

SPECIAL ISSUE ARTICLE

Quality and cost? The evolution of Walmart's business strategy and human resource policies and practices in China and their impact (1996–2017)

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This study responds to calls for more in-depth and qualitative studies, the return to a focus on external factors, and the inclusion of business strategy and industrial relations in human resource management (HRM) research, as well as more research in the retail sector in the Chinese context. We examine the coevolution of the business strategy and HR strategy of Walmart (China) in the last two decades and identify tensions in the context of intensifying competition in the Chinese retail market. We highlight the interactive effect of business and HR strategies through a historical lens. Our study reveals a shift from the original employee-oriented win-win strategy through rent sharing between the firm and the employees to a win-lose strategy through the introduction of more cost conscious HR policies and practices. Findings of our study challenge the conventional wisdom that firms adopt either the cost or quality strategy and, along with it, the suggestion of matching the quality strategy with employee-oriented HR policies and practices, and cost leadership with a transactional approach to HRM. We argue a cost and quality business strategy may be adopted, which requires the support of employee-oriented, rather than cost-oriented, HR policies and practices.

KEYWORDS

business strategy-HR strategy fit, China, industrial relations, multinational corporations, strategic human resource management, Walmart

1 | INTRODUCTION

Clients do not come first. Employees come first. If you take care of your employees, they will take care of the clients.—Richard Branson

A key issue concerning the international business strategy of multinational corporations (MNCs) has been the choice of global standardization or local responsiveness. The decision affects not only the corporate image but also the strategies of other functions such as human resource management (HRM). Numerous studies have revealed the motives of and challenges to transferring corporate HR policies and practices to subsidiaries. Similarly, the burgeoning body of research on MNCs' HR policies and practices has highlighted the dual influences of home and host country forces in shaping subsidiary's HR policies and practices (e.g., Brewster, Wood, & Brookes, 2008). However, these studies have mostly been conducted in a snap-

shot manner, capturing HR policies and practices of the firms studied at the time. Research evidence suggests "HRM systems co-evolve along with business strategies" (Jackson, Schuler, & Jiang, 2014, p. 12). Despite calls for more longitudinal research by a number of authors (e.g., Alcover, Crego, Guglielmi, & Chiesa, 2012; Aydinli, 2010; Rowley, Benson, & Warner, 2004; Siebers, 2017; Tregaskis & Brewster, 2006), long-term studies of how the HR policies and practices of large global firms evolve over a period of time in particular host countries remain rare. For example, the evolution of HR policies and practices of an MNC may be underpinned by not only the host country's operating environment, but also the strategic intention of the MNC headquarters for particular overseas subsidiaries and, consequently, the business strategy adopted by them in the host country.

Furthermore, research studies that examine the business strategy and the HR strategy together are limited, despite "the prominence of business strategies in early discussions of strategic HRM" (Jackson

et al., 2014, p. 24). For example, Jackson et al.'s (2014) comprehensive review of research in this field revealed that only 14 of the 154 empirical studies they reviewed include a business-strategy variable, much less try to explain the choice of strategy. The limited studies that exist on the business strategy and HR strategy have often argued for the benefits of best fit between the two and the importance of aligning the HR strategy with the business strategy to yield optimal organizational performance (e.g., Bird & Beechler, 1995; Boxall, 2003; I. H. S. Chow & Liu, 2009; Chowhan, 2016; Michie & Sheehan, 2005). In particular, a low-cost strategy is commonly associated with a cost-oriented HR strategy (e.g., Boxall, 1996, 1998; Cooke, 2001; Schuler & Jackson, 1987). This is in spite of the fact that research evidence has shown that development-oriented HR practices will enhance employees' corporate citizenship behavior (e.g., Lam, Kraus, & Ahearne, 2010; Snape & Redman, 2010), and that a transactional approach to HRM will lead to reduced organizational commitment from the employees and encourage opportunistic behavior (I. H. Chow, Huang, & Liu, 2008; Paauwe, Guest, & Wright, 2013). However, a transactional approach to HRM may not be conducive to a cost-leadership business strategy where employees' performance and behavior may not be easily monitored and where the nature of the business requires a high level of customer interaction to provide good services, such as retail services. As Ton (2014) argued, smart companies would adopt a good job strategy and invest in their people to lower costs and boost profits.

Another limitation is that extant research on HRM and performance tends to provide only superficial treatment of organizational culture, often as a mediator or a moderator in quantitative studies without an in-depth understanding of how various aspects of the corporate cultural values may create tensions in the business strategy and the HR strategy. As Jackson et al. (2014, p. 14) pointed out, an "organization's culture reflects deeply embedded values and beliefs, which are conceptually related to HRM philosophies, but such philosophies are a poorly understood element of HRM systems (Bowen & Ostroff, 2004)."

These research gaps are significant for three important reasons. First, changes in the business strategy at the subsidiary level may lead to the subsidiary's departure from the corporate core values, with broader consequences to its business performance and other organizational outcomes. Second, changes in the business strategy often trigger the corresponding changes to HR policies and practices, which may lead to major changes in organizational culture, industrial relations (IR) climate, and workforce behavior. Such changes may alter the corporate image in the host country, which may in turn impact its business performance. Third, MNCs may not simply adopt a standardization or local-responsiveness strategy as a coherent organizational strategy. Rather, they may mobilize differentiated strategies across different business locations and subsidiaries to take advantage of local offerings, to bypass business constraints, and to harness complementarities across subsidiaries to maximize corporate performance (e.g., Harzing & Pinnington, 2015; Rubery & Grimshaw, 2003).

This study fills part of these research gaps through a long-term study of Walmart (China) since it entered the Chinese market in 1996. We chose Walmart (China) for study for three related reasons. First, Walmart is the largest private employer in the world with around 2.3

million employees worldwide as of 2015/2016 (Walmart Corporate Office, 2016). Its successes and failures in China may have strong implications for its businesses in other parts of the world. Yet, Walmart (China)'s HR policies and practices remain relatively under investigated in-depth and in conjunction with its business strategy, though a few studies exist that examine Walmart (China)'s business (e.g., Chuang, Donegan, Ganon, & Wei, 2011) or Walmart (China)'s HR policies and practices as part of a wider study (Siebers, 2017; Siebers, Kamoche, & Li, 2015). More broadly, existing studies of HRM in China have focused primarily on the manufacturing sector, given its significant role in China's contemporary economic development. By contrast, the service sector, especially retail as a large and an important segment of the service sector, is much less well examined despite calls for more research in this area (e.g., Gamble, 2010; Gamble & Huang, 2009; Huang & Gamble, 2011; Siebers et al., 2015; see also Siebers, 2011 for a more detailed account of the development of the retail industry in China).

Second, Walmart has a large number of suppliers whose livelihood is closely linked to Walmart's business and business strategy. Third, while Walmart is in the mid-low position of the retail market and has attracted much criticism/controversy in the United States about its labor standards, including low pay and nonunion recognition, it enjoyed a much more prestigious market image during its early years of operations in China (see Trefis Team, 2014). However, changes in its business strategy and HR policies and practices in the last decade have seen Walmart (China) decline from being the "best employer" to the "worst employer" in its workforce's perception. In the last few years, the subsidiary has experienced a rising level of industrial disputes in part triggered by store closures/relocations, redundancy, and union official election. Labor conflicts in Walmart (China) have attracted growing research attention from an IR perspective (e.g., Blecher, 2008; Chan, 2011; Chen, 2009; He & Xie, 2012; Li & Liu, 2016). However, little attention has been paid to the evolution of its HR strategy and how the changes are manifested in the HR policies and practices that might have led to the decline of the IR climate of the subsidiary. Gereffi and Christian (2009, p. 585) call for research on Walmart to "go global," that is, outside of the United States, to assess its rise, consequence, and impact on various stakeholders and the society more broadly. With this research agenda in mind, this study addresses the following set of research questions:

1. How have Walmart (China)'s business strategy and HR strategy evolved in the last two decades?
2. What were the driving forces behind these changes? How might the changes be underpinned by Walmart's corporate cultural values on the one hand, and invoke local culture on the other as a result of employees' response to the changes?
3. What impact do these changes have on its workforce and organizational performance?

This study responds to Jackson et al.'s (2014, p. 30) call for more research to understand "how HRM systems co-evolve along with other aspects of organizations." It also responds to Kaufman's (2015, p.405) call, based on his comprehensive review of research in the

HRM field in the last 30 years, for a rebalance in research methods and disciplinary perspectives by:

- reducing ivory tower scientism and upgrading field investigation and participant-observer methods;
- paying more attention to the external side of HRM and associated social science disciplines and fields;
- broadening research from predominant focus on best-practice success stories, such as Apple, Disney, Lincoln Electric, and Southwest, to include more representatives of less-inspiring examples, such as call centers, hotels, poultry-processing plants, and big box stores; and
- paying more attention to learning lessons from high-performance work system failures and the down phase of company life cycles (instead of rolling on to the next success-of-the-day story).

This study also contributes to the competitive strategy and HRM literature by demonstrating the business strategy and the HR strategy interact and evolve as firms travel through different stages of their life cycle. Where the two strategies do not align, there may be (serious) negative financial and HR consequences. Our Walmart (China) case indicates even a cost-leadership business strategy requires an employee-oriented HR strategy to deliver.

2 | BUSINESS STRATEGY, HR STRATEGY, AND FIRM PERFORMANCE

A key focus of research on strategic HRM in the last three decades has been on the configuration and operationalization of HR policies and practices to achieve enhanced organizational performance (e.g., Jackson et al., 2014; Kaufman, 2015; Paauwe et al., 2013). Kaufman (2015, p. 396) observed, the basic conceptualization of strategic HRM “has remained the same over the three decades.” That is, the assumption of the contingent relationship between the business and HR strategy has been maintained (e.g., Bae & Lawler, 2000; R. E. Miles & Snow, 1984; Schuler, 1988; Schuler & Jackson, 1987; Wright & Snell, 1991).

According to Porter (1980), there are three main strategies to gain competitive advantage: cost reduction, quality enhancement, and innovation. Schuler and Jackson (1987) proposed indicative matched competitive strategy-HR archetypes. While it is clear quality-enhancement strategy calls for a set of corresponding employee-oriented HR policies and practices (see Table 1), some overlaps may occur in practice when firms apply these strategies to their business at various levels, functions, and locations (Schuler & Jackson, 1987). We extend this argument by suggesting, first, firms' competitive strategies may change at different stages, and for multinational firms, this may cause competitive strategies of overseas subsidiaries to depart from their corporate strategy. Second, firms may not make an “either ... or” choice when configuring their strategy. Instead, they may adopt both, or a mix of each. In other words, firms may adopt cost and quality business strategies simultaneously, although one may have more weight than the other. For example, while cost leadership is the core of Walmart's business strategy, it has to have a strategy to maintain

TABLE 1 Competitive strategies and HRM archetypes

	Quality-enhancement strategy	Cost-reduction strategy
Employee role behaviors	<ol style="list-style-type: none"> 1. Relatively repetitive and predictable behaviors 2. A more long-term or intermediate focus 3. Amount of cooperative, interdependent behavior 4. A high concern for quality 5. A modest concern for quantity of output 6. High concern for process (<i>how</i> the goods or services are made or delivered) 7. Low risk-taking activity 8. Commitment to the goals of the organization 	<ol style="list-style-type: none"> 1. Relatively repetitive and predictable behaviors 2. A rather short-term focus 3. Primarily autonomous or individual activity 4. Modest concern for quality 5. High concern for quantity of output (goods or services) 6. Primary concern for results 7. Low risk-taking activity 8. A relatively high degree of comfort with stability
Key HR practice choices	<ol style="list-style-type: none"> 1. Relatively fixed and explicit 2. Job descriptions 3. High levels of employee participation 4. In decisions relevant to immediate work conditions and the job itself 5. A mix of individual and group 6. Criteria for performance appraisal that is mostly short-term 7. And results-oriented 8. Relatively egalitarian treatment of employees and some guarantees of employment security 9. Extensive and continuous training and development of employees 	<ol style="list-style-type: none"> 1. Relatively fixed (stable) and explicit job descriptions that allow little room for ambiguity 2. Narrowly designed jobs and narrowly 3. Defined career paths that encourage specialization, expertise, and efficiency 4. Short-term, results-oriented performance appraisals 5. Close monitoring of market pay levels for use in making compensation decisions 6. Minimal levels of employee training and development

Note. HRM = human resource management. Source: Compiled from Schuler and Jackson (1987).

or improve quality. Similarly, quality enhancement/commitment and cost-reduction/control HR practices are not necessarily mutually exclusive. Again, while Walmart (U.S.)'s HRM is cost oriented, for instance, it has to have a set of HR practices that can support its quality objectives and practices, at least in the United States.

Firms with both cost and quality elements in their strategy (though with different weights and in different areas) may have a better performance, particularly in China. For example, Su and Wright's (2012, p. 2065) study of HRM systems revealed the China-based “effective HRM system is a ‘hybrid system’ consisting of both commitment and control HR practices, and has much more significant positive effects on firm performance compared with American-style high-commitment and high-involvement work practices.” Su, Wright, and Ulrich (2015, p. 2) further contended “the traditional SHRM [strategic human resource management] research paradigm may overemphasize

people as the firm's most important asset and by so doing ignore other important tangible and intangible assets of the organization." "This emphasis," they argued, "is inconsistent with the existing OT [organizational theory] literature that stresses the importance of rules and processes for organizational success" (Su et al., 2015, p. 2).

Inevitably, the contrasting strategies may have tensions and conflicts in areas where they interact and when the business strategy and the HR strategy misalign. Therefore, this study examines the configuration and evolution of the two strategies as a dynamic process and their interaction during the process. In doing so, we draw out complexities and nuances of the evolution of the business strategy and the HR strategy in the multinational context and in a societal setting that has been undergoing rapid economic and social changes. Few studies of MNCs have shed light on these issues from such a lens, despite Su and Wright's (2012) call for contextualizing strategic HRM research to take into account local realities.

Much of the research on the business strategy and performance in the last two decades has adopted a resource-based view (RBV) of competitive advantage (e.g., Wang & Shyu, 2008; Youndt, Snell, Dean, & Lepak, 1996; see also Kaufman, 2015 for a comprehensive review). For example, Michie and Sheehan's (2005) study of strategic HRM and organizational performance revealed firms that implement "progressive" (i.e., people-oriented) HR policies and practices are more likely to achieve improved productivity and profitability and therefore recoup their HR investment.

The strategic HRM–performance link has also found its utility in the Chinese context (e.g., Shen, Benson, & Huang, 2014; Su & Wright, 2012). A growing number of studies have found a positive relationship between employee-oriented types of HR policies and practices and enhanced HR outcomes, such as increased motivation, job satisfaction, commitment, organizational citizenship behavior, and reduced turnover intent in the Chinese context. For example, Lam et al.'s (2009) survey study of a Sino–Japanese joint venture in China found retention-oriented compensation and formalized training were positively related to organizational citizenship behavior, which in turn discourages job-quit intention. Zhang and Li's (2009) study of pharmaceutical companies in China found high-performance work practices such as extensive training, employee participation, detailed job definition, result-oriented performance appraisal, career opportunities, and profit sharing were significantly associated with a firm's market performance. These HR practices are employee-oriented and are similar to those associated with the quality-enhancement business strategy, as outlined by Schuler and Jackson (1987).

3 | CORPORATE CULTURE AND FIRM PERFORMANCE

Building a strong organizational culture is seen as an integral part of the business and HR strategy that will enhance organizational performance (e.g., Cabrera & Bonache, 1999; Deal & Kennedy, 1992; Peters & Waterman, 1982). In particular, supportive cultures are believed to engender employee satisfaction and a higher degree of organizational commitment (Silverthorne, 2004). Similar findings have emerged in the Chinese context. For example, after examining

223 Chinese firms on the role of corporate culture in the strategic HRM adoption and implementation process, Wei, Liu, Zhang, and Chiu (2008) found corporate culture has an impact on the adoption of strategic HRM and that different types of cultures affect the strategic HRM process differently. More specifically, "group and developmental cultures have positive effects on the adoption of [strategic] HRM, but the effect of hierarchical culture is not significant. Developmental culture is also found to have a direct effect on firm performance" (Wei et al., 2008, p. 777). I. H. S. Chow and Liu's (2009, p. 2292) study of 451 firms in China also revealed the importance of "matching the organizational culture and business strategy with an organization's choice of HR systems to achieve maximum impact on organizational performance."

However, organizational culture studies from the strategic HRM perspective have often focused on the role of culture in creating the internal environment, that is, the workplace environment, with a tendency to treat organizational culture as a moderator of the HR system and organizational performance (e.g., I. H. S. Chow & Liu, 2009; Yeung, Brockbank, & Ulrich, 1991). Much less attention has been paid as to how organizations are trying to project their corporate culture externally as a corporate brand-building exercise, how different aspects of the corporate cultural values may create tension rather than reinforcing each other, and what impacts these may have for people management. For example, Jackson et al.'s (2014, p. 25) review of 154 studies only "identified 11 investigations of how HRM systems and organization cultures/climates combine to influence various stakeholders." This is an important research gap. As Wright and Snell (2005) argued, HR value creation in a global economy requires the understanding of the driving forces of industry competition, and HR value delivery requires the alignment of critical, and sometimes conflicting, aspects concerning people and the business.

4 | BRINGING EXTERNAL FACTORS BACK IN HRM RESEARCH

In a scholarly 30-year anniversary review of the evolution of strategic HRM research, Kaufman (2015) observed the shift from a management practice (i.e., evidence-based and qualitative-oriented) approach that starts with a problem to a management science (i.e., quantitative-oriented) approach that starts with a theory. The former is aimed at influencing managers, whereas the latter academic readership. A general consensus of the findings of research in the latter is that the implementation of a full set of advanced HR policies and practices will be good for firms, good for their employees, and good for their customers (e.g., Paauwe et al., 2013), which Kaufman (2015, p. 398) regarded as "neither new information nor actionable advice for managers and, indeed, they might reasonably regard it as a remarkably thin conclusion from 20 years of research." Kaufman (2015) further argued the last 30 years of strategic HRM research has seen the internal-oriented RBV strategy model substantially displacing the product market-positioning model, paying little attention to alternative external-based business strategies.

Similarly, Jackson et al.'s (2014, p. 5) systematic review of 154 studies in the field of strategic HRM revealed "a significant gap

between the visions of strategic HRM's early pioneers and the field's current trajectory." Jackson et al.'s (2014) review found unlike earlier models of strategic HRM that emphasized the importance of both internal and external environments, recent models have become internally focused and preoccupied with identifying the "best way." As such, "empirical research usually relegated contextual characteristics to the status of mere 'control variables'" (Jackson et al., 2014, p. 16). For example, of the 154 studies included in Jackson et al.'s (2014, p. 16) review, "only 30 examined environmental characteristics as antecedents of HRM systems." In highlighting this research limitation, Jackson et al. (2014) argued in assessing a firm's strategic HRM, it is important to examine the firm's external environment, which consists of factors such as IR and unions, industry and market conditions, labor markets, national and regional cultures, laws and regulations, and technologies, and the outcomes for external stakeholders.

Moreover, existing theories on the fit between the business strategy and the HR strategy implicitly take a static view, assuming that firms will adopt one or the other type of business strategy, and then prescribe what the best HR strategy and HR policies and practices may follow to support the fulfillment of the business strategy (e.g., Boxall, 1996, 2003). This fit approach does not take into account two possibilities. First, firms may initiate radical changes in their business strategy and HR strategy that depart from their original strategic model, rendering the need for the reconfiguration of their business–HR strategic fit. Such a change may have a negative impact on the employees and lead to them perceiving a violation of the psychological contract. Second, even when a cost-leadership strategy is adopted, instead of adopting a cost-oriented HR strategy in line with the business strategy (as the best-fit model often implies), firms may actually need to adopt a quality-oriented HR strategy to keep the business cost down through high-quality service delivery, self-management of employees, and good organizational citizenship behavior. In other words, as argued earlier, a high-commitment model of HRM may be required to implement the new business strategy effectively to gain competitive advantage.

5 | RESEARCH METHODOLOGY

This study adopts a real-time long-term case study approach with qualitative data collection method. We call it a long-term case study because our attention to Walmart started since it entered China and started systematic data collection on regular intervals (see Table 2). Our method falls short of a longitudinal study because we did not have a strict design and analytical framework upfront to guide the study that spanned nearly two decades. However, both authors, particularly the lead author, have been following Walmart's development in China and have been collecting secondary data and conducting interviews with managers and ordinary employees to develop an in-depth understanding of the history of Walmart in China. Repeat interviews were conducted and similar HR issues were followed through from 2003 to December 2017. Key interview questions include competition pressure, customer behavior, any changes in the business strategy and HR policies and practices, what HR challenges have emerged, and what difficulties the store encounters in implementing

changes. Managers were asked more questions than the shopfloor employees.

This approach has been beneficial to collect data regularly over a substantial period of time to capture the changes that have taken place on the phenomenon being studied, reasons for the changes, and impacts on the stakeholders (e.g., Leonard-Barton, 1990). It enables the researchers to discern patterns through close observation of the development of Walmart in its early years of establishment in China to understand the driving forces and pressure for its evolution/revolution. In addition, Kaufman (2015) critiqued regression studies of HRM and performance, which have become dominant in this field of research in the last 20 years, "can have limited utility because the methodology ... is not well suited to help managers make decisions where actual business situations often have large, qualitative, complex, nonlinear, interdependent feedback and idiosyncratic dimensions."

Specifically, sources of data for this study consist of face-to-face interviews; secondary data from social media (e.g., WeChat), news items, public reports, company websites, academic journals, and scholarly books and book chapters; and on-site observations at the store level. Interviews have been conducted with a total of 58 staff in Walmart (China) as summarized in Table 2. Store-level interviews covered six stores in three provinces in southern China, with three stores studied in more depth than the other three. Given the sensitiveness of some of the information, we do not reveal the names of the stores in this article to conceal the identity of the interviewees. While the authors have observed Walmart since its entry into China in 1996 and have been collecting secondary data related to the retail giant's business, the first batch of interviews with Walmart employees took place in 2000. First interviews with senior managers, store managers, and union chairmen usually lasted 50–60 min. Interviews with store supervisors lasted 40–50 min in general. Interviews with ordinary employees lasted about 30–40 min on average. Follow-up interviews were normally conducted on an annual basis to capture changes in business operations and HR policy and practice. Additional interviews were conducted during periods of industrial disputes to capture the cause of the dispute, the dynamics of the dispute, and resolution and impacts. In addition, informal interviews in the form of conversations with staff at the store level have taken place on many occasions during shopping trips to the stores, and with former students and relatives who work at Walmart during social gatherings. Overall, at least 240 interviews (with over 250 interview hours), both formal and informal, have been conducted with various categories of Walmart staff. Observations also took place during interview trips as a researcher and shopping trips as a customer. All these sources of data have provided rich information to reveal the changes in Walmart's business strategy and HRM policies and practices in China for nearly two decades since the late 1990s.

The selection of the managerial interviewees, union chairmen, and workers' representatives was purposeful, targeting their position to gain specific information for the study. The selection of ordinary employees for interview was more random. As the researcher developed a good rapport with the interviewees over the years, cooperation was established, which was crucial for a long-term study. Interviews were conducted in a semistructured manner to allow the

TABLE 2 A summary of interviews conducted

Category	Title of the interviewee and level	No. of people interviewed	Year when formal interviews were conducted	Approx. no. of interview hours
1.	Corporate affairs director (Walmart [China] headquarters level)	1	2011 and 2014	2
2.	Senior manager (Walmart Southern China region)	1	Annually from 2003 to 2017	20
3.	Store manager (Store A)	1	2008/2012/2015/2017	4
4.	Deputy store managers (from three stores, coded as deputy manager A, B, and C)	3	2005/2007/2009/2012/2015/2016/2017	18
5.	HR managers (from three stores, coded as HR manager A, B, and C)	3	Annually from 2006 to 2017	30
6.	Administration manager (store level)	1	2007 and 2015	10
7.	Procurement manager (regional level)	1	2009/2010/2014/2016	6
8.	Supervisors (store level, coded as supervisor 1 to 5)	5	Annually from 2003 to 2016	20
9.	Union branch chairpersons (store level) (from three stores, coded as union chairperson A to C)	3	2006/2007/2008/2009/2014/2016	20
10.	Workers representatives in labor disputes (from four stores, coded as workers representative 1 to 7)	7	2006/2007/2008/2009/2014/2016	14
11.	Ordinary employees (in six stores, coded as employee 1 to 32)	32	Annually from 2003 to 2016 (not each employee was interviewed each year, but on average, at least 15 were interviewed annually)	105

Note. HR = human resource.

interviewer to expand on the topic as new avenues emerged and the interviewees to elaborate on the issues explored. Interviews were not recorded due to the reluctance of the interviewees, which is quite common in China. Interview notes were taken during the interview and typed up soon after the interview together with reflective notes. Preliminary analysis of the previous interview would be discussed with the interviewee during the next interview.

For the writing of this article, interview notes were analyzed using the manual content analysis method (M. Miles & Huberman, 1994) first by the lead author and two research assistants, to identify themes that have emerged from the findings. Extracted fieldwork notes that were relevant to these themes were then discussed with the second author. Unclear content and different interpretation of the findings were discussed and resolved. Where further clarification was deemed necessary, the lead author went back to conduct more interviews with the interviewees to seek further information or clarification during September 2015 and December 2017.

6 | FINDINGS

6.1 | Company background and profile in China

Walmart as a U.S.-owned retail corporation was set up in 1962 and has become the world's largest private retail chain, having some 11,000 stores in at least 27 countries. In 1999, Walmart became the largest private employer in the world, employing approximately 1.14 million employees. Walmart was rated by Fortune as the most respected company in the United States in 2002/2003. Its corporate values are: "service to our customers; respecting the individual; strive for excellence; and act with integrity." Pursuing a cost-leadership

strategy by continuously driving down the price and saving money for customers is at the core of Walmart's competitive strategy (e.g., Stankevičiūtė, Grunda, & Bartkus, 2012; Wood, 2015). The company offers a full range of ordinary consumer goods, and, through economies of scale and scope, including selling high volumes of discounted products, has achieved that aim. In addition, in 2005, Walmart adopted a sustainability strategy with goals that include zero waste, using renewable energy, and selling products that sustain people and the environment (Walmart Sustainability, 2011).

Walmart entered the Chinese market in 1996, opening its first store in Shenzhen (see Chuang et al., 2011 for more detail). By the end of 2015, Walmart (China) had 433 stores in 169 cities, 9 dry goods distribution centers and 11 fresh goods distribution centers, employed over 100,000 employees, and had a network of over 7,000 local suppliers providing over 95% of its products. In 2005, Walmart was named by *Fortune* (Chinese version) as the "Excellent Employer of 2005—China's most suitable company to work for." In 2009, Walmart was listed as one of "the Best Employers" in China by the global consulting company Hewitt Associates (China).

6.2 | Evolution of Walmart's business strategy in China

Walmart (China)'s business strategy can be divided into three broad stages during its first two decades of operations (see Table 3). Market competition is a major factor underpinning much of the changes in these three stages (see also Table 3 for a summary of other external and internal factors that influence the business strategy and HR/IR policies and practices of each stage).

TABLE 3 Summary of the evolution of Walmart (China)'s business strategy and HR/IR policies and practices (1996–2017)

Stage	Characteristics of business strategy	Characteristics of HR/IR policies and practices	External and internal factors influencing the strategy
Stage 1 (1996–2006) (cautious development)	Cautious growth by adhering to corporate operational and management approach and cultural value religiously, but not effective in the Chinese context (performance trailing behind Carrefour and RT-Mart in 2005)	Following Walmart (U.S.) HR system closely: treating employees as business partners; emphasizing Walmart corporate culture; paying attention to training and development to help employees grow; transparent and fair promotion procedure; and competitive salary and benefits; suppression of unionization	Entering China as a new market with limited competition and relatively low labor standards Corporate branding of being a "good employer" "Privilege of the developed" and employee-oriented HR policies and practice helped attract staff Chinese official trade union function in transition and lacked strength in unionizing workers in MNCs
Stage 2 (2007–2011) (rapid expansion)	Emphasizing market growth and cost reduction	Cost-containment strategy: reduced pay and benefits; redundancy; cut back on training and development; fewer promotion opportunities due to flattening of organizational structure; simplification of quality control and decentralization of procurement that engender opportunistic behavior	Increasing and fierce market competition from key retail MNCs Increasingly sophisticated consumer demands Increased number of small suppliers and specialist suppliers Increased consumer choice in products and retailers Increased flexibility in employment system
	Rapid store expansion and cost reduction accompanied by simplification of quality control and the devolution of procurement to maintain efficiency	Controlling official unions and continuing suppression of grassroots workers' self-organizing	Rising level of labor actions/strikes in the manufacturing sector since 2010, which provided examples of success in advancing labor rights and interests through labor actions New CEO's strategic choice heavily linked to his personal rewards, hence the rise of short-term and opportunistic behavior
Stage 3 (2012–2017) (regulation and consolidation)	Returning to Walmart's core values of trustworthiness, quality of products and customer services; cost containment; store closure and opening to reflect volume of customers	Organizational restructuring, downsizing; limited investment in HRM; use of part-time workers; introduction of annualized hours to lower cost, which has led to widespread strong protest from the workers in 2016 and continuing in 2017	Growing strength of domestic retailers and the growth of on-line shopping leading to intensified competition Change of chief executive officer, leading to recalibration of business strategy and partial realignment with corporate strategy Recentralization of warehouses and distribution network facilitated by the rapid development of infrastructure, which greatly increased road transports efficiency, and the development of technology and logistic competence in China Growth of workers' self-organized union supported by labor non-government organizations (NGOs) in organizing industrial actions and providing legal advice More established labor regulation system with the enactment of several laws and administrative regulations since 2008, providing legal guidelines for workers to seek justice

Note. HR = human resource; IR = industrial relations; MNC = multinational corporations.

6.2.1 | Stage 1

The first stage was from 1996 to 2006, which can be classified as a period of cautious development (谨慎开拓时期) when all the senior

management roles were assumed by Americans. Walmart (China) replicated Walmart (U.S.)'s management style and corporate culture and grew slowly. By the end of 2007, Walmart had only 97 stores in China

after 12 years of development. By contrast, Carrefour had established 112 stores since entering China in 1995, and RT-Mart (Taiwanese-owned) had 85 stores following its entry into China in 1998 (see Table 4).

Walmart observed China's regulation strictly and adopted a joint-venture mode in its expansion, which was a condition for foreign direct investment (FDI) in China. Shenzhen International Trust and Investment Corporation (SITIC) is Walmart's partner, holding 35% stock. As a small partner with limited management competence in managing retail business, SITIC does not hold much power in decision-making and takes a back seat in managing the company. SITIC has been making a loss in this joint venture because a Walmart store in China typically makes a loss in the first few years of its opening (partly for tax purposes). Any profit made will be scooped by Walmart to open another store. However, SITIC compensates its loss at Walmart by using Walmart's brand name to buy land from the local governments and make profits from opening up commercial centers. Following the relaxation of FDI policy in China in 2004, allowing foreign firms to form wholly foreign-owned subsidiaries, Carrefour and RT-Mart as the two major competitors of Walmart speeded up their process of expansion through wholly owned stores. Walmart continued to operate primarily in the joint venture mode for the purpose of spreading the financial risk. Less than 5% of its stores were wholly owned by the end of 2010, which are usually stores in good locations and profit making.

In addition, the Chinese market did not receive Walmart's American style business model well, with its membership fees, centralization

TABLE 4 An overview of store openings by Walmart, Carrefour, and RT-Mart in China

Year	Total no. of stores		
	Walmart	Carrefour	RT-Mart (Taiwanese owned)
1995	—	2	—
1996	2	3	—
1997	3	5	—
1998	4	12	1
1999	6	21	—
2000	11	26	15
2001	20	26	—
2002	30	34	—
2003	33	41	—
2004	43	58	40
2005	53	71	60
2006	68	93	68
2007	97	112	85
2008	122	135	101
2009	174	157	121
2010	224	172	143
2011	267	203	185
2012	295	219	219
2013	406	236	264
2014	411	237	304
2015	433	235	332

Source: Compiled by the authors based on company websites and commercial networks.

of procurement, relatively small varieties of goods, and mismatch of products and customer tastes on account of regional differences. While Sam's Club is now reporting success in China (e.g., The Associated Press, 2016), it remains a very small proportion of the business. By contrast, Carrefour and RT-Mart were more flexible and diverse in their varieties of products and distribution modes. As a result, both competitors were ahead of Walmart in their sales revenue (see Table 5).

According to the Corporate Affairs Director interviewed in 2005, "Walmart has been making a loss in the whole time in China." Lack of distribution networks was attributed to the underperformance of Walmart. As was disclosed by the Procurement Manager interviewed, "there were only two distribution centers only and cross-province distribution is very costly. It wiped out all the profits." However, the Procurement Manager noted, "a distribution center will only yield economies of scale when it is supporting 100–120 stores," and "to change the loss-making situation, Walmart needed to open new stores, increase market share and solve the problem of distribution network arrangements."

6.2.2 | Stage 2

The second stage was the rapid expansion period (快速扩张时期) from 2007 to 2011 when Mr Yaochang Chen, a Taiwanese American, was appointed chief executive officer (CEO) of Walmart (China) for his knowledge of the Asia market and retail business. Chen's business strategy was store expansion and cost reduction. The number of stores was increased from 68 stores in 2006 to 267 stores in 2011. China was seen as the growth site due to the poor business performance in Germany, Japan, and South Korea that had developed since 2006. By 2012, Walmart (China) was No. 1 in retail-chain store sales revenue in China (see Table 4). Chen's three performance targets set by the Walmart headquarters were number of new stores + sales revenue + cost control = huge bonus for Chen. The enforcement of a low-cost strategy meant Walmart needed efficiency/low cost in all aspects of its operations. Accompanying the rapid expansion of this period was the simplification of quality control and the devolution of procurement. The rapid growth of the number of stores brought economies of scale in procurement and distribution. Walmart began to make a profit in some cities toward the end of this period. Its sale revenue made up 6.8% of the total sales revenue of the top 100 retail-chain companies in China, topping the 100-strong and well exceeding the 4.9% of Carrefour in 2012. Chen won praises from the headquarters and had his 3-year contract renewed for a second term in 2010.

However, Chen's radical changes in Walmart (China)'s business strategy brought a number of problems. First, the chase for increased store numbers led to the reduction of store opening standards and created stores that failed to meet their sales revenue targets. In the new stores opened in 2008 and 2009, only about 50–60% met their sales revenue target. Second, to meet the performance target, many opportunistic behaviors emerged that did not comply with corporate rules. These included exerting fee charges and passing the cost to suppliers; claiming false sales results; selling fake- or poor-quality products; and altering the sell-by dates. Third, changes in management practices in this period and their consequent workforce behavior

TABLE 5 Performance of Walmart, Carrefour, RT-Mart, and Walmart compared (2005–2015)

Year	Walmart (China)				Carrefour (China)				RT-Mart (China)			
	Sales revenue (million yuan)	Growth rate (%)	Market share (%)	Ranking	Sales revenue (million yuan)	Growth rate (%)	Market share (%)	Ranking	Sales revenue (million yuan)	Growth rate (%)	Market share (%)	Ranking
2005	9,934	31	1.4	22	17,436	25	2.46	9	1,570	35	2.22	10
2006	15,032	30	1.76	14	24,800	53	2.9	6	19,587	25	2.29	10
2007	21,315	42	2.08	13	29,600	24	2.88	6	25,675	31	2.5	8
2008	27,822	30.6	2.32	9	33,819	14.1	2.82	6	33,567	31.1	2.8	7
2009	34,000	22.2	2.5	9	36,600	8.2	2.7	7	40,432	20.5	2.98	6
2010	40,000	17.6	2.41	9	42,000	14.8	2.53	7	50,225	24.2	3.02	6
2011	43,000	7.5	2.6	9	45,196	7.6	2.74	7	61,567	22.6	3.73	5
2012	58,000	3.6	3.11	6	45,274	0.2	2.43	10	72,470	17.7	3.88	5
2013	72,215	24.5	3.54	5	46,706	3.2	2.29	11	80,120	10.6	3.93	4
2014	72,376	0.2	3.45	5	45,722	-2.1	2.18	11	85,670	6.9	4.09	4
2015	73,547	1.6	3.5	5	40,102	-12.3	1.91	11	89,680	4.7	4.27	4

Source: Compiled from <http://www.linkshop.com.cn>.

damaged what was believed to be a good management system in Walmart (China). Some employees took bribes and sought gray incomes to boost income. These behaviors, while existing in other firms in China (e.g., Wilkinson, Eberhardt, McLaren, & Millington, 2005), undermined Walmart's culture of honesty and integrity, and led to the rapid decline of Walmart's brand reputation in China. According to a survey of supplier satisfaction in the retail industry by Shanghai Business (2015), Walmart's ranking declined between 2011 and 2013 (see Table 6).

Products and service crises further undermined Walmart's reputation and drove customers away. As a shop assistant remarked: "Walmart is less and less like Walmart." In other words, the practice of this period was diverging from Walmart's corporate values that emphasize pride in customer service and integrity. What was worse, the radical change during this period destructed Walmart culture, reduced employee motivation, and heavily undermined team spirit (see later for further discussion). As the Corporate Affair Director remarked: "Yaochang Chen understands China, understands retail, but only does not understand Walmart." In October 2011, Chen was removed from Walmart (China).

6.2.3 | Stage 3

The third stage (2012–2017) was the period for regulation and consolidation (规范整顿时期), with Chen's successors trying to rectify the problems created in Stage 2 by reintroducing Walmart's core values. A key task of this period was to restore Walmart's image, which was ruined because of selling fake- and low-quality products. An extra dimension was added to Walmart (China)'s core values—"always trustworthy" (始终诚信). A compliance department (employing over

100 staff) was set up in 2012, which reported directly to the U.S. headquarters (in 2008, quality compliance was devolved to the China headquarters for self-monitoring). Procurement was recentralized by consolidating the 30 procurement centers at the national, regional, and local level into eight at the national and regional level. There was a strong emphasis on standardized management and returning to Walmart standards. Unprofitable stores were closed down (see Table 7), and organizational structures were made leaner. Costs were reduced substantially. Performance was emphasized in 2015 and sales revenue targets were increased for each store. Store managers were heavily incentivized to achieve their targets. In short, the return to Walmart's corporate culture/core values in this period has focused mainly on reinstating "customer services" by emphasizing product quality and cost containment. By contrast, little improvement was made to the HR policies and practices to highlight Walmart's corporate value of respecting the individual (see later for further discussion).

Recognizing the strategic significance of China as a core part of its international market, Walmart has made significant investment to uplift its operations in China from mid-2000s in an attempt to fulfill its goal to be the biggest retailer in China (e.g., Trefis Team, 2014). In 2014, Walmart announced a 300 million yuan investment for reinforcing food-safety management in the supply chain at distribution centers and stores. It also rationalized the number of suppliers and build partnerships with them to improve product quality and freshness. The regulating and standard compliance controls in this period proved to be effective in that suppliers' satisfaction climbed back up (see Table 6). "From 2012 to the beginning of 2016, Walmart (China) has been making a profit for 16 consecutive quarters" (Store Manager). In 2016, Walmart (China) announced at its new-year annual meeting that

TABLE 6 Suppliers' level of satisfaction with Walmart

Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Overall satisfaction ^a	3.78	3.83	3.59	3.52	3.49	3.37	3.53	3.78	3.61	3.66
Rank no.	1	1	1	2	2	9	7	9	5	5

Source: Shanghai Business—Supplier Satisfaction Survey Office (2015).

^a Score: 5 is the maximum and 1 is the minimum.

TABLE 7 Store closure of Walmart (China) between 2012 and 2015

Year	2012	2013	2014	2015
No. of stores closed	5	14	16	1

Source: compiled by the authors based on information from the business networks.

it would open 100 shopping malls and 100 Sam's Clubs in the next 3 years. In addition to building new stores in the coming years, Walmart (China) has invested 600 million yuan in upgrading over 90 stores to improve efficiency through, for example, LED light to save energy.

6.3 | Evolution of HR policies and practices in Walmart (China)

In line with Walmart (China)'s business strategy, its HR policies and practices exhibited distinct features in the three stages, as outlined later (see also Table 3 for a summary).

6.3.1 | Stage 1

Stage 1 was the establishing period when Walmart (China) followed the principles of the HRM system of Walmart (U.S.) closely. Its HR policies and practices in this period were underpinned by its corporate core values and were marked by these characteristics: treating employees as its business partners, competitive salary and welfare benefits, emphasis on employee training and development to help employees to grow, and fairness and transparency in promotion based on merits. These HR policies and practices were similar to the high-performance work practices that differentiated Walmart from the majority of the employers in China.

For example, in late 1996 when Walmart first entered Shenzhen (one of the most developed cities in southern China), an ordinary Walmart employee earned approximately 1,500 yuan per month,¹ whereas the average monthly wage income of Shenzhen was 1,209 yuan and the government-specified minimum wage in Shenzhen was 398 yuan per month at the time. With such compensation on offer, job seekers were eager to apply for jobs and the queue of applicants could extend to over 150 m. At the end of 1997, Walmart hired a large number of part-time employees but later found that they did not meet the company's requirements because they received much less training prior to taking up the position to be able to behave in accordance with Walmart's corporate culture (e.g., service to customers), and the staff turnover rate was also high. It then switched back to hiring full-time employees on reduced income level of 1,360 yuan per month (basic wage 760 yuan + attendance wage 200 yuan + housing benefits 400 yuan). This downward adjustment was based on the local living standard and the minimum wage level.

Although the reduction of the pay level has somewhat reduced Walmart's competitive advantage as an employer, its good training and development practices, promotion opportunities, and teamwork atmosphere still attracted loyalty from its employees. For example, new employees received 3 months off-the-job training, from corporate culture to practical operational skills and knowledge. Training was provided by professional trainers and the training was conducted in real stores that had training store status. These training stores could not reduce their own employees by using trainees. Trainees received

probationary pay. Much attention was paid to developing trainees' awareness and internalization of Walmart's corporate culture that distinguished it as one of the "Best Employers" in the world.

Walmart (China)'s performance management system was development oriented. Only sales employees had quantitative measures (sales targets). Even when an employee failed to meet the sales performance target, his/her wage income would not be affected. Instead, the employee would be encouraged to make improvement by identifying the causes of poor performance and receiving training. For each ordinary employee, performance appraisal was conducted based on the three components of corporate culture: "respecting the individual, service to customer, and strive for excellence." Performance appraisal was conducted by the supervisor and agreed upon by the appraised employee before submission to higher-level managers and the HR department as evidence for future pay rises and promotions. Appraised employees could appeal against the performance assessment to the higher-management level directly if they were not happy with it. For employees with managerial responsibilities, emphasis was placed on their role in coaching, mentoring and developing their subordinates, encouraging employees' suggestions to meet organizational goals, and cost control. Managerial employees were evaluated through a 360° appraisal system that consisted of six dimensions: planning and organization, performance management, decision-making, leadership, relationship management, and motivating power. The intention was to encourage managerial employees to be good team leaders, good mentors, and coaches (i.e., servant leadership).

As Walmart (China) embraced the corporate culture in this period and was transparent in its management, "all employees loved the company because of the good career progression space. The employee complaint system was also very good and ensured complaining employees were not victimized. In that period, employee engagement survey mostly score above 95%," according to Deputy Manager A (Store A). This perception was supported by comments from the majority of ordinary employees interviewed who were employed during this period; they had very fond memories of, and were all nostalgic about the prior-2007 Walmart (China). "In those days, Walmart really treated employees as a 'partner'" (Ordinary Employee 5, Store A).

Walmart (China) provided clear career-progression path for its employees who could progress through either the technical/professional or the managerial path. Due to a shortage of talent in the labor market, Walmart developed its own managers instead of hiring them from the market. Therefore, employees had opportunities for relatively rapid promotions when new stores were opened.

Although critical management scholars have questioned company's motive of forging a strong corporate culture and view this as a sophisticated means to create normative pressure and exert control to manipulate employee behavior (e.g., Alvesson, 1995; Kunda, 2009), it appears that, in Stage 1, managers and ordinary employees of Walmart (China) identify with Walmart's corporate culture relatively strongly as a progressive one. This is because the active promotion of Walmart's cultural values was coupled with good HR policies and practices beneficial to the workforce in Stage 1, and the Chinese employees are eager to learn and embrace what are perceived to be good values promoted by foreign firms (e.g., Cooke, 2004; Davies, 2007; Taylor, 2001).

6.3.2 | Stage 2

In the second stage of Walmart (China)'s development in China, its HR policies and practices underwent significant changes that were characterized by cost containment to reflect the then CEO Chen's business strategy as outlined earlier. Walmart's corporate core values were largely abandoned in favor of locally informed practices, including deploying a two-tier workforce with the longer-serving workforce on permanent employment contracts and the new workforce on temporary contracts with different terms of employment and conditions. The pay level was in relative decline compared with the local average wage and minimum wage thresholds. Employer's social security premium contributions were also in substantial decline largely due to the reduction of the number of formal employees (employees in nonstandard employment have much less coverage of social security) and also the reduced proportion of contribution for the formal employees (it used to pay above the legal-requirement threshold). Walmart employees slipped from mid-income earners in the late 1990s to low-income earners by the 2000s in Shenzhen city (see Table 8). For example, in 2012, the highest wage was 2,800 yuan per month for long-serving employees with 16 years tenure and the lowest wage was 1,850 yuan for new employees. Low-paid employees might not reach or only just reach the minimum wage level of Shenzhen after deducting their social security contribution (about one-third of the average wage of Shenzhen). As a result, "Walmart employees became the low earners in Shenzhen. It is a strong contrast with them being the mid-earner when Walmart first entered Shenzhen" (HR Manager A). The wage level has also been in decline for Walmart employees in other regions relative to what it used to be, putting Walmart employees on a relatively low pay level by the local standard. Hence, some Walmart employees have to assume a second (part-time) job to top up their income (see later for opposition of annualized hours).

Promotion was the main route to a pay rise for Walmart employees. However, since 2007, this opportunity has been substantially restricted. In 2006, an ordinary employee could receive a pay rise of 10–20% when promoted to the supervisory level. By 2011, increase was reduced to only 3–5%. "In 2008 when Walmart (China) was reporting making a profit in the year, it froze recruitment and promotion. Many excellent employees could not get their deserved pay rise or promotion" (HR Manager B, Store B).

Redundancy had taken place on several occasions in some stores, negatively affecting the staffing level and customer services. For example, before 2007, a standard Walmart store would have 500 employees; this was reduced to 350 in 2009, some as few as 100. In 2007, 100 managerial staff were laid off nationally. In 2009, nearly 1,000 managerial staff were laid off as a result of "optimizing the organizational structure" (delaying). Promotion opportunities were substantially reduced in part due to the removal of management layers at the lower and mid-level. According to an HR Manager (HR Manager B, Store B) interviewed,

This round of restructuring hurts Walmart the most, because not only ordinary employees lost their promotion channel, but also the downsizing was carried out in a crude and simplistic manner that violated Walmart's humanistic culture.

Training time and opportunities were pruned back. New employees would receive training for only half a day before assuming their position. Financial reward was closely linked to individual and collective performance. Those in procurement and operational businesses would receive individual performance targets with quantitative measures. For example, store managers would be measured by sales targets, profit targets, and cost-control targets. Those who failed to meet the targets would be demoted with a pay cut.

Performance appraisal became less fair compared with that in Stage 1. Since most of the ordinary employees were doing similar jobs that were difficult to differentiate, "those who had a good relationship with the supervisor would get good rating" (Employee 4, Store A). "In the past, we could appeal to the higher level of managers. But these days, nobody bothers to do that because there would be no use" (Employee 9, Store A). Worse still, bribery emerged in promotion. In some stores, bribery prices were openly known: promotion to the supervisory level would cost 3,000 yuan and to deputy store manager 10,000 yuan. As HR Manager C (Store C) observed, "Walmart's corporate culture of honesty, fairness and transparency was destroyed. Nepotism crept in and managers were no longer the servants of employees".

A knock-on effect of the introduction of these practices was the rise of employees' opportunistic behavior, including passing off subquality products as premium products—aided by the simplification of quality control and the devolution of procurement. Customer

TABLE 8 Wage-growth rate of Walmart (Shenzhen) employees and the minimum wage and average wage-growth rate in Shenzhen city^a

Year	Wage-growth rate at Walmart (Shenzhen) (%)	Minimum wage in Shenzhen	Minimum wage-growth rate in Shenzhen city (%)	Average wage in Shenzhen city	Average wage-growth rate in Shenzhen city (%)
2008	10.8	1,000	17	3,233	10.4
2009	9.5	1,000	0	3,621	12.0
2010	8.5	1,100	10	3,894	7.5
2011	7.5	1,320	20	4,205	7.9
2012	6.5	1,500	14	4,595	9.3
2013	5.5	1,600	7	4,918	7.0
2014	5.0	1,808	13	5,218	6.1
2015	4.0	2,030	12	6,054	16.0

Source: Compiled from interview data and the Bureau of Human Resources and Social Security of Shenzhen city website information.

^a Wage figures are monthly wage.

complaints increased due to the declining quality of customer services and products. Employee satisfaction was also declining. For instance, employee satisfaction in one of the stores in Changsha city had dropped from 95.6% in 2006 to 71.8% in 2011.

6.3.3 | Stage 3

The third stage of Walmart (China)'s business strategy was marked by its efforts to return to Walmart's corporate core values and management approach to rebuild its trustworthy image. A number of initiatives were promoted in this period, including: "From the Heart" ("从心开始") in 2011; "Always Trustworthy (integrity)" in 2012; "Serving the Customers" in 2014; and "Employee Commitment" in 2015. However, the focus of these initiatives has been to restore Walmart's external image/business reputation. There was very limited investment in HRM, with little return to the good HR policies and practices adopted in Stage 1, such as extensive training and merit-based promotion. Instead, Walmart's aim was to contain its labor cost to within 8% of its sales revenue. Further organizational restructuring took place in 2016 to reduce managerial staff. Funding for employee team-building activities was either reduced or cut out. Some stores also abolished staff canteen subsidies. To reduce labor costs, part-time workers were used—set at no less than 30% (but capped at below 35% by Walmart for legal compliance) of the total employees in the performance-assessment criteria in some stores.

In addition to the strong emphasis on trustworthiness and compliance, quantitative measurements were adopted in the performance assessment of stores. From 2015, heavy financial incentives, and penalties, were given to store managers to stimulate performance—good performers might get half a million yuan bonus. Assessment criteria for store managers included sales (e.g., targets, growth, and profit level); products (e.g., pricing system, trustworthiness index, and product quality compliance, etc.); damage of products; and staff (commitment, turnover, and the ratio of flexible/nonstandard employment). As a result, "store managers became highly motivated and excited. But the same incentives were not extended to ordinary employees. So they were not motivated" (HR Manager B, Store B). Moreover, the compliance department that reports directly to the U.S. headquarters has the power to deal with noncompliance incidents (e.g., poor quality of products) and dismiss staff in cases of gross violation.

In short, from 2011 onward, the return to Walmart's corporate culture was mainly the reestablishment of "service to customers" with a strong emphasis on product quality and cost control. There was little improvement in "respecting the individual." As HR Manager C (Store C) observed with sentiment, "Walmart will never be able to return to its equal, cooperative, transparent and fair team atmosphere." This was echoed by the Store Manager and two ordinary employees interviewed:

In the past, Walmart wage level was low, but we had good culture. Employees felt a sense of identification and were willing to work for the company and do more for the company. Now, the wage level is even lower and the culture is destroyed. Employees felt coerced into working, and they will try to avoid doing

anything if they can get away with it. (Store Manager, Store A)

In the past, wage level was not high, but there were promotion opportunities and the pay rise would follow. But now promotion opportunities have dwindled and are non-transparent, staff don't see any hope, they only want to dawdle. (Employee 7, Store A)

Nobody will be loyal to the company anymore. Those who have the ability will find ways to make money; those who have no ways to make money will work extra jobs outside. You cannot make a living with Walmart's salary. (Employee 14, Store C)

Another knock-on effect was staff turnover due to dissatisfaction. The majority of the new employees recruited were in nonstandard employment mode, such as temporary employment, hourly rate employment, and student internship. For example, in one of the stores in Changsha city, in 2013, 180 employees were recruited. Eighty of them were given a fixed-term full-time employment contract; the remaining 100 staff were hired as part-time workers who were paid at an hourly rate. Short-term workers and seasonal workers had a very high staff turnover rate and the heaviest task of the HR department was recruitment, with significant challenge to recruiting good staff for core positions.

By the mid-2010s, Walmart (China) was marred by low levels of employee satisfaction and commitment, and growing incidences of labor disputes. Management–labor conflict was pushed to a new height when a number of stores in China attempted to introduce the annualized hour staffing practice (综合工时制) in 2016. Industrial actions started in May 2016 and continued into 2017 on and off, as we shall see later.

6.4 | IR and the rise of labor–management conflicts

As mentioned above, Walmart's low-cost labor strategy has led to strained labor–management relationships and reduced labor rights protection to a very low level (also see Gereffi and Christian [2009] for review of the impact of Walmart's business strategy and model on wage and labor relations in the United States and beyond). This was manifested in a number of ways.

First, Walmart (China) has had a long history of nonunion recognition and suppression, as noted by a number of studies of Walmart (China) (e.g., Chan, 2011; He & Xie, 2012; Li & Liu, 2016). The All-China Federation of Trade Unions (ACFTU) led a long match of union recognition campaign for over 12 years from 2003 without success until Walmart workers set up their first union in Quanzhou city in July 2006. Within 6 months, unionization spread across all Walmart stores in China. Walmart's reason for nonunion recognition in China was that Walmart adopted a nonunionization strategy across the world (c.f., Brunn, 2006; Hall, Bawden, & Butler, 2006; Lichtenstein, 2008), and it would not set a precedence in China. However, even after the workers had set up their unions at the store level, Walmart (China) continued to suppress unionism through a number of tactics including

suppressing grassroots direction election of the union chair; victimization of union representatives (e.g., dismissal on other grounds); and suppressing workers' rights defense (strike actions). Grassroots unions initially set up by the workers themselves were also "reformed" by Walmart eventually and became welfare unions that function like an employees' club for team-building activities. According to the union chairpersons, workers' representatives, and some workers who were involved in union chairperson elections, Walmart was very antagonistic against direct election of union chairpersons and sabotaged elections to make the candidates fail (e.g., In Store 1,059 and Store 3,422 Shenzhen in 2015). Union chairpersons successfully elected by the workers were forced to resign. Walmart's intention was to prevent the emergence of union leaders truly elected by the workers who might lead a workers' movement to advance workers' rights and interests. Worker activists were also dismissed (unfairly) with various excuses by store managers and, when reinstated after winning the lawsuit, were lured to resign with handsome payoffs (e.g., Shishu Wang in Shenzhen in 2012).

In addition, Walmart treats collective bargaining with the unions as a formality by signing regional collective agreements without consultation with the union representatives or workers affected. For example, in 2008, the ACFTU announced that all 108 Walmart stores should be covered by collective contracts as part of ACFTU's high-profile campaign to set up collective contracts for workers nationwide. Walmart was happy to cooperate with the ACFTU and produced a template for the collective contract to cover all the stores. Union chairpersons of each store signed the collective contract agreement on behalf of the workers without being involved in the formulation of contractual items. None of the ordinary workers interviewed were aware of the existence of the collective contract. For example, in the June 2016 collective agreement, the 400 yuan per month housing benefits of employees were removed and added to their basic salary in Shenzhen. This was in part because the minimum wage of Shenzhen had increased and Walmart employees' salary fell below the minimum wage threshold. Workers were kept in the dark about the change and found out only when they received their salary. At the same time, employees' demand for an increase in housing benefits to meet the sharp rise in housing prices was ignored by Walmart. Other local demands for wage increases or overtime payment adjustments were all declined by Walmart (China), with the reason that wage matters are centrally set by Walmart (China) headquarters and local unions had no authority to initiate negotiations for changes.

Walmart (China) has been involved in an increasing number of labor dispute cases in the last few years as a result of its declining labor-management relationship. Disputes occurred involving lawsuits both by individual employees (i.e., individual rights defense) and through workers' self-organized industrial actions (i.e., collective rights defense). Industrial actions grew in the mid-2000s and became more frequent since 2012 following the adjustment of Walmart (China)'s business strategy and HR policies and practices. Table 9 provides a summary of some of the key industrial action events. In particular, store closures have been the main source of workers' grievances.

May 2016 saw the beginning of a new wave of industrial actions involving several stores and supported by labor activists from Walmart (U.S.). This series of industrial actions was triggered by the

imposition of the annualized hours system to the employees. More specifically, full-time employees are expected to work more overtime during peak business hours, which are mainly during afternoons, evenings, weekends, and national holidays, and receive overtime pay (at 1.5 times rate) only once they reach the 1,750 h per annum on the normal rate.² According to the HR managers interviewed, the introduction of annualized hours was intended to save cost because it was cheaper (approximately 8% cheaper per hour) to pay employees overtime than to hire part-time employees on an hourly rate, who were more difficult to manage, unfamiliar with the job tasks, and had a high turnover rate. The quotes below reflect different views regarding the potential impact of the plan of annualized hours.

With the introduction of the annualized hours, store managers will have more power to allocate the overtime to those well-performing staff. Annualized hours will change from the existing monthly salary system for full-time employees to an hourly rate pay system. This will motivate the long-serving employees, who are dawdling. Annualized hours is the biggest change of Walmart (China). We need to make this change to meet the profit demand from the Headquarters as China needs to make more profit to satisfy the shareholders' interest. (Corporate Affairs Director)

Walmart adopted the most advanced technology system to work out the roaster for the peak hours. It calculates the optimal shifts automatically and saves HR a lot of staffing needs. This is the greatest organizational change for me since I joined Walmart 7 years ago. I have learned so much.... We did not expect the employees to react so strongly about this new policy because it is good for them to earn more money by working overtime. It is a win-win solution.... Older employees are worried that annualized hours will turn them into hourly rate workers with no security. They are not motivated. Many of them are dawdlers and waiting to get their pension as they are permanent employees. Annualized hours will also restrict their flexibility to do part-time jobs elsewhere from which they can earn more.... (HR Manager B, Store B)

Annualized hours turn employees into labor that can be deployed or dismissed instantly by the management and disrupts employees' work-life balance. (Union Chairperson A, Store A)

Annualized hours means work intensification as employees are required to work in the busiest hours in their overtime. There is no slack time during the shift for them to relax a bit. (Union Chairperson C, Store C)

I have been working here since this store open in 2005. I will be 50 years old next year and can get my

TABLE 9 Summary of selected industrial actions/strike events of Walmart (China) in the period 2007–2016

Time	City	Reasons for action/strike	Outcomes	Company attitude and actions
August 2008	Hunan	Demand for pay rise	Some employees were persuaded to disband; others negotiated with the store without an outcome and left the site	Negotiating with the employees, lip service
April 2009	Shenzhen	Redundancy due to restructuring, demanding employees to choose a plan within 3 days	Employees mostly chose to take the redundancy pay and leave the firm	Agreeing to slow down the redundancy process
October 2011	Xi'an	Store closure	Many employee accepted Walmart's work relocation plan or took redundancy pay	Insisting on restructuring integration
July 2012	Shenzhen	Company not responding actively to employees' complaint about unfairness in pay rise and promotion	Involvement of police, four employees were given warnings after being taken away by the police; these four employees and other two employees were dismissed by Walmart	The latter two employees tried to negotiate with the store many times without any result. They climbed up the roof and demanded dismissal compensation. The company gave them a false settlement agreement to lure them down, then had them arrested and jailed for 10 days.
August 2012	Harbin	Settlement plan for store closure unsatisfactory to employees	–	Insisting on restructuring integration
December 2013	Luoyang	Announcement of store closure	Employees relocated to other stores or took redundancy pay and left company	Insisting on store closure in accordance to original plan
March 2014	Changde	Store closure	Some employees were forced to accept relocation arrangements; other employees refused to accept the plan and file for labor tribunal	Refusing to negotiate with the store union; insisting on store closure plan
March 2014	Jiangsu	Store closure	Some of the employees relocated to other stores or took redundancy pay and left company	Adhering to the national plan of store closures
June 2014	Dazhou	Downward adjustment of social security premium; employees demanded pay rise	–	Reporting to the police; communicating with employees involved
July 2014	Xinxiang	Announcement of dissolving employment contract without serving notice to employees	–	–
August 2014	Guangzhou	Store closure due to persistent loss-making	Employee leaving the company or relocated to other stores	–
August 2014	Guangzhou	Store closing down suddenly; employees dissatisfied with compensation plan; demanded collective dialogue	Employees given double compensation; employees who did not accept the resolution plan were dismissed and received compensation	The store insisting that all store closures of Walmart in China were lawful; refusing collective negotiation and insisting on adhering to the store closure plan
August 2014	Guangzhou	Store closure, some employees did not reach settlement agreement with the company	–	Walmart promising to settle the employees properly
July 2016	Nanchang	Opposing annualized hours	Implementation suspended	Implementation suspended
July 2016	Nanchang	Opposing annualized hours	Implementation suspended	Implementation suspended
July 2016	Chengdu	Opposing annualized hours	Implementation suspended	Implementation suspended
July 2016	Harbin	Opposing annualized hours	Implementation suspended	Implementation suspended
March 2017	Suzhou	Store closure; employees refused to accept settlement plan; store union representatives raised request on behalf of the workers	Walmart plan implemented	Rejecting union request; insisting in enforcing a standardized store closure policy
March 2017	Changsha	Store closure; some employees refused to accept settlement plan	Walmart plan implemented	Rejecting union request; insisting in enforcing a standardized store closure policy

Source: Compiled by the authors based on information from various websites, news reports, and interview information.

pension. I live far away and it is very tiring to commute to work every day. I cannot work overtime. The reason for staff to oppose the annualized hours plan is because Walmart's salary is too low and cannot

support the family. They need to work another job to top up the wage. Unpredictable overtime at Walmart will make it difficult for them to have a fixed part-time job elsewhere. (Ordinary Employee 1, Store A)

Annualized hours will reduce our overtime pay because in the past when we worked overtime during public holidays, we received 1.5 times, 2 times or 3 times pay. With annualized hours, any overtime will only be calculated as 1.5 times. (Ordinary Employee 2, Store A)

Annualized hours will give more power to the managers and they will use their power to assign overtime to those who have good relationships with them. The management of the store is chaotic. Nobody trusts the management anymore. (Ordinary Employee 3, Store A)

Since 2016, Walmart (China) has been dismissing workers who led the resistance of the implementation of the annualized system, though the official reason for the dismissal was not related to the industrial actions/labor resistance. In short, "Walmart's working conditions and wage level have been declining drastically in recent years. Many front line employees' take home wage is lower than the minimum wage legally stipulated" (Union Chairperson A, Store A). And there is no sign that the low-cost strategy pursued relentlessly by Walmart in China will halt soon, as indicated by an employee interviewed:

Walmart is increasingly exploitative and greedy. For example, Walmart used to outsource its cleaning services which would have 20–30 cleaning staff. Now cleaning has been brought back in-house and we only have 10 staff to do the job. My workload is three times as much as before, but my wage has not increased. Not only that, a senior executive visited the store a while ago and found that the store is now much cleaner after the cleaning has been brought back in-house. So he said that the cleaning department still has potential and decided that in the future, the recycling of waste cardboard boxes should also be brought back in-house. So the task of recycling cardboard boxes was imposed onto the cleaning department. It saves another big sum of money for Walmart. (Ordinary Employee 26, Store E)

7 | DISCUSSION

Findings of this study reveal a number of tensions in Walmart's strategy as it expands in China. In this section, we further analyze these tensions and impacts. We also assess if Walmart (China)'s strategy is different from that of Walmart (U.S.).

7.1 | The evolution of Walmart (China)'s business strategy and impact on HRM

The evolution of its business strategy and HR strategy in Walmart (China) indicates a downward adjustment that stretches its suppliers and workforce to the limit. Walmart entered China as a good employer and a prestigious foreign retail giant with products and services that were considered to be of high quality by its Chinese customers. However, while Walmart (China)'s initial employee-oriented

HR policies and practices were very well received by the employees at Walmart (China), it soon realized that this model was too costly to sustain its low-cost business strategy characterized by everyday low-price and large-volume sales in big boxes. To gain cost advantage, it has adopted, or attempted to adopt, management systems and practices to boost store productivity. However, findings of this study show that the low-cost and economies of scale business strategy of Walmart cannot be supported by a corresponding low-cost HR strategy, as the decline of the quality of HR policies and practices from the employees' perspective has led to the violation of employees' psychological contract and the resultant decline of employee commitment. As HR Manager A (Store A) lamented, "the HRM system has been destroyed and in a state of beyond repair, marred by low levels of employee satisfaction and commitment and growing incidences of labor disputes."

The attempt in May 2016 to implement the annualized hours system to improve store productivity through greater efficiency in staff utilization is a prime example of the failure of management, with profitability as its major concern, not taking into account employees' interests through consultation. The failure of this major HR initiative further reveals the lack of understanding of Walmart to the Chinese labor-market tradition that is characterized by full-time employment and those in part-time work often need to take on several part-time jobs to make up a full-time living wage (e.g., Cooke & Brown, 2015). Some full-time low-paid Walmart employees may have to work overtime or even work a second job to top up their wage. By contrast, as HR Manager C (Store C) remarked, "in the US, Walmart full-time employees make up only 20% of the total workforce, the rest are part-time workers, therefore the labor cost is very low. Now we are expected to learn more and more the American practices and increase staffing flexibility."

7.2 | Balancing the rope: Sustaining a low-cost and high-quality culture

Second, Walmart's corporate cultural values that incorporate both low cost (of products) and quality differentiation (of services) are predominantly customer oriented. Operating in a highly competitive retail market with a low-profit margin, Walmart has opted to prioritize its customers and shareholders (i.e., focusing on market competition and sales return) at the expense of two other key stakeholders—suppliers and employees—who are perceived to have less bargaining power. Earlier studies of Walmart attributed its success to its strong corporate culture, which is described as "a comprehensive system that fosters positively-motivated employees and creates a unique work environment as the foundation of the company's global success" (Davies, 2007, p. 1). If the earlier corporate culture building of Walmart (China) had ever played a role in shaping employees' behavior and "uniting correct culture with modern production" (Davies, 2007, p. 27), then the policies and practices that it has adopted since the mid-2000s have gone against sustaining such a corporate culture.

As the cost-reduction drive intensifies to deliver shareholder values, Walmart (China) departs from its original core cultural values that once attracted and motivated its employees. The downward adjustment of its HR policies and practices (i.e., reduced

compensation, training and career opportunities, large-scale downsizing, layering and substantial use of part-time workers to staff peak business hours) is symbolic of its shift toward a low-cost HR strategy commonly found among Chinese firms operating in the mass market. Such an aggressive cost-oriented management approach, one that is more than what Walmart U.S. could pursue, dismantles Walmart's basic principles of professionalism, integrity, dignity, and respect. The simplification of quality control and devolution of procurement, that is, empowerment without the right reward, inevitably invites opportunistic behavior, although it is worth noting that corner cutting by the Chinese managers and employees is not a problem unique to Walmart (China). As Marquez (2006, p. 32) reported in the U.S. context, "Walmart CEO Lee Scott warned managers against cutting corners. What is Wal-Mart doing to be tougher on managers who cut corners or break the law?"

7.3 | Firm performance: From long-term to short-term targets

Changes in the HR policies and practices of Walmart (China) also indicate a shift from a process focus and long-term relational orientation toward a short-term outcome-driven orientation. As we have seen, the essence of Walmart's HR strategy in its early years (Stage 1) in China was to increase the motivation and commitment of its employees through people-oriented and investment-oriented HR policies and practices that were characterized by above market pay, extensive training and development, development-oriented performance appraisal, job security, and fair treatment (e.g., merit-based promotion). Its recent HR policies and practices, by contrast, are geared directly toward molding employees' behavior through aligned incentives and rewards that "foster perceived discrimination and inequity," as observed by Kaufman (2015, p. 401) in his review of recent HRM-performance research.

Walmart straddles a rather uncomfortable position between cost and quality with a narrow space in which to maneuver. On the one hand, Walmart wants to maintain its brand that is underpinned by its four corporate cultural values, but it is not able/willing to invest in its HR policies and practices to sustain the culture on the other. As Boxall (2003, p. 12) argued, costs, including labor costs, in mass-service markets such as supermarkets are in competition because "customers are very price sensitive" and firms "do not generally pay above market-clearing wages unless persuaded to do otherwise by unions and state regulation. While cost leadership and branding strategies are possible, the dynamics of cost-based competition in mass services have the effect of imposing major constraints on the HR strategies of firms." If the decline in power of organized labor experienced in developed economies has left the employment relations imbalanced and enabled firms to pursue short-term profit and "rent capture over long-term workforce development and rent sharing" (Kaufman, 2015, p. 403), then Walmart (China)'s pursuit of a shareholder-oriented model that increasingly prioritizes the interest of the shareholders and customers at the expense of the workers has backfired when aggrieved workers started to self-organize and draw institutional and political support within and outside China.

7.4 | Is the Walmart (China) story different from Walmart (U.S.)?

A distinct feature of Walmart's strategy is its twin-emphasis of cost and quality. Cost leadership has always been the core of Walmart business strategy, including Walmart in China. In the initial years of Walmart's operation in China, because it was in a much more advanced stage of organization development than Chinese retailers and had higher standards of product, service, and employment rights in the United States than in China, the transfer of Walmart U.S. business and HR strategies and practices to China resulted in a "privilege of developed." In other words, standard product and service quality and HRM practices in the United States became relatively high-quality products and services, and relatively sophisticated HRM in China. It has become apparent that Walmart realized this privilege and started downward adjustment of its HRM practices toward the end of Stage 1, but had to undergo upward adjustment when the cost outweighed the benefit (e.g., in hiring part-time workers). In the initial years, Walmart (China)'s HRM practices looked indeed less cost-oriented than Walmart HRM practices in the United States, measured by the wage level and the use of full-time employees. This was because Walmart needed to: (a) comply with China's labor law (i.e., foreign firms should pay their employees no less than the local average wage rate of the same industry); (b) project itself as a "good employer" to enter the China market; (c) train and develop its Chinese employees to conform to its corporate culture and standards. As Walmart became more familiar with the Chinese institutional environment and as the Chinese labor market became increasingly more flexible since the late 1990s (Cooke & Brown, 2015), Walmart started to localize its HR policies and practices to reduce cost.

In Stage 2, cost reduction became salient in the localization and decentralization of procurement, declining quality control, rapid expansion for the economy of scale, and more cost-cutting HR policies and practices were imposed, facilitated by the increasing labor-market flexibility and declining job quality in the retailing industry. However, the irrational expansion, drop of quality, and localization of procurement went too far too quick, resulting in severe problems including unacceptable quality of products and services even in China. Therefore, the quality component of the business strategy configuration had to be rebalanced in Stage 3, while centralized procurement and logistics became more cost effective with the much larger scale and improved market conditions and infrastructure in China (thus recentralization). This adjustment was in line with Walmart (U.S.). However, the quality component of the HR strategy was not recalibrated back to the employee-oriented approach to support the quality strategy. Instead, it continued largely on the cost-cutting path, as evidenced by the imposition of the annualized hours system, a practice that was adapted/transferred from Walmart (U.S.). While cost reduction might be possible via improving efficiency in the operations through smarter arrangements in procurement, storage and transportation and at the same time maintaining product quality, it would be difficult to implement a transactional HR strategy while expecting high-commitment outcomes from the workforce. Such a divergence of business and HR strategies proved troublesome for Walmart (China). In addition, the privilege of developed has been

eroded as domestic competitors were catching up in quality and management techniques, and as consumers' expectations continue to rise.

In short, Walmart (China)'s cost and quality strategy has not been well supported by the corresponding HR strategy. While Walmart (China) has performed reasonably well on the financial and business side, measured by sales, store expansions, and profitability in general, this has been accompanied by declining employee well-being and other HR outcomes, such as the erosion in employment terms and conditions, the decline of employee satisfaction and commitment, and the rise of labor turnover and disputes. One might ask: does this situation resonate that of Walmart (U.S.)?

8 | CONCLUSIONS

8.1 | Knowledge contributions

This study makes a number of knowledge contributions with implications for research. First, it partially responded to calls for more in-depth and qualitative studies, the return to a focus on external factors, the inclusion of business strategy and IR in HRM research, as well as more research in the retail sector in the Chinese context. As Kaufman (2015, p. 402) pointed out, the “shift toward greater internal focus in SHRM” and the “attention toward individual behaviors and associated psychological states” has led to the declining contribution from external-related disciplines, including IR, in the field of HRM research. Kaufman (2015, p. 404) has called for more research that deploys “empirical methods and experiential insight gained from substantial involvement with the operational realities and problems of real-life business organizations” in the strategic HRM field to counterbalance the growing dominance of “scholastic” studies in academic journals that are “nonrelevant” to the practical world—this is particularly relevant to *Human Resource Management* as a bridging journal. By examining the coevolution of the business strategy and HR strategy of Walmart (China) in the last two decades, we were able to identify tensions in its corporate cultural values, business priorities, and HR policies and practices as well as causes of labor disputes as competition in the Chinese retail market intensifies. By bringing the business strategy back into the study of HRM, we are able to highlight the interactive effect of the business strategy and HR strategy.

Second, existing literature on strategic management and HRM argues the importance of developing strategic HRM to align with the organization's business strategy and support the business strategy. The assumption is that strategic management is good for the business and good for the employees (i.e., a win-win outcome). The majority of these studies were conducted in a quantitative method and in a snapshot mode. However, a firm's business strategy may experience major changes over a period, and the HR policies and practices that are adopted to align with the new strategic direction may not be beneficial to employees (i.e., a win-lose outcome) and therefore undermine the cooperation between management and labor. As Kaufman (2015, p. 401) pointed out, “the principal performance contribution of the RBV” is to use rare, inimitable, and nonreproducible features through firm-specific training

and development “to foster workforce immobilization and differentiation,” which then enables the firm “to pay employees less than a fully competitive wage” for rent protection. For Kaufman, such an “economic discount” (Coff & Kruscynski, 2011, p. 1431, cited in Kaufman, 2015, p. 401) is a subtle shift from the original HPWS agenda of a win-win strategy through rent sharing between the firm and the employees to a win-lose strategy in which the firm rent captures its employees by restricting their mobility. Therefore, we argue the examination of the business strategy and HR strategy and their interactive effects needs to adopt a historical lens instead of a snapshot perspective. And our study provides evidence that indicates the shift from a win-win to a win-lose strategy.

Third, our study shows even sophisticated MNCs like Walmart may not have a coherent HR system in place that will best support its business strategy at the national subsidiary level for various, but particularly cognitive, reasons. Nor do they necessarily adopt a standardization or local-response strategy in the configuration of their HR policies and practices. Instead, their HR policies and practices may be a pragmatic pick-and-mix of adoption and readaptation of home country practices, taking advantage of, or accommodating, local conditions. This suggests a processual approach may be a closer reflection to the reality than a classical approach, as MNCs are increasingly facing unprecedented challenges as they expand their global footprints. If union strength has declined in the west with the rise of strategic HRM, then the opposite trend is emerging in China—the attempt to impose a win-lose model by Walmart has led to the rise of unionism and the support of broader institutional actors such as non-government organizations (NGOs), labor lawyers, and the court judges in the workers' struggles to protect their rights and interests. What is worth noting is that, while the employee satisfaction level has declined in Walmart (China), its score is actually relatively high compared with Walmart in other countries. Does this mean that the declining employee satisfaction of Walmart (China) is in fact the beginning of an (downward) alignment with the rest of the corporation in its global position? To what extent is the evolution of the HRM system of Walmart (China) a combined outcome of American short-termism and Chinese opportunism? And what are the lessons to be learned for Walmart and other global firms?

Fourth, findings of our study challenge the conventional wisdom that employee-oriented HR practices mainly exist in knowledge-intensive services and where “there are important customer segments that extend beyond mass, low-cost services [with] potential for a pay-back from greater investment in human resources” (e.g., Boxall, 2003, p. 16). Boxall (2003, p. 15) argued “the match, or fit, between competitive strategy and HR strategy is greater in services than it is in manufacturing” and “cost-based, low-margin competition in mass services tends to drive out the possibilities for HR advantage, except where firms can fund greater HR investment out of premium branding.” We argue a low cost and low quality of the service-business strategy requires the support of employee-oriented HR policies and practices instead of adopting corresponding cost-oriented HR policies and practices. This is because HR policies and practices do not directly influence organizational performance, but affect employees'

perception and behavior, which in turn affect firm performance (Bowen & Ostroff, 2004; Qiao, Khilji, & Wang, 2009). Our study supports Schneider and Bowen's (1993) assertion of "the importance of HRM practices in the delivery of superior customer service quality." In other words, firms with a relatively high level of work discretion, such as customer services in retail stores, should not adopt a transactional approach to HRM. Furthermore, firms may not just adopt one type of business strategy as classified by Porter (1980). Instead, they may adopt a fixed strategy, but without necessarily the ability to craft it in coherence to gain strategic advantage.

Finally, our study reveals findings that are different from previous research of foreign retail firms in China, including Walmart—this is perhaps not surprising given that divergent perspectives of Walmart from existing studies in the U.S. context have been noted (Gereffi & Christian, 2009). For example, Siebers et al.'s (2015, p. 553) study of foreign retail MNCs in China found a higher level of "institutional ethnocentrism" (Johnson, Lenartowicz, & Apud, 2006, p. 532) may lead to "lower effectiveness of transferring management practices into China, due to the risk of a higher mismatch with the local institutional environment." Siebers et al. (2015, p. 555) argued "foreign retailers have generally used ethnocentric management styles, with little empowerment to local managers and employees" that undermine employees' morale and motivation and create ceilings for career advancement of local employees. Contrary to these authors' findings, our study suggests HR policies and practices beneficial to the employees could be transferred effectively and that only when firms try to lower the quality of their HR policies and practices, even if they are a closer match to the local institutional environment, do employees respond to these practices negatively. In this sense, our study supports findings of Gamble's (2006, p. 328) earlier study of foreign retail firms in China, which suggests western HR policies and practices "can be transplanted successfully" to "provide a competitive source of differentiation for multinationals" and questions the degree to which foreign firms in China "need to adopt 'the Chinese way of doing things.'" Our study further reveals how decentralization of decision-making that is tied to profit targets may create opportunities for local managers and employees to game the system. This is in part because, without intending to justify their behavior, "Wal-Mart's low-price strategies have put immense pressure on the low wages of local shop floor employees" (Siebers et al., 2015, p. 554).

8.2 | Practical implications

This study has HRM implications as China is increasingly seen as a "spatial fix" for western capital (Silver, 2003). It appears Walmart (China) does not seem to have a coherent HR system in place, as HR policies and practices are introduced or revised based on one main objective—cost containment, which does not support its quality-enhancement business strategy. Changes in values of Walmart (China) break the social contract that had been developed between the company and its employees in its earlier years. As such, the incompatibility between Walmart's core values and the cost-centered HR policies and practices is increasingly evident and damaging. A high-growth strategy, coupled with a cost-control

strategy at the expense of long-term development proves detrimental to business sustainability. In addition, the risk of a region-centric approach to appointing host-country subsidiary CEOs is apparent. In particular, short-termism and a transactional approach to HRM engender opportunistic behavior from employees at all levels, and the low-wage level fails to attract high-quality senior managers to implement/uphold Walmart corporate culture in China. The HR and IR problems manifested in Walmart (China) point to two important observations. One is that the strategic HR capability of Walmart is low and not sufficient to develop a coherent and effective HR strategy and HR policies and practices to support its business strategy in China. The other is that a more inclusive approach that provides greater fairness in balancing the interests of a broader constellation of stakeholders, particularly those of the workforce and suppliers, is needed if the company is to perform well.

8.3 | Limitations and future research

This study contains a number of potential limitations, which need to be addressed by future research. First, it is a single case study of an MNC retail giant in its Chinese subsidiary. We do not know how generalizable this case may be for Walmart subsidiaries outside China. Nor were we able to compare and contrast in-depth the business strategy and the HR strategy of Walmart (China) with other retail MNCs in China, such as Carrefour and RT-Mart, as its major competitors. Therefore, it is unclear if what happened in Walmart is representative of MNCs in the retail industry in China. Second, due to access constraints in part because of the sensitivity of the topic, we have only conducted in-depth fieldwork in three stores in two cities, though less in-depth data were also collected in three other stores. We do not have interviews with senior executives from Walmart U.S. headquarters or Walmart (China) CEOs. However, we have been able to interact with Walmart employees at various levels, including union representatives, from more than three stores and draw on secondary data from a wide range of sources to gain a comprehensive understanding of the issues examined in the Chinese context. Third, future studies can adopt a multi-stakeholder approach to examine in greater depth the role of consumers, suppliers, and other stakeholders, if any, in shaping the competition strategy and HR strategy, policies, and practices of Walmart (China).

It is important to note that there may be competing accounts and interpretations of Walmart, in part stemming from different perspectives of the researchers, as observed by Gereffi and Christian (2009). Furthermore, although we have tried our best to obtain corporate information from the most reliable sources and triangulate it where possible, there are times when statistics do not converge from different sources. However, the statistical information we cited is mainly for illustration in comparative sense instead of serving as business intelligence.

Future research may design multilevel studies including data collection from the headquarters and multiple subsidiaries in various countries for comparison. Future research can further examine multiple retail corporations to highlight similarities and differences in their

business and HR strategies and the impact of these on organizational performance and employee outcomes. Future research may also break away from the conventional convergence–divergence dichotomy and the shift of focus of HR policies and practices that are common topics of MNC studies to develop a more nuanced understanding in terms of how MNCs may have different priorities and objectives across different subsidiaries and their likely impact. Finally, future research may explore further what lessons Walmart has learned from its Chinese operations on the one hand, and, on the other hand, what prospect there may be for Walmart workers' activism at a global level through transnational support and what impact this may have for improving Walmart employees' HR outcomes and overall well-being.

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NOTES

¹This total monthly income package consisted of three components: basic wage (900 yuan) + attendance wage (200 yuan) + housing benefits (400 yuan).

²Under the standard working hours system, full-time employees work 8 h a day, for 5 days a week, amounting to 40 h a week. Under the annualized hours system, full-time employees work 4–11 h a day, for 3–6 days a week, amounting to 20–66 h a week (see China Labor Watch, 2016).

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