

Foreign firms in China: modelling HRM in a toy manufacturing corporation

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This article reports the study of a large, wholly foreign-owned toy factory in China. It explores whether foreign direct investment (FDI) manufacturing firms in China inevitably operate in a Taylorist fashion, in contrast to the much praised HR model of blue chip multinational corporations (MNCs) in the country, or whether there is a 'third way' in which good HR practices may be adopted on the ground. The article concludes that a more nuanced approach is needed in our study of FDI companies in order to gain a fuller understanding of the institutional and cultural factors at play and of the consequent diversity in the HR and employment practices of FDI firms, instead of being trapped in a simplistic and polarising typological framework of analysis. This study is necessary in light of the growing diversity in the patterns of FDI companies operating in China in terms of their ownership structure, product market, management style and HR strategy, both for managers and for workers.

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There is a growing body of literature on HR and work management in foreign investment enterprises in China, which can be broadly classified into two diverse strands. First are the academic studies on HRM in foreign direct investment (FDI) enterprises. These focus largely on multinational corporations (MNCs) and joint ventures (JVs) (eg Child, 1994; Goodall and Warner, 1997, 1998; Lu and Bjorkman, 1997), and explore the extent to which subsidiary practices resemble those in their foreign parent organisations ('MNC standardisation') and/or in local firms ('localisation') (Beechler and Yang, 1994; Rosenzweig and Nohria, 1994; Bjorkman and Lu, 2001: 491). Bjorkman and Fan (2002) have observed, for example, that while research on some of the early Western foreign investment enterprises established in China showed that Western MNCs had adapted their HR practices to the Chinese environment (Child, 1991, 1994; Goodall and Warner, 1997, 1998), a trend seemed to have emerged during the 1990s towards introducing more 'Western' HR policies (Lasserre and Ching, 1997; Bjorkman and Lu, 1999, 2001). Similarly, Goodall and Warner's survey study (1998: 18) of 20 joint ventures identified very few practices or procedures that they could characterise with confidence as 'local'. They argued that there might be several reasons for this trend, including a higher level of control on the part of foreign investors over their units in China, and a lack of a strongly institutionalised Chinese model of HR/personnel management (Goodall and Warner, 1998). Blue chip MNCs (eg Motorola, Nokia, Procter and Gamble) are generally considered to have a more sophisticated HR system than Chinese domestic firms. It has been argued that these HR 'best practices' are mainly Western practices transferred and adapted to suit the Chinese environment. They are often hailed by the Chinese media as good models to be followed by domestic firms.

The other strand of literature on foreign firms in China focuses mainly on their management of the labour process and employment practices: these firms are often branded as 'sweatshops' operating in a mass production mode and characterised by poor working conditions and work intensification (eg Zhu and Campbell, 1995; Xu, 2000; Chan, 2001; Smith and Ngai, 2003). These are typically factories that produce toys, shoes and clothes for the world market. They are staffed by predominantly migrant (female) rural workers who have few formal educational qualifications and little bargaining power. The large rural population is notoriously under-employed, and hence migrates to towns and cities in search of employment. This segment of the labour market is the least protected by legislation, and hence the most vulnerable to exploitation by MNCs and other enterprises (Cooke and Rubery, 2002). These employees usually work excessively long hours and live in poor conditions in dormitories on site, a system considered akin to slave labour. While some argue that MNCs provide much needed investment and employment for often weak economies such as China by introducing new technologies and management systems, opponents of this view often claim that MNCs are merely exploiting the weak and unprotected labour force in these less developed countries. They are often accused of driving down already poor labour standards in their search for even cheaper labour that is achieved at the cost of reduced labour protection. This so-called 'race to the bottom' is thought to occur because MNCs relocate their production to 'cheaper' countries, which results in developing countries lowering further their already poor standards in order to keep the labour cheap, thereby attracting more investment (Lee, 1997). The ethical dimension of HRM practised by these firms operating in a 'boundaryless' world is therefore vigorously questioned by non-governmental organisations (NGOs), Western media and academics (eg Legge, 2000).

While these two strands of literature have provided considerable insight into the two opposing realities of HRM and work processes in MNCs and JVs in China, there remain significant gaps in our knowledge as to how HR and employment practices are shaped in these firms – and, importantly, why. For example, in the first set of literature, detailed case studies of wholly foreign-owned enterprises with establishments exclusively in China remain rare. This category differs from MNCs in that the firms are not influenced by the parent company or by subsidiaries in other countries for the transfer of best practices, or constrained by the need for a coherent worldwide corporate strategy. They also differ from JVs because they are not subject to the direct influence of management practices from Chinese partners. How, then, are the HR practices in these firms shaped? To what extent are the HR practices of these 'free' firms influenced indirectly by China's societal system (eg cultural, legislative, political, economic and labour market factors)? On the other hand, do all firms that mass-produce goods for export, using what Smith and Ngai (2003: 1) called 'the dormitory labour system', operate in a Tayloristic sweatshop mode with strained labour-management relations as described in the second strand of literature? If not, how are their HR and employment practices shaped? What are the driving forces and pressures? To what extent do these practices resemble what are considered 'HR' practices in the Western literature?

This article reports the study of a large, wholly foreign-owned toy manufacturing firm (ToyCo) in China. The objective of the study is to explore whether FDI manufacturing firms in China inevitably operate in a Taylorist fashion, where the nature of the production requires mass volume of labour with low skills, in contrast to the much praised HR model of bluechip MNCs in the country, or whether there is a

'third way' in which good HR practices may be adopted on the (seemingly sweatshop) ground, hand in hand with some harsher practices such as routinisation of work, lack of employment security and non-observation of labour regulations. An in-depth case study approach is deployed to examine factors that shape the HR and employment practices of ToyCo. This study is highly necessary in light of the growing diversity in the patterns of FDI companies operating in China in terms of their ownership structure, product market, management style and HR strategy, both for managers and workers.

The rest of the article begins with a literature review of the debate about factors influencing the adoption of HR and employment practices at national and organisational levels. It then provides a brief introduction to FDI activities in China. This is followed by a description of the case study and its findings. The article then analyses the findings and highlights the sources of influence in the shaping of ToyCo's HR and employment practices, tensions displayed in the practices, and how they are perceived by the workforce. The article concludes that a more nuanced approach is needed in our study of FDI firms in order to gain a fuller understanding of the institutional and cultural factors at play and the consequent diversity in these firms' HR practices, instead of being trapped in a simplistic and polarising typological framework of analysis.

THE ADOPTION OF HR PRACTICES IN MNCs

It is now increasingly recognised that country and local context, including cultural variables, regulatory environment, labour market attributes, skill supply and level, and industry structure are important factors in shaping HR practices (Sorge and Warner, 1980; Whitley, 1990, 1999; Clark and Mallory, 1996). For example, Laurent (1986) argues that HR practices and philosophies are deeply grounded in the surrounding national culture, including attitudes, values and mindsets. Similarly, Maurice (1979) and Sorge and Warner (1980) have highlighted the importance of the 'societal effect' in organising and structuring business organisations. They point out the importance of examining organisations in relation to the social, institutional context within which they are embedded. Whitley (1990, 1999) also argues in a similar vein that because major social institutions, such as legal, financial and educational systems, vary between nations, different sorts of business enterprises will become dominant.

In addition, writers on international HRM (eg Hofstede, 1980, 1991; Clark and Mallory, 1996) argue that management theories and practices may reflect the cultural conditions in which they were initially developed, and cannot simply be applied from one culture to another, thus making transfer of best practice in MNCs a challenging task. As Rubery and Grimshaw (2003: 45) suggest, 'the implementation of borrowed techniques within a specific societal system is itself a form of innovation which may lead to the development or the reinforcement of distinct societal models'. Similarly, Verburg *et al* (1999) argue that there is no evidence for universally applicable HR practices. Their comparative work on HR practices in Chinese and Dutch industrial firms found cultural and contextual constraints responsible for the problematic nature of cross-cultural transfer of HR practices. Therefore, different combinations of national and international institutional and cultural characteristics may support the emergence of different management practices.

There is also increasing support for the argument that, at the organisational level, contextual factors, including national and corporate culture, may have a determining effect on the design and implementation of high-performance work practices

(Dastmalchian and Blyton, 1998). For example, Saha (1993) argues that HR practices in a country are products not only of national culture and environment, but also of organisational culture, strategy and structure. More recently, Budhwar and Debrah (2001) propose that an analytical distinction should be made between different levels of context, including the national cultural context, industrial context and organisational strategy-level context. This is important because context-specific and 'culture-bound' factors influence the nature of HR practices. In China, for example, the nature of the domestic labour market is highly important, including the degree of voluntarism. Equally, the perceived importance of the (foreign investment) enterprise in the local economy and community may act as a driving force for firms to adopt what are perceived to be desirable/good HR practices in order to maintain their image.

However, this set of primarily normative literature on international HRM does not really address in detail why MNCs do not or cannot pursue home country HR practices in their host country plants. This absence of knowledge is particularly noted in the study of MNC manufacturing plants in China, with the important exception of Taylor's studies (1999, 2001). There have been, however, several important comparative studies on the HR and employment practices of MNCs, notably that of Japanese MNC manufacturing plants in different countries (*eg* Gereffi, 1996; Kenney *et al*, 1998; Taylor, 1999, 2001; Wilkinson *et al*, 2001; Frenkel and Scott, 2002). These studies provide useful insights into why HR practices in these MNC plants may differ in significant ways. This is especially the case when the host country plants are set up with Taylorist work systems characterised by high levels of job fragmentation, managerial control over task performance and work organisation, low employer commitment to job security, and job-based reward systems with unorganised labour (Braverman, 1974).

For example, Gereffi's study (1996) offers a critical analysis of commodity chains as one possible way for MNCs to locate their labour-intensive and low-value-added activities in developing countries to keep their costs down. In a similar vein, a study by Kenney *et al* (1998) found that the labour management practices of Japanese consumer electronic plants in Mexico differed in important ways from the system adopted in the plants in Japan. Whereas the latter were managed as learning environments, the employment environment (characterised by a high turnover of labour) and the nature of the production (producing mature, routinised products and components) in the former made them more like reproduction sites rather than learning factories.

Building on Gereffi (1996) and Kenney *et al*'s (1998) analysis, Wilkinson *et al*'s study (2001) of Japanese manufacturing plants in Japan and Malaysia found that the nature of work organisation and HRM characterising plants in different countries was heavily dependent on the position of each production unit in cross-national commodity chains. They argue that the nature of the product, the product market being served and, relatedly, the activities undertaken at the plant have a stronger influence on the work organisation and HR practices than the 'ownership logic' or host country cultures. In addition, they acknowledge that the local political and labour market characteristics may have a moderating influence.

Taylor (1999) argues that patterns of control of Japanese MNCs in China are complex and varied and that, while production appears to be highly 'Japanised', HR practices are mostly initiated by Chinese managers based on their own judgement. Taylor's study (2001) further revealed that Japanese MNCs did not pursue home country practices in their plants in China because of the significantly different employment conditions, workforce background, cultural variations and other differences in local

conditions. Taylor (2001) points out that the transfer of home country (Japanese) practices is not a prerequisite for successful operations in China. Instead of transfer, local managers, given a high degree of autonomy, are likely to 'seek to use fairly universalistic forms of common-sense management, experimenting, learning and copying in a seemingly strategic, but actually rather haphazard and eclectic, manner (as discussed by Watson and Harris, 1999)' (Taylor, 2001: 616).

This article intends to build on this critical set of literature on MNCs and globalisation and seek to explain the factors influencing the shaping of HR practices in the FDI plant in this study, particularly the role of the local managers. It is to the FDI company in China that we now turn.

FOREIGN DIRECT INVESTMENT IN CHINA

In the past 20 years the Chinese economy has increasingly become highly export-oriented, and since the mid-1990s the country has been the second-largest recipient of FDI worldwide (after the USA). This is largely due to two factors: investment incentives offered by the Chinese government and the country's abundance of cheap labour. It has been argued that the strong emphasis on foreign investment and foreign trade has been one of the key factors, if not *the* key factor, in the unusually rapid growth of the Chinese economy in recent years. Attracting FDI has been an important part of China's open-door economic policy since 1978.

During the past decade, China's employment pattern and economy have been characterised by the mass-scale downsizing of the state sectors and the fast-growing share of FDI companies and JVs in the country. According to China's official statistics, 26,140 project agreements were signed in 2001, with total capital of more than \$69 billion. Of these agreements, 19,106 were in manufacturing, with total capital of nearly \$49 billion (China Statistics Yearbook 2001 (2002)). Therefore, FDI firms and JVs in China are major employers that rely heavily on rural labourers, offering them non-standard (often in the form of temporary) employment on a large scale. As a result, the employment policies and practices of these firms have a strong bearing on reshaping the pool of human resources and the experience of work for a significant proportion of workers in China.

THE CASE STUDY

The research was carried out between September 2002 and March 2003. The case study approach was deployed with a primarily in-depth, semi-structured interview technique, supported by documentary analysis and other forms of publications in both the Chinese and English languages. A limited amount of observation also took place during site visits. Fieldwork on the case study firm, ToyCo, was carried out in China over a two-week period in October and November 2002. ToyCo is based in the Guangdong Province in the southern part of China, which attracts a significant number of FDI firms and substantial rural labour. ToyCo is a large, high-profile firm in the local economy that produces toys for export.

Access to ToyCo was negotiated through personal links with the local authorities that had extensive involvement with the company. Fourteen interviews were carried out in ToyCo. The director (a former state-owned enterprise engineer), personnel manager, operations manager and two other managers (all from mainland China) were interviewed. Two supervisors (promoted from the ranks) and seven workers were also interviewed. The workers came from three provinces, and three of them were from

rural backgrounds. Two workers were from skill grade A (the highest), three from Grade B and two from Grade C (the lowest). All the interviewees had been with ToyCo for at least two years at the time of the interviews. Sample company policy statements such as employment contracts and operational procedures, were collected, where they existed and if permitted.

In addition, four interviews were conducted with key personnel from the local Labour Bureau and the Labour and Social Insurance Bureau. These interviews helped to establish a picture of the FDI activities in the local area, characteristics of the local labour market, local government's policy and attitude towards FDI, and the extent to which local government has acted to enforce labour standards/regulations to protect the employment rights of workers.

ToyCo is one of five toy factories in five cities in Guangdong Province wholly owned by an American toy manufacturer (ToyCorp). ToyCorp is owned by four individual American partners. It established its first toy factory in China in 1982, and operates only in China. It employs more than 30,000 workers and is still expanding, setting up a new mould factory in 2002. ToyCorp has a small headquarters in Hong Kong to oversee the whole operation, although almost all the managers at the factories are hired from mainland China. ToyCo is one of ToyCorp's later and smaller factories, built in an industrial area on the outskirts of City D.

ToyCo was established in 1996, initially employing around 1,000 workers, with an investment of more than \$14.6 million. The early success of the trial site encouraged ToyCorp to expand its investment in City D, and by 1998 ToyCo had a new and expanded site with a full operating capacity of 9,000 workers. However, ToyCo's employment figures have fluctuated between 9,000 and 4,500 workers in the past two years, especially after '9/11' triggered a contraction of export demand from the United States.

ToyCo is one of 12 key enterprises in City D, and has won several awards from the municipal government for health and safety, environmental cleanliness, fire precaution and quality.

RESEARCH FINDINGS

Production

Production activities are carried out around the clock, with the majority of employees working fewer than 50 hours per week. Overtime is limited in general because there is no need for it. Products are mainly exported to the United States and Europe. According to the director, ToyCo deploys the most advanced production technology available, mainly imported from Japan, Germany and Taiwan. In fact, heavy investment in new production technology has been a key feature of ToyCorp since its appearance in China (and a requirement by the Chinese government for wholly foreign-owned firms). ToyCorp's strategy is to compete in the market through investment in high-tech production technology in order to keep up with the changing trends in electronic toys.

According to the operations manager, the management style adopted on the shopfloor is that of the 'Japanese model', characterised by comprehensive sets of workplace procedures and rules to govern behaviour, and an emphasis on quality improvement. Management techniques such as 5S and ISO 9000 are adopted. Innovation is encouraged and praised/awarded at all levels. This has led to a number of innovations in production techniques initiated by shopfloor workers and technicians to improve efficiency.

Governance structure and inter-factory relationships

Only three operations managers are from Hong Kong; the rest are from mainland China. While factory managers are given a great degree of autonomy in managing their business, ToyCorp's headquarters maintain control over financial issues. The Chinese managers have extensive knowledge of China's institutional and local policy orientations:

When they [the bosses] come to inspect our factory, they are not interested in listening to the details of what we do. They are only interested in whether we have met the target or not and what improvements we have made. They leave the details to us. *Director, ToyCo*

There is a lot of flexibility in the management of personnel issues from recruitment [and] pay to promotion. If it is found that a member of staff [has] been given a position lower than his/her ability and performance level, then this person can be promoted after a few months, and vice versa. Individuals can also speak to their managers to ask for a promotion and their case will be looked at. *Operations manager, ToyCo*

There are clear sets of rules and codes of conduct in most aspects of management in ToyCo. They are devised by the local ToyCo managers (the main driving force is the ToyCo director) and apply not only to shopfloor workers but also to all levels of management.

There is little competition between the five ToyCorp factories, since they all carry out different types of production work centrally allocated by the headquarters. There is communication among senior managers from different factories in the five cities. Exchange visits are made and good practices shared regularly. These are carried out on a voluntary basis among the managers themselves without any encouragement or intervention from headquarters.

Recruitment and training

ToyCo job vacancies are open to candidates from all over the country, although 90 per cent of the operational workers come from three adjacent provinces: Guangdong, Hunan and Sichuan. The latter two are much poorer than Guangdong, and their major export has been low-skilled and cheap labour to manufacturing firms and construction sites in, for example, Guangdong.

Each ToyCo department decides its own organisational structure, the number of posts and the skill levels required. It also specifies the type of candidates it wishes to recruit, by educational qualifications (minimum of junior secondary school), age (18-35) and sex, and passes on these requirements to the recruitment department.

All workers sign their employment contract with ToyCo, as required by the municipal Labour Bureau, which supplies broadly standardised contracts based on the specifications stipulated in the Labour Law of China (1995) for all firms. Employment contracts with the production workers in ToyCo are mostly for one year, renewable dependent on work availability.

Newly recruited workers go through a three-month training process during which they are paid 300 yuan (less than \$40) per month, about half of the average wage of a fully productive worker. About 70 per cent of the workers are women, mostly unmarried and in their twenties. The vast majority (if not all) of the sewing machine operators are female.

Grading structure and wage determination

Products in ToyCo are classified into three grades (A, B and C), based on the skill levels required to accomplish the production, with level A being the most difficult. Workers are allocated by their managers to production activities according to their skill level, which determines their level of pay. However, if there is insufficient work, those with higher-grade skills can be allocated to work in a lower grade at the lower grade's pay. The reverse can also be the case, although this does not happen often. Remuneration is based on piece rates. Work appears to be mainly repetitive and routine, with limited scope for job rotation or multi-tasking.

The average earnings of production workers are between 600 and 700 yuan (less than \$80) per month. To a certain extent, workers' earnings also depend on the ability of supervisors to win production orders from the production department for their group, and some orders are more profitable than others. This can be a source of discontent for the workers, as some supervisors are perceived to be less fair or competent. It is sometimes a source of dispute among different groups of workers. However, according to both managers and workers interviewed, wage levels at ToyCo are relatively high compared with what is on offer in other firms.

Strategy of labour flexibility

ToyCo uses a number of methods to adjust the variations in staffing level requirements as a result of fluctuations in production orders. Workers can be sent home for a prolonged 'holiday' (eg one or two months) during which they are not paid but remain employees of ToyCo. This takes place when the next order is not far away. Alternatively, workers are dismissed but their name will be retained 'on the book' of ToyCo, which will contact them when they are required. Workers 'on the book' will be given priority for re-employment over those who are new to ToyCo. Those whose employment contracts are terminated due to the lack of work are given one month's wage. 'On long holiday' is the phrase used to describe lay-off or dismissal. Usually, workers 'on long holiday' comprise volunteers and the slower workers selected by management.

Welfare provision

On the whole, there is an extensive range of workplace welfare provision in ToyCo – more than what many private companies and state-owned enterprises (SOEs) would provide. This is in part because the majority of workers come from other areas, and senior ToyCo managers want to create a 'home-like' living environment for them in order to maintain their motivation at work:

They are very young and their families are far away from them. So we need to provide a happy family environment for them so that they are less homesick. It is our responsibility as a company. *Welfare manager, ToyCo*

Dormitories are provided for shopfloor workers, and flats for managerial and clerical workers. The latter have a separate canteen that provides a better quality and variety of meals. There is also a large canteen for the shopfloor workers which is clean and spacious. ToyCo allows two catering contractors to operate on site. This, according to ToyCo's director, helps to keep prices down and to maintain the quality and variety of the menu. ToyCo also inspects the quality of the raw cooking ingredients regularly to ensure their freshness and hygiene.

Karaoke, a disco, library, TV room, basketball fields and other sports facilities are available for entertainment. Provincial newspapers are displayed on a panel to enable

workers to keep up with what is going on in their home towns. In addition, monthly birthday parties, an annual sightseeing day trip and an annual sports event are held for all to promote workforce morale. All these facilities and activities are free of charge. There is also a clinic, a post office and a small bank on site.

A special annual fund, known as 'Charcoal in the snow', is set up to help those workers (mainly from rural areas) whose families have experienced extreme financial hardship, often as a result of one or more family members being seriously ill. The fund makes up 2 per cent of the total wage bill, equivalent to the amount allocated to the trade union organisation, as required by the Trade Union Law (1953, amended 2001).

This range of welfare provision at work is considered by managers to be highly effective. As the production manager said: 'No one resigned from their work here, so they must be happy to stay'. However, workers interviewed disclosed that there were a small number of people who quit their jobs during the peak period because they could not stand the intensity of work, although this happened only occasionally.

Worker representation

Trade unions are not recognised at ToyCo (or, indeed, at ToyCorp); neither is there any formal channel for collective representation of the workforce. There are, however, official channels through which workers can express their concerns and discontent on an individual basis. More specifically, in the open area outside the workshops there is a line of postal boxes, each designated for one issue (for example, quality improvement and living conditions). Workers can post suggestions and/or complaints in these. In addition, there is a consultation day each month which provides an opportunity for individuals to speak to a manager face to face on any issues related to their work or lives. On a day-to-day basis, workers can speak to their supervisors or managers if they have any grievances or suggestions.

ToyCorp's enterprise culture

The enterprise culture that ToyCorp portrays is one characterised by a caring approach, discipline, quality, efficiency and reward of excellence. Its espoused corporate core values are 'honesty, excellence and harmony (getting on with people)'. ToyCorp adopts 'high motivation', 'clear goal', 'win-win thinking' and 'wide adoption of ideas' as its guiding principles for success. It holds an annual seminar entitled, 'I have an appointment with success'.

ToyCorp has set up evening classes to provide free basic educational training courses to improve the educational standards of its workers who are primarily from rural areas. Award ceremonies are held for those who finish their course, and outstanding performance is rewarded.

Since the majority of workers come from different geographical areas with varying traditions, and have to live and work together most of the time, it is inevitable that conflicts arise, often because of something trivial. This is especially the case during peak production periods when stress levels are relatively high. ToyCorp therefore provides courses for its workers to help them manage their emotions and solve conflicts, since 'getting on with people' is one of the organisation's core values. Harmony is the guidance for dealing with conflicts. This is in line with the Confucian legacy still prevalent in Chinese culture – an emphasis on social harmony and good manners (Crookes and Thomas, 1998).

ToyCorp has its own monthly newspaper, a high-quality broadsheet paper with a rich variety of educational and entertaining topics in addition to news from the five factories.

Influence in the local community

All ToyCorp factories are large enterprises and have a high-profile role in their local areas, not only in the economy but also in cultural life and management ideology. They carry out a range of high-profile activities and sponsorship events. They are considered to be modern and advanced; and, as model enterprises, they are often visited by provincial and municipal government officials. Many local organisations visit ToyCorp factories to adopt their management techniques and office layout. The company's employee handbooks are widely adopted by other organisations.

'ToyCorp culture' is frequently quoted by managers of local enterprises and city government officials as a role model to be followed, as the quotes below show:

ToyCo not only plays an important role in our local economy, but ToyCo culture also breathes fresh air into the local areas and opens people's eyes... ToyCorp provides healthy sports and entertainment activities for their workers to stop those young people going astray in their spare time.

Labour Bureau official, City D

ToyCorp has a clear management structure and everybody knows exactly what their role and responsibility is. This is what we should be learning from them, and we have incorporated a lot of their successful experience in our reform.

Hospital principal, from ToyCorp's monthly newspaper, July 2002

ToyCorp has so far donated more than 3.3 million yuan (about \$400,000) to build schools and set up student scholarships for outstanding students and students whose families are suffering hardship. It offers school places for the children of its non-local workers at the same rate as local schools' rates for local residents. In addition, ToyCorp has won several prizes from the provincial government of Guangdong Province for the contribution it has made in helping socially disadvantaged groups.

DISCUSSION

The above findings suggest that ToyCo has a mixture of HR practices that are by no means coherent. These are clearly influenced by a range of institutional and cultural factors which, arguably, have contributed to the incoherence of the package, as summarised in Table 1.

Sources of influence in ToyCo's HR practices

The HR practices adopted in ToyCo are a mixture of soft and hard HR techniques characterised by paternalism with Chinese characteristics, non-compliance with national labour regulations and managerial prerogatives that take advantage of the labour market and its role in the local community.

First, ToyCo's HR practices differ from those of the majority of domestic Chinese firms in that its management team has adopted a range of 'advanced practices' of 'Western' management techniques. This includes a selection of cultural management, employee involvement and quality-related initiatives. Although many domestic firms are beginning to look to such techniques as a way to improve the performance of their enterprises, ToyCo appears to be ahead of the game and is seen as one of the city's 'model firms'. The myth of 'Western' practices will be discussed further in the conclusion.

TABLE 1 *Characteristics of HR and employment practices of ToyCo*

Sources of influences	Characteristics of HR and employment practices
<i>Western management techniques</i>	<p><i>Adoption of 'best practices' as advanced management techniques</i></p> <ul style="list-style-type: none"> ● 'ToyCo culture' ● ISO 9000 and 14000 accreditations ● 5S (Sort, set in order, shine, standardise and sustain) shopfloor management ● Quality circle ● Continuous improvement ● Employee involvement/suggestion schemes ● Teamworking ● Devolution of responsibility to line management ● Comprehensive employee code of practice handbooks
<i>Company's role in local community and economy</i>	<p><i>'Model company' initiatives</i></p> <ul style="list-style-type: none"> ● Sponsoring and organising employee participation in regional competitions in the arts, sports and theatrical performance
<i>National culture</i>	<p><i>Paternalistic but autocratic, typical of state-owned organisations</i></p> <ul style="list-style-type: none"> ● Continuous education to improve workers' educational level ● Extensive employee care and welfare provisions ● Company newspaper with Chinese style
<i>National legal framework</i>	<p><i>Observation of labour regulations</i></p> <ul style="list-style-type: none"> ● Signing employment contracts ● Observation of working time regulations ● Health and safety environment
<i>Managerial prerogatives</i>	<p><i>Opportunistic behaviour typical of private firms in China</i></p> <ul style="list-style-type: none"> ● No union recognition ● Non-observation of labour regulations (eg not buying five types of labour insurance for workers) ● Laying off workers to match production needs

Secondly, ToyCo's HR practices display strong paternalism with Chinese characteristics, especially in its employee welfare and care arrangements. For example, the 'Charcoal in the snow' initiative, local entertainment shows, canteen and housing are all typical activities that could be found in large SOEs at a time when state intervention was high (Cooke, 2000). As an FDI corporation, ToyCorp's employee care practices are amazingly paternalistic. If anything, while many SOEs have scaled back the extent of welfare provision to their workforce, ToyCorp is still providing the same level of welfare provision – so much so that a ToyCorp factory is like a miniature society where one can 'live conveniently without having to step out of the factory for anything' (*Director, ToyCo*).

Similarly, the night school education provided by ToyCo to its employees from rural areas is very much in line with the state initiative in the early 1980s when all young workers (below the age of 35) who had received little proper education during the Cultural Revolution were required to undertake courses and sit exams organised by their SOE employers in order to raise the educational level of the workforce (Cooke, 2004).

Thirdly, there are also strong elements of managerial prerogatives and opportunistic behaviour in ToyCo's HR practices that are often to the disadvantage of workers. More specifically, there is no trade union recognition or alternative form of collective employee representation. Wage levels and work organisation are unilaterally determined by management rather than through collective bargaining or employee consultation. This is despite the amendment of the Trade Union Law of China in 2001, which aims to provide a level of legal protection to workers in the rapidly expanding private sector (Cooke, 2003). In addition, while the Labour Law of China (1995) specifically requires employers to make contributions to five social insurance funds for their employees (Warner, 1996, 1999), none of these schemes is in place in ToyCo, although a pension scheme was tried for 18 months and subsequently dropped because of its high cost. This lack of employee representation and non-compliance with labour regulations are often found in private and foreign firms in China (Cooke and Rubery, 2002). Although ToyCo has observed certain requirements of the labour regulations, such as signing employment contracts, restriction of overtime to prevent prolonged work hours, and health and safety compliance, these observations are arguably less costly to implement and are to the benefit of the company (being seen as a good employer by the local authority).

Incoherence of HR practices

There are certain tensions in ToyCo's HR practices that are not only characteristic of Chinese culture – although, arguably, these features are shared in Western societies – but are also not conducive to eliciting employee commitment.

First, the welfare system in ToyCo (for example, canteen and housing accommodation) is of a two-tier nature based on the urban-rural divide as much as on the management-worker (office-shopfloor) divide, because administrative workers are mostly urban citizens. There is a sharp difference in the accommodation provided for managerial, technical and administrative staff and for the remaining (predominantly rural) production workers. While the former enjoy multi-room flats to house their families, the latter have to share a bedroom with 12 co-workers. This represents a deep-rooted class inequality typical of China as a result of its discriminatory administrative policy which has for years disadvantaged the rural population (Cooke and Rubery, 2002) and continues to reinforce the segmentation of the labour force and the urban-rural divide. While providing housing benefit to urban workers is seen as a 'paternalistic'

gesture from the employer, seeking to 'care for' them and their families, providing accommodation to the shopfloor workers on site is designed principally to capture single migrant workers for short periods in order to maximise the utilisation of labour services (Smith and Ngai, 2003) and to facilitate the administrative control of migrant workers from local labour authorities. No harmonisation is intended by ToyCo.

Secondly, ToyCo's patronage and extensive workplace welfare (the soft aspects of its HRM) for its production workers appear to sit paradoxically alongside the use of the Taylorist work system, characterised by repetitive work, low skill levels, low pay contingent to production needs, employment insecurity, absence of collective representation and non-observation of labour rights. Essentially, the soft elements of HRM were introduced to soften the hardness of hard HRM in order to maximise productivity. As the director of ToyCo said, 'We aim to create a happy family atmosphere for them to reduce their homesickness so that they can concentrate on their work'.

Thirdly, ToyCo's paternalism is of an autocratic style typical of Chinese society, in which a top-down approach is deployed, managers speak like parents and decisions may be implemented by coercion. For example, when ToyCo was applying for ISO 9000 accreditation (awarded in 1999), 'everybody up and down the factory was involved. All workers were required to contribute to this important achievement for the company. It is the company's pride and their glory' (*Director, ToyCo*). Management sees from a unitarist perspective that if it is good for the firm, then it is good for everybody associated with the firm. Therefore, everybody must pull their weight towards achieving this goal, if not by willingness, then by coercion. This is confirmed by the workers interviewed. One said:

When the company was applying for the [ISO 9000] accreditation, we were all given the documents to memorise in the evening when we finished work. We went through the training sessions and team briefings with the managers after work. Everybody has to be checked by the managers that we know the stuff, otherwise we would be shouted at by the managers and have to go through the training again.

Operator A, ToyCo

The unique mixture of ToyCo's HR practices and the paradox exhibited in the system suggests that the factory falls neither into the category of good MNCs and JVs (which are considered to have good HR practices in comparison with domestic Chinese firms) nor into the band classified as sweatshops, even though that is clearly a route that ToyCo could take. What, then, are the management and employee perceptions of ToyCo's management approach, and how do they respond to it?

Management attitude towards the management approach

There are two attitudes among managers towards the management approach (high level of autonomy in decision-making and clear codes of conduct) adopted by ToyCo. The first group of managers, who are predominantly ex-managers from SOEs, find the rules too strict and their workload too intense. In other words, they are not used to rules being applied to them and having to work such hours. As one said:

It is ridiculous that we have to record all the details of our attendance.
There is no freedom at all in your movement.

The second group of managers are the enterprise's 'key managers', who are relatively young and talented, as summarised by the director of ToyCo:

They like the management approach here very much because they can use their talent and initiatives. We only focus on the outcome and not the process here. As soon as they have a problem, they must raise it with senior management and come up with a plan for it. Whether the plan is approved or not is another matter, but they must raise the issue.

This group of managers believes that the management style of ToyCo is more 'advanced' than that of the SOEs. It is also this group's ambition to be seen as successful that pushes ToyCo to adopt international standards and which has resulted in a modern shopfloor and infrastructure.

Workers' response to the management approach

According to the managers interviewed, it is a very difficult task to try to implement any advanced management techniques or to bond the company with the workers because:

They [workers in ToyCo] have low levels of educational qualifications, they are unaware of what is going on, and they are not interested in what is happening in the factory or in society either... They have no comparison [between ToyCo and other companies] to see how much better it is here, and they haven't got any thoughts [about the management of the company]. All they want is to come and do their work and then go home and forget about everything until tomorrow. *Operations manager, ToyCo*

The operations manager's view is supported by that of the workers interviewed. When asked about the use of the panel where the newspapers are displayed, for example, one worker said:

Some people use it, but I never bother to go and read the papers.

Operator A, ToyCo

What workers seem to be concerned about is their living conditions. Most interviewed were content with welfare provision by ToyCo, especially the living environment and the canteen:

The welfare is quite good in this place by local standards, although things could always be better.

Operator B, ToyCo

They are less keen on management initiatives, as they fail to see the relevance to their lives. Below are some of the interview clips that show their indifference:

Interviewer: Do you use the suggestion scheme box?

No, never... Maybe other people have used it, but I never have.

Why not?

Don't know, just didn't.

Do you know if many people use the box to express their thoughts?

I have no idea. I don't use it anyway.

Do your friends use it?

No, they don't. Not that I am aware of.

Operator C, ToyCo

What do you think of the ISO 9000 award that your company has won?

Nothing much. The management wanted it. It was supposed to be good for the company, so we had to recite all the content after work so that we could pass.

Are you proud that the company has got it?

Not really. It doesn't make any difference to us. Most of us just want to come and do the job and then finish.

Operator D, ToyCo

It seems that ToyCo management has a long way to go to win the commitment of its workforce. There appears to be a huge gap between what management expects from the workforce and how the workers perceive their role in the factory beyond their immediate production tasks. As the personnel manager said:

We as a company are trying very hard to look after them [the workers], but they just don't seem to appreciate this and motivate themselves to do better for the company and for themselves. They are just content to settle with the way their life is.

Although there is a strong espoused culture in ToyCo and ToyCorp, employees may be compliant to it rather than committed to it. While most workers interviewed said that the senior managers of ToyCo were good, fair and responded to suggestions and comments, they failed to show enthusiasm or commitment to the company's goals other than complying with instructions. This finding is similar to that of Taylor's study (2001: 606) of the Japanese MNCs in China, in which he found that there was a general 'lack of collective belief' among workers in any form of association with the company beyond the wage-labour exchange. Much of the commitment of the workforce was focused on receiving extrinsic rewards with little acceptance of the rhetoric of Japanese management familism. This focus on extrinsic reward may be largely an outcome of the absence of intrinsic value in the way work is organised and employment structured in these types of manufacturing plants that are essentially set up to exploit cheap rural migrant labour – so much so that the extensive employee welfare provisions serve only to improve the hygiene factors of the workplace.

In ToyCo, the workers' indifference is perhaps not an outcome of lack of trust in the management, but more to do with their general indifference to things around them, as all the evidence collected in the fieldwork suggests that there is a relatively high level of trust and openness between management and workers – or, at least, that is what management is trying to foster. As one worker revealed:

In general, this company is better than the other [ToyCorp] factories in the Pearl River Delta Area because there is a lot of freedom here. When I was working in one of the factories in the Pearl River Delta Area, we needed to have our handbags checked at the factory gate and our body searched. Here we only have our handbags checked but no need for a body search. The factory gate is wide open at working hours and only closes at midnight... Some of the laid-off workers from this factory went to work in the ones in the Pearl River Delta Area and found it too hard, because they are a lot more strict there and work is far more intensive.

Operator C, ToyCo

Limited promotion or career prospects, short employment contracts and job insecurity may also have played an important role in the reduced commitment of the workers. The transient nature of the labour force (predominantly young women prior to marriage) may further reduce any incentives for the workers to establish a closer bond with the company. This is despite the fact that ToyCo workers are apparently proud to be seen publicly as working for the company. It has been argued that the prestige and distinctiveness of the organisation serve to enhance an individual's self-

esteem and lead to identification with the organisation (Brown, 1969; Buchanan, 1974; Ashforth and Mael, 1989; Mael and Ashforth, 1992; Benkhoff, 1997). According to Mael and Ashforth (1992), the more prestigious the organisation is, the greater the potential to boost self-esteem. The prestige and distinctiveness of ToyCo have undoubtedly generated pride in company membership among the workforce and a positive attitude towards the company and its top management. Organisational prestige and distinctiveness depend to some extent on how the company is viewed in society at large (Dutton *et al.*, 1994) and how it is 'managed' by the organisation. ToyCo – and, indeed, ToyCorp – appears to have managed its image extremely well, both internally and externally through in-house 'media' and sponsorship of a broad range of activities in the local community. However, for some employees, this organisational identity has not been successfully translated into higher motivation for work or stronger commitment to the firm.

Another reason for this limited motivation and commitment may be the lack of supervisory support. Yoon *et al.* (1994) noted that supervisory support has been shown to have a more positive effect on organisational commitment than peer employee support. Having the support of one's immediate supervisor also contributes significantly to identification with the local company. However, promoting a sense of support and appreciation of superiors may not be easily managed. This is because the relationship one has with an immediate superior rests to a large extent on day-to-day interpersonal dynamics. In ToyCo, most of the first-line supervisors were promoted from the shopfloor, and their leadership and interpersonal skills have yet to be developed. In fact, the lack of ability of the supervisors to win work for the group has been a source of grievance, as discussed earlier.

CONCLUSION

This article has provided a detailed account of the HR practices of a large, wholly foreign-owned toy manufacturing company in China which employs predominantly rural women workers. It has argued that an organisation's HR practices are influenced by a range of institutional and cultural factors both at the national and organisational level, and that not all FDI manufacturing firms operate in sweatshop mode even if they have the opportunities to do so. In addition, the HR practices of an FDI company may not be radically different from, or better than, those of domestic Chinese firms, as some authors suggest. Instead, management may be subjected to various sources of influence in their choice of HR practices: consequently, these may reflect both Western and Chinese characteristics, and are not necessarily coherent.

This study has found that ToyCo has adopted some good practices from SOEs (for example, extensive workers' welfare and a paternalistic culture) and advanced Western management techniques. It has also adopted some bad practices for which the private sector in China is notorious – those of non-union recognition and non-compliance with labour regulations. To a large extent, this mixed package of HR and employment practices (*see* Table 1) can be explained by the following factors.

First, MNCs may not have the interest to transfer their home country HR practices to their plants in the host countries, and the (local) management team may be essential in shaping management practices. The fact that most of the managers in ToyCo come from ex-SOEs in China (and are, therefore, used to a welfare-type policy), and that they have been given a high level of autonomy by their foreign bosses to manage the operations, may explain the relatively high level of paternalism adopted in the workplace. ToyCo's management also have the additional freedom to adopt localised practices because,

with the corporation operating in China only, they do not have a Western establishment whose HR practices they can/have to adopt for convergence or synergy.

Many of ToyCo's management practices are by no means as novel as those of FDI companies. Instead, they are very similar to those of the Alpha plant that produces Adidas shoes in the Frenkel and Scott study (2002). Frenkel and Scott observe that clear ownership and governance structure, combined with a greater level of management competence, are the main reasons why Alpha's management system was much better than that of the other plant they studied – Beta, which also manufactured Adidas shoes.

Similarly, Taylor's study (2001) reveals that there is a relatively high level of pragmatism in the Japanese managers' decision-making about whether to adopt Japanese practices or not in the Japanese MNC plants in China. Chinese managers may be given the power to formulate their HR practices where localisation is seen to have strategic advantage. More so, managers seek to use a variety of local and 'universal' strategies and practices to control and utilise labour within the constraints of the local institutional context (Taylor, 1999). These findings support the argument here that managers play an important role in shaping management practices, and the ToyCo managers have the additional freedom to do so. Indigenous models of leadership appear to have become more common among MNCs and JVs in China in recent years, largely due to the fact that many expatriate-based management systems have failed to take root and have caused local resentment and resistance (Cooke, 2002; Legewie, 2002).

It has been argued that managers are not merely passive agents employed to fulfil the imperatives of capitalism. They are 'typically and even obsessively concerned about their individual performance, job security and career prospect', and this existential concern to secure a stable and acceptable sense of self-identity often mediates the way organisations' policies are shaped and implemented (Willmott, 1997: 1347). As Taylor (2001) observes, Chinese managers are eager to learn some supposedly advanced modern management techniques, even if it is merely to enhance their career prospects.

In ToyCo senior managers are relatively young, ambitious, innovative and proactive in adopting what are perceived to be advanced technology and management techniques from the international arena. To some degree, the image-building of ToyCo may be used by managers to fulfil their personal ambitions. This is perhaps in part because the discourse of modernity carries much disciplinary power in China these days, and those who do not act or speak of adopting advanced (Western) practices are deemed backward and outdated. They are able to borrow Western management notions and reinterpret them with Chinese meanings in the configuration of ToyCo's management practice. For example, while the concept of cultural management ('ToyCo culture') comes from the Western management philosophy, the actual contents of the 'cultural package' are typically Chinese, such as looking after the workers' families, participating in local contests and organising holiday trips. As Chan (1995) observed, many so-called 'Japanese management techniques' adopted by Chinese enterprises, such as morning briefings, had existed in China before. Similarly, Taylor's study (2001) of Japanese MNCs in China found that practices that were supposed to be Japanese-inspired were, in fact, often informed by local practices. This begs the question of whether the notion of 'advanced Western management techniques' is a misguided perception in China or whether reforming managers are merely using this misperception as a guise to force through changes they want to make.

Secondly, the local government has played an important role in promoting and endorsing ToyCo's management practices. On the one hand, ToyCo is treated by the

municipal government as a high-profile 'model' company in the city; there is, therefore, a certain amount of incentive or implicit pressure for it to implement progressive HR practices (eg health and safety and an extensive employee care programme) in order to defend and enhance that reputation. On the other hand, this may not be all that difficult for ToyCo. Since all local government now has the important task of attracting foreign investment, government officials are keen to help FDI firms in any way they can, from favourable financial policies, positive media coverage and high-profile propaganda to tolerance of the violation of labour rights. Indeed, overseas Chinese investors have been accused of exploiting widespread variation in the provincial implementation of national laws and bypassing labour regulations, assisted by local authorities (Smith and Ngai, 2003). Many partners in JVs are local government agencies or affiliates which believe that if laws are enforced FDI companies may move to where they have more scope for profit and operational freedom. As Frenkel and Peetz (1998) have noted, this 'state-employer bipartism' serves to prevent effective worker representation emerging, and provides MNCs with union-free deals with local authorities in exchange for investment.

What ToyCo has done in terms of the labour regulations is to implement the elements that are less costly, both financially and administratively, such as signing employment contracts and to ignore the more costly aspects, such as contributions to employee welfare insurance or union recognition. This harsh reality is then glossed over with extensive 'employee care' initiatives and community sponsorship. While ToyCorp has committed substantial (financial) resources to these activities, this is arguably cheaper and has a more glamorous effect than instituting an HR policy that requires long-term commitment and significant resources.

In summary, this article has argued that FDI firms in China operate in a very complex environment and that a more nuanced approach is required in order to gain a more measured understanding of their adoption of HR practices. While MNCs managed by expatriates may adopt HR practices that are characterised as non-Chinese (as many quantitative-oriented studies have reported), FDI companies managed by indigenous managers – as is increasingly the trend – may display more Chinese features than have been recognised. Similarly, FDI organisations operating at the upper end of the market and managed by younger Chinese managers may have more opportunities to adopt good HR practices, whereas subcontracting FDI firms run by their owner-managers (from Hong Kong, Macao or Taiwan) may lean towards the Tayloristic system, as is evidenced in Smith and Ngai's (2003) comparative study of their Shanghai (upper end, Chinese managers) and Shenzhen (subcontracting, Hong Kong owner-manager) cases – although care must be taken not to make sweeping generalisations.

This study shows that although there are many management prerogatives in ToyCo that enable the company to drive labour standards down, senior managers seem to be aware of the desired effect of soft HR practices raising productivity, and make certain efforts to maximise that. While anecdotal reports of sweatshops are common and widespread in the academic and social movement-NGO literature, this exploratory study suggests that not all FDI manufacturing firms fall neatly into one or the other category.

This article also argues that a broader theoretical framework including the critical literature on MNCs and globalisation should be used to make sense of the HR practices of MNCs in China in addition to the convergence and divergence debate in the mainstream international HR literature. The organisational configuration of FDI firms in China is complex, which is reflected in different forms of adaptation, compromise and interpretation of management practices. It is therefore important that we go

beyond the (quantitative) finding of what practices are and how they differ from home country or domestic firms to investigate why their HR practices are the way they are, the role of the managers in shaping them, and if they really depart from Chinese practices in significant ways.

Finally, this study has a number of implications for MNCs and practitioners. First, the local institutional and cultural context is important in influencing HR practices, and the transfer of home country HR practices to China may be difficult and/or undesirable. Secondly, operational managers play an important role in the configuration and implementation of HR practices, and it is essential for MNCs to select and recruit the 'right' type of managers who will champion the MNC's business strategy. It is also important to understand the mindset and personal aspirations of these managers, and to accommodate those. Thirdly, it is essential to provide training to develop managerial skills for line managers and supervisors who are promoted from the shopfloor, because the effectiveness of their leadership has a strong bearing on the motivation and satisfaction of those under their command. More generally, Chinese workers have often been criticised by their managers in JVs, foreign and domestic private firms for the lack of motivation and pride in their work and little interest shown in advancing themselves. Therefore, a central task for HRM is to change the behavioural patterns of workers, to make them more motivated, to make them take greater ownership of and responsibility for their own work, and to take greater pride in their organisation.

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