workplace. The overall situation of strong capital and weak labour in China is evident in both cases.

7.3.1 Managing labour effort in market-based and captive supply chains

One key strategy for Data-Co to manage the market-based supply relationships with its clients is to continuously attract new student interns

every year at a low labour cost, and to train them to be semi-skilled workers in a short time. Indeed, Data-Co is very attractive for the young, inexperienced, new employees who have just graduated from the technical schools. Specifically, the reputation of Data-Co in the local district and its highly effective training programme have made it a perfect starting place for employees' career development and job hunting. This, together with the 'dominance effects' of Japanese practices and the 'learning from Japan' strategy I discussed above, underpins the company's management rhetoric of employees being school pupils. As I have argued, this 'school pupil' identity not only justifies the practices which carry 'teacher-pupil' sentiment such as the on-the-job exercises and the examinations, but also motivates employees to go beyond the work routines at workplaces and engage in learning activities and skill improvement in their spare time. However, this 'teacher-pupil' ideology and its attraction to employees do not work for the skilled workers and the old workers. These employees retain an instrumental attachment to work as a basis for earning money, and are basically critical about the pupil-oriented rhetoric and practices. For example, they thought the on-the-job exercises to be 'a complete waste of time' and felt offended at being treated as 'kids'.

In order to provide standardised products that are required in a market-based supply chain, Data-Co has developed a management system, which in appearance, is quite successful in monitoring and regulating workers' daily working behaviour and performance. The stringent operational and quality control processes are only modified at the margins. For example, in cases where the team leaders indulged their members by not reporting their errors, the extent of this misbehaviour and its potential negative effects were considerably restricted by the peer pressure in the teams, and by the intense pressure exerted upon team leaders to meet the targets set by management (see Chapter 5). In effect, team leaders' misbehaviour did not mitigate management control, but, rather, enhanced it by creating a hint of 'humanity' at the workplace and developing a 'reciprocal' relation between team leaders and their members. Likewise, there were instances where employees resisted certain management practices (e.g. the 5S system, the use of the punched-

card machine) or got involved in informal negotiations with the management (e.g. over on-the-site exercises), and, as I reported, managers did sometimes make concessions for the employees. Nevertheless, it is found that the extent to which and the ways in which these concessions were made for employees, were strictly controlled by management, so that customer satisfaction, efficiency and the general principle of 'a disciplined workplace' would not be compromised. This was partly achieved by the organisational hierarchy, the close surveillance and the information system in Data-Co. The small span of control (about ten workers in one team), the pyramidal hierarchy, the close interaction between the shop-floor supervisory team and the middle managers, and the daily report system ensure that any potential problems and uncertainties at the workplaces are noticed and reported immediately so that supervisors and managers have sufficient time to discuss and come up appropriate strategies to prepare for them and handle them. They also ensure that some of the misbehaviour and indulgence is visible to senior management so that these actions only take place with the tacit acceptance of the management. One limitation of Data-Co's management system lies in the fact that shop-floor workers are not involved in any sort of problem-solving and innovation activities. Management stresses the importance of skill improvement by each individual worker, but does not expect workers' participation (such as constructive suggestions) in managerial issues. This is similar to what has been observed in Delbridge (1998) and Dedoussis (1995).

By contrast, the captive relationships between Software-Co and its client drive the employment relations in Software-Co towards a relatively long-term and captive one. For Software-Co, the systematic training programme, especially the long-term on-the-job training in Japan, acts as the biggest lure to talented individuals. Besides, recruitment from top-universities, secure jobs with high salaries and a structured career path are thought to be attractive too. For a long time, these management practices have not only guaranteed the best candidates from the top universities, but have also created a strong feeling among employees of 'working with the brightest people'. However, these elements are becoming less attractive in light of the changing socio-economic situation in China. First, as more and more foreign-invested enterprises

(FIEs), especially world-leading MNCs, enter China and offer employees training opportunities all over the world, the training programme in Software-Co is not seen by employees as being as unique as it was before. Young employees feel less grateful and excited that senior ones about the training opportunity. As one young developer reflected:

> Things have changed a lot due to China's economic reform and opening up. For senior developers who joined in the early 1990s, going abroad was a once-in-a -lifetime opportunity, and only the most talented people could make it. But now, lots of companies offer opportunities to go abroad, either for training or for business. To be honest, the opportunity to work in Japan is much less attractive nowadays than it was ten or twenty years ago. People prefer the US or European countries. (15th December 2011 in Tokyo)

Second, as more and more companies in the market tend to offer good performers substantial and even massive salary increases, or promotion opportunities, young developers in Software-Co feel de-motivated and reluctant simply to receive a stable salary. There is also widespread scepticism about the company's promotion system among the young developers. Against the background of dramatic socio-economic changes and wide job opportunities, these young talents are less concerned about job stability but rather are eager to get salary increases and career advancement. Therefore, while the senior developers fought hard to resist the proposed performance-based system, many young employees actually welcomed it.

In general, the attractions that companies offer to their employees turn out to be quite partial and unsustainable. As a result, while these attractions do to some degree form certain common ground between management and employees, they also caused antagonism between them, and within different groups of employees (e.g. between younger and senior employees, this was seen in both Data-Co and Software-Co).

Compared with Data-Co, the workplace in Software-Co had a number of characteristics in common with 'high involvement, high commitment' workplaces, which incorporate 'soft' human resource management (Legge, 1995). It also featured the 'learning factory', where knowledge was created, learnt and applied by highly trained workers (Fruin, 1997). Core employees

(i.e. developers) are given great autonomy and flexibility in planning and organising their daily work. Developers' work performance is evaluated by their clients, and there is no internal established performance system. Nevertheless, as I have mentioned, developers' working behaviour is highly regulated and guided by their self-identity as a member in the 'corporate elite', and by the corporate norms of being part of an 'elite'. To a large extent, this identity-regulation of developers being a member of corporate 'elite' is the essence of the management control among developers in Software-Co. It is this elitism that underpins developers' high commitment to the company and to its clients, and their continuous pursuit of quality.

However, my findings show that this management system, based on the elite identity, is problematic and fragile because the social and corporate embeddedness of such an elite identity is being eroded. There are three reasons for this. Firstly, as I discussed in Chapter 6, developers' 'elite' identity was not only corporate-constructed, but also socially-embedded. This was associated with the developers' background as top university graduates, who were very few in number, and thus socially recognised as 'elite'. However, due to the expansion of higher education in China, the number of top university graduates has increased sharply, and these graduates are now viewed as more 'ordinary' than 'elite'. This means that the consistency between developers' corporate identity and their social identity is broken, and developers tend to show more scepticism and reservations about their 'elite' identity in the company. My findings show that the sentiment of elitism among young developers was not as strong as it was among the senior developers. In fact, few young developers demonstrated themselves as being in the elite club. Secondly, the elitism among developers has nurtured significant grievances among the periphery programmers. As I described in Chapter 5, lots of programmers felt that they were being 'discriminated' against, and were quite hostile to the developers. This resulted in some programmers' attempts to impede developers' work in teams by refusing to take overtime work even when the teams had very tight deadlines, or by being deliberately unhelpful in teamwork. As a consequence, the team leaders and managers had to constantly react to the resistance and uncertainties caused by the

programmers. Given that the formal management system is not helpful in alleviating the estrangement between developers and programmers, the work's progress and quality, and especially the efficiency of teamwork, largely rely on how well the developers get along with the programmers through informal and personal interactions, which is beyond the scope of management control. Related to this, due to the interdependency between the programmers and the developers in teamwork, the developers' feeling of 'superiority' and 'privilege' compared with the programmers is gradually disappearing. In fact, my findings have revealed the tendency for managers to break the developer-programmer distinction (for example, programmers are provided with internal promotion opportunities), and for the developers to see the programmers as 'partners' rather than 'subordinates'. Because of the erosion of the social and corporate embeddedness of the elite identity, the norms of being an elite (such as being loyal to the company, showing high commitment to quality), which guide and regulate the developers' work behaviour, are no longer as acceptable as they were before. My findings show that young employees are more pragmatic about their effort and salary than the senior ones. Many of them expressed their reluctance to work overtime and to pursue perfectionism. This was in line with the senior developers' complaints about the young ones. In sum, while identity regulation did play a crucial role in management control, its sustainability should be well examined given the economic-social change, and its effect should not be overstated.

7.3.2 Managing labour mobility in market-based and captive supply chains

Mobility power is one element of labour power, and workers' mobility choices are closely associated with the organisation of labour process (Smith, 2006). Given the highly mobile labour market and the lack of organised 'voices' of the employees in both companies, quitting or threatening to quit is one of most commonly used approaches for employees to express their dissatisfaction and sense of grievance to the management, and, occasionally, to bargain with the company. Despite management efforts to either 'accommodate' or 'buffer' the high mobility of the labour market, as discussed above, the challenges and problems arising from the high turnover of labour is far from settled.

The mobile local labour market and the increasing job opportunities elsewhere provide employees, especially the skilled and experienced ones, with sufficient opportunities to move between companies. This is particularly true in the industrial cluster where thousands of similar companies aggregate without restraints against labour 'poaching' and in a employment system that are largely based on non-regular employment. Under this circumstance, employees' mobility power is strengthened and the company is pressurised to take actions to retain skilled employees. In this study, the high turnover among the young, skilled employees is a major challenge for Data-Co's management, and is believed to be the underlying cause of the problematic composition of the employee ages and skill levels in the company. On the one hand, the young, skilled employees do not stay in the company for long because they represent the most competitive group in the labour market and they always move between companies for better earnings. On the other hand, the old and less productive employees are immobile because they do not have many outside choices in the labour market. This leaves the young but unskilled, inexperienced new employees being the major workforce, and consequently imposes pressures in employee recruitment, training and quality control. By the time of my fieldwork, the company had just launched a 'managerial elites' programme through which workers with good performance and junior managers were selected and trained to fit senior managerial positions. This aimed to retain skilled employees by providing them with opportunities for career advancement. However, as the HR manager commented, 'this (programme) will be helpful but it will not solve the problem. The retention of skilled employees is a long fight, given the nature of this industry and the labour market.'

Labour mobility is expected to be much lower in a captive supplier than in a market-based supplier. In appearance, retention of skilled employees was quite successful in Software-Co, especially after the company's huge investment in employee training. As I have said, the company achieved zero turnover during 2005 and 2010 among the developers who had completed training. However, this did not mean that labour mobility in Software-Co was completely under control. My findings show that many young and junior

developers are critical about the current management system and are quite open to the opportunities for 'job hopping'. Diverse and open access to industrial and job information make it difficult for the company to keep the system 'close', and young employees feel unsecure about receiving long-term training on firm-specific skills, given the rapid pace of socio-economic changes and developments in technology. Meanwhile, more and more young employees feel dissatisfied with the seniority-based promotion system in Software-Co, and feel that they will not have the chance to pursue career development unless they quit. Even the contractual liquidated damages are less restraining, because many young developers believe it is better to pay their way out in order to gain better personal development, than it is to be constrained within one company. All these considerations suggest that despite its previous successes, the management of labour mobility in Software is now under threat. As the corporate director reflected in relation to the zero turnover of developers during the economic crisis, 'they (the developers) did not quit because other companies were in crisis as well and could not make good offers. They would have left if they had had a choice or if we had kept cutting their salaries over a longer period of time. '

Apart from exiting, labour mobility power can also be used to negotiate with management for improved conditions. My findings in Data-Co show that the threat of leaving was used by the employees before the busy season, and that managers announced an extra subsidy to avoid a potential mass resignation.

Employee gender plays a role in the degree of 'mobility bargaining' that goes on. In both companies, many female employees, especially the married ones, tend to prioritise job stability over salary and career development. Therefore, they appear to be more tolerant of the unsatisfactory wages and slow promotion opportunities, and are less likely to use their 'labour mobility' power. This is in line with the overall 'male-breadwinner' model, in which women are expected to take on more responsibilities in family care, and men to earn more money. Nevertheless, it is found that these female employees are normally from low-level positions such as shop-floor workers in Data-Co and programmers in Software-Co. Female employees in the middle- and top-

level positions do not show such tolerance. This suggests that the male-breadwinner model is not as strong in China as in other countries such as Japan.

In short, both companies in my study have developed a management system which combines technical, bureaucratic, normative, and identity control approaches. In spite of this, both of them face problems with labour retention and employee discontent. Neither of them has found a sustainable system to support the hegemony of management. My study shows that the tensions and challenges that managers confront are, on the one hand, strongly influenced by the wider institutional arrangements around the companies, as well as by the supply chain relationships; and, on the other hand, are informed by the employees' identity, interests and relations.

7.4 Contribution to knowledge

By drawing on the GVC discussion and the SSDC framework, this thesis has developed a multi-level analysis for the purpose of understanding management, organisation and employment in global supply firms. This multi-level analysis not only consider the power relations between supply firms and leading firms within the global supply chains, but also locate the development of management policies, practices and work relations within their contexts at the international, national, local and corporate levels. On the one hand, it recognises that the supply chain relationships shape the management systems and workplace dynamics in supply firms. On the other hand, it stresses that these dynamics could not be fully understood without considering the supply firms' local embeddedness and the labour process at the workplace level.

In relation to the literature on global supply firms, this thesis extends the existing discussion in three ways. In the first place, in order to correct the overemphasis on the powerful influence of clients in shaping supply firms' management systems, this study has compared the supply firms in two different patterns of global supply chains. It has shown that the influence of clients is exerted in different ways under different governance structures and

this leads to divergent consequences in terms of the management practices and employment relations in supply firms. Therefore, instead of assuming an equally powerful influence from the clients, there is a need to examine the specific power relations between supply firms and leading firms under different supply chains.

In the second place, this thesis extends the GVC analysis of global supply firms by considering the social-institutional embeddedness of the supply firms. By combining SSDC framework with the GVC discussion, this study has shown that the management and work in supply firms are not only shaped by the clients' requirements, but also strongly influenced by the structural forces surrounding the firms at the international, national and local levels. These structural forces interact with each other and manifest themselves in different forms at the corporate and workplace levels. Corporate actors respond to and manage these structural forces according to the governance structures in the supply chains so that they can meet the requirements from their clients and survive in the market competition. In addition, by emphasising the regional diversity and the diversity of ownership-types in China, this study has also suggested that there is no stable set of institutions in the Chinese context. There are multiple institutional settings determined by regional politics and ownership structures. The diverse and variegated nature of Chinese capitalism makes for a complex and unexpected combination of institutions compared to the developed countries, and this in turn influences the corporate strategies, practices and employment relations in Chinese supply firms. By undertaking local-level analysis and paying attention to the specific types of firm, this study has shown that supply firms from various areas of China, with different ownership structures, carry distinctive historical legacies and face diverging institutional environments. Therefore, they develop specific policies, practices and work relations to respond to and manage these legacies and institutional environments. In Child (2009), the author suggests that 'one feature that has characterised China above all since the end of the 1970s is the rapid change and hectic growth it has experienced…it has developed a number of different constituent business systems and contrasting regimes at different levels of government' (p.68-69). Therefore, we cannot 'treat the

context of China's management as a fixed or even uniform phenomenon' (p.69). This study has responded to this argument and offered a way of advancing theories on the inter-relationships between the home-country institutional context and the management and organisation of Chinese firms.

In the third place, this thesis has discussed the workplace dynamics in global supply firms, by focusing on the indeterminacy of labour power and the contested construction of workplace relations. It is argued that extant literature on global suppliers did not adequately examine the internal dynamics at the workplace level. This study shows that ordinary employees get involved in the formation and development of management policies and practices by negotiating with management, resisting and 'beating' the management system, or surviving and accommodating to the system. In particular, in the absence of effective 'organised' voices and within an overall situation of strong capital and weak labour, it is shown that the 'mobility power' of labour can pose great challenges to management. Meanwhile, this study has shown that the normative control and identity regulation, acting as 'iron cages of subjectivity', are combined with technical and bureaucratic control, acting as a 'hard iron cage', in complementary ways, in order to control labour's effort and mobility. However, the efficacy and sustainability of such management controls are strongly influenced by the specific institutional arrangements at the local, national and international levels, and the composition of employees in terms of nationality, ethnicity, gender, age, and class. By drawing on labour process theory and incorporating workplace-level analysis, this study has provided a comprehensive understanding of the internal dynamics within global supply firms, and of the relational dynamics between organisational actors within the global supply chains and the complex structural forces they face.

This study has also extended the SSDC framework in two ways. First, although extant studies on the SSDC framework have articulated the mechanism through which each effect is constructed (Delbridge et al., 2011; Elger & Smith, 2005; Smith & Meiksins, 1995; Smith, 2008), these studies have not explicitly discussed how these effects interplay with each other. Regarding this, this study pays particular attention to the interdependent and

interactional nature of these effects. It extends the SSDC framework by elaborating the interplay between these four sets of effects and investigating their diverse manifestations in global supply firms. In particular, it has been shown that the dominance effects may be constructed and carried on through the corporate effects and societal effects. The system effects may lead to diverse societal effects in a specific context and consequently influence the corporate effects in MNCs. In addition, the system effects, societal effects and dominance effects all impact the construction of corporate effects. This provides a means of going beyond the 'one effect versus another' model, and towards a recognition of the structural inconsistencies and interdependence. Second, while the SSDC framework has been primarily discussed and applied in terms of subsidiary management (e.g. Elger & Smith 2005; Smith et al. 2008), this thesis provides one of the first attempts to apply the SSDC framework to the global supply firms. It shows that the GVC discussion on global suppliers could be complemented by the SSDC framework, thus provides a holistic picture on the management and work in supply firms.

Finally, a CR approach allows for a mechanism and process-based analysis of global supply firms, which thus rejects the contingent cause-effect assumption between structural factors and the strategies and practices in these firms. One essential element for undertaking a mechanism and process-based analysis is to understand the global suppliers, clients, the corporate actors, and the interrelation between the social structures at various levels (i.e. the SSDC effects). In this respect, CR provides an ontological depth that neither positivism nor social constructionism can reach. In this study, I explain the managerial practices, work relations and interactions in global supply firms by identifying the underlying structures, examining how these structures are manifested at different levels of analysis, and exploring how corporate actors respond to and interact with these structures. Indeed, considering the interplay between multiple structural forces and the actors' actions can allow researchers to move beyond the 'determinant' mode of explanation to disclose more precise mechanisms and processes which explain the construction and development of practices and work relations in global supply firms.

7.5 Limitations

Practical limitations to the size and scope of the case studies meant that certain areas of interest could not be discussed. First, given this study's aim on exploring how supply firms manage to meet the international clients' requirements, this study has focused on the supply side and collected data from the supply firms, without much 'voice' from the clients – for example, what clients say about their relationships with the suppliers; how they interact with the suppliers; what their comments are on the performance and capacity of the suppliers; and how their strategies impact on the management and organisation of the suppliers. While I have focused on the suppliers' engagement and strategies in managing the supplier-client relationships, it should be noted that the construction and development of supplier-client relationships is a two-way process, in which suppliers and clients both strategise to achieve their distinct interests. In this sense, the incorporation of clients' perspectives would have offered a more comprehensive picture on how the interactions between suppliers and clients affect the management, organisation and employment within the supply firms. Second, the research design of this study is based on two Chinese supply firms which are involved in international contracting with a single host country, Japan. Thus, explanations provided in this thesis are strongly informed by the particular host-country effects of Japan. Broadening the case studies to some other countries might have embraced other structures and processes that have not been explored in this thesis. In addition, this study was conducted in two Chinese supply firms, based in two different areas of China. Having more cases of Chinese supply firms might have shed more light on the diverse nature of the Chinese context. Given these limitations, there is a possibility that the evidence was not 'saturated' (Houston, 2010), and that other social activities and relations could have explained elements of the analysis differently.

Research, and particularly qualitative research, is an iterative process that can also be influenced by factors outside of the researcher's control (e.g. access to informants). Therefore, an element of pragmatism has to be used.

Given the budget and time scale of this research project, I believe that the choice made in this thesis was the best possible one. However, the necessity of reflection does allow for some awareness of where those limitations lie, and indicates ways in which the study could have been further enhanced.

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