



# Kobe Gakuin University East Asian Industry and Economy Research Center *News Letter*

Vol. 1 No. 4 (July 2005)

# ERC

East Asia Industry and  
Economic Research Center

518 Arise, Ikawadani-cho, Nishi-ku, Kobe 651-2180 TEL +81-(0)78-974-4829 FAX +81-(0)78-974-5856

E-mail : asia@eb.kobegakuin.ac.jp  
http : //www.erc-kobegakuin.prg

## Contents

Message from the New Director .....	1	Miscellaneous Thoughts on Vietnam .....	10
Public Seminar "Human Resource Development in China" .....	2	Activity Report Released .....	12
Current State of Human Resource Development in Shanghai .....	2	Current Year Internships in Thailand .....	12
		2005 Kobe Seminar .....	12

## Message from the New Director

I have been appointed to take over the chairmanship of the outgoing Takashi *SEKI*. I myself have been active at the East Asian Industry and Economy Research Center as the representative of Project 1 (Transfer of Technology and Personnel Training) of the Open Research program and what I have been doing with that research until now will not change because of this new job. In fact, it will only deepen. Yet, now that I have become the face of this organization as its chairman, I feel a serious responsibility to interact with people on the outside and, to be honest, I am bracing myself for the task.

Because of strong investment demand, the Japanese economy has since the middle of 2003 been returning to the growth track from the slump triggered by the bursting of Japan's 1990s economic bubble. Looked from a micro perspective, it appears evident that Japanese businesses are freeing themselves from a phase of almost masochistic "self-condemnation", and are rediscovering their "confidence" and "vitality". What this means is that East Asia, which includes China and Thailand, the Japanese economy and the circumstances surrounding Japanese businesses everywhere are increasingly important on the one hand, yet there is no predicting their development on the other.

Given the situation, I sense that our research activities into "human resource development and international divisions of labor concerning local businesses and Japanese businesses making inroads into East Asia" have come to yet another set of stairs. Last year, we published an "Activity Report" of research findings with the open research support of the Ministry of Education, Culture, Sports, Science and Technology, but I would like us to revisit these results and, at the same time, seek further academic achievements.

Some of our research is done by talking with businesses and conceptually analyzing the content. In that sense, we consider the cooperation that these businesses provide us an asset second to none. I ask for your continued understanding and support of our research activities, as well as your guidance and encouragement.

April 2005

**Megumi NAKAMURA**  
Professor, Faculty of Economics  
Director, East Asian Industry and Economy Research Center



## Public Seminar

# “Human Resource Development in China”

Sponsored by The East Asian Industry and Economy Research Center

Date/Time... March 29 (Tue.), 2005/13:00 ~

Place: No.11 Bldg., Conference Room, Kobe Gakuin University

### Program

1. Messages ... 13:00 ~ 13:10

2. Presentation ... 13:10 ~ 14:10

Theme: Current State of Human Resource Development in Shanghai

Presenter: *SHI* Quin, Principal of High Field Japanese Language School, Advisor to Est Consulting

3. Panel Discussion ... 14:20 ~ 15:20

Moderator: Megumi *NAKAMURA*, Professor of Faculty of Economics,

Kobe Gakuin University; Director, East Asian Industry and Economy Research Center

Panelists: *SHI* Quin

Yasumasa *TAKEJI*, Professor of East Asian Industry and Economy Research Center,  
Faculty of Economics, Kobe Gakuin University

Kai *KAJITANI*, Associate professor of East Asian Industry and Economy Research Center,  
Faculty of Economics, Kobe Gakuin University

4. Social ... 15:30 ~ 16:30 Talk with *SHI* Quin

---

## Current State of Human Resource Development in Shanghai

*SHI* Quin, Principal of High Field Japanese Language School, Advisor to Est Consulting

---

### Moderator

*SHI* Quin teaches Chinese to Japanese businesspeople and provides a broad range of consulting services that reach from personnel to production management. He knows much about the current state of human resources in Shanghai. Today, he will be talking about what he has seen and heard in these activities, his thoughts and the current state of human resource development in Shanghai. Following that, *SHI* Quin will field questions.

### *SHI* Quin

Good afternoon. I am *SHI* Quin. I am very happy to meet everyone today and talk about the current situation in China. Some big events will soon be staged in China with the Olympics in Beijing in 2008 and the World Expo in Shanghai in 2010. After the first investment boom of 1990, a second boom occurred in 1998. And, come the 21st century, there was yet a third China market boom. Of the many

things Chinese today, eyes are on Shanghai as an economic city. I am very grateful to the East Asian Industry and Economy Research Center of Kobe Gakuin University for staging this symposium and providing me with this opportunity to speak about the current situation in Shanghai. I will be speaking candidly about human resource development at present in China and Shanghai.

Since studying in Osaka in 1990, I worked in Osaka until 2000. My job was investment in China. I was in university during the peak of Japan's economic bubble and I saw it burst by the time I graduated. I saw the legend fall part. I was here for the Hanshin-Awaji Earthquake struck in 1995. I have seen with my own eyes Japanese society and especially Osaka go through some drastic changes. In 2000, I returned to Shanghai and started a consulting business focused on human resources. Last April, I created a Japanese language school in the company. I originally wanted to create a school for developing ready fighting power and not just Japanese,

but after opening the school, language became the focus. We started with Chinese and Japanese.

The other day, I heard this from a personnel manager for a top Western manufacturer. There was a Ms. *CHIN* in their production department. She was very skilled and hoping to be transferred to marketing. But, Ms. *CHIN* was vital to the production department. The company had 1,800 workers, but if Ms. *CHIN* were to be transferred, production could not be maintained. She was so important that her absence could paralyze the company. The production department was troubled by her wanting to go into marketing and did not want to let go of her, therefore they denied her request for transfer. But, marketing wanted her, too, and was not going to give her up. About that time, two subordinates of Ms. *CHIN* requested a transfer to marketing. Neither the production department nor the marketing department was willing to give up. So, what do you think the company did? What would you have done if you were the personnel manager for this company? Ms. *CHIN* wanted to go to marketing. The production department did not want to let her go. The marketing department manager definitely wanted her to come. If it were up to you would you have let her go or not? It's a tough call. I think it would have caused anyone headaches. Ms. *CHIN* was thinking about her career and she wanted to work in marketing. In the end, the company respected her wishes and transferred her to marketing. The troubled production department quickly started looking for a manager.

This company interviews individuals when they join the company and draws up a career development plan for them. They plan which department the individual wants to be in after one year, what kind of person he/she wants to be after two years and which section manager he/she wants to be after three years. Ms. *CHIN* wrote that she wanted to go to the marketing department. The company did not prioritize the production department's position that they would be troubled without her; instead, they respected her personal wishes. She may be considered egoistic at a Japanese company or a state-run company in China. But, this western company respected her and trusted her.

This kind of company is popular in Shanghai. It respects the individual. There is the proverb "when in Rome, do as the Romans". The Chinese people are like Americans. They can be called egoists, but they are very individualistic. That is the situation today in China. Let us take a look at the list of companies that college grads want to join the most. How many Japanese companies are there in the top twenty? How many are there in the top fifty? You might think that large electric manufacturers like Sharp would be in there, but unfortunately there is not even a single company in the top ten picks. I, too, am saddened by this. I was hoping more Japanese companies would be in there.

Looking at this list, you see that there is an overwhelming number of western companies. The highest ranking company is Sony at No. 20. Sony airs their commercials across all of China. Judging by these commercials, Sony seems very fashionable and has a free corporate atmosphere. That is what people want. A company like that should let one apply his/her abilities freely. The next Japanese company is Honda at No. 44. The next is Matsushita at No. 46. In 44th, Honda had improved its image with stunning commercials. With Matsushita at No. 46, it seems as though the Panasonic brand image is stronger than the company itself. Panasonic's beloved washing machines are popular with women. If you ask someone something about Matsushita, they will reply "What's Matsushita?" Matsushita reads as "Sonshia" in Chinese; you never hear it called "Matsushita". Panasonic is like the English known as "Panasonic". This name has a western image.

The reason why western companies are popular is because they respect individualism. Sony ranked No. 20, but their top manager is British. Seeing that he is British, I would image that you can speak freely to him and express your opinion. This does not mean that graduates dislike Japanese companies; they simply think about themselves first. What human resources does China need today? Rather than the coprosperity and coexistence of Japan, students are thinking about how far they can develop and what they can master in such and such a company. They emphasize how far they take their careers. Western companies place importance on individual development and emphasize personnel training, whereas Japanese companies tend to recognize people that work as a team to do something that was determined by company rules.

China has a proverb similar to one in Japan, "Forwardness will cause trouble." If someone says "I want to do this" or "I want that", the people around might think "Just who does he think he is?" When I was in Osaka in 1990, Fuji Film caught everyone's attention in China. When I returned to China in 1993, Fuji Film was popular. According to data, Fuji Film occupied 85% of the Chinese market in 1993. In the 1990s, Japan's home appliances had a good image. Imports of Japanese home appliances were popular. Fuji Film comes out bright and beautiful. Kodak film is slightly dark. At the time, no one would have ever thought that Fuji Film would loose out to Kodak. Chinese people like bright colors. Kodak is a little dark. But, in 2000, things changed greatly. Kodak grew to a 75% share. You could say that the Chinese sense of beauty changed. Chinese people today think a little dark is good, so Kodak is good.

Companies have sales strategies, but what is important is that they do not have personnel strategies. People make the difference between success and failure. It is the same everywhere. In Fuji Film's case, they had 30 Japanese executives up until 2002. Every section has a

Japanese manager. What happened with local staff? Everyday, they wrote bulletins and made reports. The truth of the matter is that they emphasize the process of the job. "This person is serious-minded; he is doing a good job." But, at Kodak, only top management comes from the West. Local staff is involved with sales promotion from the planning stages. As, in sales, "they can use any means available to make their quotas", so they are very free. They emphasize results. Fuji film gets angry if someone misses work, whereas Kodak does not mind if you take a day off as long as you make your quota. They have penalties for those who do not make their quotas. Fuji Film doesn't have such a system. It suffices to look like you are working hard.

I have actually spoken to salespeople from each Fuji Film and Kodak. When talking with a salesperson from Fuji Film, I felt like I was talking to someone from a state-run company of some ten years ago. It was like, "The more you do, the more mistakes you make, therefore not doing anything lessens the number of mistakes. Also, because it is all about teamwork, I myself cannot be blamed." The human resources at both Fuji Film and Kodak are excellent. It's not that Fuji Film has unskilled people. It all depends on company strategy. When talking with Kodak people, I found out that some people go to work at 10:00. However, they go selling in the evening. They are very willing to work even without overtime pay.

Big issues today are the loss of desire and how to stimulate desire. China basically believes in individualism. Even though we look like Japanese, our culture and way of thinking are completely different. I felt this for myself when working in Japan. They say that "if you can speak Japanese, then you can understand the culture", but it was very hard for me. I was not born or raised here, so my culture is different. Our level of understanding is different, too. It is difficult to ask for understanding. Basically, when a Japanese person goes to China, the Japanese company should go on the pretext that "we are a multinational corporation that happens to have its headquarters in Japan and decided to move into China." You simply cannot push the precept of "Japanese companies being good". Our national identities differ. No matter how well one speaks the language, it is all meaningless unless you understand the culture of the country. On the contrary, it is OK not to speak perfectly. As long as you know Chinese culture, things will go smoothly.

The most popular company in 2005 was a home appliance manufacturer named Haier. It is not a foreign company. You may not have noticed, but their electric products are imported to Japan. They were originally a state-run company in the northeastern part of China and were going to be dissolved, but they were privatized instead. One of their ideas is to do business not just in China but also around the world. And, the people who work there may not seem like quality

human resources to the eye, but each one of them has a dream. There is he who wants to dominate the European market, he who wants to dominate the Japanese market and he who wants to visit the West. Everyone has a dream. And, they share a common dream of "becoming a company of the world rather than being recognized as a Chinese company." I believe the government of China implemented some incentive measures, but basically human resources concentrate in places like this.

I think you all know who P & G is. Several times more shampoo and rinse are being bought from P & G in China than in Japan. In China, a company name like P & G is known. They advertise using the same name for the company and products. People of my parents generation may not know them, but ask anyone in their 30s, 20s or teens and they'll tell you P & G is a fantastic company. In Japan, there is a company named Kao and it is well-known in Japan. But, in China, only one in every ten people will know what Kao is. And, this one person will have some kind of involvement with Japan. If you say "JIE BA" instead of Attack, people understand. Kao (Fanfun) is not a known name. Kao is not doing well. Though Attack offers strong cleaning power, if you look inside Kao, you discover the same thing as at Fuji Film; there are many Japanese executives. They all get transferred every two or three years. Since they return to the head office in two years, they do their best to maintain the status quo rather than attack the Chinese market. They are being protective. If someone came to China as a department manager, he would want to protect his position. These people are more interested in protecting their positions than figuring out what sort of strategy would help them acquire market share. I believe Kao has improved considerably, however.

Next month starts the motor show in Shanghai. Up until now, the motor show in Beijing stole the attention. Because of SARS, the motor show in Shanghai lasted only three days. This year, it will go from April 21 to 28. Japan's major automobile manufacturers used an advertising company to ask Est Consulting for a personnel manager. The personnel department had three departments: models, escorts and local staff. Let me talk about escorts.

Unlike Japan, China has few companies specialized in escorts. And, those that do exist cannot be considered professional; many are just individuals. To find ten persons, we interviewed fifty people. We took photographs of the face, profile and torso. The Chinese were against this. They claimed that these photos were treating them the same as criminals. We had to explain that the Japanese company had requested the photos before they were convinced. We sent the pictures to Japan. The Japanese side then selected and interviewed twenty. Of the twenty, ten were given contracts.

They say China is a contract-based society. It was a real contract.

It was equally fair to the company and the individual with, for example, the conditions for not being able to participate. Absences were penalized. If one were ill, it couldn't be helped. There were conditions like that. In March this year, I contacted the women so as to get their uniforms. I needed to ask their sizes and all. When I did that, three of them said they could not do the job. These three persons had signed a contract. We told them to contact us if they could not participate and confirmed it with them several times to ensure their participation before signing, yet they told me "I cannot go."

China's labor laws protect the workers. I tried talking to the women. To one of them, I said, "If you are not satisfied with the pay, we will raise it. How much would make you happy?" She said, "It's not the money that bothers me. I have another job during this time." So, I said, "What do they pay you for the other job? We will pay that." Then, she said, "It's not that. I cannot stand up for ten days straight." I have conducted many interviews since November last year. I told everyone that they would be "standing all day from the 19th to the 28th. Because it is an escort job, you pass out materials. It's a hard schedule." But, regardless of the fact that she signed a contract, one woman said she was unsure if she had the physical strength. It is absolutely unthinkable that she would say, "I cannot do it."

Everyone one of them looked refreshed; they weren't at all apologetic. They did not even thank me. On the contrary, our staff visited their homes to let them know that, by not taking part, they were putting us in a bind. The staff from Japan flew over specifically to be there for the first and second interviews. Even when we explained the situation, they come back with "I cannot do it." We explained the situation to Japan. We hastily sent pictures of backup staff. But, the Japanese advertising company did not accept them. We were blamed for the poor job moral. We felt very bad, but we had to come to terms with the fact that many people in China these days break their contracts. Education is important. Because people are taught from the very beginning to "honor contracts and appointments", there are few people like that in China.

I want to give you an example of Shanghai. Something similar may have happened to Japanese people in Shanghai recently. I was very shocked. One day, I got a call from a Japanese underclassman from Osaka City University who was studying Chinese at East China Normal University in Shanghai and wanted help finding a part-time job. I agreed to help her and she came to see me. When we talked, I asked her what sort of job she was looking for, to which she replied that she did not speak Chinese very well so a job with Japanese people would be good. I thought that was a good idea. She told me, "Because I'm Japanese, I have a strong sense of responsibility. Trust me, please." Well, since she came from my alma mater, I said

I would. Nothing can be done with trust. She was looking for a job teaching Chinese to Japanese businesspeople stationed in China, educating Japanese staff, making contracts and coordinating with other Japanese companies. She would come every day after school and work from 4:00 to 8:00. She thought that was a good idea because she "could talk to Japanese people" and she knew what Japanese companies were doing.

Then, about two weeks later while away on business, my cell phone rang. It was the girl. She said, "I want to quit." I responded, "What? Quit? When?" I was shocked. I wanted her to stay, but it is her right. A job is like marriage; you think about it carefully before tying the knot. That's because divorce is not a simple matter. Well, divorce is easy in China now. I said, "It can't be helped. When do you want to quit?" She said, "Tomorrow."

Frankly, I couldn't speak. The words did not come to me in Japanese, Chinese or Shanghai's dialect. What was she thinking? I asked, "Would you tell me why you want to quit? We talked about it carefully. You said you wanted to this job. You wanted to do it part-time. Why all of a sudden do you want to quit?" She answered, "I just realized I'm not made to work. So, I want to quit." This is when I started thinking that many young people in Japan think like this. Just because someone is Japanese does not mean it is OK to let them take care of something. In the vast reaches of Shanghai, she may have been influenced by the Chinese. People do not keep their promises. I wish these people would rethink why they work, what they work for. Basically, you study for a year. You learn about the company's situation and can do more things in the second year. By the third year, you become a pro at your job. What Shanghai needs is people that keep their promises. And, individualism abounds.

China right now has many human resource problems, but the biggest problem is when graduate students say they are not "happy with their company." When asked why, they respond, "I'm capable but they don't give me any work. I don't want to do the little things. I want a big job." When we go to train new hires or teach mannerisms, we see some interesting things. People do not know how to use a punch or make documents. There are many college students that, unless you tell them that punches holes in the middle of the paper makes it look nice, would not know how to use a punch. It's hard to imagine, but that is the situation today. But, they have a good command of Japanese and English. Though they have linguistic skills, they cannot handle office work. They think there's another job for them if they cannot do office work. However, that is not the case. You have to start small and work your way up to the big things. What can a person do if they cannot prepare materials?

I searched for accountants for a company. I found a graduate from an accounting school and she was hired. She started with receipts

and expenses. It required input on computer into Excel. You may laugh, but she did not know how to use Excel. Because she studied at a university, you would assume she learned how to input information into a computer and could compute statistics, but she couldn't. This person went to a regular 4-year college. In China, there are regular and special courses. People like this are increasing. Another thing is that a lot of people at western and Japanese companies change jobs. Unlike Japanese society, people often change jobs in China. They do it to improve their careers or earn higher wages. One interesting trend is that the rate of job-hopping from western companies to Japanese companies is almost zero. But, there are many that go the other way. In a certain sense, Japanese companies are a training ground.

In the planning department of renown cosmetic company Shiseido of Japan, there is a man who cannot speak Japanese well, but is very skilled with English. So, why did he not go to a western company first? At a Japanese company, he can learn how to prepare materials, group things, make reports and communications, and provide consultation. This person worked for Shiseido for three years and then switched to a company called Laurel. I bumped into him recently and asked him if he was going to go back to Shiseido. Kanebo was also building a big factory in Shanghai, so I asked if he was interested in moving to Kanebo. He said no. When I asked why, he said, "Laurel has more freedom. I can use what I have learned." This happens a lot nowadays. This does not mean that Japanese companies are bad, but as he put it, Japanese companies are places where you can learn how to calculate statistics and prepare and group documents. But, within all of that, there was another thing that he could not do. There are limitations and you have to listen to the boss. In that sense, you have to look at both American companies and Japanese companies for their good points.

In 1995, I went to Ningbo in Zhejiang Province for work. In the beginning, there were some Japanese exchange students, but they built a factory there. Back then, there were few people with language skills. If you could speak Japanese or English, you were instantly made a manager. Come 2000, exchange students started returning little by little from Japan and the West. So, the chances of instantly becoming a manager in a Japanese company because you have language skills have gotten slimmer.

In 2005, the needs for people with multiple nationalities increased. By multiple nationalities, it does not simply mean versed in language but people who can work with people of other cultures from within a different culture. In 1995, many of the managers at western companies were foreigners. These foreigners were citizens of other countries; Chinese people with American citizenship were also considered foreigners. By 2000, managers of foreign companies

and especially western companies were from Singapore or Hong Kong. By 2005, 85% were local. Many local people including exchange students who returned home have been hired. One thing to point out here is that the number of returning exchange students has risen. Another thing is that in-house training is emphasized. This in-house training is not just in the company but can be done overseas as well. If the headquarters are in America, then you go to America for training. In 1995, businesses worried that employees would not come back if sent to America or Japan for training, but by 2005, most come back to Shanghai after training overseas. They come back because Shanghai has developed and the market value of human resources is being recognized in China.

In short, western companies quickly convert to locally hired staff. But, what about Japanese companies? In 1995, all managers were Japanese. That was from the top down to department and section managers. By 2000, unfortunately many of the section managers and higher level managers were Japanese. By 2005, department managers and above were Japanese, but Chinese could be hired for section managers and returning Chinese are getting hired. Like with Fuji Film, the thirty Japanese managers they had in 1995 were reduced to ten by 2000. Today, Kao has about thirty Japanese managers, but they are reducing the number of them, not the size of their workforce. I think the best thing is to hire local people, even if the head is a foreigner or Japanese. With Japanese companies, any misunderstanding of the policies from top management can lead to trouble, but it is time to recognize the use of locally hired managers. Here in 2005, it is important both to emphasize individual development as is done by western companies and have a good management system of reports, communication and consultation that they have in Japan. The next important thing is to understand Chinese-style teamwork. There is no difference in China between the top and the bottom. Horizontal and vertical are the same. You cannot consider yourself different because you are a department manager. That is the situation today in China. In China, there is a growing feeling to become "not a western company or Japanese company, but a multinational company". The same goes for Haier as well; there is an increasing number of companies that are looking at the world rather than just the Chinese market.

There is still more that I would like to talk about, but time is an issue, therefore I would like to end my presentation at this point. If you have any questions, I will be glad to answer them.

### **Moderator**

We have heard Shi Quin compare western and Japanese businesses operating in Shanghai. If you have any questions, even something in regards to the personalities of the Chinese, please feel free to ask.

## Question

Japanese companies have training for newly hired employees. There is a system of rotation for promotions and in-house training programs. Do Chinese companies have similar systems?

## SHI Quin

Up until now, there were none. There was an apprentice-mentor relationship, however. There are group leaders and you learn from them. Recently, there has been an increase in new employee training and in-house training. Unfortunately, less Japanese companies are doing that. Reason being that human resources quit so often. Just when you have taught an employee everything they get head-hunted by another company. Mind you, though, even when one is recruited by a head-hunter, in-house training is still necessary. It is a good thing for the company. The company must also think about the individual's future. Training can be imparted in the company or overseas. And, when someone returns from overseas, they jump to another company. But, even with that threat, the personnel department sends them. Depending on how it was handled, it can mean a good parting between the individual and the company or the individual can stay on as a positive element of the company. The employee comes away thinking, "I was given overseas training by this company." This is not meant as a way to repay the company.

## Moderator

Are there any questions on businesses in China or comparisons of Japanese and western companies that Shi Quin has provided consulting to?

## SASAKI

Japan is big about company royalties. To keep people in a company in China, certainly a company will give them a post, but what do they do with bonuses and wages?

## SHI Quin

We computed some wage statistics in 2004 and western company wages were higher. Next came Hong Kong companies, then Taiwanese companies and finally Japanese companies. Taking a personnel manager as an example, the best paid by a Japanese company was 6,000 yuan, which is about 90,000 yen. Low places pay 4,000 yuan or 60,000 yen. The lowest with western companies is 10,000 yuan or 150,000 yen. There are differences with bonuses. For this reason, people want to work for western companies. In the early days when Japanese businesses were first moving into China, they started setting up bases in China because labor costs were low.

Although the average wages of workers may be low, managers are ranked like a pyramid and few make it to the top. Those people get paid well.

Another interesting point about Japanese companies is that, even when Japanese and Chinese hold the same position, their wages are different. It is not considered discrimination but unfair since both lead a life in the same China. Because the Japanese employee has left his family behind in Japan, he has to care for them and so he is treated better perhaps, but it would be better to pay them the same. Workers can be paid on a Chinese base, but, in manager positions, they should be recognized as equals to some degree. Unless they provide equal remunerations, employment could become difficult for Japanese companies.

## SASAKI

I think Japanese companies were very strongly driven by the low wages of China in making their inroads. But, if welfare costs and wages increase, what will Japanese companies do? It would be hard for them.

## SHI Quin

It may be tough for them. Certainly in 1990 when the first investment boom came, they went to China because of the low wages. They used China as a factory in those days. More than 80% of them brought products back to Japan. But, in 2005, China must be looked at as a market rather than just a factory. Shanghai has a registered population of 12 million. There may actually be more. The registered population results from the family registers of Shanghai. People of other registers are not counted. It must be looked at as a market. Here's something interesting: the Japanese company World has the brand 23ku and it is priced not that much differently in Shanghai and Japan. In some cases, it may even be more expensive in Shanghai. Nonetheless, 23ku is selling well in Shanghai. Unless the Japanese companies look at China as a market, they will not have any other choice but to withdraw from China in the future.

## Question

What position does a person hold who makes the average income in Shanghai given on page 6 of the materials?

## SHI Quin

It is not based on workers. It is the average for persons age 18 to retirement. It also includes managers.

## Question

Is it the average for workers and managers combined?

### **SHI Quin**

Like Japan, China has social insurance. The lowest wages in China are 1,100 yuan. Social insurance and unemployment contributions must be paid on a 1,100 yuan base. This year's data for Shanghai indicated the average annual income to be 24,000 yuan. In Japanese yen, that is about 300,000 yen. Income in Shanghai is three times or more higher than the national average in China.

College students in China graduate in June. The average starting salary for college grads this year will be 2,000 to 2,500 yuan. 2,000 yuan is about 30,000 yen. High paying places may even give more. There is a shortage of persons who can speak Japanese, therefore graduates from the Shanghai International Studies University or the Japanese language course at Shanghai Teachers University will get offers by two or three companies. But one in every three of them will change companies within a year. Large Japanese companies are recruiting as many persons as possible. One would be enough, but they recruit two or three. Small companies with tight capital are having a hard time.

### **Question**

What is the rate of jobs to college grads?

### **SHI Quin**

In 2004, 86.9% of school graduates in Shanghai found jobs. This includes high school, college and trade schools.

### **Moderator**

Is it rising every year?

### **SHI Quin**

In 2003, it was about 80%.

### **Question**

What is the reason for graduates who can speak Japanese to quit a company within the first year? And, what can be done to keep them from quitting?

### **SHI Quin**

This is a very troubling problem for us. Basically, it is wise to draw up career development plans for the college students that show them "where they will be if they stay one year" and explain to them clearly what the company organization is like. "You will be promoted. You do clerical work for one year and you will be assigned jobs in the second year." You do not have to specifically say how many months bonus they get, but it is a good idea to give specific numerical

figures as percentage targets for an ordinary year. Another thing is that personnel departments are very important for what regards the number of people who are contemplating quitting. Japanese businesses do not focus on who is in the personnel department. Don't offer 5,000 or 4,000 yuan; if you offer 10,000 wan, you can get better human resources for your personnel department. It would be good to hire a capable Chinese person to manage the personnel department. That person would have to be versed in Chinese law.

I actually know Chinese law pretty well. It is regularly being improved. Under Shanghai's Family Register Law, you can give money to people who graduate from college. It's Japan's pension, unemployment insurance and health insurance. Another point is the provident funds. This money is assistance when buying an apartment. The provident funds are not mandatory under labor laws, but companies must contribute 6 to 8% to the provident funds. Lets give it to them. And, in exchange, expect good human resources. Position good people at the top. It can be based on whether the concerned individual will work hard for the company or not. In a certain sense, this may be risky because it overemphasizes individualism, but this is one approach for present-day China.

### **Moderator**

Is there anything you think a company making inroads into China should understand about the Chinese? How Chinese people see things, etc?

### **Question**

I myself graduated from Osaka City University in 1994. What do you exactly mean by Chinese-style teamwork? I have been in a Shanghai company for three years. It's a small company with just sixteen people, but they hired people from Shanghai and other provinces right from the very beginning. But, they do not last a year. Is hiring people from Shanghai the best thing to do in Shanghai?

### **SHI Quin**

The family register system is not like Japan's. If you are born in Shanghai and your parents were born there, too, then you are registered in Shanghai. Zhejiang Province has their own register and people from Beijing are registered in Beijing. As for the significance of a family register, China has many universities in Beijing and Shanghai. If you are registered in Shanghai, it's easier to get into a Shanghai university. Zhejiang Province has 80 million people. 20 million of 70 million take college entrance exams. Only 10% of them get in. 60% of those who get in are registered in Shanghai. So, registry has a big meaning.

Secondly, labor laws are different. People registered in Shanghai



have money put into a fund. Those from outside Shanghai only get these contributions if they graduate from a 4-year program. As for insurance, people get general insurance. In a certain sense, general insurance is not protected at all. If you pay 100 yuan a month, you can join. So, what happens if you hire a person from Shanghai? In China, March 8 is Woman's Day. All working women get the day off. Shanghai is divided into east and west by the Howanroncon, a branch of the Yangze River. Shanghai has grown on the westbank. The eastbank is known as Pudong. Until now, Pudong was centered on agriculture. There, they built a financial district. They speak English in this financial district. People who live in Shanghai and speak the local dialect are gradually moving to the suburbs as the city expands. This is farther out than the outer beltway. People outside the outer beltway speak the local dialect of Shanghai. So, what language are they using in the city? The new generation of Shanghai, made up of college grads who are registered elsewhere, speak standard Chinese. In fact, the people that are successful in Shanghai are the quality human resources amongst this new generation. The original Shanghai people are less in number. Looking at foreign companies, eight of ten top level employees are from this new generation. These people have acquired registry in Shanghai. If you graduate from a regular college, you can switch you registry to Shanghai. Only 2% of the top people were born and raised in Shanghai.

What I mean by it being good to hire people of Shanghai residency, I mean the new generation that has acquired local residency. Not those born and raised in Shanghai, but those who switched their registry to Shanghai and live there with their families are the best to employ. This does not mean that hiring people from outside or within is bad. Shanghai has been in contact with the outside world since the 1920s, so the people of Shanghai have trained eyes. The rural areas of China lead entirely different lives. There are places you cannot even imagine. Anywhere you go in Japan, you run across a family restaurant. There are supermarkets everywhere and they do not change much. Things change in China. Hiring people from China's interiors implies first and foremost a difference in culture. This makes training harder. So, it is better to hire the new generation of Shanghai, I think.

As for Chinese-style teamwork, the Chinese people are individualists. People say it as a joke, but we call each of "dragons". So, what happens when you put ten "dragons" together? According to Chinese proverb, they become an "insect". However, and please forgive the description, an individual Japanese is an "insect", but when you put ten of them together, you get a "dragon". It is talked about all across China today that, no matter how much a Chinese company can do, it will never beat out a Japanese company.

China needs teamwork. Within the Chinese-style of teamwork, it difficult to get superiors and subordinates in a straight line, but it would be good if someone would stand up and say, "The line is my authority," and make people adhere to it. However, it is better to hear everyone's opinion before making any decisions. Everyone is equal in that moment. "You and I are the same. I get to decide, but I want to hear your ideas about the project." Putting it like that would be great! Though it is unthinkable in Japan, there are companies in China where superiors and subordinates talk like friends with their feet on the table. That kind of behavior is absolutely unheard of in Japan. In Japan, you sit upright when speaking. Chinese people might think that their opinion is not being heard in that kind of atmosphere.

All in all, there is a Chinese-style of doing things. But, it is a good idea to put it into your heads from the very start that people want to express their opinions and speak out, but once a decision has been made, then you give them orders. This is what I call the Chinese-style of teamwork.

### Moderator

Thank you very much. After the break, I would like us to gather around *SHI*Quin for a discussion. Thank you, *SHI*Quin. Let us show our appreciation with an applause.

# Miscellaneous Thoughts on Vietnam

Megumi NAKAMURA

## 1. Visit to Vietnam

For one week in October last year (2004), I visited four Japanese companies in Vietnam through the good services of the Kansai International Institute of Industrial Relations (Takeshi *CHUJO*, Director, formerly Professor at Doshisha University), a think-tank in Kyoto. I was invited by Mr. *CHUJO* because he knew of my studies of businesses in Thailand and China. In the background to planning this

Vietnam study was Professor Kozo *KAGAWA* of Kobe University who was living in Vietnam as an attaché to the Japanese Embassy.

I visited three companies in Hanoi and one in Ho Chi Min (formerly Saigon). Time was short, so I visited each company only once. But, these visits included discussions in the office and tours of their factories where they explained to me the enthusiasm of the production floors. I cannot reveal the names of individuals, but I would like to take this moment to thank the individuals of those four companies who met with me for the interviews.

## 2. Cities in Vietnam

Vietnam's cities are full of scooters. I picked up on a few tidbits and the quantity of scooters was far beyond my imagination. They also have traffic rules, but no one follows them. It is an everyday experience to suddenly have a group of scooters appear in front you in your lane. In fact, I thought I was hallucinating when I saw scooters unthinkably going the wrong direction on a one-way street. The norm at a traffic light is the first one there has right-of-way. There were an endless number of times that scooters going against traffic cut across our lane to the right.

In this kind of situation, a four-wheel vehicle, which there are few of, is at a disadvantage. There is little one can do other than reducing speed and avoiding the scooters. You also regularly see four persons on a single scooter, therefore you cannot drive a car without constantly being on the lookout for scooters all around you. I consider myself a veteran driver, but after one day on the streets of Vietnam, I decided that I cannot drive a car there.

As for the cityscape, Ho Chi Min in former South Vietnam is more attractive. Roads have been laid out around the old capital building and there are many modern buildings such as hotels. I got the impression that Hanoi does not yet have the body of a city.

## 3. Position of Japanese Businesses in Vietnam

The four Japanese companies I visited in Vietnam make four-wheel vehicles, motorcycles, home appliances and women's apparel, and their Japanese headquarters are all prominent businesses. After receiving a lecture on their business profile, history from their founding, and personnel and labor-management systems, I was able to visit the actual factories and talk with site managers about my core interests, those being the (a) skill level and (b) skill depth of factory workers and whether that is of the same level as blue collar workers at Japanese companies in Thailand and how does it differ.

Three (four-wheel vehicles, motorcycles and women's apparel) of the four Japanese companies I visited had accumulated a record of factory operations that would allow me to observe their skill formation. First of all, for what regards (a) skill level, all of the factories are improving skill level by moving people around and some even prepare "skill maps" as is done in Japan. For what regards (b) skill depth, which was my second point of focus, it was deep though not as deep as in Japan. They are making efforts on site on a daily basis such as dealing with trouble and I was told that skills are seeping into workers. After taking into consideration that Vietnam has a shorter operational record in general compared to other countries of East Asia, I was given the impression that they have advanced their blue collar skills more than first imagined. Here following, I will expand on why I felt that way and present some impressive examples.

### Four-Wheel Vehicle Manufacturer

Let us look at the skill in the press section used in four-wheel vehicle production. They introduced one 1,200 ton used press from Japan. In Japan, they would have four or five of these presses and they would all be automatically driven, but this factory was different. They had but one press and it had to be used for all pressing operations, therefore the mold had to be replaced and the machine set up anew with every process. Accordingly, they switched to small lot molds to enhance efficiency. For example, the largest automotive part called a "side outer" would normally be pressed in four processes in Japan, but the Vietnam factory uses only three molds so as to complete the piece in three processes.

Because they switched the press system over to small lot production, there are points that require manual working after machine pressing

is complete. This manual working requires skill. They have to manually smooth out the bumps and dents in the body. Particularly with side outers, which are viewed from the outside, they set a high quality requirement. Accordingly, as soon as they decided to introduce this press machine, they sent Vietnamese workers to Japan to receive basic skill training. The first group of workers spent four months learning mold maintenance and three months manual touchup skills. At the same time that production started up, engineers came over from Japan to impart training alongside actual production. As a result, the skill level of this manual work is very high. The site manager even felt that it was higher than young Japanese.

Beyond the post-pressing manual working and mold maintenance, the press section job includes operation of the press itself, mold replacement and setup, and mold transport by crane. This company has clarified the work and skills required for each section, prepared a table (skill map) that identifies who is capable of what skills and posted these skill maps in the various workplaces.

Skill is measured on five levels from 0 to 4, wherein 1 is defined as “has experience”, 2 as “can do with help”, 3 as “can do by oneself”, and 4 as “can instruct others”. All thirteen employees in the press section are targeting a level 3 or higher.

Based on the posted skill map, many of the persons that attained level 3 or higher have been working for several years, suggesting that they progressed steadily towards their targets. The press was installed in March of 2003 and the employees went to Japan for training, so the veterans of several years had to accomplish their skills in a year and half, which is an eye-opener.

### Women's Apparel Manufacturer

Another example I want to talk about is a manufacturer of women's apparel products. To begin with, the material is shipped in from Japan and, after undergoing an acceptance inspection, it is sent to cutting. At the same time, product parts are brought in from Japan, but they are sent directly to sewing. The materials sent to cutting are cut against a pattern and, except for a large press, most of the cutting is done by hand. The cut materials are sent to sewing with the product parts where sewn on a sewing machine and parts are attached to complete the product.

Let me make some observations about the situation in the sewing section, which employs the most people. The sewing section consists of multiple production lines, each line having about thirty persons. For example, the brassier line is divided up into three parts. Group A sews the right half parallel to group B, which sews left half. The pieces come together at group C where the final sewing is done, parts are attached and the whole thing is assembled.

This you would not know from a single visit, but they change the

model about three times a month on the average per line. For the entire sewing section, this is sixty model changes per month. Each time, the line gets rearranged. They change the sewing machines or lay them out differently. Naturally, processing changes according to model. Therefore, worker deployment is adapted to these other changes.

In these situations, line leaders and group leaders spearhead meetings to talk about how to arrange the line. These line and group leaders are workers employed along the line. These women organize the work floor and determine sewing machine layout and worker deployment. Accordingly, these line and group leaders know the sewing machines in and out, and have information of processes handled by others. Without this, they could not adapt the line for every model.

I heard that, to rearrange the line for a model change, production comes to a temporary halt. This is different from factories in Japan. The average work efficiency in Vietnam is high to the point it is equal with Japan, but when it comes to this model change, Japan would not stop production that much, but Vietnam still does.

If we compare to other production centers in Asia, company D's productivity is high. Their headquarters in Japan has provided indicators for measuring productivity of the various sites. If the standard is 100, then the factory in Japan has reached about the 120-point level. In contrast, company D has come up to about the 80-point level, which is rather high compared to other production centers. By the way, the productivity level of Asian countries with a long track record that dates back to inroads in the 1970s is still at about 50. One reason for the difference is the acquisition of skills that comes with long tenure. Another reason is that they are better at rearranging the workplace for model changes than other overseas sites, though they are still inferior to Japan on this point.

### 4. Attractive Locations for Making Inroads

According to some case studies I was involved in for an ERC project, skill acquisition at Japanese businesses that have been in Thailand for a long time has progressed assuredly. Though there are companies in which production floor workers make their own judgments in dealing with trouble and make solid efforts on a regular basis, because of the low level of education in Thailand, even at these factories, the scientific and theoretical understanding required to deal with trouble and perform other skills are obviously lacking in current blue collar workers.

Compared to this, the training level of current workers at least at the Japanese businesses I visited in Vietnam is higher than in Thailand. Indifferent of the fact that they have a comparatively shorter time of operation, their accumulation of so-called “intellectual skills” to note troubleshooting and daily efforts have progressed more than

imagined and I surmise that this is an important factor. Based on the high quality of available labor, Japanese businesses should think of Vietnam as an attractive place to make inroads.

Note

A report on these Vietnam studies along with my essay are published in the 24<sup>th</sup> Edition (May 2005) of "KIIR" of the Kansai International Institute of Industrial Relations.

## Activity Report Released

The East Asian Industry and Economy Research Center of Kobe Gakuin University has published the results of studies from fiscal 2002 to fiscal 2004 in the form of an Activity Report. If you would like a copy, contact us by telephone or e-mail at the below numbers.

East Asian Industry and Economy Research Center,  
Kobegakuin University  
TEL:078-974-4829  
E-mail:secretary@erc-kobegakuin.org



## Current Year Internships in Thailand

As a continuation from last year, internships in Thailand are being planned this year as part of research activities into education.

Dates: August 20 ~ September 4, 2005

Locations: Okamoto Thai, TTL, Takahashi plastic

Openings: 7

The ERC would like to thank the three companies that have agreed to take in students again this year.

## 2005 Kobe Seminar

### Globalizing Asia and Competitiveness of Local Manufacturing Industry

Date/Time: July 9 (Sat.), 2005/13:00 ~ 17:30 (Registration begins at 12:30.)

Place: No.11 Bldg., Conference Room, Kobe Gakuin University  
518 Arise, Ikawadani-cho, Nishi-ku, Kobe

#### Report

1. "Current Situation of Private-Sector Business Development in Shangdong Province, China"  
(in Chinese with sequential interpretation)

LIN Hong, Director, Shandong Province International Technology and Economy Research Center

2. "Privatization of Chinese Companies in Terms of Complementary Relationship between State-Run and Private-Sector Businesses"

YAN Bin, Assistance Professor, Faculty of International Business, Nankai University

3. "Development History of Local Manufacturing Firms: Case of Motorcycle Manufacturers in China, Taiwan and India"

Moriki OHARA, Researcher, JETRO Institute of Developing Economies

\* Details of the 2005 Kobe Seminar will be reported in the next newsletter.

East Asian Industry and Economy Research Center

e-mail chief@erc-kobegakuin.org

C/O Kobe Gakuin University 518 Arise, Ikawadani-cho, Nishi-ku, Kobe, Japan 651-2180

TEL +81-(0)78-974-4829

FAX +81-(0)78-974-5856