

# Human Resource Management in Chinese Multinationals in the UK: The Interplay of Institutions, Culture and Strategic Choice

Zaheer Khan\*  
Professor of International Business  
Kent Business School  
University of Kent  
Canterbury, UK  
\*Corresponding author: [z.khan-53@kent.ac.uk](mailto:z.khan-53@kent.ac.uk)

Geoffrey Wood,  
Professor of International Business and Dean of Essex Business School  
University of Essex, UK  
[gtwood@essex.ac.uk](mailto:gtwood@essex.ac.uk)

Shlomo Y. Tarba  
Professor of Strategy & International Business and Head of Department of Strategy & IB  
Birmingham Business School  
The University of Birmingham  
Birmingham, UK  
[s.tarba@bham.ac.uk](mailto:s.tarba@bham.ac.uk)

Rekha Rao-Nicholson  
Senior Lecturer in International Business  
Newcastle University London, UK  
[rekha.nicholson@newcastle.ac.uk](mailto:rekha.nicholson@newcastle.ac.uk)

Shaowei He  
Senior Lecturer in International Business  
Northampton Business School, The University of Northampton, UK  
[shaowei.he@northampton.ac.uk](mailto:shaowei.he@northampton.ac.uk)

**Note: This is a post peer-review pre-print accepted version, please cite:**

Khan, Z., Wood, G., Tarba, S., Rao-Nicholson, R., & He, S. (2018). Human Resource Management in Chinese Multinationals in the UK: The Interplay of Institutions, Culture and Strategic Choice, *Human Resource Management*, in press.

## *Abstract*

This is a study of the challenges faced by Chinese expatriate managers and their strategic responses in securing a workable degree of alignment in UK subsidiaries, against a backdrop of competing home and host country pressures. Although much of the literature on home and host country effects tends to either adopt a culture or an institutional approach this study highlights the intermeshed nature of the two. In locating cultural dynamics within an institutional firmament, this study juxtaposes the effects of each, and draws conclusions as to their intersection. It is founded on in-depth interviews with home and host country managers. The findings suggest, on the one hand, Chinese expatriate managers tended to see local regulations as an obstacle to efficiency, rather than as a means to access context specific complementarities. On the other hand, these managers recognized the need to fit in with established locally specific ways of doing things and in securing sufficient staff buy in to sustain operations, and played a key intermediary role between HQ and subsidiary.

*Keywords:* China outward FDI, Chinese MNEs, HRM practices, boundary spanning employees, standardization, adaptation, comparative institutional analysis, culture.

## **Introduction**

An extensive literature exists on national and cultural effects on human resource management (HRM) practices in MNEs (c.f. Marginson et al. 2010; Brewster et al. 2008). However, much of this literature tends to fall into comparative institutional or cultural accounts, and there have only been limited efforts to connect the two. This study highlights the extent to which, while the strategic choices made by key actors are culturally defined, they are confined and circumscribed by institutionally embedded formal and informal regulations (c.f. Witt & Redding 2008). It is argued in this paper that the process is a dynamic and contested one. This study seeks to extend and complement the existing literature by exploring challenges arising from the policy and practice of HR in recently acquired UK subsidiaries of Chinese MNEs. As such, it sheds further light on developed host country effects on emerging market MNEs (EMNEs) and the relationship between institutions, culture, and social action.

A number of recent studies have explored the subsidiaries of Chinese origin MNEs (Cooke, 2014; Luo & Zhang, 2016; Meyer & Xin, 2017; Wang *et al.*, 2017). However, much of the focus of existing work has examined outward investment motives and whether existing theories can explain their internationalization process (Cuervo-Cazurra, 2012; Hennart, 2012; Luo & Tung, 2007, 2017; Meyer & Peng, 2016; Peng, 2012; Ramamurti, 2012; Luo & Zhang, 2016). Advanced economies, including the UK, have become popular destinations for Chinese MNEs (Peng, 2012; Deng *et al.*, 2017; Zheng, 2016). The bulk of Chinese outward foreign direct investment (OFDI) is driven by M&As undertaken in both developed and developing markets (Liu & Deng, 2014; Deng *et al.*, 2017; Liu & Woywode, 2013; Luo & Tung, 2017; Yang & Deng, 2017; Zheng *et al.*, 2016; Zheng, 2016), supplemented by significant greenfield investment (Buckley *et al.*, 2007; Deng, 2007), especially when motivated by seeking natural resources (Deng, 2007; Globerman & Shapiro, 2009; Sun, Peng, Ren & Yan, 2012). EMNEs face liabilities of emergingness and country of

origin, *inter alia*, owing to often close relations with home country governments. A further issue is the threat of financial protectionism, being based on concerns about a loss of key national strategic assets and capabilities, especially in the case of EMNEs with strong ties to their own government (Madhok & Keyhani, 2012; Sun *et al.*, 2012).

Against a backdrop of such liabilities, the creation or preservation of jobs and the adoption of employee-friendly HRM practices may help Chinese MNEs to gain legitimacy in their host markets (Cooke, 2014; Kamoche & Siebers, 2014; Lee, 2009; Rao-Nicholson, Khan & Stokes, 2016; Tung, 2007; Zhu, Zhu & De Cieri, 2014). Hence, Liu and Woywode (2013) argue that Chinese MNEs often adopt a ‘light touch’ integration approach towards their acquired subsidiaries. Again, as EMNEs are relatively inexperienced, they may face greater difficulty in managing their employees in overseas markets compared to their longer established counterparts in the developed world (Fan *et al.*, 2016; Luo & Tung, 2007, 2017). Finally, in some of the MNEs we studied, we encountered boundary spanning managers, typically Chinese nationals, who have spent some time in the West (e.g. studying) or are Western born Chinese. A high number of these expatriates are often sent to subsidiaries acquired by Chinese MNEs (e.g., Cooke, 2012, 2014; Meyer & Xin, 2017; Smith & Zheng, 2016; Zhu *et al.*, 2014). Studies suggest that due to its bureaucratic heritage, traditional Chinese personnel management is inefficient compared to advanced economies HRM practices (e.g., Cooke, 2009, 2012). However, HRM practices in Chinese firms are evolving as these firms are rapidly internationalizing and learning from firms in advanced economies (Cooke, 2012, 2014). Chinese MNEs are rapidly internationalizing into advanced economies, including the UK to acquire advanced knowledge and learn key management know-how (Child & Rodrigues 2005; Deng 2009; Rui & Yip 2008; Wang *et al.* 2012; Zheng *et al.* 2016).

Many Chinese MNEs have acquired enterprises in developed countries to improve or sustain their competitive advantage (Deng, 2009; Liu & Woywode, 2013; Luo & Tung, 2017; Yang *et al.*, 2014; Sun *et al.*, 2017). In order to overcome any latecomer disadvantage, these Chinese companies have adopted a springboard and linkage, leverage and learning (LLL) strategy to build legitimacy and compete with existing global Western companies (Deng *et al.*, 2017; Luo & Tung, 2017; Mathews, 2006, 2017).

It is widely noted that such acquisitions often lead to challenges in reconciling home and host country pressures (e.g., Child & Rodrigues, 2005; Child & Marinova, 2014; Meyer *et al.*, 2011; Xu & Meyer, 2013; Yang & Stoltenberg, 2014; Yang & Deng, 2017; Xia *et al.*, 2014; Cooke, 2012, 2014; Zhu & Wei, 2014); however, culture and institutional effects are often treated as operating independently, or, at the very least, in distinct and mutually exclusive domains. Again, only limited attention has been given to the day-to-day challenges of aligning HRM management and the role of expatriates in this for acquired subsidiaries (e.g. Cooke, 2012; Cooke & Lin, 2012; Fan *et al.*, 2016; Xing *et al.*, 2016).

Against this backdrop, there is a growing interest around whether or not Chinese MNEs transfer their home-based managerial and HRM practices to their acquired subsidiaries and, indeed, whether it is at all feasible in mature economies, and the practicalities of doing so (Fan *et al.*, 2013; Wang *et al.*, 2014; Xing *et al.*, 2016). This study further seeks to explore the role of expatriate managers, and how they intervene to adjust HRM practices both to smooth the alignment process and to sustain existing capabilities.

There are two very different perspectives that help to understand variations in firm behavior in context. These perspectives are particularly relevant to host-home country nexus (Brewster *et al.* 2008). The first is the comparative institutionalist literature, and the second, cross cultural perspectives. Cultural accounts tend to avoid issues of economic coordination,

relative owner and employee rights under the law, and other dimensions of formal regulation, whilst, institutional accounts, in many instances, simply locate culture as a distinct institutional domain (Redding 2008; Brewster et al. 2008). Yet, in understanding home and host country effects, and the challenges of securing internal organizational integration and coherence, it is clear that the two are closely inter-related. Redding (2008) sees culture as a shared sets of meanings within semantic spaces, whose boundaries are defined by the more formal institutional arrangements governing economic life. At the same time, the relationship is a reciprocal one, and their choice of actions are moulded by formal institutions which will, in turn, be reshaped by culturally embedded norms and values. Elements of such thinking may be encountered – although often only in passing, and in limited detail – in other areas of the comparative institutionalist literature.

For example, Hall and Soskice (2001) see culture as both about shared understandings and commonly agreed sets of strategic actions. Again, it can be argued that ideas of market orders are socially embedded, and that associated informal rules reflect the relative power of particular interest groupings (Witt and Redding 2009). Similarly, Whitley (1999) argues that national business systems vary not only according to informal rules, but relative variations in propensities to communitarianism, trust and authority (c.f. Witt & Redding 2009). These specific dimensions of culture: shared bases of understanding; demarcations as to the relative acceptability of specific strategic actions; mentalities of those in authority; and ideas of market orders translate into variations in the rationales underlying managerial decision making (Witt & Redding 2009).

From in-depth interviews with senior managers and employees in Chinese MNEs' subsidiaries in the UK, we found substantial challenges in aligning HRM practices to home

and host country institutional pressures and cultural variations. In some instances, these were partially alleviated by Chinese managers who were, through education or work experience in the UK, knowledgeable of both contexts.

Our theoretical contributions are two-fold. Firstly, although there is extensive literature on the relationship between home and host country effects, and the interplay between them, this study provides insights into how key actors can mediate these conflicting pressures and devise *ad hoc* solutions to these contextual challenges. It also suggests the nexus between home and host country pressures may be a dynamic and contested domain, rather than an end state. Secondly, in locating cultural dynamics within a MNE organizational context, this study juxtaposes the effects of each, and draws conclusions as to their intersection. *Inter alia*, we explored attempts to promote cross-cultural exchange in areas outside of formal regulation, but where, in some instances, informal regulations intruded. In other words, this paper seeks to supplement and extend existing knowledge through a closer evaluation of the role of expatriates and diaspora managers in shaping HR practices of the acquired subsidiaries. It aims to locate HRM strategies within a comparative institutional framework that recognizes the juxtaposition of different cultures. Through an embedded informal nation-specific framework of regulation being contested and amended through the ongoing strategic choices of key actors, useful insights will be gained for (Chinese) MNEs engaged in international expansion (Witt & Redding 2009).

## Conceptual Background

### Institutions and HRM practices adopted by MNEs

The literature on comparative capitalism suggests that national institutional features are significant. It also suggests that formal and informal rules and incentives encouraging firms to adopt sets of HRM practices are present in national cultures. In turn, will afford them real competitive advantages (Hancké, Rhodes & Thatcher, 2007; Wood, Dibben & Ogden, 2014). Up until recently, the literature tended to neglect research involving MNEs. Recent research and practice suggests that, as they straddle institutional domains, MNEs will only become partially embedded in each setting (Morgan, 2012). In the interests of familiarity and efficiency, and to comply with home country regulations, MNEs will, on the one hand, have to adopt at least some features of their home country practices (Meyer, Mudambi & Narula, 2011). On the other hand, MNEs enter new markets due to the specific competitive advantages they confer and will naturally bring new skills, traditions, and knowledge

To benefit from local production regimes, MNEs will have to adopt at least some of the associated HRM policies and practices (Morgan, 2012; Morgan & Kristensen, 2006). This may result in mixed or hybrid models of HRM practices that combine features of both (Brewster *et al.*, 2008; Morgan, 2012; Morgan & Kristensen, 2006). Although formal and informal regulations may be deeply embedded, at the same time, they evolve and adjust according to the choices of key actors (Gooderham *et al.*, 2015; Kelly, 1998; Morgan, 2012; Wilkinson & Wood, 2012). The multinational firm represents an important site of interaction between differing institutional domains (Morgan, 2012). Given the uneven and at times, contradictory pressures posed by home and host countries, creative actors may innovate and develop their own solutions to work issues. These innovations impact back on wider systemic responses to HRM management of an acquired subsidiary (Kelly, 1998; Wilkinson & Wood, 2012). Expatriate managers with extensive experience of living in a country of domicile may



be particularly attuned to competing pressures, and well equipped to devise such solutions. Indeed, this is a practice adopted by many Chinese MNEs (e.g., Cooke, 2012, 2014; Meyer & Xin, 2017; Zhu et al., 2014).

Growing efforts have been made to extend literature on comparative capitalism to encompass China. Key features of Chinese capitalism includes strong regional effects, and an active role played by the state in supporting specific enterprises and sectors (e.g., Lee, 2009, 2018; Cooke, 2014). It also includes areas of partial institutional coverage, affording companies considerable room to adapt HRM policies to suit their immediate organizational needs (Boyer, 2012). Again, formal regulations are improved upon and systemically imposed. The result is that challenges are mitigated through the operation of extended personal networks of support ('*guanxi*') (Bian, 2017; Opper et al., 2017; Huang 2008). We follow on and extend Redding's (2008) interpretation of culture as shared sets of meanings held by social groupings. While its boundaries are demarcated by the institution, boundaries can be redefined by the strategic choices of actors. Managers in Chinese MNEs will both seek to maintain culturally specific patterns of behavior, yet face the behavior being contested and challenged by those occupying the different cultural spheres specific to overseas countries of domicile. In practical terms, *guanxi* networks are unlikely to be extended to foreign staff, bestowing particular importance upon the role played by expatriate Chinese managers in adjusting and accommodating such practices to the host country context. Additionally, the traditional Chinese model of HRM is evolving from administrative and personnel management, but is still quite inefficient compared to western HRM models. Institutional and cultural differences may further exacerbate the need to adjust HR practices according to the host markets' context (e.g. Child & Marinova, 2014).

### ***The Role Played by Chinese Expatriates in the HRM Practices of Chinese MNEs acquired Subsidiaries***

Existing work on Chinese subsidiaries in the UK has found that most Chinese subsidiaries were similar to other UK firms in terms of their management practices. This would embody a process of reverse diffusion, at least in part reflecting the desire to capitalize on more sophisticated forms of HR management vis a vis those typically encountered in China (Zhang & Edwards, 2007; Deng 2012; Zheng 2016). It also would reflect the extent to which those sets of practices are moulded by the culture of the country of origin and is necessarily redefined by the very different sets of formal regulations and informal culturally embedded norms and values in the country of domicile (Witt & Redding 2009).

The role played by expatriates in MNEs' HR practices has been widely studied in the literature (Ahlvik, Smale & Sumelius, 2016; Harzing, 2002). Ahlvik et al. (2016) highlights the importance of such roles: expatriates help parent companies create non-replaceable, valuable, rare, and difficult to imitate human assets in subsidiaries (Barney, 1991; Becker, Huselid, Becker & Huselid, 1998). Most of these studies consider expatriates as people who are relocating from their home countries to subsidiaries for the first time and are likely to experience adjustment challenges, both in terms of culture and in work experiences (Caligiuri, Phillips, Lazarova, Tarique & Burgi, 2001; Cooke, 2014; Jackson, 2014; Xing *et al.*, 2016). Cross-cultural training, which involves, among other aspects, awareness of host country norms and behaviors, is critical for the cross-cultural adjustment of these expatriates (e.g., Caligiuri et al., 2001; Okpara & Kabongo, 2011). Knowledge of the language spoken in the host country further enhances post-transfer assimilation in the work environment of the subsidiary company. In such cases of people leaving their home countries for foreign assignments, the authors argue that parent organizations need to develop programs designed

to ensure that their employees can easily adapt to the rules and conventions of their new working environments in the host countries, and adjust their strategic decision making accordingly (Caligiuri *et al.*, 2001).

Although much of the focus of these works was placed on the expatriates' cross-cultural training and their readjustment in foreign assignments, they ignored the large numbers of returning Chinese students and expatriates who have valuable experiences abroad, especially in developed countries. Some studies have explored the role played by foreign experience in company performance (Carpenter, Pollock & Leary, 2003) and internationalization (Athanassiou & Nigh, 2002; Herrmann & Datta, 2005; Nielsen & Nielsen, 2011). Another stream of research has examined the use of expatriate parent country nationals to staff culturally distant subsidiaries. Research has drawn conclusions on the impact of this strategy on subsidiary performance. Gong (2003) suggests that MNEs depend more heavily on home country nationals as cultural distance increases, and their results support this assertion. This effect might be equally true for those Chinese MNEs establishing operations in developed markets. It should be noted, however, that none of these studies have systematically examined the impact of expatriates with prior foreign context exposure on subsidiary HR practices. Also, much of this research is focused on executive and corporate management positions rather than on middle level or junior employees.

Cultural and institutional differences, and the interplay between the two, may exert greater pressure in streamlining HRM practices. Local and home markets may create challenges for the integration of home country and host country staff (Cooke, 2012). Fan *et al.* (2013) suggest that, as part of their international human resource management policies, Chinese MNEs should seek to build learning organizations, characterized by a greater reliance on host country employees. This is because they are better equipped to navigate the

country of domicile institutional contexts and present a shared language that promotes understanding.

Due to the unique nature of Chinese outward investment having access to state capital (Huang, 2008; Lee, 2018) as well as the unique Chinese cultural factors such as power distance and collectivism, there are further challenges for the integration of Chinese acquired subsidiaries. The alignment and transfer of HRM practices, for instance, within the acquired subsidiaries in host markets is an issue (Cooke, 2012; Cooke & Lin, 2012; Fan *et al.*, 2016). Existing studies in the context of MNEs note that firms facing HRM integration, as well as those related to challenges in host markets, rely on the use of expatriates to act as boundary spanners. These boundary spanners are seen to be those who can facilitate integration in the local context (Hetrick, 2002). Since Chinese MNEs are new to the global stage, these firms may face greater challenges in local integration owing to the liabilities of their country of origin and the effect of coming from an emerging economy (Madhok & Keyhani, 2012). There is relatively limited research that has examined the local integration challenges of Chinese MNEs in developed markets. It has been suggested that Chinese firms use a light touch integration approach in their cross-border acquisitions (Liu & Woywode, 2013). To overcome local integration related challenges in host markets, these firms may use unique integration mechanisms such as boundary spanners to align HR practices and facilitate better local integration. In short, our understanding on the use of boundary spanners as a unique strategy for local integration within the Chinese acquired subsidiaries is limited.

## **Methods**

Given the limited existing research base and an aim being to capture nuances in HRM practices, this study involved semi-structured interviews with senior managers in the selected Chinese' acquired subsidiaries in the UK (Eisenhardt & Graebner, 2007; Eisenhardt, 1989). In

recent years, the UK has emerged as one of the key recipients of inward Chinese investment. A theoretical sampling strategy was adopted. Companies were identified through the China UK Business Association, the China Chamber of Commerce in the UK, and the Chinese Embassy in London. Through this approach, we identified a potential list of 12 Chinese firms that had undertaken Foreign Direct Investment (FDI) in the UK. We selected only those firms that had been operating in the UK for at least 5-7 years. This was because it would help us develop a fuller picture of their experiences of changes in HRM policies and practices, and how they were implemented and embedded within their UK subsidiaries. We mainly focused on state owned enterprises (SOEs) with 50% or more parent firm ownership. State capital has been vital behind the outward investment of Chinese firms (c.f. Cook, 2014; Lee, 2018). In addition, our focus on SOEs was due to the scale of their investments in the UK since these are by far the major firms which have acquired some key enterprises in the UK. Our sample encompassed a cross section of sectors, including manufacturing, financial services, mining and metals and consultancy. We conducted exploratory qualitative interviews with the key managers of 7 firms during November 2015 and in April and May 2016. The interview format used for these interviews was kept flexible, and is provided in Appendix A. As the interviews progressed, additional probing questions were also asked in order to get a deeper understanding of the transfer of home-oriented HRM practices to the acquired subsidiaries and the extent to which these were adapted to the local context.

In total, we conducted 20 interviews with CEOs and directors of HR, R&D Directors, Operations Managers, and Marketing and Sales Managers. We sought to gain an in-depth understanding of the HRM practices implemented by the acquirers, of the opinions of the managers on the working environments, and of whether managers felt any differences in terms of working for Chinese acquired companies versus UK companies. Since we wanted to explore HRM practices in state owned Chinese acquired subsidiaries (a homogenous

population) our sample and number of interviews conducted broadly confirms the guidelines suggested by scholars for qualitative studies to be between 5 and 25 interviews depending on the nature of the topic (e.g., Brinkmann & Kvale, 2015; Saunders, 2012). In addition, Kuzel (1992) notes that in case of a homogeneous population then 6 to 8 participants are sufficient; however, 12-20 participants are normally required in the case of a heterogeneous population (Saunders & Townsend, 2016). Given the nature of the topic, furthermore, it was unlikely that recruitment of additional participants would have resulted in new findings emerging from the data thus theoretical saturation was reached (Bowen, 2008). The data was collected in two stages.

In the first stage, we conducted three interviews with two companies and these interviews were used to refine our questions. In the second stage, we conducted 17 interviews. We also consulted several secondary sources; for example, news reports on Chinese investment in the UK and, for triangulation purposes (Ghauri, 2004; Sinkovics, Penz & Ghauri, 2008), company internal documents and websites. The interviews were recorded and during these interviews notes were taken. We followed standard procedures for qualitative data analysis (Eisenhardt & Graebner, 2007; Miles & Huberman, 1994; Sinkovics, Penz & Ghauri, 2005). We first transcribed interviews and followed these with a set of initial questions. Considerations were taken into account by the parent company in the transfer of HRM practices and parent-subsidiary relations, and the influence of these on the transfer. Through this step, we enabled the theory and findings to emerge from the data. We also identified the conditions, the organizational practices, and the role played by those home and host country employees who facilitate the transfer of HRM practices and their standardization and adaptation in the host market. This process led to the development of a set of narratives that were subsequently coded into categories and themes such as institutional challenges, expatriates integration, varieties of approaches to people management, authority and line

management, boundary spanners and HR practices. The emerging list of categories and themes was further refined by deleting certain categories and combining others to form a chain of links. During the entire data analysis process, we constantly engaged with the emerging themes and the literature in order to establish theoretical connections (Gioia et al., 2013). Table 1 provides background information about the sample.

[Insert table 1 about here]

## **Findings**

### ***Cultural and institutional challenges for post acquisition alignment***

A common and quite predictable theme in the data was of serious challenges to post - acquisition HRM practices. Efforts to resolve these challenges typically involved the promotion of team building or organized after work activities. A primary focus, in other words, was on raising cross cultural dialogue and understanding, both to make for more realistic and appropriate strategic decision making as well as to enable a more effective navigation of broader institutional realities. Typically, such interventions are both quite structured and focused. One of the deputy directors of R&D, as an expatriate of a manufacturing subsidiary noted:

We do team building activities, For example have a dinner or off-site hiking or something, to make different group members feel part of the team. [Deputy Director R&D, expatriate- Case firm 2]

The top down implementation of such measures seems to have only limited effects on how Chinese and UK managers interact with each other and frontline staff. These seem to have been partly due to the greater power distance of cultural norms between China and the UK.

As one President stated:

I think the most important difference really I have noticed is about the relationships between UK managers and employees and Chinese managers and employees as well. I think that is just the basic cultural differences. In the UK you don't have respect for your manager immediately just because he is your manager, it doesn't work like that. It doesn't matter what the job title is he still

stands in the back of the queue. He still has to wait his turn and he still gets given the same amount of respect. When he is speaking in a meeting he still gets the same amount of time that he is able to speak for and things like that, so quite different with the Chinese culture. That is something that we have all had to get used to. We are all involved with our Chinese parent company, so that can be quite different. [President, host country national- Case firm 2]

The managers also pointed out how the value of respect and saving face were important issues, and that they had come to realize the parameters of socially acceptable behavior in dealing with Chinese expatriates and managers. It was recognized that respect and saving face are important aspects of Asian culture. In Britain's lightly regulated labor market, managerial careers are often defined through intra-organizational mobility, making the need to invest in organization specific social capital less important than more regulated settings (Wood et al., 2014). In contrast, within Chinese firms, uneven and fluid institutional coverage vests informal culturally embedded rules of behavior with particular importance, imparting a greater predictability to social interactions than would otherwise be the case. Although cultural distinctions such as those around face, and relative formality, have been laid down over generations, they cannot be divorced from socio-economic purposes they serve within specific national contexts and how they accentuate, or compensate for, institutional features. When different societal cultures are juxtaposed in an organizational context, relative accommodations will be tentative and imperfect. As a British HR Director observed:

Sometimes I think mistakes are made in not showing enough respect to the Chinese managers because, in the UK, we are used to behaving the way that we do. Sometimes, we make a few mistakes. I think that, luckily, our Chinese parent company forgives us for these mistakes and they know it is embedded in our culture to be like that. I think that is probably the most important and biggest difference that I have noticed immediately. [Director HR- Case firm 1]

Such tensions were particularly pronounced when it came to specific dimensions of HR practice. Even if managerial decisions were within the law, they sometimes violated unwritten regulations and/or cultural norms, highlighting the extent to which the effects of



formal institutional arrangements can be mediated by informal practices. As one British HR manager noted:

If we have Chinese managers and they are managing their employees, they will manage them very differently from a UK manager. Sometimes, Chinese managers will make mistakes in the UK in the way they managed. They are managing that person in the same way they would always manage their people in China. But now, when we move those managers out of China and put them in the UK, actually, the way they behave and the way they manage is probably not as acceptable in the UK. [HR manager- Case firm 2]

We found that the style adopted by the Chinese managers in their acquired subsidiaries was occasionally perceived as quite aggressive and authoritarian. This could have negative consequences on staff motivation and be perceived as demonstrating a lack of respect towards employees. Although the formal regulation of labor in Britain is limited and eroding, there has been a counter-move to the strengthening of individual rights both under the law and in terms of informal conventions (Harcourt & Wood, 2007), making such behavior particularly problematic. In other words, this not only highlights clashes of culture (Chen & Miller, 2010; Lyles, Li, & Yan, 2014), but the interface of culture with institutional matters.

The managers also pointed out that, sometimes, asking Chinese managers to adopt a different style—one that is acceptable in the UK—can be a quite difficult process that may result in resentment. For example, one HR Director of a manufacturing subsidiary described this in the following way:

It is difficult because then I have to speak to the Chinese managers and explain to them that what they have done is not acceptable. That is a difficult conversation to have. It is a very difficult conversation to have. They are behaving in exactly the same way in which millions of Chinese managers behave very successfully in China and they have got a successful economy. When I pull them up on their behavior, they think, “It works perfectly well in China, why do I have to behave like this in the UK? [Director HR- Case firm 1]

In other words, Chinese managers indicated unease in being asked to abandon modes of behavior that seemed effective at home. Interestingly, the need to save face of expatriate managers seemed to sometimes to coincide with instances of rudeness to subordinates. This

may highlight the complex relationship between culture and power dynamics, and the extent to which embedded norms of behavior are reinterpreted in line with prevailing power relations. It also provides clues about the relative extent to which each side interprets the context specific parameters of behavior. Given this, quite durable boundaries were encountered between Chinese, local managers and frontline staff. Based on these findings, we propose the following:

### **Proposition 1**

*Cultural and institutional differences present significant challenges in implementation of standardized/localized HRM practices during the post-acquisition stage.*

### ***Integration of Chinese expatriates and subsidiaries' integration-related socialization strategies***

Our findings indicate that acquired subsidiaries faced significant challenges when it comes to the integration of Chinese expatriates. These challenges clearly arise due to cultural differences. The subsidiaries implemented several innovative socialization strategies aimed at assisting expatriates to integrate better with the acquired firms.

One of the British interviewees mentioned:

One of the things as well is that we have a lot of Chinese employees here and it is natural that they huddle together. With the fact that they speak together in Chinese and work together in Chinese, their language skills do not always get better after living here, but also they are not getting used to the UK culture quite as much. [President- Case firm 3]

This quote suggests that integrating parent company staff into acquired subsidiaries can be the biggest challenge for staff and company. The interviews also revealed creative socialization strategies (*such as the provision of Chinese food in dining rooms, table tennis tables and organizing Chinese cultural events*) adopted by the subsidiaries to mitigate such integration-related issues and enhance coordination were effective. One British manager of a manufacturing subsidiary indicated:

We have thought about how to stop people speaking Chinese during the day to get more interaction within meetings as well. Very often, when we include our Chinese colleagues in meetings, they will come, but they will not talk, they will not share ideas, etc. They will go away and come back with a fantastic piece of work, but they haven't participated in those meetings. That can be quite difficult sometimes. [Operations manager- Case firm 3]

Our interviewees discussed the strategies the acquired companies were adopting to improve social interaction and integration between the parent and subsidiaries' employees. A British manager of a manufacturing subsidiary said:

[...] For example, our food in the canteen is English, but we have 35 Chinese employees, so why aren't we serving Chinese food? Grace [an ethnic Chinese who is UK educated and living in the UK] has been doing lots of work to try and improve our Chinese menu because our Chinese employees will go home at lunchtime and cook their own food because the food in the canteen is not acceptable to them. This doesn't help integration because they go home to eat, so they don't sit in the communal canteen. We are doing more to try and do some Chinese food to try and encourage people to stay during lunchtime; so, again, we have got more integration. [HR Director- Case firm 1]

Given subsidiary staff expect Chinese managers to make major adjustments in style, in at least one instance, host country managers contrived modes of social exchange where the expatriates were given a chance to excel on their own terms:

We are putting a table-tennis table in the canteen, little things to try and encourage, because we know our Chinese colleagues will be able to beat us well at table tennis. This will be something they enjoy and something in which they can shine, something they can be really good at and they can teach us. We want to have a UK team and a Chinese team to get more integration. They are little things that make a big difference. [Director R&D- Case firm 3]

In other words, efforts were made to carve out a space where cultural differences were unthreatening as well as areas outside of formal regulatory spaces, where clashes between competing modes of regulation were less likely. The findings further point out that some of the acquired subsidiaries were implementing other practices to facilitate parent-subsidiary employee integration in spheres not subject to formal or informal regulation. An interviewee stated:

We have got Chinese New Year coming up. We have got an idea that we are all going to be making dumplings in the canteen and cooking them together. We are going to get the UK people and, hopefully, the Chinese people will teach them how to make dumplings. We will all make them, then we will all sit together, and we will eat them. Every year, we do a Christmas dinner; so, every year, we give turkey to our Chinese colleagues and, every year, they think, “What is this?” [HR Director- Case firm 1]

Similar parent-firm staff adjustment strategies were mentioned by other subsidiaries. One such comment was made:

We need to do more for our Chinese colleagues. They have their festivals, we don't celebrate them, and we don't acknowledge them either. We make a big deal of Easter and Christmas, but why don't we do more? Again, there are lots of little things like this that we are trying to do to help the integration so that everybody feels more confident in each other's company, which means that the trust and the relationships will come. [President- Case firm 2]

These quotes illustrate several of the integration-related informal socialization strategies that were being implemented to improve parent-firms employee integration within the acquired subsidiaries. These appear to be central to the company's success. A failure to secure this integration may lead to challenges, including unnecessarily high turnovers, as well as lower morale and productivity.

We encountered important differences in attitudes towards socializing and its impact on integration. British managers of the acquired subsidiaries pointed out that, most of the time, expatriates Chinese working in acquired subsidiaries want to join in some mutually beneficial activities with the local employees. Nevertheless, there are different work-life balance perceptions between the parent and subsidiaries staff. One of the HR managers of a manufacturing subsidiary said:

They often want to do activities together, while the English people just want to go home and have dinner with their families. I think that maybe the Chinese people think, “Why don't they want to spend time with me?” The UK people just want to go home and have dinner with their families so, again, it is quite different. That is quite a balancing act as well to make sure everybody is happy with that. [British HR manager- Case firm 3]

Similar views were shared by other subsidiary managers and the cultural differences were again highlighted. For instance, one acquired manufacturing subsidiary CEO said:

In the UK culture we will say to people, “Will you come for dinner with us after work?” They say, “I’ve got commitments, I need to see the children, I need to see my wife, I need to go home and have dinner and I can’t really afford the time to go”. Whereas, if you say to a Chinese person, “Would you like to come to dinner?” “Yes, absolutely.” No question. They will rearrange everything and they will be there, UK people not so much. I think the Chinese think the UK people lack commitment outside of work. It is very different; the work/life balance is very different [CEO- Case firm 1].

These findings suggest that different views as to work-life balance can place stress on interactions during working hours, which, in turn, impact on the integration of acquired subsidiaries into the parent companies. To a large extent, this reflects the informal context specific regulations, surrounding the demands the employer might make on leisure time. These findings lead to the following proposition:

**Proposition 2**

*The deployment of creative expatriates-oriented socialization strategies enable the integration and adjustment of expatriates within the acquired company.*

***Variations in Approaches to People Management***

The results suggest clear variations in approaches to people management. One of the UK-based managers in a subsidiary indicated the importance of job design, especially in the case of jobs earmarked for expatriates. The manager mentioned that, in the Chinese context, the title of the job was very important, and it needed to indicate higher knowledge and social standing. For example, the senior managers in the Chinese parent companies had almost paternalistic positions in their organizations, and were expected to have similar ones in the subsidiaries. During the interviews, an expatriate manager of a consultancy company mentioned that:

Our Western employees are concerned about pay packages and holiday entitlements but, when we design jobs for parent company employees, the job title becomes very important. Words like ‘Senior Manager’ or ‘Head of something’ or ‘Chief something’ become very important. [Expatriate Manager-Case firm 7]

Although it might seem that this is a reflection of cultural differences, it may also reflect external labor market realities. In liberal market institutional frameworks, such as in the UK, there is a high degree of job mobility, with arms-length contracting. Individuals focus on developing external labor market skills. In other words, the mutual commitment between the individual and the firm is generally lower, encouraged by both weak security of tenure and generically orientated educational systems (Hall and Soskice 2001). When individuals are, for better or worse, more committed to a single employer, then firm specific title and status becomes more important.

The data indicates that all of the acquired subsidiaries had performance management systems in place and they implemented annual and interim six month performance development reviews. The findings suggest that staff members were divided into different categories on the basis of these performance reviews. One of the British HR managers of an acquired manufacturing subsidiary noted:

What we do is we have annual PDRs [performance development reviews] and we have an interim one as well. Every six months, we sit down with every single member of staff, we talk to them about their development and we set goals for them over the next six months. Six months later, we make sure that we sit down and we talk about that. We also rate each employee’s performance and potential, so we look at that. We box them up into low performance, low potential, high potential and high performance. It is quite a standard HRM practice. [HR manager- Case firm 2]

Such responses suggest that the acquired subsidiaries are following the host country HR practices and have not adopted many from their parent firms. This could also be due to the very much more limited nature of the HR systems typically encountered in China, and the

need to adhere to formal regulation where they are living and working. Similar views were shared by Chinese expatriates as well:

We look at that and we identify from it our future talent and the people who are showing potential, or just the high performing ones who need to stay as they are. We probably have about 10% of our workforce that we would identify as high talent. With those people, we make sure we invest more time and money in them to make sure we realize their potential as much as possible. Through that, some people drop off along the way and, through that, we also identify more people that we can put into that special group. [Expatriate Manager- Case firm 7]

The data suggests that there had not been any transfer of HRM practices in relation to performance management systems from China to the acquired subsidiaries, which were using pre-acquisition systems. One of the Presidents of an acquired manufacturing subsidiary mentioned:

We haven't had anything that has come from [the parent company]. Certainly in the past I think they would have liked us to have been stronger on the performance management of people but, again, in the UK and China it is very different. In the UK, the standard wage is exactly the same every month and your performance is managed by your manager. In China if your performance is not good against targets your wages go down and that is a way of managing people that is viewed as being better. [President- Case firm 2]

Again, this would reflect variations in regulation: although, as noted above, the UK labor market is lightly regulated, it is much more difficult to revise pay downwards in the UK than in China.

The findings further highlight the important differences pertaining to HR systems and practices. An issue of particular interest is how Chinese overseas acquired subsidiaries align their HR practices with those of their parent companies. On the one hand, once more, we found that specific employment laws forced considerable localization. The British HR manager of a manufacturing subsidiary stated this as follows:

As you know, in the UK, we are governed by UK employment law. We have a set structure and a set of laws that we must adhere to. We obviously value our culture and the way that we behave and we think that our management structure is right et cetera. But we know that our Chinese colleagues work slightly differently.

When we talk about Chinese working practices, we haven't adopted any really from our Chinese parent company. [HR Manager- Case firm 2]

On the other hand, managers report that they were still able to fine-tune the work practices implemented in the subsidiaries to better align them with the needs of their parent firms. This was explained by an HR director of a manufacturing subsidiary as follows:

However, we have smoothed the edges of our own practices to make them more acceptable to our Chinese colleagues. They are still, in essence, the same, but we have tried to make them easier to understand and tried to smooth the edges a little bit to help our Chinese colleagues. I can't honestly say that we have adapted anything with regards to HRM practices. [HR Director- Case firm 1]

These findings suggest that, to enhance coordination and improve relations between expatriates and locals, the subsidiaries are adjusting and flexibly aligning their practices—and how they are described—so that they make more sense to Chinese employees and managers. The findings suggest also that, in relation to dealing with trade unions, the acquired subsidiaries had retained and maintained standard practices that were in place at the time of acquisition. We found that the acquired subsidiaries had not adopted any new industrial relations practices and that the parent firms had similarly not imposed any major new rules and practices pertaining to such matters, even if expatriate managers were not convinced of the work of the status quo. The latter would suggest that a lack of change was not the result of clearly beneficial institutional complementarities, but rather because of a perceived (whether mistaken or not) inability to depart from existing practices. At the same time, some adjustments had been made. One of the HR managers said:

But, again, we might have faced issues with [the unions] had our parent company imposed ways of working on us, but they haven't. We have still got our ways of working. Yes, we have improved and, yes, we have tweaked them to suit our Chinese parent company. But we haven't got rid of one rule book and got a new set of rules, it hasn't worked like that. [HR Manager- Case firm 2]

Chinese managers interviewed often appeared skeptical of UK practices. This does not mean that they desired to roll out more sophisticated HR practices that they were familiar with,



rather their discomfort stemmed from the view that the UK system constrained managerial authority. One of the Director Sales and Marketing, an expatriate of a manufacturing subsidiary stated this in a following manner:

For that [US] market, and also for the European markets here, I wanted to introduce the performance based reward system, so excellent people get the reward, not good have to go back home. I faced a little resistance in implementing this practice within the subsidiary and such a practice is very common in China [Director Sales & Marketing, Expatriate- Case firm 1].

This finding differs from that of Edwards and Zheng (2007) who suggested adaption to fit local realities was associated with reverse diffusion, and a desire of Chinese managers to learn from, and adopt, more sophisticated ways of managing people from abroad. These findings suggest the following proposition:

**Proposition 3**

*Cultural and institutional differences will lead to the localization of HRM practices in acquired company which conform to local context and adjusting non-critical HR practices to facilitate alignment with the parent firm.*

***The role of Boundary Spanners***

As with many MNEs, to promote better internal coordination, Chinese subsidiaries not only made extensive usage of parent country expatriates, but also, chose, in some instances, boundary spanners. The latter represented ethnic Chinese employees who were either UK educated or who have lived for an extensive period of time in the UK. Such boundary spanners were hired by the acquired subsidiaries to help facilitate alignment and to design and implement HR practices better suited to the parent organization and its employees. They helped both parent and subsidiary managers to decide on which HR practices to standardize or adapt, and which to implement. One British manager in the financial services subsidiary

noted that these boundary spanners were helpful in adding Chinese characteristics to British HR practices:

In the UK, everything is very professional and one-dimensional in terms of job design and description. But, in Chinese companies, jobs need to be well integrated with the other layers of the organization. Both the people on top and those lower down in management need to understand and relate to your role. Hence, we have people like Jim [a Chinese born British national], who speaks two languages and understand two cultures, who tell us how to implement and design the jobs and roles to be filled by parent employees. [HR Manager- Case firm 5]

Similar views were shared by other subsidiaries. An operations manager of a mining subsidiary highlighted the role played by boundary spanners in helping design/adapt HR practices.

We in the subsidiary need to work with our parent company to decide on whether to keep our old HRM practices or bring in the parent company's ones. Tang [UK educated ethnic Chinese] has experience of UK management style and also understands Chinese business, and has helped us decide on which HR practices to keep and which to adapt to Chinese practices. [Operations Manager- Case firm 6]

Parent company employee adjustment in acquired subsidiaries was noted to be one of the major challenges. Boundary spanners were effectively being utilized to facilitate parent company employee integration into acquired subsidiaries. The hiring of boundary spanners was noted as one of the deliberate strategies utilized by the acquired subsidiaries to smooth the alignment process. An HR director of a manufacturing subsidiary noted the deliberate use of this strategy in the following way:

Yes, absolutely [hiring Grace as a bridge had been a deliberate decision]. As I say, the main problem is that, when we ask if they [the Chinese employees] are happy, they just say, "Yes." You could give them something horrible and be horrible to them and, if you would say, "Are you happy?" They would say, "Yes." [HR Director- Case firm 1].

One President of an acquired subsidiaries' reported:

I don't think there's any alternative than having these key people who can understand both cultures because a misunderstanding can carry on for years. You know, this 'no reply means no', all right we got to the bottom of that but we may

not have done. It could have carried on for years. Every time we ask for something we don't get a reply, we don't realize that means no until – so somebody needs – we need someone who really understands both cultures and both languages and those people are worth their weight in gold I'd say. [President- Case firm 3]

The role played by boundary spanners has been highlighted in the context of knowledge transfer and innovation. This study provides some insights into the role and potential in staff integration and in that of promoting staff wellbeing in acquired subsidiaries (c.f. Khan, Lew & Sinkovics, 2015; Levina & Vaast, 2005; Zhao & Anand, 2013). Based on these findings, we suggest the following proposition:

**Proposition 4**

*The boundary spanners act as a bridge between the parent and subsidiary staff and management which in turn enable the alignment of HRM practices and adjustments of expatriates.*

**Discussion, Implications, and Conclusions**

In exploring HR challenges in Chinese subsidiaries, we encountered dynamic and ongoing tensions between home and host countries. There was no firm resolution or preference towards one end of or this spectrum or the other. Not only was there a requirement to adopt certain legal practices (for example, in dealing with trade unions and complying with minimum wage legislation), but because subsidiaries found that a radical departure would be too disruptive.

However, it also makes internal relations within the firm more difficult. Ties between the sample Chinese managers and their local employees tended to be relatively 'thin' and transactional. Although UK employees work among the longest hours in Europe (Bonney, 2005), our findings revealed that their desire to preserve some work-life balance nonetheless led to tensions. This may suggest that, in more coordinated markets, the post acquisition

challenges faced by Chinese MNEs would likely be even more daunting. Although this may reflect local norms and culture, it may also reflect the extent to which expatriate workers, who have few close family ties, can devote more time than their local counterparts to out of office socialization and to networking with colleagues. It is not clear whether organized integration strategies centering around company-organized social events would mitigate such divisions, although the track record of such initiatives in the UK is rather mixed (Knights & McCabe, 2003).

Again, although the UK has rather high levels of economic inequality, and a greater degree of wage dispersion than most continental European countries (Goos, Manning & Salomons, 2009), this study revealed the persistence of a basic degree of workplace egalitarianism that sat poorly with the more hierarchical—and authoritarian—Chinese parent company environment. This was a source of further tension. Indeed, although Western-educated Chinese staff played a vital role as boundary spanners in promoting better communication, it seemed that, more than promoting awareness of Chinese managerial practices, their role involved making the UK environment more comprehensible to Chinese expatriates.

At a theoretical level, this study highlights the extent to which competing home and host country pressures may not be reconciled in a manner that would lead to closure and stability around a hybrid model. Rather, these tensions may be dynamic, with strongly embedded local norms and practices being constantly tested in areas of practice that are not legally prescribed, with key actors playing a central role in mediating at times contradictory pressures. The solutions arrived at tended to be ad hoc fixes, rather than embeddable sets of practices that might have had the potential to diffuse across a system.

This study highlighted the extent to which institutional effects themselves rarely operate in a mechanistic manner. It also highlights how, in contexts marked by institutional

dynamism and uneven coupling, such as that of China, personal networks and ties play an important role in compensating for and mitigating formal regulatory pressures. Although extending and drawing upon these networks abroad may facilitate expatriate and diaspora Chinese managers in maintaining internal organizational coherence and communication, it may also exacerbate any deep divisions between them and local staff members. Again, this would highlight the centrality of informal rules and norms in reinforcing distinct national trajectories of practice. In comparing institutional effects, there has been a tendency to focus on formal structures and rules (La Porta et al., 2000), when in reality, unwritten regulations can exert an equal or greater effect (Estrin & Prevezer 2011; Wood et al., 2014). The preservation of existing ways of doing things enables continuity, predictability, and the husbanding of existing competitive advantages.

Secondly, this study provides further insights into the nexus between formal institutions and culture. As noted above, comparative cultural accounts tend to accord only limited attention to formal institutional arrangements and associated modes of economic coordination, while comparative institutional accounts often see culture as simply another institution (Redding 2008; Brewster et al. 2008). The study revealed that both cultural and institutional effects moulded the nature of localization of practices: culture is supported and redefined by formal institutional arrangements, whilst cultural norms and values will contest and impact back on formal regulation (Redding 2008). Whilst some of the HR practices encountered were largely determined by formal regulation, for example, relations with unions and relative wage flexibility, other practices appeared to represent the effects on each. The greater importance attached to titles and status amongst Chinese managers might seem to be largely a cultural effect, but it could also reflect the country of origin labor market practices and informal regulations. This makes for a higher degree of organizational commitment amongst managers. If managers primarily frame their careers around the external labor

market then formal hierarchical relations within the firm matter less than how much wages can be bid upwards through the threat of, or actual, job mobility. Again, given that institutional arrangements directly or indirectly impact on practices, and the strategic choices of actors in many areas, both Chinese and local managers actively sought out spaces to promote cross cultural dialogue in neutral areas outside of formal regulation. This would include catering and celebrations. At the same time, efforts to promote a shared language of understanding ran into difficulties, for example, with regard to the informal regulation of work related time. UK managers appeared to see after hours socializing as a form of *de facto* overtime, while for Chinese expatriate managers, this represented an important opportunity to extend the space for dialogue. On the one hand, as the Chinese expatriate managers typically did not have the families with them, after hours socializing was much easier. On the other hand, the central role of after-hours socializing in the Chinese business environment has been widely recognized, and, indeed, one of the difficulties experienced by expatriate Western managers in China in coming to terms with such practices (Hutchings & Murray 2002).

Secondly, while there are many ways in which UK employment regulations may be circumvented—for example, by using agency workers or by outsourcing to ‘independent contractors’—we found no evidence of this taking place in the context under review. It reflects the tension between formal and informal regulation. Although it is often assumed that the two supplement each other, in the UK, informal ways of doing things often emerge and are replicated as a way of bypassing formal legal restraints. It seems that outsiders from a very different context appear reluctant to abandon formalities or step away from formal systems. Although incoming Chinese managers may challenge existing norms in some areas, they appear to be unwilling to depart from formalities even when viable alternatives exist. This may highlight the extent to which newcomers tend to conform with, rather than

undermine, existing institutional practices. This result echoes recent comparative HRM research which suggests that local companies are more likely to be entrepreneurial than foreign MNEs (Brewster *et al.*, 2016). This conformity may both reflect a lack of experience and knowledge in circumventing formal rules or that the competitive advantages for which companies engage in acquisitions may mitigate some of the perceived costs of doing business in the new country of domicile. It also may reflect imperfect knowledge of potential mechanisms for circumnavigating local institutional arrangements, and this would place foreign actors at a relative disadvantage vis-à-vis indigenous one.

In practice, this study highlights the challenges linked to securing internal HR alignment across national boundaries, This is especially important if attempted in a top-down fashion. Although the development of new channels of communication—and the mediating role of staff with work experience in both institutional domains—is of vital importance, these are unlikely to be uniformly effective, working better in one direction than the other. This may amplify any internal imbalances in authority and knowledge. Whilst an extensive body of existing work confirms the importance of HRM practices being tailored to local conditions (Zhu *et al.*, 2014), our study highlights how expatriate managers impact on management practices, and devise solutions that provide ‘soft’ and informal solutions to ongoing challenges. They can also supplement or compensate for – rather than changing - organizational policies. Again, whilst expatriate Chinese managers sometimes indicated discomfort with UK regulations and associated practices, this did not appear because they were familiar with better models in their country of origin (c.f. Zhang and Edwards 2007) rather it was because saw policies as constraining managerial action.

A core concern of this study is the intersection and coexistence of sets of practices determined by both institutional arrangements and via culture. Although the two are sometimes treated as either distinct or interchangeable, the study highlights how the strategic

choices of individuals reflect both shared and competing bases of understanding, and formal and informal regulatory variations (c.f. Witt and Redding 2008). What the study reveals were efforts to advance integration between home and host country managers by promoting dialogue in safe spaces outside of formal regulation. At the same time, these efforts made only limited headway, most notably owing to competing informal regulatory arrangements governing after hours socialization. To the Chinese managers, this was seen as an integral part of the working day, and to British managers, overly intrusive on their leisure time. This would highlight the intermeshed nature of institutionally embedded informal and formal regulation, and culture, and also the extent to which the one impacts on and circumscribes the other. Culture defines the relative acceptability of key strategic choices and actions, whereas the scale and scope of the latter is institutionally defined (Witt & Redding 2009).

The study provides insights on not only the role of diaspora managers in Chinese MNEs, but also the role of boundary spanning Chinese nationals who have lived or studied in the UK for some years. Future studies could develop further comparative analysis of the latter group. A further area of enquiry could be to examine whether Chinese MNEs' HRM practices are similar to those adopted by the other MNEs from emerging markets, such as India or Russia. Again, we have not fully expanded on the impact on HRM practices on language barriers between parent and subsidiary companies. Is it possible that such barriers could drive HRM practices? For example, would we observe similar HRM practices between parent and subsidiary companies of countries of similar language backgrounds? For instance, would a similarity be found if Mexican companies expand into Spain? Future studies could also explore how such barriers impact decision-making processes regarding the implementation of HRM practices in subsidiaries. Our study is not a longitudinal one. Once more, future work could examine the evolution over an extended period and follow the acquisition of HRM practices within Chinese parent and subsidiary companies. Future studies



could also compare the HRM practices of Chinese state-owned and private-owned acquired subsidiaries. Finally, future studies could examine both headquarters and the acquired subsidiary level factors and how these influence the HRM practices adopted by the acquired subsidiary.

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**Table 1 - Sample details**

<b>Case Firms</b>	<b>Industry</b>	<b>No of employees</b>	<b>Number of interviews</b>	<b>Interviewees profile</b>	<b>Parent firm ownership (%)</b>	<b>Ownership Status</b>
1	Manufacturing	475	5	CEO, Director HR, Director Sales & Marketing (expatriate), Director R&D	78	SOE*
2	Manufacturing	600	3	President, HR Manager, Deputy Director R&D (expatriate)	75	SOE
3	Manufacturing	725	4	President, Operations Manager, Director R&D, HR Manager	88	SOE
4	Financial services	132	2	Operations Manager, Sales Manager	100	SOE
5	Financial services	918	2	Client Service Manager, HR Manager	60	SOE
6	Mining	140	2	Operations Manager (expatriate), HR Manager	100	SOE
7	Consultancy	2230	2	Expatriate Manager, Manager Communications	92	SOE

Note: \* state owned enterprise



## **Appendix A: Interview Guide**

1. Could you tell us about the investment motives?
2. Did your company keep the HRM practices in the UK similar to what you have in your home market?
3. Does your company have global HR practices?
4. How easy was it to shift the home based HR practices to your host market?
5. Did your company face any pressure from the host country labor union/employees /laws to adopt or standardize your HR practices?
6. Did your company adopt HRM practices to overcome criticism in the media and develop legitimacy in your host market?
7. Did you adopt the HRM practices in your host market as part of your company strategy?
8. Does your company have to create a new HRM department in your host market and hire additional professional HR staff to adjust your HR practices in the host market?
9. Did your company change the HRM practices in the host market due to its awareness?
10. If your company did not engage in the localization of HR practices, what according to you were the main reasons for this?
11. How important have been the HRM practices for your company to establish host market legitimacy?
12. What was the impact of your home country employment laws on your HRM practices in the UK?
13. Did your company face any pressure from your home government to alter or standardize your HRM practices in the UK?
14. How do you evaluate your employees?
15. Tell us about the compensation practices that your company have followed following its acquisition.
16. What sort of strategies and practices the company have used to adjust expatriates?
17. Since acquisition has the company faced any staffing related issues?
18. How important have been the HRM practices for your company to establish home market legitimacy for foreign investments?
19. How about the industry conditions or what was the role of reputation in the decision to adopt or standardize your practices?